

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Bursa Securities has not perused the contents of this Circular in relation to the Proposed Exemption (as defined herein).

The Securities Commission Malaysia ("**SC**") has given its notification that it had no further comments to the contents of the Independent Advice Letter ("**IAL**") and such notification shall not be taken to suggest that the SC agrees with the recommendations of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the IAL. The SC is not responsible for the contents of this Circular, does not represent that this Circular is accurate or complete and disclaims any liability for any loss arising from, or due to, your reliance on this Circular.

BUILDING VALUE IN EVERY WAY



**NAIM HOLDINGS BERHAD**

(Company No. 585467-M)

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-**

**PART A**

- (I) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 355,416,000 NEW ORDINARY SHARES IN NAIM HOLDINGS BERHAD ("NAIM") ("RIGHTS SHARES") AT THE ISSUE PRICE OF RM0.45 PER RIGHTS SHARE, ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN NAIM ("NAIM SHARES" OR "SHARES") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE"); AND**
- (II) **PROPOSED EXEMPTION UNDER PARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS TO DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI ("DATUK AMAR"), DATUK HASMI BIN HASNAN ("DATUK HASMI") AND PERSONS ACTING IN CONCERT WITH THEM ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY OFFER FOR THE REMAINING NAIM SHARES NOT ALREADY OWNED BY THEM ARISING FROM THE SUBSCRIPTION BY DATUK AMAR, DATUK HASMI AND THEIR PACS FOR THE RIGHTS SHARES PURSUANT TO THE UNDERTAKINGS (AS DEFINED HEREIN) ("PROPOSED EXEMPTION")**

**PART B**

**INDEPENDENT ADVICE LETTER FROM INTER-PACIFIC SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF NAIM IN RELATION TO THE PROPOSED EXEMPTION**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser for Part A*



**AmInvestment Bank**

**AmInvestment Bank Berhad**

(Company No. 23742-V)

(A Participating Organisation of Bursa  
Malaysia Securities Berhad)

*Independent Adviser for Part B*

**INTER-PACIFIC**

SECURITIES SDN. BHD.

(127384-U)  
A Participating Organisation of Bursa Malaysia Securities Berhad  
A Trading Participant of Bursa Malaysia Derivatives Berhad

**Inter-Pacific Securities Sdn Bhd**

(Company No. 13738-U)

(A Participating Organisation of Bursa  
Malaysia Securities Berhad)

The Notice convening the Extraordinary General Meeting ("**EGM**") of the Company to be held at Ranschang Ballroom, Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak, Malaysia on Tuesday, 13 November 2018 at 11:00 a.m. or any adjournment thereof, for the purpose of considering the above proposals, together with the Form of Proxy are enclosed in this Circular.

The Form of Proxy should be completed and deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time and date fixed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude a shareholder from attending and voting in person at the EGM should the shareholder subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 11 November 2018 at 11:00 a.m.

Date and time of the EGM : Tuesday, 13 November 2018 at 11:00 a.m.

This Circular is dated 29 October 2018

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## DEFINITIONS

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<b>Abd Jalal</b>	:	Abd Jalal Bin Abd Rahim
<b>Act</b>	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
<b>Additional Undertaking</b>	:	The irrevocable and unconditional undertakings provided by the Undertaking Shareholders, to subscribe for up to 79,979,247 Rights Shares not taken up by other Entitled Shareholders and/or their renouncee(s) by way of excess applications, to the extent that the aggregate subscription of Rights Shares under the Proposed Rights Issue received by the Company is not less than the Minimum Subscription Level
<b>AmInvestment Bank</b>	:	AmInvestment Bank Berhad (Company No. 23742-V)
<b>Board</b>	:	Board of directors of Naim
<b>Bursa Depository</b>	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
<b>Circular</b>	:	This circular dated 29 October 2018 in relation to the Proposals
<b>Datuk Amar</b>	:	Datuk Amar Abdul Hamed Bin Haji Sepawi
<b>Datuk Hasmi</b>	:	Datuk Hasmi Bin Hasnan
<b>Director(s)</b>	:	A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, within the meaning of Section 2 of the Act
<b>EGM</b>	:	Extraordinary general meeting
<b>Entitled Shareholder(s)</b>	:	Shareholders whose names appear in the Record of Depositors of the Company on the Entitlement Date
<b>Entitlement Date</b>	:	The date (to be determined later by the Board) as at the close of business on which the names of the Shareholders must appear in the Record of Depositors of the Company in order to be entitled to participate in the Proposed Rights Issue
<b>Entitlement Undertaking</b>	:	The irrevocable and unconditional undertakings provided by the Undertaking Shareholders to subscribe in full for their respective entitlements under the Proposed Rights Issue based on their shareholdings as at the Entitlement Date. Based on the aggregate shareholdings of the Undertaking Shareholders of 94,828,650 Naim Shares as at the LPD, the total number of Rights Shares to be subscribed pursuant to the Entitlement Undertaking shall amount to 142,242,975 Rights Shares
<b>EPS</b>	:	Earnings per share
<b>FPE</b>	:	Financial period ended/ending, as the case may be
<b>FYE</b>	:	Financial year ended/ending, as the case may be
<b>GDV</b>	:	Gross development value
<b>Hasmi &amp; Associates</b>	:	Hasmi & Associates Management Sdn Bhd (Company No. 241811-U)

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**DEFINITIONS (CONT'D)**

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<b>IAL</b>	:	Independent advice letter by IPS to the non-interested shareholders of Naim as enclosed in Part B of this Circular
<b>Independent Adviser or IPS</b>	:	Inter-Pacific Securities Sdn Bhd (Company No. 12738-U), being the independent adviser appointed by the Board on 12 September 2018 to advise the non-interested directors and non-interested shareholders for the Proposed Exemption
<b>Interested Directors</b>	:	Collectively, Datuk Amar and Datuk Hasmi
<b>Interested Major Shareholders</b>	:	Collectively, Island Harvests and Tapak Beringin
<b>Island Harvests</b>	:	Island Harvests Sdn Bhd (Company No. 160788-K)
<b>Issue Price</b>	:	Issue price of RM0.45 per Rights Share
<b>Jamiah</b>	:	Jamiah Bt Hasenan @ Hasnah Bt Hasnan
<b>Lambaian Kukuh</b>	:	Lambaian Kukuh Sdn Bhd (Company No. 235328-U)
<b>Lembah Rakyat</b>	:	Lembah Rakyat Sdn Bhd (Company No. 320520-H)
<b>Listing Requirements</b>	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
<b>LPD</b>	:	23 October 2018, being the latest practicable date prior to the printing of this Circular
<b>Market Day(s)</b>	:	Any day(s) between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
<b>Mandatory Offer</b>	:	The obligation of Datuk Amar, Datuk Hasmi and their PACs under Paragraph 4.01 of the Rules to undertake a mandatory take-over offer to acquire all the remaining Naim Shares not already held by them upon completion of the Proposed Rights Issue in view of the Undertakings
<b>Maximum Scenario</b>	:	Assuming all the Entitled Shareholders subscribe for their respective entitlements to the Rights Shares in full under the Proposed Rights Issue
<b>Minimum Scenario</b>	:	Assuming only the Undertaking Shareholders subscribe for the Rights Shares pursuant to the Undertakings and none of the other Entitled Shareholders subscribe for their entitlement under the Proposed Rights Issue
<b>Minimum Subscription Level</b>	:	A minimum level of subscription which entails a minimum issuance of 222,222,222 Rights Shares to raise a minimum gross proceeds of approximately RM100.00 million
<b>NA</b>	:	Net assets attributable to the owners
<b>N/A</b>	:	Not applicable
<b>Naim or Company</b>	:	Naim Holdings Berhad (Company No. 585467-M)
<b>Naim Group or Group</b>	:	Collectively, Naim and its subsidiaries
<b>Naim Share(s)</b>	:	Ordinary shares in the share capital of Naim

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**DEFINITIONS (CONT'D)**

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<b>PACs</b>	:	Persons acting in concert with Datuk Amar and Datuk Hasmi pursuant to Section 216(3) of the Capital Markets and Services Act 2007 as at the LPD, namely Island Harvests, Tapak Beringin, Hasmi & Associates, Lambaian Kukuh, Lembah Rakyat, Jamiah and Abd Jalal
<b>Proposals</b>	:	Collectively, the Proposed Rights Issue and Proposed Exemption
<b>Proposed Exemption</b>	:	Proposed exemption under Paragraph 4.08(1)(b) of the Rules to Datuk Amar, Datuk Hasmi and their PACs from the obligation to undertake the Mandatory Offer
<b>Proposed Rights Issue</b>	:	Proposed renounceable rights issue of up to 355,416,000 Rights Shares at the Issue Price on the basis of three (3) Rights Shares for every two (2) existing Naim Shares held on the Entitlement Date
<b>Record of Depositors</b>	:	A record of securities holders established and maintained by Bursa Depository
<b>Rights Share(s)</b>	:	Up to 355,416,000 new Naim Shares to be issued pursuant to the Proposed Rights Issue
<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively
<b>Rules</b>	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
<b>Rules of Bursa Depository</b>	:	The rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991 of Malaysia as amended from time to time, including Securities Industry (Central Depositories) Amendment Act, 1998 of Malaysia
<b>SC</b>	:	Securities Commission Malaysia
<b>Shareholders</b>	:	Registered holders of Naim Shares
<b>Tapak Beringin</b>	:	Tapak Beringin Sdn Bhd (Company No. 320889-X)
<b>TERP</b>	:	Theoretical ex-rights price of Naim Shares
<b>Treasury Shares</b>	:	13,056,000 Naim Shares held in Naim as treasury shares
<b>Undertakings</b>	:	Irrevocable and unconditional undertakings provided by the Undertaking Shareholders vide their letters dated 21 September 2018 to:-  (i) subscribe for their Entitlement Undertaking; and (ii) apply for the Additional Undertaking
<b>Undertaking Shareholders</b>	:	Collectively, Datuk Amar, Datuk Hasmi, Island Harvests, Hasmi & Associates, Lambaian Kukuh, Tapak Beringin and Lembah Rakyat
<b>VWAP</b>	:	Volume weighted average market price
<b>WPE</b>	:	Wong Ping Eng

Words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment currently enforced and as may be amended from time to time and any re-enactment thereof.

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**DEFINITIONS (CONT'D)**

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All references to the time of day in this Circular are references to Malaysian time, unless otherwise stated.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates, indications and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that Naim's plans and objectives will be achieved.

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**PART A**

**LETTER TO THE SHAREHOLDERS OF NAIM IN RELATION TO THE PROPOSALS**



**NAIM HOLDINGS BERHAD**

(Company No. 585467-M)  
(Incorporated in Malaysia)

**Registered Office**  
9th Floor, Wisma Naim,  
2½ Mile, Rock Road  
93200 Kuching,  
Sarawak

29 October 2018

## **Board of Directors**

Datuk Amar Abdul Hamed Bin Haji Sepawi (*Chairman*)

Datuk Hasmi Bin Hasnan (*Managing Director*)

Wong Ping Eng (*Deputy Managing Director*)

Dato Ir. Abang Jemat Bin Abang Bujang (*Independent Non-Executive Director*)

Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli (*Independent Non-Executive Director*)

Datin Mary Sa'diah Binti Zainuddin (*Independent Non-Executive Director*)

Tan Chuan Dyi (*Independent Non-Executive Director*)

Sulaihah Binti Maimunni (*Independent Non-Executive Director*)

Chin Chee Kong (*Non-Independent Non-Executive Director*)

## **To: The Shareholders**

Dear Sir/Madam,

- (I) PROPOSED RIGHTS ISSUE; AND**
- (II) PROPOSED EXEMPTION**

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## **1. INTRODUCTION**

On 30 August 2018, AmInvestment Bank, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

On 12 September 2018, the Board (save for the Interested Directors and WPE) had appointed IPS as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Naim in relation to the Proposed Exemption.

On 10 October 2018, AmInvestment Bank, on behalf of the Board, announced that Bursa Securities, vide its letter dated 10 October 2018, had resolved to approve the listing and quotation of up to 355,416,000 Rights Shares to be issued pursuant to the Proposed Rights Issue subject to the conditions as disclosed in Section 7 of this Circular.

Further details of the Proposals are set out in the ensuing sections in this Circular.



**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS, TO SET OUT THE VIEW AND RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH ITS APPENDICES AND THE IAL AS SET OUT IN PART B OF THIS CIRCULAR, BEFORE VOTING BY WAY OF POLL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSALS**

### **2.1 Details of the Proposed Rights Issue**

The Proposed Rights Issue will entail an issuance of up to 355,416,000 Rights Shares at the Issue Price on the basis of three (3) Right Shares for every two (2) existing Naim Shares held by the Entitled Shareholders on the Entitlement Date.

As at the LPD, the issued share capital of Naim is RM250,000,000 comprising 250,000,000 Naim Shares (including 13,056,000 Treasury Shares).

For the avoidance of doubt, the Treasury Shares will have no participation rights to participate in the Proposed Rights Issue. In this regards, the Company has undertaken via an undertaking dated 30 August 2018 that it will not dispose any of the Treasury Shares or carry out any further buy-back of Naim Shares at any time prior to the completion of the Proposed Rights Issue.

The Proposed Rights Issue is renounceable in full or in part. The Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part.

Any unsubscribed Rights Shares will be made available to the other Entitled Shareholders and/or their renouncee(s) under the excess Rights Shares application and to such other persons as the Board shall determine. The Rights Shares will be provisionally allotted to the Entitled Shareholders. It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner and on such basis to be determined by the Board and announced later by the Company.

In determining the Shareholders' entitlements to the Rights Shares under the Proposed Rights Issue, fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as the Board in its absolute discretion deems fit or expedient or in the best interests of the Company.

#### **2.1.1 Basis of determining the Issue Price**

The issue price of RM0.45 per Rights Share was determined by the Board after taking into consideration, amongst others, the following:-

- (i) the prevailing market conditions and current and historical market price of Naim Shares; and
- (ii) the resultant TERP of Naim Shares of RM0.55 computed based on the five (5)-day VWAP of the Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Proposed Rights Issue of RM0.6876, whereby the Issue Price represents a discount of 18.18% to the TERP.

For information purposes, the Issue Price's discount to the TERP computed based on the 1-month, 3-months, 6-months and 12-months VWAP of Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Proposals are as follows:-

Up to 27 August 2018	VWAP (RM)	TERP (RM)	Discount	
			RM	%
1-month	0.6906	0.55	0.10	18.18
3-months	0.6725	0.54	0.09	16.67
6-months	0.7283	0.56	0.11	19.64
12-months	0.9522	0.65	0.20	30.77

The Board has taken into cognisance the following in determining the discount represented by the Issue Price:-

- (i) the Group's funding requirements of raising a minimum RM100.0 million for purposes as set out in Section 3, Part A of this Circular;
- (ii) the discount is within the range of discount to TERP of precedent rights issues in the market for the past one (1) year up to the LPD;
- (iii) the future prospects of the Group as further discussed in Section 5.4, Part A of this Circular;
- (iv) the historical share price movement of Naim Shares that has been on a declining trend, which is in line with the trend observed from the Bursa Malaysia Property Index. For instance, the Issue Price represented a 30.77% discount via-a-vis the TERP computed based on the 12-month VWAP of Naim Shares as depicted above; and
- (v) the unaudited NA per Naim Share of RM4.18 as at 30 June 2018, of which the Issue Price represents a discount of approximately 89%.

For a more recent illustration, the issue price of RM0.45 represents a discount of 2.17% to the TERP of 0.46, computed based on the 5-day VWAP of Naim Shares up to the LPD of RM0.4668.

### **2.1.2 Major shareholders' undertakings and underwriting arrangement**

It is the intention of the Company to undertake the Proposed Rights Issue on a Minimum Subscription Level basis which will be channeled towards the proposed utilisation as set out in Section 3 of this Circular.

In order to meet the Minimum Subscription Level, subject to the Proposed Exemption being granted, the Company has obtained written irrevocable and unconditional undertaking letter dated 21 September 2018 from each of the Undertaking Shareholders to:-

- (i) subscribe for their respective entitlements based on their shareholdings as at the Entitlement Date pursuant to the Entitlement Undertaking; and
- (ii) apply for an additional 79,979,247 Rights Shares not taken up by the other Entitled Shareholders and/or their renounee(s) by way of excess Rights Shares applications pursuant to the Additional Undertaking.

As at the LPD, the Undertaking Shareholders collectively hold 94,828,650 Naim Shares, representing approximately 40.02% of the issued share capital of Naim.

The details of the Undertakings are illustrated as follows:-

**Minimum Scenario**

Undertaking Shareholders	Shareholdings as at the LPD		Entitlement Undertaking		Additional Undertaking		Direct shareholdings after the Proposed Rights Issue	
	No. of Naim Shares	% (i)	No. of Rights Shares	% (ii)	No. of Rights Shares	% (iii)	No. of Rights Shares	% (iv)
Datuk Amar	9,736,600	4.11	14,604,900	10.27	8,211,927	10.27	32,553,427	7.09
Datuk Hasmi	16,668,850	7.03	25,003,275	17.58	14,058,643	17.58	55,730,768	12.14
Island Harvests	30,619,600	12.92	45,929,400	32.29	25,824,817	32.29	102,373,817	22.30
Hasmi & Associates	9,672,750	4.08	14,509,125	10.20	8,158,075	10.20	32,339,950	7.04
Lambaian Kuku	163,150	0.07	244,725	0.17	137,602	0.17	545,477	0.12
Tapak Beringin	27,406,900	11.57	41,110,350	28.90	23,115,200	28.90	91,632,450	19.96
Lembah Rakyat	560,800	0.24	841,200	0.59	472,983	0.59	1,874,983	0.41
<b>Total</b>	<b>94,828,650</b>	<b>40.02</b>	<b>142,242,975</b>	<b>100.00</b>	<b>79,979,247</b>	<b>100.00</b>	<b>317,050,872</b>	<b>69.06</b>

**Notes:-**

(i) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(ii) Based on 142,242,975 Rights Shares to be issued pursuant to the Entitlement Undertaking, assuming none of the Entitled Shareholders, other than the Undertaking Shareholders, subscribed for their entitlement under the Proposed Rights Issue.

(iii) Based on 79,979,247 excess Rights Shares to be issued pursuant to the Additional Undertaking by the Undertaking Shareholders.

(iv) Based on the enlarged issued share capital of Naim amounting to 459,166,222 Naim Shares (excluding Treasury Shares) after the Proposed Rights Issue under the Minimum Scenario.

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### Maximum Scenario

Undertaking Shareholders	Shareholdings as at the LPD		Entitlement Undertaking		Additional Undertaking		Direct shareholdings after the Proposed Rights Issue	
	No. of Naim Shares	% (i)	No. of Rights Shares	% (ii)	No. of Rights Shares	%	No. of Rights Shares	% (iii)
Datuk Amar	9,736,600	4.11	14,604,900	4.11	-	-	24,341,500	4.11
Datuk Hasmi	16,668,850	7.03	25,003,275	7.03	-	-	41,672,125	7.03
Island Harvests	30,619,600	12.92	45,929,400	12.92	-	-	76,549,000	12.92
Hasmi & Associates	9,672,750	4.08	14,509,125	4.08	-	-	24,181,875	4.08
Lambaian Kuku	163,150	0.07	244,725	0.07	-	-	407,875	0.07
Tapak Beringin	27,406,900	11.57	41,110,350	11.57	-	-	68,517,250	11.57
Lembah Rakyat	560,800	0.24	841,200	0.24	-	-	1,402,000	0.24
<b>Total</b>	<b>94,828,650</b>	<b>40.02</b>	<b>142,242,975</b>	<b>40.02</b>	<b>-</b>	<b>-</b>	<b>237,071,625</b>	<b>40.02</b>

#### Notes:-

- (i) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).  
(ii) Based on 355,416,000 Rights Shares to be issued under the Proposed Rights Issue, assuming all the Entitled Shareholders subscribed to their entitlement.  
(iii) Based on the total issued share capital of Naim amounting to 592,360,000 Naim Shares (excluding Treasury Shares) after the Proposed Right Issue under the Maximum Scenario.

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In view that the Company has obtained the Undertakings from the Undertaking Shareholders which will fulfill the Minimum Subscription Level, Naim does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders.

Each Undertaking Shareholders has respectively confirmed via the Undertakings that it/he has sufficient financial resources to take up the number of Rights Shares as specified in their respective Undertakings. AmInvestment Bank has verified the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing for the Rights Shares pursuant to their respective Undertakings.

Pursuant to Paragraphs 3.06 and 8.02(1) of the Listing Requirements, Naim must ensure that at least 25% of the total listed Naim Shares are in the hands of a minimum number of 1,000 public shareholders holding not less than 100 Naim Shares each.

For information purposes, the public shareholding spread of Naim is not expected to fall below 25% of the enlarged issued share capital of Naim after the completion of the Proposals, including in the event that the Undertaking Shareholders subscribe for their full entitlement under the Proposed Rights Issue as well as the Additional Undertaking and no other Entitled Shareholders subscribe for the Rights Shares.

### **2.1.3 Ranking of the Rights Shares**

The Rights Shares will, upon allotment and issuance, rank *pari-passu* in all respects with the existing Naim Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

### **2.1.4 Listing and quotation of the Rights Shares**

Bursa Securities had, vide its letter dated 10 October 2018, granted its approval for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions disclosed in Section 7 of this Circular.

### **2.1.5 Entitled Shareholders with foreign address**

If the Proposed Rights Issue is implemented, the Abridged Prospectus, which will be issued together with the accompanying Notice of Provisional Allotment and Rights Subscription Form (collectively, the "**Documents**") in connection with the Proposed Rights Issue, will not be made to comply with the laws of any countries or jurisdictions other than Malaysia, and have not and will not be registered under any applicable securities legislation of any jurisdictions other than Malaysia, and the Proposed Rights Issue will not be offered for purchase or subscription in any country other than Malaysia.

The Documents will not be issued, circulated or despatched to foreign-addressed Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents as at the Entitlement Date. Foreign-addressed Entitled Shareholders may, prior to the Entitlement Date, provide an address in Malaysia for service of the Documents.

Alternatively, such foreign-addressed Entitled Shareholders may collect the Documents from Naim's share registrar who shall be entitled to request for such evidence (i.e., identification or authorisation documents) as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

Naim and/or its share registrar will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in Naim's Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign-addressed Entitled Shareholders may only exercise their rights in respect of the Proposed Rights Issue to the extent that it would be lawful to do so, and Naim and/or AmlInvestment Bank would not, in connection with the Proposed Rights Issue, be in breach of the laws of any country or jurisdiction to which the foreign-addressed Entitled Shareholders and/or their renouncee(s) might be subject to.

Foreign-addressed Entitled Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and Naim shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such applicant may be required to pay. Such applicants will have no claims whatsoever against Naim, Naim's share registrar and/or AmlInvestment Bank in respect of their rights or entitlements under the Proposed Rights Issue. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue.

Foreign-addressed Entitled Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the foreign-addressed Entitled Shareholders in the Proposed Rights Issue shall be on the basis of a warranty by them that they may lawfully so participate without Naim and/or AmlInvestment Bank being in breach of the laws of any jurisdiction.

Neither Naim, AmlInvestment Bank nor any other advisers to the Proposed Rights Issue shall accept any responsibility or liability in the event that any acceptance of a foreign-addressed Entitled Shareholder of his/her rights in respect of the Proposed Rights Issue is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Naim reserves the right in its discretion to treat any acceptance as being invalid if it believes or has reason to believe that such acceptance may violate applicable legal or regulatory requirements.

## **2.2 Details of the Proposed Exemption**

As at the LPD, Datuk Amar, Datuk Hasmi and their PACs collectively hold 94,829,750 Naim Shares, representing approximately 40.02% of the total issued share capital of Naim (excluding Treasury Shares).

Pursuant to the Undertakings, the Undertaking Shareholders would be obliged to subscribe for their respective entitlements and apply for excess Rights Shares to the extent that the Minimum Subscription Level could be fulfilled. In the event that none of the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue other than the Undertaking Shareholders, the shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim will, over a six (6)-month period, collectively increase by more than 2% upon the completion of the Proposed Rights Issue (as further detailed in Section 2.1.2 of this Circular) and trigger the creeping threshold pursuant to Paragraph 4.01(b) of the Rules.

In addition, pursuant to the Undertakings, Datuk Hasmi's shareholdings in Naim (both direct and indirect) will increase from 24.10% as at the LPD to 41.60% upon completion of the Proposed Rights Issue under the Minimum Scenario, which would result in Datuk Hasmi obtaining control of Naim pursuant to Paragraph 4.01(a) of the Rules.

Datuk Amar, Datuk Hasmi and their PACs will accordingly be obliged to undertake the Mandatory Offer.

As it is not the intention of Datuk Amar, Datuk Hasmi and PACs to undertake the Mandatory Offer, an application would be submitted on behalf of Datuk Amar, Datuk Hasmi and their PACs to the SC for the grant of an exemption to undertake the Mandatory Offer, after obtaining the approval of the non-interested shareholders of the Company for the Proposed Exemption pursuant to Paragraph 4.08(2)(b) of the Rules to waive their rights to receive the Mandatory Offer at the forthcoming EGM.

For the avoidance of doubt, in the event that the non-interested shareholders of the Company and/or the SC do not approve the Proposed Exemption, the Proposed Rights Issue will not be implemented as the Proposals are inter-conditional.

### 3. UTILISATION OF PROCEEDS RAISED FROM THE PROPOSED RIGHTS ISSUE

Based on the issue price of RM0.45 per Rights Share, the Proposed Rights Issue is expected to raise gross proceeds of approximately RM100.00 million under the Minimum Scenario and up to approximately RM159.94 million under the Maximum Scenario.

The Company intends to utilise the proceeds raised from the Proposed Rights Issue in the following manner:-

Details	Note	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Estimated timeframe for utilisation (from the date of listing of the Rights Shares)
Property development activities	(i)	70,000	114,937	Within 18 months
General working capital	(ii)	4,200	4,200	Within 12 months
Repayment of borrowings	(iii)	25,000	40,000	Within 12 months
Estimated expenses in relation to the Proposed Rights Issue	(iv)	800	800	Within 3 months
<b>Total estimated proceeds</b>		<b>100,000</b>	<b>159,937</b>	

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**Notes:-**

- (i) The Company intends to utilise up to approximately RM114.9 million to fund its property development activities. Such expenses are envisaged to include consultant and professional fees, payment to suppliers and contractors, site overhead as well as administrative costs. At this juncture, the Company has identified the following property development projects to be funded via the proceeds from the Proposed Rights Issue:-

<b>Project</b>	<b>Note</b>	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>
Kuching Paragon	(a)	21,000	36,000
Bintulu Paragon	(b)	24,000	39,000
Bandar Baru Permyjaya	(c)	25,000	39,937
<b>Total</b>		<b>70,000</b>	<b>114,937</b>

**Notes:-**

- (a) Comprises the condominium development, namely Sapphire On The Park @ Kuching Paragon, as part of the Group's Kuching Paragon integrated development in Kuching, Sarawak. The estimated GDV of the project is RM190.0 million. The development, which has commenced in 1<sup>st</sup> quarter of 2018 with physical completion of 39% as at the LPD, is expected to be completed by 1<sup>st</sup> quarter of 2021.
- (b) Comprises the condominium development, namely The Peak @ Bintulu Paragon, as part of the Group's Bintulu Paragon integrated development in Bintulu, Sarawak. The estimated GDV of the project is RM150.0 million. The development, which has commenced in 2<sup>nd</sup> quarter of 2015 with physical completion of 60% as at the LPD, is expected to be completed by 2<sup>nd</sup> quarter of 2019.
- (c) Comprises part of the on-going Southlake project (estimated GDV of approximately RM180.0 million) as well as part of the upcoming affordable and medium-priced residential development (estimated GDV of approximately RM70.0 million) at the Group's Bandar Baru Permyjaya mixed development in Miri.

As at the LPD, the development of the on-going Southlake project is in various stage of physical completion, ranging from 15% to 85% and the Group expects to complete the on-going Southlake project by 2020.

For the upcoming affordable and medium-priced residential projects, the development works are expected to commence towards end of 2018 upon launching and the Group estimates to complete the projects by 1<sup>st</sup> quarter of 2021.

The actual utilisation of proceeds for the above mentioned projects will depend on the actual funding requirement and the timing of completion of the Proposed Rights Issue. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above. In the event if there is any excess in funds allocated for the property development activities, it will be used for the Group's working capital requirements.

- (ii) The proceeds are proposed to be used for the Group's day-to-day operating and administrative expenses, which include, inter alia, sales and marketing expenses, personnel costs, as well as office expenses. The actual breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of our Group at the relevant point in time.
- (iii) The Company intends to utilise up to RM40.0 million to partially repay the Group's outstanding borrowings. As at the LPD, the Group's total borrowings amounted to RM556.7 million comprising mainly term loans and revolving credit. The partial repayment of the said borrowings is expected to result in interest costs savings of RM1.40 million (under Minimum Scenario) and RM2.24 million (under Maximum Scenario) based on the Group's weighted average interest rate of 5.6%.



- (iv) *The estimated expenses include professional fees and fees payable to the relevant authorities, printing cost of circular to shareholders and abridged prospectus, advertisement and miscellaneous expenses. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the Group's working capital requirements.*

The actual proceeds to be raised from the Proposed Rights Issue will depend on the number of Rights Shares to be issued.

#### **4. RATIONALE FOR THE PROPOSALS**

##### **4.1 Proposed Rights Issue**

The Proposed Rights Issue is intended to raise proceeds to be utilised in the manner as set out in Section 3 of this Circular. After due consideration of the various options available as well as the capital structure of the Company, the Board is of the opinion that the Proposed Rights Issue is the most appropriate means of fundraising based on the following:-

- (i) the Proposed Rights Issue will enable the Company to raise the requisite funds without incurring additional interest expense, as compared to bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing;
- (ii) the Proposed Rights Issue will enable the issuance of new Naim Shares without diluting shareholders' equity interest, assuming that all Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue;
- (iii) the Proposed Rights Issue will provide all Entitled Shareholders with the opportunity to further participate in the prospects and future growth of Naim Group on a pro-rata basis; and
- (iv) the Proposed Rights Issue will strengthen the financial position and capital base of Naim by reducing its gearing level and increasing its NA thereby providing greater financial flexibility. The Board believes that the Proposed Rights Issue will help to position the Group on a better financial footing to undertake more projects in the future, in tandem with its strategy to improve the Group's financial performance.

##### **4.2 Proposed Exemption**

The Proposed Exemption will relieve Datuk Amar, Datuk Hasmi and their PACs from the obligations to undertake the Mandatory Offer upon completion of the Proposed Rights Issue as it is not their intention to undertake the Mandatory Offer.

As the Proposed Right Issue is being undertaken on a minimum subscription basis, premised on the Minimum Subscription Level being fulfilled via the Undertakings, the Proposed Exemption will ensure that the Proposed Rights Issue can be successfully undertaken without a need on the part of the Company to arrange for the underwriting of Rights Shares not taken up by other Entitled Shareholders.

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## 5. INDUSTRY OUTLOOK AND PROSPECTS OF NAIM GROUP

Information in the ensuing Sections 5.1 to 5.3 have been extracted from the most recent available government publications and other publicly available resources.

### 5.1. Overview and outlook of Malaysian economy

For the second quarter of 2018, the Malaysian economy expanded at a slower pace of 4.5% (1Q 2018: 5.4%). Growth was slower on account of supply disruptions in the mining sector and lower agriculture production. The latter is due to supply constraints and adverse weather conditions. On the demand side, growth was dampened by lower public investment and net export growth. Private sector spending remained resilient, expanding further by 7.5% (1Q 2018: 5.2%). In particular, private consumption increased strongly by 8.0% (1Q 2018: 6.9%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.3% (1Q 2018: 1.4%).

Domestic demand recorded a stronger growth of 5.6% (1Q 2018: 4.1%), as the higher private sector activity (7.5%; 1Q 2018: 5.2%) more than offset the decline in public sector spending (-1.4%; 1Q 2018: -0.1%). Private consumption expanded at a stronger pace of 8.0% (1Q 2018: 6.9%), the highest since the first quarter of 2015. This was driven by continued strength in income and employment. Consumer spending was also boosted by the lower inflation during the quarter following the zerorisation of the Goods and Services Tax (GST) rate and stronger consumer sentiments.

Growth in the construction sector continued to moderate in the second quarter. In the civil engineering sub-sector, growth was supported by the ongoing transportation, petrochemical and power plant projects. In the residential and non-residential sub-sectors, growth continued to decline. The development partly reflected the significant number of unsold residential properties and oversupply of office spaces and shopping complexes.

*(Source: BNM Quarterly Bulletin – 2nd Quarter 2018, Bank Negara Malaysia)*

The Malaysian economy is projected to continue its strong growth momentum with real GDP expanding between 5% and 5.5% in 2018. Growth will be mainly driven by resilient domestic demand amid favourable external sector. Given the robust economic development, GNI per capita is estimated to increase 5.1% to RM42,777 (2017:7.7%; RM40,713). Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.

On the demand side, household spending will remain as the key source of growth, benefiting from higher income following stable employment conditions and firmer commodity prices. Private investment is forecast to remain resilient primarily attributed to capital outlays in the services and manufacturing sectors. Private sector continues to spearhead growth, while public sector remains committed towards its fiscal consolidation path. The external sector is expected to remain resilient supported by sustained demand from major trading partners. Inflation will remain benign between 2.5% and 3.5% while the economy continues to operate under full employment.

On the supply side, growth is expected to be broad-based with positive contribution from all sectors in the economy. Growth in the construction sector will be driven by major civil engineering projects while the mining sector is projected to continue expanding at a moderate pace supported by natural gas production.

*(Source: Economic Report 2018, Ministry of Finance)*

## 5.2. Overview and prospects of the property and construction sector in Malaysia

Based on the Property Market Report for the First Half of 2018 issued by the National Property Information Centre (“NAPIC”) Valuation and Property Services Department of Ministry of Finance, the volume and value of property transactions in Malaysia for the first half of 2018 vis-a-vis first half of 2017 are as follows:-

Sub-Sector	Volume of Transactions			Value of Transactions		
	H1 2017 (unit)	H1 2018 (unit)	Y-O-Y Change (%)	H1 2017 (RM' Billion)	H1 2018 (RM' Billion)	Y-O-Y Change (%)
Residential	94,969	94,202	(0.8)	32.84	31.66	(3.6)
Commercial	10,398	10,759	3.5	12.00	15.82	31.8
Industrial	2,421	2,514	3.8	5.39	7.41	37.5
Agricultural	36,167	33,565	(7.2)	6.48	6.79	4.8
Development Land and others	9,571	8,849	(7.5)	11.12	6.06	(45.5)
<b>Total</b>	<b>153,526</b>	<b>149,889</b>	<b>(2.4)</b>	<b>67.83</b>	<b>67.74</b>	<b>(0.1)</b>

(Source: Property Market Report First Half 2018 by NAPIC Valuation and Property Services Department of Ministry of Finance)

Based on the table above, the total volume of transactions of properties in Malaysia for the first half of 2018 decreased by 2.4% vis-à-vis first half of 2017, whilst the value of transaction has decreased by 0.1% for the same period.

In particular, the volume of transactions for residential and commercial properties decreased by 0.8% (residential) and increased by 3.5% (commercial) respectively for the first half of 2018 vis-à-vis first half of 2017. In addition, the value of transactions for residential properties decreased by 3.6% whilst the value of transactions for commercial properties increased by 31.8% during the period.

In terms of the overhang situation, the overhang units in Malaysia for the first half of 2018 vis-à-vis second half of 2017 are as follows:-

Sub-Sector	Overhang		
	H2 2017 (unit)	H1 2018 (unit)	% change H1 2018 vs H2 2017
Residential	24,738	29,227	18.1
Shops	4,546	4,348	(4.4)
SOHO and Service Apartments	6,927	12,771	84.4
Industry	999	1,021	2.2

(Source: Property Market Report First Half 2018 by NAPIC Valuation and Property Services Department of Ministry of Finance)

Banks continue to extend loans for the purchase of residential property to eligible borrowers, including to first-time house buyers. Outstanding loans extended by banks for house financing were sustained at 8.9% on an annual basis in 1Q 2018 (4Q 2017: 8.9%). Loan approval rates for houses priced below RM500,000 stood at 71.5%, with most major states recording housing loans approval rates above 70%.

Demand for financing for speculative house purchases continued to be low. During the quarter, the share of the number of housing loans settled within three years (the typical duration required to complete construction after a property is acquired) stood at 7.5% of total settled housing loans (4Q 2017: 7.9%). The annual growth in the number of borrowers with three or more outstanding housing loans (a proxy for speculative buyers) remained low at 0.8% (4Q 2017: 0.9%). The credit quality for overall housing loans remained sound, with both impairment and delinquency ratios remaining low at 1.1% of total bank loans (4Q 2017: 1% and 1.3%, respectively).

The oversupply situation in the office space and shopping complex segment continued to persist despite some pickup in rental rates for selected shopping complexes in choice locations. Direct risks to banks from end-financing exposures to the office space and shopping complex segments have been small at 3.1% of total bank loans. Banks continue to maintain sound underwriting and valuation practices, even though excess supply in these segments were apparent. Banks remained cautious in extending lending to these segments as reflected in the lower loan approval rates for the construction and purchase of such properties (1Q 2018: 62% and 71.3% respectively; 4Q 2017: 66.9% and 74.7% respectively). The delinquency and impairment ratios for the non-residential property segment remained low at 0.6% and 1.3%, respectively (4Q 2017: 0.7% and 1.2%, respectively).

*(Source: BNM Quarterly Bulletin – 1st Quarter 2018, Bank Negara Malaysia)*

Growth in the construction sector continued to moderate in the second quarter. In the civil engineering sub-sector, growth was supported by the ongoing transportation, petrochemical and power plant projects. In the residential and non-residential sub-sectors, growth continued to decline. The development partly reflected the significant number of unsold residential properties and oversupply of office spaces and shopping complexes.

*(Source: BNM Quarterly Bulletin – 2<sup>nd</sup> Quarter 2018, Bank Negara Malaysia)*

The construction sector increased 4.7% mainly led by civil engineering and special trade subsectors. However, growth of the residential and non-residential segments declined due to oversupply as well as completion of projects.

*(Source: Quarterly Update on the Malaysian Economy – 2<sup>nd</sup> Quarter 2018, Ministry of Finance, Malaysia)*

### **5.3. Overview and prospects of the property and construction sector in Sarawak**

According to NAPIC's Property Market Report 2017, the Sarawak property market recorded 22,605 transactions worth RM6.19 billion, a marginal decline of 3.2% in volume. Nevertheless, the value of transactions saw an increase of 5.9%. The residential sub-sector remained the leading sub-sector, dominating 42.6% of the transaction volume, followed by agricultural (40.2%), development land (8.5%), commercial (6.9%), and industrial sub-sectors (1.8%).

By price range, the most transacted residential units for Sarawak are in the price range of between RM100,000 and RM150,000 and demand continued to be in the region of RM200,000 and below price points, accounting for nearly 50% of the residential market transactions volume. It is also observed that more than 2/3 of the total residential volume transacted for Sarawak are below the RM300,000 price category.

It is observed that the housing affordability threshold of the average urban household in Sarawak generally remain below RM350,000. In order to increase affordability, the market could be seeing smaller units in the future.

Although slight improvement in the general sentiment in the property market has been observed, the property market remains soft for the 1st half of 2018. Whether the improved market sentiments post-election will carry through, remains to be seen.

In terms of significant projects, whilst the market is hopeful, some jitters is felt on the ground, as some mega projects that have been approved as well as in the planning, hang in uncertainty with efficiency and cost cutting as one of the hallmarks of the new government administration and the continuing revamp and restructuring of government-linked companies. When the teething problems have been ironed out and the dust has settled, the market is expected to be positive moving forward.

Nonetheless, the Pan Borneo Highway, which is the biggest infrastructure development project funded by the Federal Government in Sarawak and a crucial part of the regional development plans for East Malaysia, is set to continue its momentum and is scheduled for completion by 2022.

*(Source: Sarawak Property Bulletin – 1st Half 2018 Property Market Review & Outlook by CH Williams Talhar Wong & Yeo)*

#### **5.4. Prospects of Naim Group**

Naim Group is primarily involved in the property development and construction industry.

##### **Property development**

Against the backdrop of hike in costs of borrowing, strict lending policy, increased property overhang and lukewarm buying sentiment, amongst others, the Company expect the property market to remain challenging and foresee a slow down in take-up rates particularly in the high end segment. Nevertheless, despite these challenges, the Group will continue to be resilient by adopting a cautious approach towards new project launches moving forward. To this end, the Group will be focusing on affordable properties as the Group strives to aptly tailor its products to meet changing customer demands due to the existing economic sentiment.

The Group currently has three (3) flagship mixed development projects in Sarawak, namely Kuching Paragon, Bintulu Paragon and Bandar Baru Permyjaya in Miri.

##### **(i) Kuching Paragon**

Kuching Paragon is an integrated development on a 33-acres land located in Kuching city comprising retail spaces, condominiums, office towers, hotel and serviced apartment with a total indicative GDV of approximately RM1.50 billion.

The Group has commenced the first residential development, known as Sapphire On The Park, comprising 427 units in three (3) high-end condominium towers. The first 18-storey tower, namely Sapphire Classic, with an estimated GDV of approximately RM120.0 million was recently completed.

The second 18-storey tower, namely Sapphire Deluxe was launched in early 2018 whilst the Group has yet to launch the third tower. Nonetheless, the Group has commenced the construction works for these two (2) towers, which are tentatively scheduled to be completed by 1<sup>st</sup> quarter of 2021. The GDV for the said two (2) condominium towers are estimated to be approximately RM190.0 million.

The balance of Kuching Paragon development is expected to span over a period of approximately 15 years or longer, depending on market dynamics and economic condition. At this juncture, the Group is not expecting any new launches on the remaining landbank of approximately 26 acres in the immediate future.

(ii) Bintulu Paragon

Bintulu Paragon is an integrated development on a 36-acres land in the heart of Bintulu Town, which will be developed in two (2) phases. The proposed development comprises Streetmall, SOVO (Small Office Versatile Office), condominiums, office towers, retails units, shopping malls and hotels with a total indicative GDV of approximately RM2.3 billion.

As at the LPD, the Group has completed the Streetmall and SOVO units with an estimated aggregate GDV of approximately RM300.0 million. The Group is currently developing a condominium which was launched in 2<sup>nd</sup> quarter of 2015, namely The Peak, a 34-storey condominium (261 units) with an estimated GDV of approximately RM150.0 million. The development of The Peak is targeted to be completed by the 2<sup>nd</sup> quarter of 2019.

The balance of Bintulu Paragon development is expected to span over a period of approximately 15 years or longer, depending on market dynamics and economic condition. At this juncture, the Group has not finalised any major new launches on the remaining landbank of 14 acres in the immediate future, in view of the current market overhang in relation to retail and commercial properties.

(iii) Bandar Baru Permyjaya, Miri

In 1995, the Group launched its first flagship project in Miri, namely Bandar Baru Permyjaya (“BBP”), a township spanning approximately 3,300 acres. The township comprises various mix of residential estates from low cost to prime housing, industrial and commercial zones, lakeside developments, condominiums, flats, schools, parks and gardens, club facilities and other facilities such as suraus, fire stations, go-kart tracks, post office etc. The indicative GDV of entire BBP development is approximately RM5 billion. To date, more than 9,000 units of properties in BBP development have been sold with a GDV of approximately RM2.0 billion.

Currently, the Group's active ongoing project on site comprises a 450-acre lakeside development known as Southlake project with an indicative GDV of approximately RM1.0 billion. As at the LPD, the Group has launched 416 units of residential properties, comprising mainly terrace and semi detached houses, within the Southlake project with an estimated GDV of approximately RM180 million, which is expected to be completed by 2020.

In addition, the Group is currently planning to introduce approximately 150 units of affordable and medium priced houses within BBP development in the near term, with an indicative GDV of RM70 million to cater to the local market demand, which is in line with the Company's strategy.

With remaining land bank of about 660 acres, the BBP development is expected to span over a period of approximately 15 years or longer, depending on market dynamics and economic condition. At this juncture, save as disclosed above, the Company has not finalised any other new launches in the immediate future.

In addition to the above, the Group currently has other landbank of approximately 1,800 acres located in Bintulu, Kuching and Miri. The Group will continue to develop the remaining landbank and to launch the respective development projects in due course when it is deemed most beneficial to the Company.

As the Group's product offerings will be geared towards adapting to the prevailing market conditions and customer demand, the Company believes that the above three (3) developments will continuously contribute to the earnings of the Group.

Additionally, the Group has set up its leasing functional unit in an effort to secure tenants for its unsold commercial properties while recovery of sales takes place. The leasing functional unit will also assist the buyers of the commercial projects developed by the Group to source for potential tenants which is a value added service to boost the buyers' confidence on the Group's property.

### Construction

As at the LPD, the Company has an outstanding order book of approximately RM1.96 billion, comprising *inter-alia*, the following notable projects:-

Project	Order book (RM'mil)	Construction period	Status of completion (%)
Development and upgrading of Pan Borneo Highway from Pantu Junction to Batang Skrang section (approximately 89.4km), secured through NAIM GAMUDA (NAGA) JV SDN BHD, a 70% owned subsidiary of the Company	1,178	51 months commencing from September 2016	30 <sup>(ii)</sup>
951 units affordable housing at Desa Bahagia, Miri under Syarikat Perumahan Negara Berhad ("SPNB"), secured through Naim Engineering Sdn. Bhd. ("NESB"), a wholly owned subsidiary of the Company	218	36 months <sup>(i)</sup>	-
1,553 units affordable housing at Sultan Tengah, Kuching under SPNB, secured through NESB	490	60 months <sup>(i)</sup>	-

#### Notes:-

- (i) Naim Group has been awarded the contracts for Desa Bahagia (Phase 2 and Phase 3) and Sultan Tengah from SPNB in June 2013 and September 2014 respectively. However, the Group has yet to commence the construction works for the Desa Bahagia Phase 3 and Sultan Tengah project as at the LPD. The Group is currently in the midst of discussions with SPNB pertaining to the design amendments, detailed timing and other aspects of the said projects. For information purpose, as at the LPD, the Group has completed the construction of SPNB's Desa Bahagia Phase 1 and Phase 2 projects with total contract value of approximately RM332.3 million.
- (ii) Based on physical work done as at the LPD.

The management believes that the current outstanding order book will contribute to the Group's earnings in years to come. Moreover, the Group's involvement in various construction projects such as Sabah Oil & Gas Terminal, Mass Rapid Transit Lembah Kelang: Jajaran Sg. Buloh-Kajang and Pan Borneo Highway provide credentials and track record to the Group to secure more projects in the future.

The Proposed Rights Issue will enable the Group to raise the requisite funds to partly finance the development of the on-going property development projects as described above as well as reduce the Group's gearing level. With the additional working capital and debt headroom, the Group will therefore be in a better position to undertake any future property development and construction projects, via a combination of internally generated funds and/or borrowings, to improve the performance of the Group.

(Source: Management of Naim)

## 6. EFFECTS OF THE PROPOSALS

The Proposed Exemption will not have any effect on Naim's issued share capital, NA, gearing, earnings and EPS of the Naim Group as well as the substantial shareholders' shareholding in Naim.

The pro forma effects of the Proposed Rights Issue on Naim's issued share capital, NA, gearing, substantial shareholders' shareholdings, earnings and EPS are set out below.

### 6.1. Share capital

The proforma effect of the Proposed Rights Issue on the issued share capital of the Company as at the LPD is set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Naim Shares ('000)	(RM'000)	No. of Naim Shares ('000)	(RM'000)
Issued share capital as at the LPD	250,000	336,092	250,000	336,092
Less: Treasury Shares	(13,056)	(34,748)	(13,056)	(34,748)
	236,944	301,344	236,944	301,344
To be issued pursuant to the Proposed Rights Issue <sup>(i)</sup>	222,222	100,000 <sup>(i)</sup>	355,416	159,937 <sup>(i)</sup>
<b>Enlarged issued share capital</b>	<b>459,166</b>	<b>401,344</b>	<b>592,360</b>	<b>461,281</b>

**Note:-**

(i) Based on the issue price of RM0.45 per Rights Share.

### 6.2. NA and gearing

Based on the audited consolidated statement of financial position of Naim Group as at 31 December 2017, the proforma effects of the Proposed Rights Issue on the NA and gearing of the Naim Group are as follows:-

#### (i) Minimum Scenario

	Audited as at 31 December 2017 (RM'000)	After the Proposed Rights Issue (RM'000)
Share capital	336,092	436,092 <sup>(i)</sup>
Retained earnings	815,835	815,035 <sup>(ii)</sup>
Treasury shares	(34,748)	(34,748)
Foreign currency translation reserve	10,917	10,917
Other reserves	129	129
<b>Shareholders' fund/NA</b>	<b>1,128,225</b>	<b>1,227,425</b>
No. of Naim Shares in issue (excluding Treasury Shares)	236,944	459,166
NA per Share	4.76	2.67
Total borrowings	545,404	520,404 <sup>(iii)</sup>
Gearing (times)	0.48	0.42

**Notes:-**

- (i) Computed based on 222.22 million Rights Shares being issued under the Minimum Subscription Level at the issue price of RM0.45 each.
- (ii) After deducting the estimated expenses of RM0.8 million.
- (iii) After the partial repayment of bank borrowings of RM25.0 million from the proceeds raised from the Proposed Rights Issue.



**(ii) Maximum Scenario**

	<b>Audited as at 31 December 2017 (RM'000)</b>	<b>After the Proposed Rights Issue (RM'000)</b>
Share capital	336,092	496,029 <sup>(i)</sup>
Retained earnings	815,835	815,035 <sup>(ii)</sup>
Treasury shares	(34,748)	(34,748)
Foreign currency translation reserve	10,917	10,917
Other reserves	129	129
<b>Shareholders' fund/NA</b>	<b>1,128,225</b>	<b>1,287,362</b>
No. of Naim Shares in issue (excluding Treasury Shares)	236,944	592,360
NA per Share	4.76	2.17
Total borrowings	545,404	505,404 <sup>(iii)</sup>
Gearing (times)	0.48	0.39

**Notes:-**

- (i) Computed based on 355.42 million Rights Shares being issued at the issue price of RM0.45 each.*
- (ii) After deducting the estimated expenses of RM0.8 million.*
- (iii) After the partial repayment of bank borrowings of RM40.0 million from the proceeds raised from the Proposed Rights Issue.*

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### 6.3. Substantial shareholders' shareholdings

The pro forma effects of the Proposed Right Issue on the shareholdings of the substantial shareholders of Naim are as follows:-

#### (i) Minimum Scenario

	As at the LPD			After the Proposed Rights Issue		
	Direct		Indirect	Direct		Indirect
	No. of Naim Shares	% <sup>(1)</sup>	No. of Naim Shares	No. of Naim Shares	% <sup>(2)</sup>	No. of Naim Shares
Datuk Amar	9,736,600	4.11	27,967,700 <sup>(3)</sup>	32,553,427	7.09	93,507,433 <sup>(3)</sup>
Datuk Hasmi	16,668,850	7.03	40,455,500 <sup>(4)</sup>	55,730,768	12.14	135,259,244 <sup>(4)</sup>
Island Harvests	30,619,600	12.92	-	102,373,817	22.30	-
Tapak Beringin	27,406,900	11.57	-	91,632,450	19.96	-
Lembaga Tabung Haji	24,827,200	10.48	-	24,827,200	5.41	-

#### Notes:-

- (1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).
- (2) Based on the enlarged issued share capital of Naim amounting to 459,166,222 Naim Shares (excluding Treasury Shares) after the Proposed Rights Issue under the Minimum Scenario.
- (3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

#### (ii) Maximum Scenario

	As at the LPD			After the Proposed Rights Issue		
	Direct		Indirect	Direct		Indirect
	No. of Naim Shares	% <sup>(1)</sup>	No. of Naim Shares	No. of Naim Shares	% <sup>(2)</sup>	No. of Naim Shares
Datuk Amar	9,736,600	4.11	27,967,700 <sup>(3)</sup>	24,341,500	4.11	69,919,250 <sup>(3)</sup>
Datuk Hasmi	16,668,850	7.03	40,455,500 <sup>(4)</sup>	41,672,125	7.03	101,138,750 <sup>(4)</sup>
Island Harvests	30,619,600	12.92	-	76,549,000	12.92	-
Tapak Beringin	27,406,900	11.57	-	68,517,250	11.57	-
Lembaga Tabung Haji	24,827,200	10.48	-	62,068,000	10.48	-

#### Notes:-

- (1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).
- (2) Based on the enlarged issued share capital of Naim amounting to 592,360,000 Naim Shares (excluding Treasury Shares) after the Proposed Rights Issue under the Maximum Scenario.
- (3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

#### 6.4. Earnings and EPS

As the Proposed Rights Issue is expected to be completed in the 1<sup>st</sup> quarter of 2019, the Proposed Rights Issue is not expected to have any effect on the earnings of Naim Group for the FYE 31 December 2018. However, the Proposed Rights Issue is expected to contribute positively to the future earnings of the Naim Group in the ensuing financial years of the Group via utilisation of the proceeds as set out in Section 3 of this Circular.

The impact of the Proposed Rights Issue on the earnings and EPS of the Naim Group is dependent on, amongst others, the actual number of Rights Shares to be issued pursuant to the Proposed Rights Issue and the potential benefits to be derived from the utilisation of proceeds raised from the Proposed Rights Issue.

#### 6.5. Convertible Securities

The Company does not have any outstanding convertible securities as at the LPD.

### 7. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:-

- (i) Bursa Securities, which was obtained vide its letter dated 10 October 2018, for the listing and quotation of up to 355,416,000 Rights Shares on the Main Market of Bursa Securities subject inter-alia to, the following conditions:-

No.	Conditions	Status of compliance
1.	Naim and AmInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue;	To be complied with in the course of implementation of the Proposed Rights Issue.
2.	Naim and AmInvestment Bank to inform Bursa Securities upon the completion of the Proposed Rights Issue;	To be complied with upon completion of the Proposed Rights Issue.
3.	Naim/AmInvestment Bank to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the forthcoming general meeting for the Proposed Rights Issue prior to the listing and quotation of the new ordinary shares to be issued pursuant to the Proposed Rights Issue; and	To be complied with after receipt of the approval from the shareholders of Naim at the forthcoming EGM.
4.	Naim and AmInvestment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed.	To be complied with upon completion of the Proposed Rights Issue.

- (ii) the approval of the Shareholders for the Proposals at the forthcoming EGM;
- (iii) the SC for the Proposed Exemption. The application to the SC for the Proposed Exemption will be made after the Proposals have been approved by the Shareholders at the forthcoming EGM; and
- (iv) any other authorities/parties, if required.

## **8. INTER-CONDITIONALITY**

The Proposed Rights Issue and the Proposed Exemption are inter-conditional upon each other.

The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by Naim.

## **9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the directors and/or major shareholders of Naim and/or persons connected with them have any interest, whether direct and/or indirect, in the Proposed Exemption, save for the following:-

- (i) Datuk Amar, being the Chairman and a shareholder of Naim, is also one of the Undertaking Shareholders and the controlling shareholder of Tapak Beringin and Lembah Rakyat;
- (ii) Datuk Hasmi, being the Managing Director and a shareholder of Naim, is also one of the Undertaking Shareholders and the controlling shareholder of Island Harvests, Hasmi & Associates and Lambaian Kukuh; and
- (iii) Island Harvests and Tapak Beringin, being major shareholders of Naim, are also the Undertaking Shareholders.

In view of the above, Datuk Amar and Datuk Hasmi (being the Interested Directors), as well as Island Harvests and Tapak Beringin, (being the Interested Major Shareholders), are interested in the Proposed Exemption. As the Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other, the Interested Directors and Interested Major Shareholders are therefore deemed to also be interested in the Proposed Rights Issue.

As such, the Interested Directors have abstained and will continue to abstain from deliberation and voting on the Proposals at all Board meetings. In addition, the Interested Directors and Interested Major Shareholders will also abstain from voting and undertake to ensure that persons connected with them, if any, abstain from voting in respect of their direct and/or indirect shareholdings in Naim, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM to be convened.

In this regard, Hasmi & Associates, Lambaian Kukuh and Lembah Rakyat, being the shareholders of Naim as well as the remaining Undertaking Shareholders and person connected with the Interested Directors and Interested Major Shareholders, will abstain from voting in respect of their direct and/or indirect shareholdings in Naim, if any, on the resolution pertaining to the Proposals to be tabled at the EGM.

WPE, who is the Deputy Managing Director and a shareholder of Naim (holding 0.002% shareholdings in Naim), has declared that she is also a shareholder of Hasmi & Associates (holding 3.15% shareholdings in Hasmi & Associates). In view of this, WPE has voluntarily abstained and will continue to abstain from deliberation and voting on the Proposals at all Board meetings in order to mitigate any potential conflict of interest situation. She has voluntarily abstained from voting and undertaken to ensure that persons connected with her, if any, to abstain from voting in respect of their direct and/or indirect shareholdings in Naim, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM to be convened.

Save for the Interested Directors, Interested Major Shareholders, Hasmi & Associates, Lambaian Kukuh and Lembah Rakyat, none of the directors and/or major shareholders of Naim and/or persons connected with them have any interest, either direct or indirect, in the Proposed Rights Issue apart from their respective entitlements under the Proposed Rights Issue (including the right to apply for additional Rights Shares under excess Right Shares application), to which all the shareholders of the Company are similarly entitled.

The shareholdings of the Interested Directors and the PACs as at the LPD are as follows:-

	As at the LPD			
	Direct		Indirect	
	No. of Naim Shares	% <sup>(i)</sup>	No. of Naim Shares	% <sup>(i)</sup>
<b><u>Interested Directors</u></b>				
Datuk Amar	9,736,600	4.11	27,967,700	11.80 <sup>(ii)</sup>
Datuk Hasmi	16,668,850	7.03	40,455,500	17.07 <sup>(iii)</sup>
<b><u>PACs</u></b>				
Island Harvests	30,619,600	12.92	-	-
Tapak Beringin	27,406,900	11.57	-	-
Hasmi & Associates	9,672,750	4.08	-	-
Lambaian Kukuh	163,150	0.07	-	-
Lembah Rakyat	560,800	0.24	-	-
Jamiah <sup>(iv)</sup>	1,000	<sup>(v)</sup>	-	-
Abd Jala <sup>(iv)</sup>	100	<sup>(v)</sup>	-	-

**Notes:-**

- (i) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).
- (ii) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.
- (iii) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.
- (iv) Jamiah is the sister of Datuk Hasmi, whereas Abd Jala is the brother-in-law of Datuk Hasmi.
- (v) Negligible.

**10. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board (save for Datuk Amar, Datuk Hasmi and WPE), after having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interests of Naim.

Accordingly, the Board (save for Datuk Amar, Datuk Hasmi and WPE) recommends that you vote in favour of the resolutions pertaining to the Proposals at the forthcoming EGM.

**11. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposals, which are the subject matter of this Circular, the Board confirms that there are no other outstanding corporate proposals that have been announced through Bursa Securities but not yet completed prior to the printing of this Circular.

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## 12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, and subject to the receipts of all required approvals from the relevant parties and authorities, the Proposals are expected to be completed by the 1<sup>st</sup> quarter of 2019.

The tentative timeline in relation to the implementation of the Proposals is as follows:-

Date	Events
Mid November 2018	<ul style="list-style-type: none"><li>• EGM for the Proposals</li></ul>
Early December 2018	<ul style="list-style-type: none"><li>• Approval from SC for the Proposed Exemption</li><li>• Announcement of the Entitlement Date of the Proposed Rights Issue</li></ul>
Mid December 2018	<ul style="list-style-type: none"><li>• Entitlement Date</li><li>• Issuance of Abridged Prospectus, Rights Subscription Form and Notice of Provisional Allotment for the Proposed Rights Issue</li></ul>
Early January 2019	<ul style="list-style-type: none"><li>• Closing date of the application and acceptance for the Rights Shares</li></ul>
Mid January 2019	<ul style="list-style-type: none"><li>• Listing and quotation of the Rights Shares on the Main Market of Bursa Securities</li></ul>

## 13. EGM

The EGM, the notice of which is enclosed with this Circular, will be held at Ranchang Ballroom, Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak, Malaysia on Tuesday, 13 November 2018, at 11:00 a.m., or at any adjournment thereof, to consider and, if thought fit, to pass the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, please complete the Form of Proxy, which is attached in this Circular, in accordance with the instructions contained herein. The Form of Proxy should be lodged at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time and date fixed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude a shareholder from attending and voting in person at the EGM should the shareholder subsequently wish to do so.

## 14. FURTHER INFORMATION

You are requested to refer to the enclosed appendices in this Circular for further information.

Yours faithfully  
For and on behalf of the Board of  
**NAIM HOLDINGS BERHAD**

**TAN CHUAN DYI**  
Independent Non-Executive Director

**PART B**

**INDEPENDENT ADVICE LETTER FROM IPS TO THE NON-INTERESTED SHAREHOLDERS OF NAIM IN  
RELATION TO THE PROPOSED EXEMPTION**

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## **EXECUTIVE SUMMARY**

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All definitions used in this Executive Summary shall have the same meanings as defined in the "Definitions" section of this Circular and as defined in the IAL herein, except where the context otherwise requires or is otherwise defined herein.

All references to "you" are references made to the non-interested shareholders of Naim, whilst references to "we", "us" or "our" are references to IPS, being the Independent Adviser for the Proposed Exemption.

**THIS EXECUTIVE SUMMARY SUMMARISES THE INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED EXEMPTION DETAILED IN PART B OF THE CIRCULAR. YOU ARE ADVISED TO READ AND UNDERSTAND THE IAL AND ITS ATTACHMENTS IN ITS ENTIRETY, TOGETHER WITH THE LETTER FROM THE BOARD IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED EXEMPTION.**

**YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THE IAL AND THE LETTER FROM THE BOARD BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT NAIM'S FORTHCOMING EGM.**

**IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

### **1. INTRODUCTION**

On 30 August 2018, AmInvestment Bank, on behalf of the Board, announced that the Company proposes to undertake the Proposed Rights Issue and the Proposed Exemption, whereby the Proposed Rights Issue will be undertaken on a Minimum Subscription Level basis.

In order to meet the Minimum Subscription Level, the Company has obtained the Undertakings from the Undertaking Shareholders. Pursuant to the Undertakings, the Undertaking Shareholders would be obliged to subscribe for their respective entitlements based on their shareholdings as at the Entitlement Date and apply for excess Rights Shares to the extent that the Minimum Subscription Level could be fulfilled. In the event that none of the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue other than the Undertaking Shareholders, the shareholdings of Datuk Amar, Datuk Hasmi and their PACs, namely Island Harvests, Tapak Beringin, Hasmi & Associates, Lambaian Kukuh, Lembah Rakyat, Jamiah and Abd Jalal in Naim will, over a six (6)-month period, collectively increase by more than 2% upon the completion of the Proposed Rights Issue and trigger the creeping threshold pursuant to Paragraph 4.01(b) of the Rules.

In addition, pursuant to the Undertakings, Datuk Hasmi's shareholdings in Naim (both direct and indirect) will increase from 24.10% as at the LPD to 41.60% upon completion of the Proposed Rights Issue under the Minimum Scenario, which would result in Datuk Hasmi obtaining control of Naim pursuant to Paragraph 4.01(a) of the Rules.

Based on the Minimum Subscription Level and pursuant to the Undertakings, the collective shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim will increase from approximately 40.02% to approximately 69.06%. For further details, please refer to Section 5.5.1 of this IAL.

Consequently, Datuk Amar, Datuk Hasmi and their PACs will be obliged to undertake the Mandatory Offer pursuant to Paragraph 4.01(b) of the Rules. As it is not the intention of Datuk Amar, Datuk Hasmi and their PACs to undertake the Mandatory Offer, approval for the Proposed Exemption, pursuant to Paragraph 4.08(2)(b) of the Rules, is being sought from you and the SC.



## EXECUTIVE SUMMARY (Cont'd)

In this respect, on 12 September 2018, IPS was appointed as the Independent Adviser to advise you and the non-interested Directors on the Proposed Exemption. On 13 September 2018, in accordance with the Rules, we had declared our independence from conflict of interests to the SC, to act as the Independent Adviser for the Proposed Exemption.

Please refer to Section 1 of this IAL for further details.

## 2. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2: Part III of the Rules.

In our evaluation of the Proposed Exemption, we have considered the following (see Section 5 of this IAL for further details):

Section in the IAL	Area of evaluation	IPS' comments
Section 5.1	Rationale for the Proposals	<p><b>Proposed Rights Issue</b></p> <p>The Board is of the view that the Proposed Rights Issue is the most appropriate means of fund raising after considering various methods of fund raising available, as the Proposed Rights Issue will, amongst others:</p> <ul style="list-style-type: none"><li>(i) provide funding for its property development activities without increasing its gearing level and incurring additional interest expense.</li></ul> <p>Fund raising via the Proposed Rights Issue will enable the Group to repay part of its bank borrowings which will in turn reduce its debt servicing obligations and improve the Group's cash flow.</p> <p>Thus, such utilisation of the proceeds from the Proposed Rights Issue is expected to contribute positively to the Group's earnings.</p> <ul style="list-style-type: none"><li>(ii) provide the Group with additional working capital which may contribute positively to the sales of the Group's products and services, hence improving the Group's financial performance which will be pivotal to its potential recovery and growth.</li><li>(iii) allow the Group to repay part of its existing bank borrowings which will result in the Group having a lower gearing level and ultimately, some interest savings and strengthen the Group's capital structure.</li></ul> <p><b>Proposed Exemption</b></p> <p>The Proposed Exemption will relieve Datuk Amar, Datuk Hasmi and their PACs from the obligations to undertake the Mandatory Offer upon completion of the Proposed Rights Issue pursuant to the Undertakings as it is not their intention to undertake the Mandatory Offer.</p>

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**EXECUTIVE SUMMARY (Cont'd)**

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		<p>The entitlements to the Rights Shares are renounceable and will be provisionally allotted on a proportionate basis in accordance to the shareholdings of the Entitled Shareholders and are fair to all shareholders. Moreover, Entitled Shareholders have the option to sell their rights entitlements in the open market when quoted on Bursa Securities, should Entitled Shareholders decide to take this course of action.</p> <p>Given that the Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other, the approval for the Proposed Exemption is necessary to facilitate and ensure the successful implementation of the Proposed Rights Issue.</p> <p><b>Premised on the above, we are of the view that the rationale for the Proposed Exemption is justifiable.</b></p> <p>Please refer to Section 5.1 of this IAL for further details.</p>
Section 5.2	Issue price of the Rights Shares	<p>We note that the Issue Price represents:</p> <ul style="list-style-type: none"><li>(i) discounts ranging from 16.56% to 30.82% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Naim Shares up to and including the LTD;</li><li>(ii) discounts of 0.44% and 1.47% to the TERP based on the closing market price and the 5-day VWAP of Naim Shares up to and including the LPD; and</li><li>(iii) discount of 90.55% to the audited consolidated NA per Share of RM4.76 as at 31 December 2017.</li></ul> <p>Although the Issue Price is at a deep discount to the consolidated NA per Share, the Issue Price is reasonable as there is no assurance that Naim will be able to realise the consolidated NA per Share at its full value, taking into consideration the illiquid nature of substantial amount of the Group's assets being capitalised in the form of land cost, property development cost and non-current assets, which may not be readily realised and converted into cash or cash equivalents.</p> <p>Based on the analysis above, the Issue Price is considered to be attractive for the subscription of the Rights Shares by the Entitled Shareholders and/or their renouncee(s) in view that it is at a discount to the TERP of the Naim Shares as well as to the consolidated NA per Naim Share.</p> <p>All Entitled Shareholders should note that the Proposed Rights Issue provides all shareholders of Naim with an equal opportunity to further increase their equity participation in the Company at the same issue price and in proportion with their shareholdings in Naim at the Entitlement Date. Correspondingly, all Entitled Shareholders will have the same opportunity as the Undertaking Shareholders.</p> <p><b>Premised on the above, we are of the view that the issue price of the Rights Shares is <u>justifiable</u>.</b></p> <p>Please refer to Section 5.2 of this IAL for further details.</p>

Section 5.3	Effects of the Proposals	<p><b>Issued share capital</b></p> <p>The issued share capital of Naim will increase from approximately RM301.3 million (excluding approximately RM34.7 million of Treasury Shares) to approximately RM401.3 million under the Minimum Scenario and up to approximately RM461.3 million under the Maximum Scenario pursuant to the Proposed Rights Issue following the issuance of the Rights Shares.</p> <p><b>NA, NA per Share and gearing</b></p> <p>The Proposed Rights Issue is expected to increase the Group's NA and reduce its gearing as follows:</p> <table border="1" data-bbox="639 703 1402 902"> <thead> <tr> <th></th> <th>Audited as at 31 December 2017 (RM'000)</th> <th>Minimum Scenario (RM'000)</th> <th>Maximum Scenario (RM'000)</th> </tr> </thead> <tbody> <tr> <td>Shareholders' fund/NA</td> <td>1,128,225</td> <td>1,227,425</td> <td>1,287,362</td> </tr> <tr> <td>NA per Share (RM)</td> <td>4.76</td> <td>2.67</td> <td>2.17</td> </tr> <tr> <td>Total borrowings</td> <td>545,404</td> <td>520,404</td> <td>505,404</td> </tr> <tr> <td>Gearing (times)</td> <td>0.48</td> <td>0.42</td> <td>0.39</td> </tr> </tbody> </table> <p>The NA will increase from approximately RM1.13 billion to RM1.23 billion and RM1.29 billion under the Minimum Scenario and the Maximum Scenario respectively due to the increase in the share capital of Naim pursuant to the Proposed Rights Issue.</p> <p>Coupled with the increase in the share capital of Naim pursuant to the Proposed Rights Issue, part repayment of bank borrowings amounting to approximately RM25.00 million and RM40.00 million under the Minimum Scenario and the Maximum Scenario respectively will decrease the overall Group's gearing.</p> <p>The non-interested shareholders of Naim should note that the dilution in the NA per Naim Share is mainly due to the issuance of the Rights Shares at the Issue Price, which is substantially below the NA per Naim Share.</p> <p><b>Earnings and EPS</b></p> <p>For the FYE 31 December 2017, the Group recorded a loss after tax and non-controlling interests of approximately RM168.9 million. As a result of the increase in the number of Naim Shares upon completion of the Proposed Rights Issue, there will be a dilution in the LPS of the Group.</p> <p><b>Substantial shareholders' shareholdings</b></p> <p>Under the Minimum Scenario, the collective shareholding of Datuk Amar, Datuk Hasmi and their PACs in Naim will increase from approximately 40.02% to approximately 69.06% of the enlarged issued share capital upon completion of the Proposed Rights Issue pursuant to the Undertakings. Under such scenario, if you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue, your percentage shareholding would be diluted accordingly. Your collective shareholding could potentially decrease from approximately 59.98% to 30.94% of the enlarged issued share capital upon completion of the Proposed Rights Issue.</p>		Audited as at 31 December 2017 (RM'000)	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Shareholders' fund/NA	1,128,225	1,227,425	1,287,362	NA per Share (RM)	4.76	2.67	2.17	Total borrowings	545,404	520,404	505,404	Gearing (times)	0.48	0.42	0.39
	Audited as at 31 December 2017 (RM'000)	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)																			
Shareholders' fund/NA	1,128,225	1,227,425	1,287,362																			
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Total borrowings	545,404	520,404	505,404																			
Gearing (times)	0.48	0.42	0.39																			

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**EXECUTIVE SUMMARY (Cont'd)**

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		<p>Under the Maximum Scenario, assuming all Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue, there will be no effect on the substantial shareholders' percentage shareholdings in Naim as the Rights Shares will be allotted on a pro-rata basis to all Entitled Shareholders.</p> <p>Notwithstanding the dilution in the NA per Share and LPS as set out above, it is pertinent to note that the entitlements for the Proposed Rights Issue are allotted on a proportionate basis in accordance to the respective shareholdings of the Entitled Shareholders on the Entitlement Date.</p> <p><b>In summary, the effects of the Proposed Rights Issue on the issued share capital, NA, NA per Naim Share, gearing, substantial shareholders' shareholdings of the Company, earnings and EPS of the Group are <u>justifiable</u> to the non-interested shareholders of Naim.</b></p> <p>Please refer to Section 5.3 of this IAL for further details.</p>
Section 5.4	Industry outlook and prospects of the Group	<p>For the second quarter of 2018, the Malaysian economy expanded at a slower pace of 4.5% due to supply disruptions in the mining sector and lower agriculture production which was caused by supply constraints and adverse weather conditions. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.3%.</p> <p>Acknowledging that the property market will remain challenging due to factors such as increasing cost of borrowings, increased competition and property stocks, stricter lending policy and continued weak buying sentiments, Naim will adopt a more cautious approach towards product launches by launching a range of affordable products and scheduling these launches based on market dynamics.</p> <p>We note that the Group will be focusing on affordable properties as the Group strives to aptly tailor its products to meet changing customer demands due to the existing economic sentiment. As the Group's product offerings will be geared towards adapting to the prevailing market conditions and customer demand, the Company believes that its development projects will continuously contribute to earnings of the Group. The current outstanding construction order book of approximately RM1.96 billion will also contribute to the Group's earnings in years to come.</p> <p><b>In view of the Group's current property development projects, its focus to meet changing customer demands and the current outstanding construction order book, we are of the view that the prospects of the Group are expected to be positive.</b></p> <p>Please refer to Section 5.4 of this IAL for further details.</p>

<p>Section 5.5</p>	<p>Implications of the Proposed Exemption</p>	<p><b><u>If you VOTE IN FAVOUR of the Proposed Exemption</u></b></p> <p>Should you vote in favour of the Proposed Exemption and the Proposals are approved at the forthcoming EGM, the SC would be able to consider the application for the Proposed Exemption. The approval from the SC for the Proposed Exemption would then exempt Datuk Amar, Datuk Hasmi and their PACs from the obligation to undertake the Mandatory Offer upon completion of the Proposed Rights Issue.</p> <p>Your approval of the Proposed Exemption will imply that you have agreed to waive your rights by exempting Datuk Amar, Datuk Hasmi and their PACs from the obligation to undertake the Mandatory Offer (which shall not be lower than the highest price paid by Datuk Amar, Datuk Hasmi and their PACs for Naim Shares in the past 6-month period before the incurrence of such obligation to undertake the Mandatory Offer).</p> <p>Voting in favour of the Proposed Exemption does not in any way impede your rights to participate in the Proposed Rights Issue. However, should you decide not to subscribe for your entitlement under the Proposed Rights Issue, your percentage shareholdings in Naim will be diluted accordingly.</p> <p>In view of the conditionality of the Proposals as set out in Section 8 of Part A of the Circular, without the Proposed Exemption, the Proposed Rights Issue will not be implemented. Therefore, voting in favour of the Proposed Exemption will enable the Company to potentially benefit from the Proposed Rights Issue (if the Proposed Rights Issue is approved by you as Datuk Amar, Datuk Hasmi and their PACs will abstain from voting on the resolutions of the Proposals).</p> <p><b><u>If you VOTE AGAINST the Proposed Exemption</u></b></p> <p>In the event that you vote against the Proposed Exemption and the Proposed Exemption is not approved at the forthcoming EGM, the SC would not be able to consider the application by Datuk Amar, Datuk Hasmi and their PACs for the Proposed Exemption.</p> <p>The Proposed Rights Issue will not be implemented due to the inter-conditionality with the Proposed Exemption. Consequently, Naim would not be able to raise funds from the Proposed Rights Issue and also would not be able to realise the potential benefits arising therefrom. Hence, the Board will have to deliberate on other possible alternatives including new borrowings to raise funds for its property development projects and to meet the debt service obligations obtained from any new borrowings.</p> <p>Please refer to Section 5.5 of this IAL for further details.</p>
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**3. CONCLUSION AND RECOMMENDATION**

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2, Part III of the Rules and also taken the relevant factors into consideration as discussed in Section 5 of this IAL. Non-interested shareholders should carefully consider the merits and demerits of the Proposals based on all relevant factors and considerations as set out in this IAL and Part A of this Circular, prior to making a decision on whether to vote in favour or against the Proposed Exemption.

We have taken into consideration various factors discussed in this IAL of which the advantages and disadvantages of the Proposed Exemption, if granted, are summarised as below:

<b>Advantages</b>	
(i)	<p>The Proposed Rights Issue will enable Naim to raise funds via equity capital and is expected to contribute positively to the Group's earnings by:</p> <ul style="list-style-type: none"><li>(a) funding the development cost for the Company's property development projects without the Group sourcing funds through additional borrowings and incurring additional interest expense; and</li><li>(b) reducing the debt of the Group and thereby reduce interest expense by approximately RM1.40 million and approximately RM2.24 million per annum under the Minimum Scenario and the Maximum Scenario respectively.</li></ul> <p>However, the weighted average cost of capital ("<b>WACC</b>") based on the unaudited financial statements as at 30 June 2018 of the Group will increase from 5.58% to 6.37% upon completion of the Proposed Rights Issue as compared with the Debt Funding Scenario, where the WACC of the Group will decrease from 5.58% to 5.46%.</p> <p>Nevertheless, this will be outweighed by the benefits of equity financing, whereby the Proposed Rights Issue will strengthen the Group's capital base, reduce its gearing from 0.53 times to 0.42 times compared with the Debt Funding Scenario (where the gearing of the Group will be increased from 0.53 times to 0.64 times), which is expected to improve the credit rating and debt capacity of the Group, as well as to provide the Group with some financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future.</p>
(ii)	<p>Upon completion of the Proposed Rights Issue, the Group will have a stronger balance sheet with a larger NA and capital base, and therefore strengthen the Group's financial position.</p>
(iii)	<p>Datuk Amar, Datuk Hasmi and their PACs are currently the largest shareholder group of Naim with an equity interest of approximately 40.02% collectively. The support from the Undertaking Shareholders via the Undertakings demonstrate their continued interest and commitment in Naim. Further, such support provides certainty to Naim in raising the necessary funding via the Proposed Rights Issue. Due to the inter-conditionality of the Proposals, the Proposed Exemption will ensure the implementation of the Proposed Rights Issue.</p>

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<b>Disadvantages</b>	
(i)	Should you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue, your percentage shareholdings will be diluted accordingly. Depending on the eventual subscription rate of the Rights Shares by you, the collective shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim could potentially increase from approximately 40.02% to approximately 69.06% and conversely, your collective shareholdings will be diluted from approximately 59.98% to approximately 30.94%. You should note that these maximum potential holdings of Datuk Amar, Datuk Hasmi and their PACs as indicated above are purely illustrative and may not materialise.
(ii)	<p>The Proposed Exemption could potentially allow Datuk Amar, Datuk Hasmi and their PACs to increase control or obtain control in Naim without a premium being paid to you as the Issue Price will be issued at a discount of between 16.56% to 30.82% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Naim Shares up to the LTD.</p> <p>The Issue Price also represents the following:</p> <ul style="list-style-type: none"><li>(a) discount of 90.55% to the audited consolidated NA per Share of RM4.76 as at 31 December 2017; and</li><li>(b) discount of 83.15% and 79.26% to the pro forma consolidated NA per Share of RM2.67 and RM2.17 as at 31 December 2017 under the Minimum Scenario and the Maximum Scenario respectively.</li></ul>

Premised on the factors discussed above and our evaluation of the Proposed Exemption based on the information available to us, we are of the view that the Proposed Exemption is **fair and reasonable**.

Accordingly, we recommend you **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM.

**However, you should take note that should you decide not to subscribe for the Rights Shares, your percentage shareholdings in the Company will be diluted accordingly. The dilutive effect on your collective shareholdings from 59.98% to 30.94% as stated in Section 5.3.4 of this IAL would cause a transfer of value in the form of Rights Shares as follows:**

- (i) **discount of 17.82% to the TERP based on the 5-day VWAP up to the LTD; and**
- (ii) **discount of 83.15% and 79.26% to the pro forma consolidated NA per Share of RM2.67 and RM2.17 as at 31 December 2017 under the Minimum Scenario and the Maximum Scenario respectively,**

**from the non-participating shareholders to the participating shareholders. This is detrimental to the interests of shareholders who do not subscribe for the Rights Shares. Entitled Shareholders who do not take up the Rights Shares will have the opportunity to sell the rights entitlements in the market. However, there is no assurance that the market price of the rights entitlements will trade at least at the intrinsic value of the rights.**

We have not taken into consideration any specific investment objectives, financial situations, risk profile or particular need required by you. We recommend that if you require an advice in relation to the Proposed Exemption in the context of your investment objectives, financial situations, risk profile or particular needs, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

**YOU ARE ADVISED TO READ BOTH THIS IAL AND ITS ATTACHMENTS AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT THE FORTHCOMING EGM.**

# INTER-PACIFIC

SECURITIES SDN. BHD.

(12738-U)

A Participating Organisation of Bursa Malaysia Securities Berhad  
A Trading Participant of Bursa Malaysia Derivatives Berhad

## Registered Office

West Wing, Level 13  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur

29 October 2018

**To: The non-interested shareholders of Naim Holdings Berhad**

Dear Sir/Madam,

**NAIM HOLDINGS BERHAD (“NAIM” OR THE “COMPANY”)**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF NAIM IN  
RELATION TO THE PROPOSED EXEMPTION**

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*This IAL is prepared for inclusion as Part B in the Circular. Unless otherwise stated, the definitions used in this IAL shall have the same meanings as defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined herein.*

## 1. INTRODUCTION

On 30 August 2018, AmlInvestment Bank, on behalf of the Board, announced that the Company proposes to undertake the Proposed Rights Issue and the Proposed Exemption, whereby the Proposed Rights Issue will be undertaken on a Minimum Subscription Level basis.

In order to meet the Minimum Subscription Level, the Company has obtained the Undertakings from the Undertaking Shareholders. Pursuant to the Undertakings, the Undertaking Shareholders would be obliged to subscribe for their respective entitlements based on their shareholdings as at the Entitlement Date and apply for excess Rights Shares to the extent that the Minimum Subscription Level could be fulfilled. In the event that none of the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue other than the Undertaking Shareholders, the shareholdings of Datuk Amar, Datuk Hasmi and their PACs, namely Island Harvests, Tapak Beringin, Hasmi & Associates, Lambaian Kukuh, Lembah Rakyat, Jamiah and Abd Jalal in Naim will, over a six (6)-month period, collectively increase by more than 2% upon the completion of the Proposed Rights Issue and trigger the creeping threshold pursuant to Paragraph 4.01(b) of the Rules.

In addition, pursuant to the Undertakings, Datuk Hasmi’s shareholdings in Naim (both direct and indirect) will increase from 24.10% as at the LPD to 41.60% upon completion of the Proposed Rights Issue under the Minimum Scenario, which would result in Datuk Hasmi obtaining control of Naim pursuant to Paragraph 4.01(a) of the Rules.

Based on the Minimum Subscription Level and pursuant to the Undertakings, the collective shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim will increase from approximately 40.02% to approximately 69.06%. For further details, please refer to Section 5.5.1 of this IAL.

Consequently, Datuk Amar, Datuk Hasmi and their PACs will be obliged to undertake the Mandatory Offer pursuant to Paragraph 4.01(b) of the Rules. As it is not the intention of Datuk Amar, Datuk Hasmi and their PACs to undertake the Mandatory Offer, approval for the Proposed Exemption, pursuant to Paragraph 4.08(2)(b) of the Rules, is being sought from you and the SC.



In this respect, on 12 September 2018, IPS was appointed as the Independent Adviser to advise you and the non-interested Directors on the Proposed Exemption. On 13 September 2018, in accordance with the Rules, we had declared our independence from conflict of interests to the SC, to act as the Independent Adviser for the Proposed Exemption.

The SC had via its letter dated 23 October 2018 notified us that it has no further comments on the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with our recommendation or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

An application will be submitted to the SC after your approval for the Proposed Exemption has been obtained by Naim at the forthcoming EGM. In the event the Proposed Exemption is not approved by you or the SC, the Proposed Rights Issue will not be implemented as the Proposed Exemption and the Proposed Rights Issue are inter-conditional upon each other.

The purpose of this IAL is to provide you our independent evaluation of the Proposed Exemption together with our recommendation on whether to vote in favour of the Proposed Exemption, subject to the scope and limitations specified herein. Nevertheless, you should rely on your own evaluation of the merits and demerits of the Proposed Exemption before making a decision on the course of action to be taken at Naim's forthcoming EGM.

**THIS IAL IS PREPARED SOLELY FOR YOU TO CONSIDER THE MERITS AND DEMERITS OF THE PROPOSED EXEMPTION AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE WHATSOEVER.**

**YOU ARE ADVISED TO READ AND UNDERSTAND THIS IAL AND ITS ATTACHMENTS AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THIS IAL AND THE LETTER FROM THE BOARD BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT NAIM'S FORTHCOMING EGM.**

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

## **2. SCOPE AND LIMITATIONS TO OUR EVALUATION**

IPS was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposals. Our scope as the Independent Adviser is limited to expressing an independent opinion on the terms of the Proposals based on information and documents provided or are available to us, including the following:

- (i) information contained in Part A of this Circular and the accompanying appendices;
- (ii) other relevant information, documents, confirmations and/or representations provided to us by the Board and the management of Naim;
- (iii) discussions and consultation with the Board and management of Naim; and
- (iv) other publicly available information.

We have relied on the Company, its Board and its management to take due care to ensure that all information, documents, confirmations and representations provided to us by them and the advisers of Naim for the Proposals to facilitate our evaluation are accurate, valid and complete in all material aspects. Nonetheless, after making all reasonable enquiries, we are satisfied that sufficient information has been obtained and we have no reason to believe that the aforesaid information provided or are available to us is unreliable, incomplete, misleading and/or inaccurate as at the LPD.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and of importance to you for an assessment of the Proposals and therefore, of general concern to you. We have not taken into consideration any individual or specific group's specific investment objectives, financial situations, risk profile or particular needs. We recommend that any of you who require specific advice in relation to the Proposals, in the context of your individual investment objectives, financial situations, risk profile or particular needs, to consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, the economic, equity capital market, industry, regulatory and other conditions prevailing on, and the information/documents available to us as at the LPD. Such conditions may change significantly over a period of time. Accordingly, our evaluation and opinion expressed herein do not take into account the information, events or conditions arising after the LPD.

We shall immediately notify the SC in writing and you by way of announcement if, after despatching this IAL, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAL:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAL to you in accordance with Paragraph 11.07(2) of the Rules.

### **3. DETAILS OF THE PROPOSALS**

The details of the Proposals are set out in the following sections in Part A of the Circular and should be read in its entirety by you:

(i) Proposed Rights Issue	Section 2.1
(ii) Proposed Exemption	Section 2.2

### **4. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

The details of interests of the Interested Directors, Interested Major Shareholders and their PACs in relation to the Proposals are set out in Section 9 of Part A of the Circular.

Save as disclosed in Section 9 of Part A of the Circular, none of the directors, major shareholders of Naim and/or any persons connected to them have any interest, whether direct or indirect, in the Proposals.

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## 5. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2: Part III of the Rules.

In our evaluation of the Proposed Exemption, we have considered the following:

<b>Factors</b>	<b>Section</b>
Rationale for the Proposals	5.1
Issue price of the Rights Shares	5.2
Effects of the Proposals	5.3
Industry outlook and prospects of the Group	5.4
Implications of the Proposed Exemption	5.5

### 5.1 Rationale for the Proposals

#### 5.1.1 Rationale for the Proposed Rights Issue

As stated in Section 4.1 of Part A of the Circular, the Board is of the view that the Proposed Rights Issue is the most appropriate means of fund raising for the intended purposes as set out in Section 3 of Part A of the Circular, after considering various methods of fund raising available.

Based on the issue price of RM0.45 per Rights Share, the Proposed Rights Issue is expected to raise gross proceeds of approximately RM100.00 million under the Minimum Scenario and up to approximately RM159.94 million under the Maximum Scenario, which is intended to be utilised by the Company as follows:

<b>Details of utilisation</b>	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>	<b>Estimated timeframe for utilisation (from the date of listing of the Rights Shares)</b>
Property development activities	70,000	114,937	Within 18 months
General working capital	4,200	4,200	Within 12 months
Repayment of borrowings	25,000	40,000	Within 12 months
Estimated expenses in relation to the Proposed Rights Issue	800	800	Within 3 months
<b>Total estimated proceeds</b>	<b>100,000</b>	<b>159,937</b>	

Our comments on the rationale for the Proposed Rights Issue are as follows:

#### (i) Provide funding for its property development activities

Up to approximately RM114.94 million of the proceeds from the Proposed Rights Issue has been earmarked to fund the property development activities of the Company. Such expenses are envisaged to include consultant and professional fees, payment to suppliers and contractors, site overhead as well as administrative costs.

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At this juncture, the Company has identified the following property development projects to be funded via the proceeds from the Proposed Rights Issue as follows:

Project	Description	Property type	Commencement date	Expected completion date	Estimated GDV (RM'million)
Kuching Paragon	Condominium development known as Sapphire on the Park, as part of the Group's Kuching Paragon integrated development in Kuching, Sarawak.	Residential (condominium)	1 <sup>st</sup> quarter, 2018	1 <sup>st</sup> quarter, 2021	190.0
Bintulu Paragon	Condominium development known as The Peak @ Bintulu Paragon, as part of the Group's Bintulu Paragon integrated development in Bintulu, Sarawak.	Residential (condominium)	2 <sup>nd</sup> quarter, 2015	2 <sup>nd</sup> quarter, 2019	150.0
Bandar Baru Permyjaya	Part of the on-going Southlake projects and part of the upcoming affordable and medium-priced residential development at the Group's Bandar Baru Permyjaya mixed development in Miri.	Residential (landed)	2 <sup>nd</sup> quarter, 2018	1 <sup>st</sup> quarter, 2021	140.0

The actual utilisation of proceeds for the abovementioned projects will depend on the actual funding requirement and the timing of completion of the Proposed Rights Issue. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above. In the event if there is any excess in funds allocated for the property development activities, it will be used for the Group's working capital requirements.

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In the FYE 31 December 2017, Naim recorded a loss after tax (“LAT”) of approximately RM167.96 million as compared against a profit after tax (“PAT”) of approximately RM1.71 million in the FYE 31 December 2016. The LAT registered was mainly due to the following:

- (i) loss of approximately RM121.0 million mainly from the mass rapid transit (“MRT”) station projects which were complex projects with a steep learning curve for the Group. One of the contributing factors to the significant loss in the projects was due to the eventual revenue recognised being much lower than initially projected because of final re-measurement adjustments. Delay in site possession, significant volume of work variations and site instructions by the client as well as substantial shortening/compressing of construction periods had also led to additional prolongation and acceleration costs incurred to complete the projects, contributing to the loss; and
- (ii) significant deterioration in the share of results of its associate, Dayang Enterprise Holdings Berhad (“Dayang”) where it registered a LAT of approximately RM153.2 million in the FYE 31 December 2017 as compared against a PAT of approximately RM54.0 million in the FYE 31 December. The LAT was mainly due to impairment loss on property, plant and equipment, foreign exchange losses and lower charter rates achieved.

As part of the Company’s plans to improve its financial performance, the Company will focus more on the development of medium range affordable housing (below RM500,000) and enhance the saleability of the Company’s high-end products. At the same time, the Company will also rehabilitate its construction segment and nurse it to profitability in years to come. The Company will also continuously review the performance of its assets and consider possible sale of non-core and other assets for working capital and where possible, to reduce the Company’s debts.

Acknowledging that the property market will remain challenging due to factors such as increasing cost of borrowings, increased competition and property stocks, stricter lending policy and continued weak buying sentiments, Naim will adopt a more cautious approach towards product launches by launching a range of affordable products and scheduling these launches based on market dynamics.

The Board had determined that an equity fund raising via the Proposed Rights Issue would be the most appropriate measure to raise funds considering the current financial situation of the Group. With the rise in the cost of borrowings coupled with the Company’s cautious approach to recovery, incurring additional borrowings to fund its property development projects would bring risks to the Group’s financial condition such as:

- (i) increased cost of financing for its property development projects; and
- (ii) potential delay in the servicing of its liabilities.

Additionally, fund raising via the Proposed Rights Issue will enable the Group to repay part of its bank borrowings which will in turn reduce its debt servicing obligations and improve the Group’s cash flow. The Proposed Rights Issue will also provide the Entitled Shareholders with an opportunity to take part and share in the Group’s potential recovery and growth by subscribing for their respective entitlements to the Rights Shares at the Issue Price.

Thus, such utilisation of the proceeds from the Proposed Rights Issue is expected to contribute positively to the Group’s earnings.

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**(ii) General working capital**

We noted that the Group has also earmarked approximately RM4.2 million out of the proceeds from the Proposed Rights Issue for its day-to-day operating and administrative expenses, which include, inter alia, sales and marketing expenses, personnel costs as well as office expenses.

The working capital used for the abovementioned purposes may contribute positively to the sales of the Group's products and services, hence improving the Group's financial performance which will be pivotal to its potential recovery and growth.

**(iii) Gearing level and interest savings**

As at the LPD, the total bank borrowings of the Group is approximately RM556.7 million and mainly comprise term loans and unsecured revolving credits of approximately RM211.6 million and RM345.0 million respectively.

Therefore, part of the proceeds from the Proposed Rights Issue is intended to repay the Group's existing bank borrowings, which will result in the Group having a lower gearing level and ultimately, some interest savings.

The borrowings of the Group had increased from approximately RM258.2 million in the FYE 31 December 2014 to approximately RM545.4 million in the FYE 31 December 2017. For the past 5 financial years, the Group had maintained its gearing below 0.5 times but its gearing has been increasing from 0.20 times in the FYE 31 December 2014 to 0.48 times in the FYE 31 December 2017 as tabled below:

	FYE 31 December				
	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)
Borrowings	352,544	258,245 <sup>(1)</sup>	406,030	478,835	545,404
NA	1,039,879	1,261,028	1,307,277	1,314,572	1,128,225
Gearing (times)	0.34	0.20	0.31	0.36	0.48

Note:

- (1) Reduction in borrowings in the FYE 31 December 2014 was mainly due to early redemption of the non-current portion of the unsecured Islamic bonds (including coupon expense accrued thereon) amounting to approximately RM153.48 million prior to the respective maturity dates (which were to be due in year 2016 and 2021). Subsequently, the Company cancelled the Islamic bonds programmes of up to RM500 million.

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We have assessed the changes in the WACC and gearing of the Group for the following scenarios:

<b>Existing Scenario</b>	Based on the Group's existing capital structure as at 30 June 2018
<b>Rights Issue Scenario</b>	Based on the Group's pro forma capital structure as at 30 June 2018 after the Proposed Rights Issue under the Maximum Scenario
<b>Debt Funding Scenario</b>	Based on the Group's pro forma capital structure as at 30 June 2018 assuming the Group uses borrowings to raise up to approximately RM119.14 million, being the proceeds to be raised under the Maximum Scenario net of repayment of bank borrowings and estimated expenses for the Proposals

The WACC of the Group is derived as follows:

$$WACC = \frac{E}{D + E} (k_e) + \frac{D}{D + E} (k_d) (1 - t)$$

Where:

- E* - Market value of Naim's equity based on the 5-day VWAP of Naim Shares up to and including 29 August 2018, being the last trading date prior to the announcement of the Proposals ("**Announcement**") ("**LTD**") of RM0.6941 and the issued share capital of Naim as at the LPD of 236,944,000 Naim Shares (excluding 13,056,000 treasury shares)
- D* - Market value of Naim's debt, which is based on the Group's interest-bearing borrowings as at 30 June 2018, based on its latest unaudited quarterly results FPE 30 June 2018.
- k<sub>e</sub>* - Cost of equity, representing the rate of return required by an investor on the cash flow streams generated by the Group given, amongst others, the risks associated with the cash flows. This is derived using the Capital Asset Pricing Model below:

$$k_e = R_f + \beta(R_m - R_f)$$

Where:

- R<sub>f</sub>* : Risk-free rate of return, representing the expected rate of return from a risk-free investment and is derived based on the yield of the 10-year Malaysian Government Securities as at the LTD of 4.034%.
- β* : Beta, representing the sensitivity of an asset's returns to the changes in the market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa. The re-levered beta of Naim was derived from the average unlevered beta of 0.7992 of selected comparable companies listed on the Main Market of Bursa Securities with similar principal activities and re-levered based on the capital structure of Naim after the recapitalisation exercise.

$R_m$  : Expected market rate of return, representing the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. We have adopted the historical annual equity market return of Malaysia for the past 10 years up to and including the LTD of 9.441% as extracted from Bloomberg.

$k_d$  - Pre-tax cost of debt, based on the weighted average interest rate of Naim Group's borrowings of 5.6% as per Section 3, Note (iii) of Part A of the Circular.

$t$  - Corporate tax rate, which is based on the latest Malaysian statutory tax rate of 24%.

The WACC and gearing of the Group for the scenarios mentioned above are as follows:

	WACC (%)	Gearing (Times)
Existing Scenario	5.58	0.53
Rights Issue Scenario	6.37	0.42
Debt Funding Scenario	5.46	0.64

As illustrated above, the WACC of the Group will be lower at 5.46% under the Debt Funding Scenario compared with 6.37% under the Rights Issue Scenario. The lower  $k_d$  as compared with the  $k_e$ , as well as the tax shield on interest expense incurred for borrowings has resulted in the lower WACC under the Debt Funding Scenario.

However, the gearing of the Group will be higher at 0.64 times under the Debt Funding Scenario as compared with 0.42 times under the Rights Issue Scenario.

The total interest expense incurred by the Group for the FYE 31 December 2017 was approximately RM27.51 million. The part repayment of bank borrowings will result in some interest savings for the Group. For illustration purpose, based on the Group's weighted average interest rate of approximately 5.6% per annum, the partial repayment of the Group's borrowings is expected to result in interest costs savings of approximately RM1.40 million (under the Minimum Scenario) and approximately RM2.24 million (under the Maximum Scenario) per annum.

In summary, the Proposed Rights Issue will allow Naim to improve its gearing level as well as result in interest savings.

#### (iv) Strengthen capital structure

The issued share capital and NA of Naim before and after the Proposed Rights Issue is illustrated as follows:

	As at 31 December 2017 (RM'000)	After the Proposed Rights Issue	
		Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Share capital	336,092	436,092	496,029
NA	1,128,225	1,227,425	1,287,362

The Proposed Rights Issue would enable Naim Group to strengthen its capital base, which will contribute to an increase of approximately RM100.00 million and up to approximately RM159.94 million in Naim's issued share capital under the Minimum Scenario and the Maximum Scenario respectively. The NA of Naim will also increase from approximately RM1.13 billion to approximately RM1.23 billion and approximately RM1.29 billion under the Minimum Scenario and the Maximum Scenario respectively.



The increase in the Group's pro forma NA and the improvement in gearing level is expected to improve the credit rating and debt capacity of the Group, which in turn would provide the Group with some financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future to fund potential acquisitions of land bank, property development projects and/or any potential investment opportunities which may arise.

**Premised on the above, we are of the view that the rationale for the Proposed Rights Issue is justifiable.**

### **5.1.2 Rationale for the Proposed Exemption**

The rationale for the Proposed Exemption is set out in Section 4.2 of Part A of the Circular.

The Proposed Exemption will relieve Datuk Amar, Datuk Hasmi and their PACs from the obligations to undertake the Mandatory Offer upon completion of the Proposed Rights Issue pursuant to the Undertakings as it is not their intention to undertake the Mandatory Offer.

The entitlements to the Rights Shares are renounceable and will be provisionally allotted on a proportionate basis in accordance to the shareholdings of the Entitled Shareholders and are fair to all shareholders. Moreover, Entitled Shareholders have the option to sell their rights entitlements in the open market when quoted on Bursa Securities, should Entitled Shareholders decide to take this course of action. The Undertaking Shareholders would not gain any advantage over the other non-interested shareholders who are accorded the rights to subscribe for the Rights Shares at the same issue price and in proportion with their shareholdings in Naim at the Entitlement Date.

The Proposed Exemption is not intended to dilute the shareholdings of the other Entitled Shareholders as the collective percentage shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim will only increase if the remaining Rights Shares are not subscribed for by the other Entitled Shareholders. Should all the remaining Rights Shares be subscribed for by the other Entitled Shareholders and/or their renounee(s), the percentage collective shareholdings of the Undertaking Shareholders in Naim will remain unchanged.

Should all the Entitled Shareholders and/or their renounee(s) subscribe for their entitlements in full under the Proposed Rights Issue, there will not be any excess Rights Shares to be subscribed by the Undertaking Shareholders pursuant to their Additional Undertaking. You should note that should you choose not to subscribe for your entitlement to the Rights Shares or choose to renounce your entitlement pursuant to the Proposed Rights Issue, your existing percentage shareholding in Naim would be diluted accordingly.

The Additional Undertaking by the Undertaking Shareholders to subscribe for additional Rights Shares of up to 79,979,247 Rights Shares that are not subscribed by the Entitled Shareholders is to ensure that the Proposed Rights Issue will be implemented at the Minimum Subscription Level.

Given that the Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other, the approval for the Proposed Exemption is necessary to facilitate and ensure the successful implementation of the Proposed Rights Issue.

Without the Proposed Exemption, Naim would not be able to implement the Proposed Rights Issue and accordingly, the Group will continue to incur interest expense of approximately RM1.40 million (under the Minimum Scenario) and approximately RM2.24 million (under the Maximum Scenario) per annum based on the Group's weighted average interest rate of approximately 5.6% per annum.

In addition, the Group may also need to raise the necessary funding required to complete its property development projects via borrowings or other means, which may result in higher development cost due to additional interest expense and thus, lowering the return from its property development projects.

**Premised on the above, we are of the view that the rationale for the Proposed Exemption is justifiable.**

## 5.2 Issue price of the Rights Shares

The basis and justification for the Issue Price are set out in Section 2.1.1 of Part A of the Circular.

The Issue Price was determined by the Board after taking into consideration, amongst others, the following:

- (i) the prevailing market conditions and current and historical market price of Naim Shares; and
- (ii) the resultant TERP of Naim Shares of RM0.55 computed based on the 5-day VWAP of the Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Proposed Rights Issue of RM0.6876, whereby the Issue Price represents a discount of 18.18% to the TERP.

For a more recent illustration, the issue price of RM0.45 represents a discount of 2.17% to the TERP of RM0.46, computed based on the 5-day VWAP of Naim Shares up to the LPD of RM0.4668.

### IPS' comments

In evaluating the Issue Price, we have considered the following:

#### (i) Discount over the closing market price and VWAP

We note that the Issue Price represents a discount to the TERP of Naim Shares based on the closing market price and VWAP as at the LTD and the LPD as follows:

	Closing price/ VWAP (RM)	TERP based on the Issue Price (RM)	Discount of the Issue Price to the TERP	
			(RM)	(%)
<u>Up to and including the LTD:</u>				
Closing market price	0.6900	0.5460	0.0960	17.58
5-day VWAP	0.6941	0.5476	0.0976	17.82
1-month VWAP	0.6912	0.5465	0.0965	17.66
3-month VWAP	0.6732	0.5393	0.0893	16.56
6-month VWAP	0.7273	0.5609	0.1109	19.77
12-month VWAP	0.9512	0.6505	0.2005	30.82
<u>Up to and including the LPD:</u>				
Closing market price	0.4550	0.4520	0.0020	0.44
5-day VWAP	0.4668	0.4567	0.0067	1.47

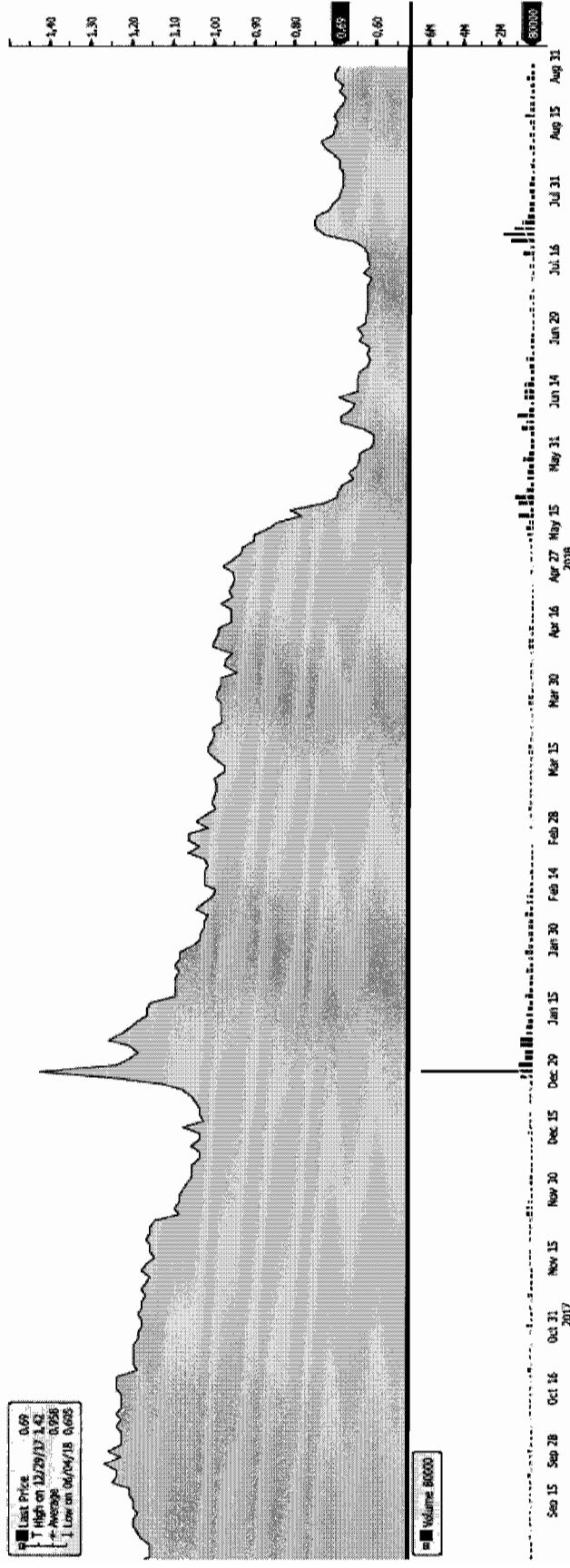
(Source: Bloomberg)

Based on the table above, we note that the Issue Price represents:

- (i) discounts ranging from 16.56% to 30.82% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Naim Shares up to and including the LTD; and
- (ii) discounts of 0.44% and 1.47% to the TERP based on the closing market price and the 5-day VWAP of Naim Shares up to and including the LPD.

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The movement in the historical closing prices and trading volume of Naim Shares for the past one (1) year up to LTD is shown in the diagram below:



(Source: Bloomberg)

Based on the diagram above, the highest closing price of Naim Shares for the past one (1) year up to the LTD was RM1.42 on 29 December 2017, whilst the lowest closing price was RM0.61 on 4 June 2018.

The Company is not aware of any reasons for the significant increase in share price and volume in December 2017 as there were no corporate developments nor announcements made by the Company in the month of December 2017.

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**(ii) Discount over the NA per Naim Share**

We also note that the Issue Price represents a discount to the NA per Naim Share as follows:

	NA per Naim Share (RM)	Discount of the Issue Price to NA per Naim Share	
		(RM)	(%)
Based on the audited consolidated NA per Naim Share as at 31 December 2017	4.76	4.31	90.55
Based on the pro forma consolidated NA per Naim Share as at 31 December 2017 under the Minimum Scenario	2.67	2.22	83.15
Based on the pro forma consolidated NA per Naim Share as at 31 December 2017 under the Maximum Scenario	2.17	1.72	79.26

Based on the table above, we note that the Issue Price represents the following:

- (a) discount of 90.55% to the audited consolidated NA per Share of RM4.76 as at 31 December 2017; and
- (b) discount of 83.15% and 79.26% to the pro forma consolidated NA per Share of RM2.67 and RM2.17 as at 31 December 2017 under the Minimum Scenario and the Maximum Scenario respectively.

Although the Issue Price is at a deep discount to the consolidated NA per Share, the Issue Price is reasonable as there is no assurance that Naim will be able to realise the consolidated NA per Share at its full value, taking into consideration the illiquid nature of substantial amount of the Group's assets being capitalised in the form of land cost, property development cost and non-current assets, which may not be readily realised and converted into cash or cash equivalents.

**(iii) Monthly closing prices of Naim Shares**

The historical monthly closing prices of Naim Shares as traded on the Main Market of Bursa Securities at the end of each of the calendar months from February 2018 to August 2018, being the period commencing six (6) months before the date of the Announcement on 30 August 2018 and up to the LPD are set out as follows:

Month	Closing price at the end of each month (RM)
<b>2018</b>	
February	1.010
March	0.985
April	0.975
May	0.640
June	0.645
July	0.685
August	0.690
September	0.520
October (up to 23 October 2018)	0.455

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During the period commencing six (6) months before the date of the Announcement on 30 August 2018 and up to the LPD:

- (i) the highest closing price of Naim Shares was RM1.040 on 1 March 2018; and
- (ii) the lowest closing price of Naim Shares was RM0.455 on 23 October 2018.

Based on the analysis above, the Issue Price is considered to be attractive for the subscription of the Rights Shares by the Entitled Shareholders and/or their renounee(s) considering that it is at a discount to the TERP of the Naim Shares as well as to the consolidated NA per Naim Share. The Entitled Shareholders and/or their renounee(s) would need to incur cash outlay to subscribe for the Rights Shares, and thus are entitled for the discount stated above.

All Entitled Shareholders should note that the Proposed Rights Issue provides all shareholders of Naim with an equal opportunity to increase their equity participation in the Company at the same issue price and in proportion with their shareholdings in Naim at the Entitlement Date. Correspondingly, all Entitled Shareholders will have the same opportunity as the Undertaking Shareholders.

Although the Undertaking Shareholders will be able to increase their shareholdings in Naim at a lower price compared to the closing market prices of Naim Shares for the past one (1) year up to the LTD, the shareholdings of the Undertaking Shareholders will only increase in the event that there are remaining Rights Shares which are not fully subscribed for by the other Entitled Shareholders at their own discretion. Should all the remaining Rights Shares be subscribed for by the other Entitled Shareholders and/or their renounee(s), the collective percentage of shareholdings of Datuk Amar, Datuk Hasmi and their PACs will remain unchanged.

Hence, the Proposed Exemption is only intended to ensure that the Proposed Rights Issue successfully raises the funding required by the Company for its intended utilisation as set out in Section 3 of Part A of the Circular and would not result in any dilution to shareholders unless they forego, renounce or sell their rights to their Proposed Rights Issue entitlements.

**Premised on the above, we are of the view that the issue price of the Rights Shares is justifiable in view of the following:**

- (i) the entitlements to the Rights Shares are equitable and are fair and proportionate to all the Entitled Shareholders based on their shareholdings in Naim on the Entitlement Date;**
- (ii) all the Entitled Shareholders have the right to subscribe for their respective entitlements to the Rights Shares at the same issue price;**
- (iii) should the Entitled Shareholders choose not to subscribe for the Rights Shares, the Entitled Shareholders can trade their rights to the Rights Shares on the market, and as such, those that choose to renounce their entitlements to the Rights Shares can sell all or part of their rights to the Rights Shares in the market; and**
- (iv) although the Proposed Exemption will allow the Undertaking Shareholders to increase their shareholdings in Naim via the subscription of the Rights Shares at a lower price compared to the closing market prices of Naim Shares for the past one (1) year up to the LTD, the collective percentage of the shareholdings of Datuk Amar, Datuk Hasmi and their PACs will only increase if there are remaining Rights Shares which are not fully subscribed for by other Entitled Shareholders at their own discretion.**

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### 5.3 Effects of the Proposals

The Proposed Exemption, on a standalone basis, will not have any effect on the issued share capital, NA, NA per Share, gearing, substantial shareholders' shareholdings of the Company, earnings and EPS of the Group.

However, due to the inter-conditionality of the Proposals, we take note of the effects of the Proposed Rights Issue based on the Minimum Scenario and the Maximum Scenario as set out in Section 6 of Part A of the Circular. The Proposed Exemption is essential to give certainty to achieve the Minimum Subscription Level for the Proposed Rights Issue, which will in turn affect Naim's issued share capital, substantial shareholders' shareholdings, NA, NA per Share, gearing, earnings and EPS of the Group.

#### 5.3.1 Issued share capital

The increase in the issued share capital of Naim upon completion of the Proposed Rights Issue is as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Naim Shares ('000)	(RM'000)	No. of Naim Shares ('000)	(RM'000)
Issued share capital as at the LPD	250,000	336,092	250,000	336,092
Less: Treasury Shares	(13,056)	(34,748)	(13,056)	(34,748)
	<b>236,944</b>	<b>301,344</b>	<b>236,944</b>	<b>301,344</b>
To be issued pursuant to the Proposed Rights Issue	222,222	100,000 <sup>(1)</sup>	355,416	159,937 <sup>(1)</sup>
<b>Enlarged issued share capital</b>	<b>459,166</b>	<b>401,344</b>	<b>592,360</b>	<b>461,281</b>

Note:

(1) Based on the issue price of RM0.45 per Rights Share.

#### 5.3.2 NA, NA per Share and gearing

We note from Section 6.2 of Part A of the Circular that the Proposed Rights Issue is expected to increase the Group's NA and reduce its gearing as follows:

	Audited as at 31 December 2017 (RM'000)	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Shareholders' fund/NA	1,128,225	1,227,425	1,287,362
NA per Share (RM)	4.76	2.67	2.17
Total borrowings	545,404	520,404 <sup>(1)</sup>	505,404 <sup>(2)</sup>
Gearing (times)	0.48	0.42	0.39

Notes:

(1) After the partial repayment of bank borrowings of RM25.0 million from the proceeds raised from the Proposed Rights Issue.

(2) After the partial repayment of bank borrowings of RM40.0 million from the proceeds raised from the Proposed Rights Issue.

As illustrated in the table above, the NA will increase from approximately RM1.13 billion to RM1.23 billion and RM1.29 billion under the Minimum Scenario and the Maximum Scenario respectively due to the increase in the share capital of Naim pursuant to the Proposed Rights Issue.

Based on the Issue Price, the Proposed Rights Issue is expected to raise gross proceeds of approximately RM100.00 million and approximately RM159.94 million under the Minimum Scenario and the Maximum Scenario respectively.

Coupled with the increase in the share capital of Naim pursuant to the Proposed Rights Issue, part repayment of bank borrowings amounting to approximately RM25.00 million and RM40.00 million under the Minimum Scenario and the Maximum Scenario respectively will decrease the Group's gearing from 0.48 times to 0.42 times (under the Minimum Scenario) and 0.39 times (under the Maximum Scenario).

However, the non-interested shareholders of Naim should note that the dilution in the NA per Naim Share is mainly due to the issuance of the Rights Shares at the Issue Price, which is substantially below the NA per Naim Share.

### 5.3.3 Earnings and EPS

The Proposed Rights Issue is expected to contribute positively to the Group's earnings by:

- (i) funding the development cost for the Company's property development projects without the Group sourcing funds through additional borrowings and incurring additional interest expense; and
- (ii) reducing the debt of the Group and thereby reduce interest expense by approximately RM1.40 million and approximately RM2.24 million per annum under the Minimum Scenario and the Maximum Scenario respectively as detailed in the Section 3 Note (iii) of Part A of the Circular.

For illustration purpose, assuming the Proposed Rights Issue has been completed at the beginning of the financial year, the pro forma effects of the Proposed Rights Issue on the consolidated loss and LPS of the Group for the FYE 31 December 2017 are as follows:

	<b>Audited as at 31 December 2017 (RM'000)</b>	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>
Loss attributable to the owners of the Company	(168,853)	(168,853)	(168,853)
Interest savings <sup>(1)</sup>	-	1,400	2,240
	<b>(168,853)</b>	<b>(167,453)</b>	<b>(166,613)</b>
No. of Naim Shares in issue ('000)	236,944	459,166 <sup>(2)</sup>	592,360 <sup>(2)</sup>
LPS (sen)	(0.71)	(0.36)	(0.28)

Notes:

- (1) Interest savings arising from the part repayment of bank borrowings from the Proposed Rights Issue proceeds.
- (2) Based on the enlarged issued shares of Naim (excluding Treasury Shares) after the Proposed Rights Issue.

As a result of the increase in the number of Naim Shares issued upon completion of the Proposed Rights Issue, there will be a dilution in the LPS of the Group.

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### 5.3.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue on the substantial shareholders' shareholdings are set out in Section 6.3 of Part A of the Circular.

Under the Minimum Scenario, the collective shareholding of Datuk Amar, Datuk Hasmi and their PACs in Naim will increase from approximately 40.02% to approximately 69.06% of the enlarged issued share capital upon completion of the Proposed Rights Issue pursuant to the Undertakings. Under such scenario, if you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue, your percentage shareholding would be diluted accordingly. Your collective shareholding could potentially decrease from approximately 59.98% to 30.94% of the enlarged issued share capital upon completion of the Proposed Rights Issue.

Under the Maximum Scenario, assuming all Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue, there will be no effect on the substantial shareholders' percentage shareholdings in Naim as the Rights Share will be allotted on a pro-rata basis to all Entitled Shareholders.

Nonetheless, you should take note that should you choose not to subscribe for the Rights Shares, your existing percentage shareholdings would be diluted accordingly.

Notwithstanding the dilution in the NA per Share and LPS as set out above, it is pertinent to note that the entitlements for the Proposed Rights Issue are allotted on a proportionate basis in accordance to the respective shareholdings of the Entitled Shareholders on the Entitlement Date.

#### **IPS' comments**

**In summary, the effects of the Proposed Rights Issue on the issued share capital, NA, NA per Naim Share, gearing, substantial shareholders' shareholdings of the Company, earnings and EPS of the Group are justifiable to the non-interested shareholders of Naim.**

**Nonetheless, non-interested shareholders of Naim should take note that should you choose not to subscribe for the Rights Shares, your existing shareholdings percentage would be diluted accordingly.**

### 5.4 Industry outlook and prospects of the Group

We note the industry outlook and prospects of the Group as set out in Section 5 of Part A of the Circular.

For the second quarter of 2018, the Malaysian economy expanded at a slower pace of 4.5% due to supply disruptions in the mining sector and lower agriculture production which was caused by supply constraints and adverse weather conditions. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.3%.

Domestic demand recorded a stronger growth of 5.6%, as the higher private sector activity more than offset the decline in public sector spending. Private consumption expanded at a stronger pace of 8.0% (1Q 2018: 6.9%), the highest since the first quarter of 2015. This was driven by continued strength in income and employment. Consumer spending was also boosted by the lower inflation during the quarter following the zerorisation of the Goods and Services Tax (GST) rate and stronger consumer sentiments.

We note that the Malaysian economy is projected to continue its strong growth momentum with real GDP expanding between 5% and 5.5% in 2018 which will be mainly driven by resilient domestic demand amid favourable external sector. Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.



We note that based on the Property Market Report for the First Half of 2018 issued by NAPIC Valuation and Property Services Department of Ministry of Finance, the total volume of transactions of properties in Malaysia for the first half of 2018 decreased by 2.4% vis-à-vis the first half of 2017, whilst the value of transactions has decreased by 0.1% for the same period.

In particular, the volume of transactions for residential and commercial properties decreased by 0.8% (residential) and increased by 3.5% (commercial) respectively for the first half of 2018 vis-à-vis the first half of 2017. In addition, the value of transactions for residential properties decreased by 3.6% whilst the value of transactions for commercial properties increased by 31.8% during the period.

We note that banks continued to extend loans for the purchase of residential property to eligible borrowers, including to first time house buyers. Outstanding loans extended by banks for house financing were sustained at 8.9% on an annual basis in 1Q 2018. Loan approval rates for houses priced below RM500,000 stood at 71.5%, with most major states recording housing loans approval rates of above 70%.

According to NAPIC's Property Market Report 2017, the Sarawak property market recorded 22,605 transactions worth RM6.19 billion, a marginal decline of 3.2% in volume. Nevertheless, the value of transactions saw an increase of 5.9%. The residential sub-sector remained the leading sub-sector, dominating 42.6% of the transaction volume, followed by agricultural (40.2%), development land (8.5%), commercial (6.9%), and industrial sub-sectors (1.8%).

We note that by price range, the most transacted residential units for Sarawak are in the price range of between RM100,000 and RM150,000 and demand continued to be in the region of RM200,000 and below price points, accounting for nearly 50% of the residential market transactions volume. It is also observed that more than 2/3 of the total residential volume transacted for Sarawak are below the RM300,000 price category.

As mentioned earlier in Section 5.1.1 of this IAL, acknowledging that the property market will remain challenging due to factors such as increasing cost of borrowings, increased competition and property stocks, stricter lending policy and continued weak buying sentiments, Naim will adopt a more cautious approach towards product launches by launching a range of affordable products and scheduling these launches based on market dynamics.

We note that the Group will be focusing on affordable properties as the Group strives to aptly tailor its products to meet changing customer demands due to the existing economic sentiment. As the Group's product offerings will be geared towards adapting to the prevailing market conditions and customer demand, the Company believes that its development projects will continuously contribute to the earnings of the Group.

We also note that the Company has an outstanding construction order book of approximately RM1.96 billion as at the LPD, comprising *inter-alia*, the following notable projects:

Project	Order book (RM'mil)	Construction period	Status of completion (%)
Development and upgrading of the Pan Borneo Highway from Pantu Junction to Batang Skrang section (approximately 89.4km), secured through NAIM GAMUDA (NAGA) JV SDN. BHD., a 70% owned indirect subsidiary of the Company	1,178	51 months commencing from September 2016	30 <sup>(ii)</sup>
951 units of affordable housing at Desa Bahagia, Miri under SPNB, secured through Naim Engineering Sdn Bhd, a wholly-owned subsidiary of the Company ("NESB")	218	36 months <sup>(i)</sup>	-
1,553 units of affordable housing at Sultan Tengah Kuching under SPNB, secured through NESB	490	60 months <sup>(i)</sup>	-

*Notes:*

- (i) *Naim Group has been awarded the contracts for Desa Bahagia (Phase 2 and Phase 3) and Sultan Tengah from SPNB in June 2013 and September 2014 respectively. However, the Group has yet to commence the construction works for the Desa Bahagia Phase 3 and Sultan Tengah projects as at the LPD. The Group is currently in the midst of discussions with SPNB pertaining to the design amendments, detailed timing and other aspects of the said projects. For information purpose, the Group has completed the construction of SPNB's Desa Bahagia Phase 1 and Phase 2 projects with total contract value of approximately RM332.3 million.*
- (ii) *Based on physical work done as at the LPD.*

The management believes that the current outstanding construction order book will contribute to the Group's earnings in years to come. Moreover, we note that the Group's involvement in various construction projects such as Sabah Oil & Gas Terminal, Mass Rapid Transit Lembah Kelang: Jajaran Sg. Buloh-Kajang and Pan Borneo Highway provides credentials and track record to the Group to secure more construction projects in the future.

**In view of the Group's current property development projects, its focus to meet changing customer demands and the current outstanding construction order book, we are of the view that the prospects of the Group are expected to be positive.**

## **5.5 Implications of the Proposed Exemption**

You should note that the SC will only consider the application for the Proposed Exemption if Datuk Amar, Datuk Hasmi and their PACs have satisfied amongst others, the following conditions pursuant to Paragraph 4.08(2) of the Rules:

- (i) there has been no acquisition of shares or instruments convertible into shares and options in respect of shares (other than subscriptions for new shares or new instruments convertible into or options in respect of new shares which have been disclosed in the whitewash circular) by Datuk Amar, Datuk Hasmi and their PACs during the 6-month period prior to 30 August 2018, being the date of the Announcement ("**Disqualifying Transaction**") but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Rights Issue until completion of the subscription; and
- (ii) approval has been obtained from independent holders of voting shares or voting rights of Naim at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the Mandatory Offer from Datuk Amar, Datuk Hasmi and their PACs. The voting at the meeting shall be conducted by way of a poll.

Any exemption granted will be invalidated if Datuk Amar, Datuk Hasmi or their PACs have engaged or engages in a Disqualifying Transaction.

The implications of your voting outcome on the ordinary resolution to give effect to the Proposed Exemption to be tabled at the forthcoming EGM are set out in the ensuing sections.

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### 5.5.1 If you VOTE IN FAVOUR of the Proposed Exemption

Should you vote in favour of the Proposed Exemption and the Proposals are approved at the forthcoming EGM, the SC would be able to consider the application for the Proposed Exemption. The approval from the SC for the Proposed Exemption would then exempt Datuk Amar, Datuk Hasmi and their PACs from the obligation to undertake the Mandatory Offer upon completion of the Proposed Rights Issue.

Based on the Minimum Subscription Level, the maximum potential shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim are as follows:

	Shareholdings as at the LPD		Maximum potential shareholdings after the Proposed Rights Issue	
	No. of Naim Shares	%	No. of Naim Shares	% <sup>(1)</sup>
Datuk Amar	9,736,600	4.11	32,553,427	7.09
Datuk Hasmi	16,668,850	7.03	55,730,768	12.14
Island Harvests	30,619,600	12.92	102,373,817	22.3
Tapak Beringin	27,406,900	11.57	91,632,450	19.96
Hasmi & Associates	9,672,750	4.08	32,339,950	7.04
Lambaian Kukuh	163,150	0.07	545,477	0.12
Lembah Rakyat	560,800	0.24	1,874,983	0.41
Jamiah	1,000	*	1,000	*
Abd Jalal	100	*	100	*
<b>Total</b>	<b>94,829,750</b>	<b>40.02</b>	<b>317,051,972</b>	<b>69.06</b>

Notes:

\* *Negligible.*

(1) *Based on the enlarged issued share capital of Naim amounting to 459,166,222 Naim Shares (excluding Treasury Shares) after the Proposed Rights Issue under the Minimum Scenario.*

The shareholding limit to be established for the exemption sought by Datuk Amar, Datuk Hasmi and their PACs from the obligation to undertake the Mandatory Offer will be based on the actual number and percentage of voting rights that Datuk Amar, Datuk Hasmi and their PACs will hold individually and/or collectively upon completion of the Proposed Rights Issue ("**Shareholding Limit**"). If Datuk Amar, Datuk Hasmi and their PACs exceed the Shareholding Limit, they would be obliged to observe the requirement of the Rules.

Your approval of the Proposed Exemption will imply that you have agreed to waive your rights by exempting Datuk Amar, Datuk Hasmi and their PACs from the obligation to undertake the Mandatory Offer (which shall not be lower than the highest price paid by Datuk Amar, Datuk Hasmi and their PACs for Naim Shares in the past 6-month period before the incurrence of such obligation to undertake the Mandatory Offer).

Voting in favour of the Proposed Exemption does not in any way impede your rights to participate in the Proposed Rights Issue. However, should you decide not to subscribe for your entitlement under the Proposed Rights Issue, your percentage shareholdings in Naim will be diluted accordingly.

Should Datuk Amar, Datuk Hasmi and their PACs exceed the Shareholding Limit, Datuk Amar, Datuk Hasmi and their PACs would be obliged to observe the requirement of the Rules. This means that unless otherwise exempted (up to the Shareholding Limit), in the event after the completion of the Proposals:

- (i) the individual shareholding (both direct and indirect) of Datuk Amar, Datuk Hasmi and their PACs ("**PAC Group**") in the Company is below 33%, an obligation to undertake a mandatory offer would be triggered if any member of the PAC Group increases his/its shareholding (both direct and indirect) in the Company to above 33% ("**33% Threshold**");

- (ii) the individual and collective shareholding of the PAC Group is more than 33% but less than 50%, an obligation to undertake a mandatory offer would be triggered if the shareholding of the PAC Group, both individually or collectively, increases by more than 2% in any 6-month period; or
- (iii) the collective shareholding of the PAC Group is more than 50%, any further increase in their collective shareholding would not trigger an obligation to undertake a mandatory offer provided that the PAC Group do not trigger such mandatory offer obligation on an individual basis (i.e. individually breaching the 33% Threshold, both directly and indirectly).

The Issue Price represents discounts ranging from 16.56% to 30.82% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 1-year VWAP of Naim Shares up to and including the LTD. It also represents a discount of 83.15% and 79.26% to the pro forma consolidated NA per Share of RM2.67 and RM2.17 as at 31 December 2017 under the Minimum Scenario and the Maximum Scenario respectively. This would mean that Datuk Amar, Datuk Hasmi and their PACs may increase control or obtain control over the Company at a discount. Similarly, Datuk Hasmi may obtain control over Naim at a discount as well.

In view of the conditionality of the Proposals as set out in Section 8 of Part A of the Circular, without the Proposed Exemption, the Proposed Rights Issue will not be implemented. Therefore, voting in favour of the Proposed Exemption will enable the Company to potentially benefit from the Proposed Rights Issue (if the Proposed Rights Issue is approved by you as Datuk Amar, Datuk Hasmi and their PACs will abstain from voting on the resolutions of the Proposals).

#### **5.5.2 If you VOTE AGAINST the Proposed Exemption**

In the event that you vote against the Proposed Exemption and the Proposed Exemption is not approved at the forthcoming EGM, the SC would not be able to consider the application by Datuk Amar, Datuk Hasmi and their PACs for the Proposed Exemption.

The Proposed Rights Issue will not be implemented due to the inter-conditionality with the Proposed Exemption. Consequently, Naim would not be able to raise funds from the Proposed Rights Issue and also would not be able to realise the potential benefits arising therefrom. Hence, the Board will have to deliberate on other possible alternatives including new borrowings to raise funds for its property development projects and to meet the debt service obligations obtained from any new borrowings.

## **6. DECLARATIONS AND CONFIRMATIONS**

Pursuant to Schedule 2, Part II of the Rules, the following declarations have been made in respect of the Proposed Exemption as at the LPD:

### **6.1 Declarations by Datuk Amar, Datuk Hasmi and their PACs**

- (i) Datuk Amar, Datuk Hasmi and their PACs have no intention to effect any major changes to:
  - (a) the continuation of the business of the Group;
  - (b) the business of the Group, including plans to liquidate any of the companies within the Group, dispose of or re-deploy any fixed assets of the Group or make any major change in the business of the Group; and
  - (c) the continued employment of the employees of the Group,

except where such changes are considered by the Group to be necessary to improve, amongst others, its business, profitability, operation and/or market position and in the best interest of the Group;

- (ii) Datuk Amar, Datuk Hasmi and their PACs' commercial justification for the Proposed Exemption is to ensure a smooth implementation of the Proposed Rights Issue to facilitate the Group to raise the necessary funds without Datuk Amar, Datuk Hasmi and their PACs having to undertake the Mandatory Offer;
- (iii) save for the Undertakings, there is no agreement, arrangement or understanding that exists between Datuk Amar, Datuk Hasmi or their PACs and any of the Directors or recent Directors of Naim, existing or recent holders of voting shares or voting rights of Naim having any connection with or dependence upon the Proposals; and
- (iv) within the knowledge of Datuk Amar, Datuk Hasmi and their PACs, as at the LPD, there has not been any material change in the financial position or prospects of the Group since 31 December 2017, being the latest audited consolidated financial statements of the Group.

Premised on the above, having considered the above confirmations and barring unforeseen circumstances, we note that there will not be any major disruption to the operations of the business of the Group. Further, the above confirmations and the Undertakings by the major shareholders of the Group reflect their continued commitment and confidence in the prospects of the Group.

## **6.2 Declarations by the Directors**

- (i) The Directors of Naim (save for Datuk Amar, Datuk Hasmi and WPE who have and will continue to abstain from voting on the Proposed Rights Issue and Proposed Exemption) have confirmed that they will **vote in favour** of the Proposed Exemption in respect of their beneficial holdings in Naim, if any, at the forthcoming EGM. Save for Datuk Amar, Datuk Hasmi and WPE whose interests are as disclosed in Section 9 of Part A of the Circular, none of the Directors have any direct or indirect holdings of Naim Shares as at the LPD;
- (ii) there are no payments or other benefits which will be made or given to any Director of Naim as compensation for loss of office or otherwise in connection with the Proposals;
- (iii) save for the Undertakings, there is no agreement or arrangement between any Director of Naim and any other person which is conditional on or dependent upon the outcome of the Proposals or otherwise connected with the outcome of the Proposals;
- (iv) none of the other Directors of Naim have any personal interest in any material contract entered into by Datuk Amar, Datuk Hasmi or their PACs; and
- (v) none of the Directors or proposed Directors of Naim or any of its subsidiaries have any existing service contracts with the Company or any of its subsidiaries, which has been entered into or amended within 6 months prior to 30 August 2018, being the date of the Announcement or which are fixed term contracts with more than 12 months to run.

## **7. DIRECTORS' RESPONSIBILITY STATEMENT**

This IAL has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of all information stated in this IAL. The Board, after having made all reasonable enquiries and to the best of their knowledge and belief, confirms the following:

- (i) no statement and/or information in this IAL is incomplete, false, misleading or inaccurate;
- (ii) there are no other facts and/or information, the omission of which would make any statement or information in this IAL incomplete, inaccurate, false or misleading; and
- (iii) all material facts and/or information relevant to this IAL, including those required under the Rules, have been accurately and completely disclosed in this IAL.

All information relating to Datuk Amar, Datuk Hasmi and their PACs were provided by Datuk Amar, Datuk Hasmi and their PACs respectively. The responsibility of the Board in relation to the information on Datuk Amar, Datuk Hasmi and their PACs is therefore limited to ensure that the information thereon is accurately reproduced in this IAL.

In relation to the independent advice and opinion of IPS in relation to the Proposed Exemption as contained in this IAL, the Board's responsibility is limited to the accuracy of the information given to IPS in relation to Naim for IPS' evaluation of the Proposed Exemption. The Board has confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts and/or information, the omission of which would make any information provided to IPS incomplete, inaccurate, false or misleading.

## 8. FURTHER INFORMATION

We advise you to refer to the attachments of this IAL, Part A of the Circular as well as the attached appendices for any other relevant information.

## 9. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2, Part III of the Rules and also taken the relevant factors into consideration as discussed in Section 5 of this IAL. Non-Interested Shareholders should carefully consider the merits and demerits of the Proposals based on all relevant factors and considerations as set out in this IAL and Part A of this Circular, prior to making a decision on whether to vote in favour or against the Proposed Exemption.

We have taken into consideration various factors discussed in this IAL of which the advantages and disadvantages of the Proposed Exemption, if granted, are summarised as below:

<b>Advantages</b>	
(i)	<p>The Proposed Rights Issue will enable Naim to raise funds via equity capital and is expected to contribute positively to the Group's earnings by:</p> <ul style="list-style-type: none"> <li>(a) funding the development cost for the Company's property development projects without the Group sourcing funds through additional borrowings and incurring additional interest expense; and</li> <li>(b) reducing the debt of the Group and thereby reduce interest expense by approximately RM1.40 million and approximately RM2.24 million per annum under the Minimum Scenario and the Maximum Scenario respectively.</li> </ul> <p>However, the WACC based on the unaudited financial statements as at 30 June 2018 of the Group will increase from 5.58% to 6.37% upon completion of the Proposed Rights Issue as compared with the Debt Funding Scenario, where the WACC of the Group will decrease from 5.58% to 5.46%.</p> <p>Nevertheless, this will be outweighed by the benefits of equity financing, whereby the Proposed Rights Issue will strengthen the Group's capital base, reduce its gearing from 0.53 times to 0.42 times compared with the Debt Funding Scenario (where the gearing of the Group will be increased from 0.53 times to 0.64 times), which is expected to improve the credit rating and debt capacity of the Group, as well as to provide the Group with some financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future.</p>
(ii)	<p>Upon completion of the Proposed Rights Issue, the Group will have a stronger balance sheet with a larger NA and capital base, and therefore strengthen the Group's financial position.</p>

- (iii) Datuk Amar, Datuk Hasmi and their PACs are currently the largest shareholder group of Naim with an equity interest of approximately 40.02% collectively. The support from the Undertaking Shareholders via the Undertakings demonstrate their continued interest and commitment in Naim. Further, such support provides certainty to Naim in raising the necessary funding via the Proposed Rights Issue. Due to the inter-conditionality of the Proposals, the Proposed Exemption will ensure the implementation of the Proposed Rights Issue.

#### **Disadvantages**

- (i) Should you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue, your percentage shareholdings will be diluted accordingly. Depending on the eventual subscription rate of the Rights Shares by you, the collective shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim could potentially increase from approximately 40.02% to approximately 69.06% and conversely, your collective shareholdings will be diluted from approximately 59.98% to approximately 30.94%. You should note that these maximum potential holdings of Datuk Amar, Datuk Hasmi and their PACs as indicated above are purely illustrative and may not materialise.

- (ii) The Proposed Exemption could potentially allow Datuk Amar, Datuk Hasmi and their PACs to increase control or obtain control in Naim without a premium being paid to you as the Issue Price will be issued at a discount of between 16.56% to 30.82% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Naim Shares up to the LTD.

The Issue Price also represents the following:

- (a) discount of 90.55% to the audited consolidated NA per Share of RM4.76 as at 31 December 2017; and
- (b) discount of 83.15% and 79.26% to the pro forma consolidated NA per Share of RM2.67 and RM2.17 as at 31 December 2017 under the Minimum Scenario and the Maximum Scenario respectively.

Premised on the factors discussed above and our evaluation of the Proposed Exemption based on the information available to us, we are of the view that the Proposed Exemption is **fair and reasonable**.

Accordingly, we recommend you **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM.

**However, you should take note that should you decide not to subscribe for the Rights Shares, your percentage shareholdings in the Company will be diluted accordingly. The dilutive effect on your collective shareholdings from 59.98% to 30.94% as stated in Section 5.3.4 of this IAL would cause a transfer of value in the form of Rights Shares as follows:**

- (i) **discount of 17.82% to the TERP based on the 5-day VWAP up to the LTD; and**
- (ii) **discount of 83.15% and 79.26% to the pro forma consolidated NA per Share of RM2.67 and RM2.17 as at 31 December 2017 under the Minimum Scenario and the Maximum Scenario respectively,**

**from the non-participating shareholders to the participating shareholders. This is detrimental to the interest of shareholders who do not subscribe for the Rights Shares. Entitled Shareholders who do not take up the Rights Shares will have the opportunity to sell the rights entitlements in the market. However, there is no assurance that the market price of the rights entitlements will trade at least at the intrinsic value of the rights.**

We have not taken into consideration any specific investment objectives, financial situations, risk profile or particular need required by you. We recommend that if you require an advice in relation to the Proposed Exemption in the context of your investment objectives, financial situations, risk profile or particular needs, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

**YOU ARE ADVISED TO READ BOTH THIS IAL AND ITS ATTACHMENTS AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT THE FORTHCOMING EGM.**

Yours faithfully,  
For and on behalf of  
**INTER-PACIFIC SECURITIES SDN. BHD.**

**TAN KOK TIAM**  
Head  
Corporate Finance

**YAP SIEW THEE**  
Assistant General Manager  
Corporate Finance



**INFORMATION ON NAIM****1. HISTORY AND PRINCIPAL ACTIVITIES**

Naim was incorporated in Malaysia on 5 July 2002 under the Companies Act 1965 under the name of Naim Cendera Holdings Berhad and is deemed registered under the Act. Subsequently, Naim Cendera Holdings Berhad was listed on the Main Market of Bursa Securities on 12 September 2003. The name was then changed to Naim Holdings Berhad on 13 March 2009.

Naim is principally engaged in the business of investment holding and the provision of management services to its subsidiaries. Through its subsidiaries, Naim is involved in the businesses of property development, construction, and other businesses such as property investment and management, manufacture and sale of buildings and construction materials.

**2. SHARE CAPITAL****2.1 Issued share capital**

As at the LPD, the issued share capital of Naim (including 13,056,000 treasury shares) are as follows:

	No. of Naim Shares (‘000)	Total (RM’000)
Issued share capital	250,000	336,092

As at the LPD, there is only one (1) class of shares in Naim (i.e. the Naim Shares). All the Naim Shares rank pari passu in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions which may be declared, made or paid to shareholders.

**2.2 Changes in the issued share capital**

There were no changes in the issued share capital of Naim since the end of the last FYE 31 December 2017 up to the LPD.

**2.3 Convertible securities**

As at the LPD, Naim does not have any convertible securities.

**3. SUBSTANTIAL SHAREHOLDERS**

As at the LPD, the substantial shareholders of Naim are set out below:

Name of substantial shareholder	Direct		Indirect	
	No. of Naim Shares	% <sup>(1)</sup>	No. of Naim Shares	% <sup>(1)</sup>
Datuk Amar	9,736,600	4.11	27,967,700 <sup>(2)</sup>	11.80
Datuk Hasmi	16,668,850	7.03	40,455,500 <sup>(3)</sup>	17.07
Island Harvests	30,619,600	12.92	-	-
Tapak Beringin	27,406,900	11.57	-	-
Lembaga Tabung Haji	24,827,200	10.48	-	-

**INFORMATION ON NAIM (Cont'd)**

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*Notes:*

- (1) *Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).*
- (2) *Deemed interested by virtue of his interests in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.*
- (3) *Deemed interested by virtue of his interests in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.*

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**INFORMATION ON NAIM (Cont'd)**
**4. DIRECTORS**

As at the LPD, the particulars of the Directors of Naim and their respective shareholdings in Naim are set out below:

Name	Nationality	Description	Address	Direct		Indirect	
				No. of Naim Shares	% <sup>(1)</sup>	No. of Naim Shares	% <sup>(1)</sup>
Datuk Amar	Malaysian	Chairman	9, Luak Bay, 98000 Miri, Sarawak.	9,736,600	4.11	27,967,700 <sup>(2)</sup>	11.80
Datuk Hasmi	Malaysian	Managing Director	Lot 5747, Block 10, Desa Pujut, Bandar Baru Perymyjaya, 98000 Miri, Sarawak.	16,668,850	7.03	40,455,500 <sup>(3)</sup>	17.07
Wong Ping Eng	Malaysian	Deputy Managing Director	No 17, Taman Hui Sing 5a3, Jalan Sherif Masahor, 93350 Kuching, Sarawak	5,000	*	-	-
Dato. Ir. Abang Jemat bin Abang Bujang	Malaysian	Independent Non-Executive Director	No 357, Taman Wunmas, Lorong Merak, 4KM, Jalan Matang, 93050 Kuching, Sarawak.	-	-	-	-
Emeritus Professor Dato' Abang Abdullah bin Abang Mohamad Ali	Malaysian	Independent Non-Executive Director	B702, Puteri Palma Condo, IOJ Resort, 62502 Putrajaya, Wilayah Persekutuan Putrajaya.	-	-	-	-
Datin Mary Sa'diah Binti Zainuddin	Malaysian	Independent Non-Executive Director	No 3A, Lot 3510, Jalan Bako, Petra Jaya, 93050 Kuching, Sarawak.	-	-	-	-

## INFORMATION ON NAIM (Cont'd)

Name	Nationality	Description	Address	Direct		Indirect	
				No. of Naim Shares	% <sup>(1)</sup>	No. of Naim Shares	% <sup>(1)</sup>
Tan Chuan Dyi	Malaysian	Independent Non-Executive Director	17, Jalan Tasik, 7 Lake Fields, Taman Tasik Damai 57000 Sungai Besi W.P. Kuala Lumpur Malaysia.	-	-	-	-
Sulaihah Binti Maimunni	Malaysian	Independent Non-Executive Director	1 No 2A, Jalan Kenyalang 11/15B, D'villa Equestrian Kota Damansara, 47810 Petaling Jaya, Selangor.	-	-	-	-
Chin Chee Kong	Malaysian	Non- Independent Non-Executive Director	111, Lorong 4, Arang Road, 93250 Kuching, Sarawak.	-	-	-	-

Notes:

\* Negligible.

- (1) Computed based on their respective shareholding over Naim's issued share capital of 236,944,000 Naim Shares (excluding Treasury Shares).
- (2) Deemed interested by virtue of his interests in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of his interests in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

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**INFORMATION ON NAIM (Cont'd)**
**5. SUBSIDIARIES AND ASSOCIATED COMPANIES OF NAIM**

As at the LPD, the subsidiary companies of Naim are as follows:

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Naim Land Sdn. Bhd.	Malaysia	100.0	Property developer and civil and building contractor
Naim Engineering Sdn. Bhd.	Malaysia	100.0	Civil, building and earthwork contractor
Naim Assets Sdn. Bhd.	Malaysia	100.0	Investment holding

**Held through Naim Land Sdn. Bhd.**

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Desa Ilmu Sdn. Bhd.	Malaysia	60.0	Property developer
Peranan Makmur Sdn. Bhd.	Malaysia	100.0	Property developer
Khidmat Mantap Sdn. Bhd	Malaysia	100.0	Property developer
Naim Realty Sdn. Bhd.	Malaysia	100.0	Property investment
Naim Supply & Logistic Sdn. Bhd.	Malaysia	100.0	Trading of construction materials
Naim Commercial Sdn. Bhd.	Malaysia	100.0	Property developer
Vista Megalink Sdn. Bhd.	Malaysia	100.0	Provision of management services
Naim Cendera Lapan Sdn. Bhd.	Malaysia	100.0	Quarry licensee and operator
Simbol Warisan Sdn. Bhd.	Malaysia	75.0	Quarry licensee

## INFORMATION ON NAIM (Cont'd)

Held through Naim Land Sdn. Bhd. (Cont'd)

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Jelas Kemuncak Resources Sdn. Bhd.	Malaysia	70.0	Quarry operator
Yakin Pelita Sdn. Bhd.	Malaysia	100.0	Property investment
Naim Cendera Tujuh Sdn. Bhd.	Malaysia	100.0	Property investment
Dataran Wangsa Sdn. Bhd.	Malaysia	100.0	Property developer
Yakin Jelas Sdn. Bhd.	Malaysia	100.0	Property investment
Pavilion Quest Sdn. Bhd.	Malaysia	100.0	Property investment
Solid Greenland Sdn. Bhd.	Malaysia	100.0	Property investment
Naim Ready Mix Sdn. Bhd.	Malaysia	100.0	Sale of ready mix piles
TR Green Sdn. Bhd.	Malaysia	100.0	Dormant
Naim Utilities Sdn. Bhd.	Malaysia	100.0	Dormant
Naim Incorporated Berhad	Malaysia	100.0	Dormant
Naim Academy Sdn. Bhd.	Malaysia	100.0	Dormant
Naim Oil & Gas Sdn. Bhd.	Malaysia	100.0	Dormant
Permyjaya Sino Education Sdn. Bhd.	Malaysia	100.0	Dormant
Kuching Paragon Sdn. Bhd.	Malaysia	100.0	Dormant
Miri Paragon Sdn. Bhd.	Malaysia	100.0	Dormant

## INFORMATION ON NAIM (Cont'd)

Held through Naim Land Sdn. Bhd. (Cont'd)

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Bina Hartamas Sdn. Bhd.	Malaysia	100.0	Dormant
Lotus Paradigm Sdn. Bhd.	Malaysia	70.0	Dormant

Held through Naim Engineering Sdn. Bhd.

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Naim Capital Sdn. Bhd.	Malaysia	100.0	Investment holding
Naim Overseas Sdn. Bhd.	Malaysia	100.0	Investment holding
NAIM GAMUDA (NAGA) JV SDN. BHD.	Malaysia	70.0	Civil contractor
Naim Premix Sdn. Bhd.	Malaysia	100.0	Dormant. Previously involved in the manufacture and sale of asphalt
Naim Binaan Sdn. Bhd.	Malaysia	100.0	Dormant. Previously engaged as civil contractor as well as sale of reinforced concrete pile
Unique Composite Sdn. Bhd.	Malaysia	80.0	Dormant. Previously involved in the manufacture and sale of asphalt
Naim Equipment Sdn. Bhd.	Malaysia	100.0	Dormant
Naim Recruitment & Agency Sdn. Bhd.	Malaysia	100.0	Dormant

## INFORMATION ON NAIM (Cont'd)

Held through Naim Assets Sdn. Bhd.

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Naim Property Services Sdn. Bhd.	Malaysia	100.0	Provision of property management services
Naim Hotel Sdn. Bhd.	Malaysia	100.0	Hotel operations
Bintulu Paragon Sdn. Bhd.	Malaysia	100.0	Dormant

Held through Naim Capital Sdn. Bhd.

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Naim Capital Port Sdn. Bhd.	Malaysia	100.0	Civil contractor
Naim Capital Housing Sdn. Bhd.	Malaysia	100.0	Civil contractor

Held through Peranan Makmur Sdn. Bhd.

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Harmony Faber Sdn. Bhd.	Malaysia	100.0	Property investment

Held through Naim Overseas Sdn. Bhd.

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Naim Engineering Construction (Fiji) Limited	Fiji	99.9	Dormant
Naim Quarry (Fiji) Limited	Fiji	99.9	Dormant
Naim Premix (Fiji) Limited	Fiji	99.9	Dormant



**INFORMATION ON NAIM (Cont'd)**

As at the LPD, the associate companies of Naim are as follows:

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Dayang Enterprise Holdings Bhd.	Malaysia	26.4	Investment holding company and its group business activities are mainly involved in the provision of offshore topside maintenance services, minor fabrication works, offshore hook-up and commissioning works, chartering of marine vessels and equipment
Samalaju Properties Sdn. Bhd.	Malaysia	39.0	Provision and management of temporary accommodation, property and township development
GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN. BHD.	Malaysia	35.0	Civil engineering and building construction
Perdana Petroleum Berhad ("PPB")	Malaysia	25.9	Investment holding company and its group business activities are mainly involved in the provision of marine support services for the oil and gas industry
Kempas Sentosa Sdn. Bhd.	Malaysia	40.0	Civil engineering and related sub-contracting works
Miri Specialist Hospital Sdn. Bhd.	Malaysia	30.0	Has not commenced operation. The intended principal activity is to provide specialist medical services.

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## INFORMATION ON NAIM (Cont'd)

## 6. PROFIT AND DIVIDEND RECORD

A summary of the results based on the audited consolidated financial statements of Naim for the past three (3) financial years up to the FYE 31 December 2017 and the latest unaudited consolidated interim financial statements for the six (6)-month FPE 30 June 2018 are set out below:

	Audited FYE 31 December			Unaudited (6)-month FPE 30 June
	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)
Revenue	594,367	428,030	365,203	260,189
PBT/(LBT)	44,183	3,526	(147,129)	(2,737)
<b>PAT/(LAT) attributable to:</b>				
Owners of the Company	34,328	717	(168,853)	(6,925)
Non-controlling interests	941	990	898	900
	35,269	1,707	(167,955)	(6,025)
Number of shares in issue (net of treasury shares) ( '000)	236,944	236,944	236,944	236,944
Weighted average no. of shares in issue ( '000)	236,944	236,944	236,944	236,944
EPS/(LPS) (sen) <sup>(i)</sup>	14.49	0.30	(71.26)	(2.92)
Net dividend	8,293	-	-	-
Net dividend per Share (sen)	3.50	-	-	-

(Source: Annual reports of Naim Group for the past three (3) financial years from FYE 31 December 2015 to FYE 31 December 2017 and the unaudited financial results of Naim Group for the six (6)-month FPE 30 June 2018)

Note:

- (i) Computed by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of Shares in issue as at the end of financial year/period.

There is no item, transaction or event of a material and unusual nature that has arisen in the periods under review in the audited consolidated financial statements of Naim for the past 3 financial years up to FYE 31 December 2017 and the latest unaudited consolidated interim financial statements for the six (6)-month FPE 30 June 2018.

The financial performance in respect of the three (3) financial years from FYE 31 December 2015 to FYE 31 December 2017 and the six (6)-month FPE 30 June 2018 under review are summarised as follows:

#### **FYE 31 December 2015**

Naim Group's revenue had declined from RM656.48 million in the FYE 31 December 2014 to RM594.37 million in the FYE 31 December 2015, representing a decrease of approximately RM62.11 million or 9.46%. The decrease was mainly attributable to lower property revenue and sale of goods achieved, 36% lower than what was achieved in the FYE 31 December 2014.

**INFORMATION ON NAIM (Cont'd)**

The Naim Group also recorded a significantly lower PAT of RM35.27 million in the FYE 31 December 2015 representing a decrease of approximately RM185.35 million or approximately 84.01% as compared with a PAT of RM220.62 million in the previous financial year. The PAT for the FYE 31 December 2014 of approximately RM220.62 million included a substantial gain of approximately RM96.71 million arising from the disposal of a partial equity interest in an associate as well as a one off non-cash accounting gain of approximately RM25.49 million arising from a land exchange for future development during the FYE 31 December 2014.

**FYE 31 December 2016**

The Group registered revenue of RM428.03 million for the FYE 31 December 2016 representing a decline in revenue of approximately RM166.34 million or 27.99% from the RM594.37 million recorded in the previous financial year. The drop in the group revenue was contributed by lower construction revenue, from approximately RM398.72 million in the FYE 2015 to approximately RM242.16 million in the FYE 2016, representing a decrease of approximately RM156.56 million or approximately 39.27%.

At the same time, Naim Group recorded a PAT of approximately RM1.71 million for the FYE 31 December 2016, representing a significant decrease of approximately RM33.56 million or 95.15% as compared with a PAT of RM35.27 million for the FYE 31 December 2015. The decrease in the group PAT was mainly due to lower contributions from its associates, from approximately RM50.27 million in the FYE 31 December 2015 to approximately RM15.95 million in the FYE 31 December 2016.

**FYE 31 December 2017**

Naim Group recorded revenue of RM365.20 million for the FYE 31 December 2017 representing a decrease of approximately RM62.83 million or 14.68% as compared with a revenue of RM428.03 million for the FYE 31 December 2016. The decrease in group revenue was mainly attributable to lower revenue recorded by its property and construction divisions due to lower work progress achieved from the existing ongoing property development projects as well some downwards adjustments in contract sum for certain completed construction projects.

The Group reported a LAT of RM167.96 million for the FYE 31 December 2017 as compared with a PAT of RM1.71 million for the previous financial year. The LAT experienced by Naim for the FYE 31 December 2017 was mainly contributed by the following factors:

- (i) loss of approximately RM121.0 million mainly from the mass rapid transit ("MRT") station projects which were complex projects with a steep learning curve for the Group. One of contributing factors to the significant loss in the projects was due to the eventual revenue recognised being much lower than initially projected because of final re-measurement adjustments. Delay in site possession, significant volume of work variations and site instructions by the client as well as substantial shortening/compressing of construction periods had also led to additional prolongation and acceleration costs incurred to complete the projects, contributing to the loss; and
- (ii) significant deterioration in the share of results of its associate, Dayang, where it registered a LAT of approximately RM153.2 million in the FYE 31 December 2017 as compared against a PAT of approximately RM54.0 million in the FYE 31 December 2016. The LAT was mainly due to impairment loss on property, plant and equipment, foreign exchange losses and lower charter rates achieved.

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**INFORMATION ON NAIM (Cont'd)**

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**Six (6)-month FPE 30 June 2018**

For the six (6)-month FPE 30 June 2018, the Group had recorded revenue of RM260.19 million representing an increase of approximately RM52.89 million or 25.51% as compared with approximately RM207.30 million reported in the corresponding period in 2017. The increase was contributed by the improved performance in both property and construction divisions, which recorded a 29% increase in their revenue when compared against that achieved in the corresponding period in 2017, due to increased work progress and additional new property sales.

Moreover, Naim Group recorded a LAT of RM6.03 million for the unaudited six (6)-month FPE 30 June 2018 representing an improvement of approximately RM29.53 or 83.04% as compared with the LAT of RM35.56 million recorded in the corresponding period in 2017. The improvement was mainly due to the improved financial performance of its associates, namely Dayang and its subsidiary, PPB. The Group's share of loss in Dayang and PPB had declined from approximately RM25.30 million in FPE 30 June 2017 to approximately RM1.60 million in the FPE 30 June 2018.

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## INFORMATION ON NAIM (Cont'd)

## 7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of Naim Group based on its audited consolidated financial statements of Naim as at 31 December 2016 and 31 December 2017 as well as the latest unaudited consolidated interim financial statements of Naim for the six (6) month FPE as at 30 June 2018 are set out below:

	Audited as at 31 December		Unaudited as at
	2016 (RM'000)	2017 (RM'000)	30 June 2018 (RM'000)
<b>Assets</b>			
Property, plant and equipment	89,130	103,648	114,642
Prepaid lease payments	2,370	2,342	2,327
Investment in associates	422,918	353,006	328,028
Investment in joint ventures	4,906	5,543	6,229
Land held for property development	398,772	384,646	382,539
Investment properties	87,667	87,382	86,283
Intangible asset	5,557	4,876	4,536
Deferred tax assets	29,466	16,201	15,287
Other investments	2,974	2,974	2,974
Trade and other receivables	82,324	73,372	70,906
<b>Total non-current assets</b>	<b>1,126,084</b>	<b>1,033,990</b>	<b>1,013,751</b>
Inventories	103,525	79,563	71,612
Property development costs	441,545	542,082	551,831
Trade and other receivables	449,959	350,764	333,699
Deposits and prepayments	29,343	29,236	28,991
Current tax recoverable	12,453	13,142	12,731
Cash and cash equivalents	64,055	76,261	81,825
	1,100,880	1,091,048	1,080,689
Asset held for sale	757	651	648
<b>Total current assets</b>	<b>1,101,637</b>	<b>1,091,699</b>	<b>1,081,337</b>
<b>Total assets</b>	<b>2,227,721</b>	<b>2,125,689</b>	<b>2,095,088</b>
<b>Equity</b>			
Share capital	250,000	336,092	336,092
Treasury shares	(34,748)	(34,748)	(34,748)
Reserves	1,099,320	826,881	742,521
<b>Total equity attributable to owners of the Company</b>	<b>1,314,572</b>	<b>1,128,225</b>	<b>1,043,865</b>
<b>Non-controlling interests</b>	<b>18,704</b>	<b>19,602</b>	<b>20,453</b>
<b>Total equity</b>	<b>1,333,276</b>	<b>1,147,827</b>	<b>1,064,318</b>
<b>Liabilities</b>			
Loans and borrowings	123,619	159,684	172,340
Trade and other payables	10,057	6,874	3,524
Deferred tax liabilities	26,199	25,501	25,264
<b>Total non-current liabilities</b>	<b>159,875</b>	<b>192,059</b>	<b>201,128</b>
Loans and borrowings	355,216	385,720	387,323
Trade and other payables	378,986	387,197	431,054
Provisions	-	11,600	10,825
Current tax payable	368	1,286	440
<b>Total current liabilities</b>	<b>734,570</b>	<b>785,803</b>	<b>829,642</b>
<b>Total liabilities</b>	<b>894,445</b>	<b>977,862</b>	<b>1,030,770</b>
<b>Total equity and liabilities</b>	<b>2,227,721</b>	<b>2,215,689</b>	<b>2,095,088</b>

As at the LPD, there is no material change in the financial position of Naim subsequent to the last published audited accounts for the FYE 31 December 2017 (other than the impacts arising from the Group's adoption of Malaysian Financial Reporting Standards ("MFRS") from 1 January 2018 onwards as detailed in Attachment I, Section 9 below) and the latest unaudited consolidated interim financial statements for the six (6)-month FPE 30 June 2018.

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**INFORMATION ON NAIM (Cont'd)**


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**8. HISTORICAL SHARE PRICES OF NAIM**

The monthly lowest and highest market prices of Naim Shares traded on Bursa Securities for the past twelve (12) months up to the LPD are as follows:

	<b>Highest (RM)</b>	<b>Lowest (RM)</b>
<b><u>2017</u></b>		
October	1.250	1.160
November	1.190	1.050
December	1.420	1.020
<b><u>2018</u></b>		
January	1.280	1.030
February	1.080	0.990
March	1.070	0.960
April	1.040	0.930
May	0.950	0.610
June	0.720	0.605
July	0.780	0.605
August	0.740	0.665
September	0.655	0.515
Last transacted market price on 29 August 2018 <sup>(i)</sup>		0.690
Last transacted market price as at the LPD		0.455
Closing market price from six (6) months on 29 August 2018 <sup>(i)</sup> until the LPD:		
- Highest (on 1 March 2018)		1.040
- Lowest (on 23 October 2018)		0.455

(Source: Bloomberg)

Note:

(i) Being the last market day prior to the Announcement.

**9. ACCOUNTING POLICIES**

Based on the audited financial statements of Naim for the FYE 31 December 2015 to 2017, the financial statements have been prepared based on the approved Financial Reporting Standards ("FRS") in Malaysian and there was no audit qualification for Naim's financial statements for the respective years under review.

The Group has migrated to the MFRS accounting framework with effect from 1 January 2018 and the condensed consolidated interim financial statements for six months FPE 30 June 2018 are the Group's first set of MFRS compliant condensed consolidated interim financial statements. MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied in the preparation of the interim financial statements. In preparing its opening MFRS statement of financial position as at 1 January 2017 (which is also the date of transition), the Group had adjusted certain amounts reported previously in the financial statements prepared in accordance with the FRS. As reported in the latest unaudited consolidated interim financial statements for the six (6) months FPE 30 June 2018, the Group's retained earnings as at 1 January 2017 and 31 December 2017 were restated from RM984.69 million (audited) to RM918.11 million (unaudited), and from RM815.84 million (audited) to RM738.94 (unaudited) million respectively.

**INFORMATION ON NAIM (Cont'd)****10. BORROWINGS**

As at the LPD, Naim Group has total outstanding borrowings of approximately RM556.7 million as follows:

<b>Borrowings</b>	<b>RM'000</b>
<b>Current:</b>	
Unsecured - Revolving credits	345,000
Secured - Term loans	41,524
- Finance lease	23
<b>Non-current:</b>	
Secured - Term loans	170,098
- Finance lease	34
<b>Total borrowings</b>	<b>556,679</b>

**11. MATERIAL CONTRACTS**

Naim has not entered into any material contracts (not being contracts entered in the ordinary course of business) within the two (2) years prior to 30 August 2018, being the date of the Announcement.

**12. MATERIAL LITIGATION**

The details of the material litigation of Naim Group are set out in Section 3 of Appendix II of this Circular.

**13. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

The details of the material commitments and contingent liabilities of Naim Group are set out in Section 5 of Appendix I of this Circular.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS****1. INFORMATION ON DATUK AMAR**

Datuk Amar, aged 68, is a Malaysian who was appointed to the Board of Naim on 25 July 2003. He is the Chairman and a major shareholder of Naim. Further, Datuk Amar is also a member of the Risk Management Committee and Chairman of the Nomination Committee of Naim.

He holds directorships in other public listed companies, namely, Ta Ann Holdings Berhad and Sarawak Plantation Berhad. He is also a director of Sarawak Energy Berhad, a non-listed company.

Prior to Naim's listing, he was Non-Executive Chairman of Naim Land Sdn. Bhd. since 12 October 1995. Whilst remaining active in the timber and plantation industries, Datuk Amar developed his career around his keen personal interest in the construction sector, which was first acquired through school vacation jobs in Miri. For more than 30 years, he has been active as an investor, manager and director in companies carrying out civil works, offshore engineering, construction, housing and property development.

He was also a member of the National Economic Consultative Council II.

**2. INFORMATION ON DATUK HASMI**

Datuk Hasmi, aged 65, is a Malaysian who was appointed to the Board of Naim on 25 July 2003. He is Managing Director and a major shareholder of Naim. Datuk Hasmi is also a member of Naim's Remuneration Committee.

He holds directorships in other public listed companies, namely, PPB and Dayang. He also holds directorships in non-listed companies namely Naim Incorporated Berhad and Kebajikan Dayang Fatimah Berhad.

Datuk Hasmi began his career in 1979 as a valuer in the Land and Survey Department of Sarawak. Since 1982, he has been involved in a wide range of businesses, including valuation, project management, property development and management, construction, timber, manufacturing, trading and publishing. In June 1993, he became the Managing Director of Naim Land Sdn. Bhd. and has since been the main driving force behind the company's growth and expansion. He was awarded the Property Man of the Year for 2008 by *Federation Internationale des Administrateurs de Bien-Conselis Immobiliers* (FIABCI) in Kuala Lumpur.

**3. INFORMATION ON PACS****3.1 INFORMATION ON ISLAND HARVESTS****3.1.1 History and principal activities**

Island Harvests was incorporated in Malaysia under the Companies Act 1965 on 13 April 1987 and is deemed registered under the Act. Island Harvests is principally engaged in investment holding activities.

**3.1.2 Share Capital**

The issued share capital of Island Harvests as at the LPD are as follows:

	No. of ordinary shares in Island Harvests ("Island Harvests Shares")	RM
Issued share capital	100,000	100,000



**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**
**3.1.3 Substantial shareholder**

As at the LPD, the particulars of the substantial shareholder of Island Harvests are as follows:

	No. of Island Harvests Shares	%
Datuk Hasmi	99,999	99.99

**3.1.4 Directors**

As at the LPD, the particulars of the directors of Island Harvests (all Malaysians) and their respective shareholdings in Island Harvests are as follows:

Name	Address	Direct		Indirect	
		No. of Island Harvests Shares	%	No. of Island Harvests Shares	%
Datuk Hasmi	Lot 5747, Block 10, Desa Pujut, Bandar Baru Permyjaya, 98000 Miri, Sarawak	99,999	99.99	-	-
Hasmiah Binti Anthony Hasbi ("Hasmiah")	No. 235B, Kampung Segedup, Jalan Batu Kawa, 93250 Kuching, Sarawak	-	-	-	-

As at the LPD, Hasmiah directly holds 1,100 shares in Naim. Please refer to Section 3 of Attachment I for Datuk Hasmi's holdings in Naim Shares.

**3.1.5 Subsidiary and associated company**

As at the LPD, Island Harvests has no subsidiary and associated company.

**3.1.6 Profit and dividend record**

A summary of the Island Harvests' results based on its audited financial statements for the past three (3) financial years up to FYE 30 June 2017 are as follows:

	Audited FYE 30 June		
	2015 (RM)	Restated 2016 (RM)	2017 (RM)
Revenue	1,071,686	-	-
PBT/(LBT)	1,099,762	(14,820,354)	(16,475,994)
Income tax expense	(5,231)	(11,903)	(12,167)
<b>PAT/ (LAT) attributable to:</b>			
Owners of the company	1,094,531	(14,832,257)	(16,488,161)
Non-controlling interests	-	-	-
	1,094,531	(14,832,257)	(16,488,161)
Number of shares in issue	100,000	100,000	100,000
Weighted average no. of shares in issue	100,000	100,000	100,000
EPS/(LPS) <sup>(i)</sup>	10.95	(148.32)	(164.88)
Net dividend	-	-	-
Net dividend per share	-	-	-

**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**

Note:

- (i) Computed by dividing the profit/(loss) attributable to owners of company by the weighted average number of shares in issue as at the end of financial year.

There have been no exceptional items for the past three (3) financial years up to FYE 30 June 2017.

**3.1.7 Statement of assets and liabilities**

The statement of assets and liabilities of Island Harvests based on its audited financial statements as at 30 June 2016 and 30 June 2017 are as follows:

	Audited as at 30 June	
	Restated 2016 (RM)	2017 (RM)
<b>Non-current assets</b>		
Other investments	67,156,530	50,621,946
<b>Current assets</b>		
Other receivables	7,177	6,552
Current tax recoverable	28,200	30,283
Cash and cash equivalents	2,461,321	2,506,286
<b>Total current assets</b>	<b>2,496,698</b>	<b>2,543,121</b>
<b>Total assets</b>	<b>69,653,228</b>	<b>53,165,067</b>
<b>Equity</b>		
Share capital	100,000	100,000
Retained earnings	62,067,020	45,578,859
<b>Total equity attributable to the owner of the Company</b>	<b>62,167,020</b>	<b>45,678,859</b>
<b>Current liabilities</b>		
Other payables	91,500	91,500
Amount due to a director	7,394,708	7,394,708
<b>Total current liabilities</b>	<b>7,486,208</b>	<b>7,486,208</b>
<b>Total equity and liabilities</b>	<b>69,653,228</b>	<b>53,165,067</b>

As at the LPD, there is no known material change in the financial position of Island Harvests subsequent to the latest audited financial statements for the FYE 30 June 2017.

**3.1.8 Accounting policies**

Based on the audited financial statements of Island Harvests for the FYE 30 June 2015, FYE 30 June 2016 and FYE 30 June 2017, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for Island Harvests' financial statements for the respective years under review.

Save for the adoption of the Malaysian Private Entities Reporting Standard ("MPERS") for the financial statements for the FYE 30 June 2017 and the restated financial statements for the FYE 30 June 2016, there is no change in the aforementioned adopted accounting standards, the change thereof which would result in a material variation to the comparable figures for the audited financial statements of Island Harvests for the FYE 30 June 2015, FYE 30 June 2016 and FYE 30 June 2017.

**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**
**3.2 INFORMATION ON HASMI & ASSOCIATES**
**3.2.1 History and principal activities**

Hasmi & Associates was incorporated in Malaysia under the Companies Act 1965 on 3 June 1992 and is principally engaged in investment holding activities.

**3.2.2 Share Capital**

The issued share capital of Hasmi & Associates as at the LPD are as follows:

	No. of ordinary shares in Hasmi & Associates ("Hasmi & Associates Shares")	RM
Issued share capital	11,100	11,100

**3.2.3 Substantial shareholder**

As at the LPD, the particulars of the substantial shareholder of Hasmi & Associates are as follows:

	No. of Hasmi & Associates Shares	% <sup>(i)</sup>
Datuk Hasmi	7,516	67.71

Note:

(i) Based on the total issued share capital of 11,100 Hasmi & Associates Shares as at the LPD.

**3.2.4 Directors**

As at the LPD, the particulars of the directors of Hasmi & Associates (all Malaysians) and their shareholdings in Hasmi & Associates are as follows:

Name	Address	Direct		Indirect	
		No. of Hasmi & Associates Shares	%	No. of Hasmi & Associates Shares	%
Datuk Hasmi	Lot 5747, Block 10, Desa Pujut, Bandar Baru Permyjaya, 98000 Miri, Sarawak	7,516	67.71	-	-
Kueh Hoi Chuang	No.4, Jalan Getah, 96100 Sarikei, Sarawak	150	1.35	-	-
Lim Nai Im	190A, Lorong Kapor 3C, Jalan Kapor, 93150 Kuching, Sarawak	150	1.35	-	-
Hasmiah	No. 235B, Kampung Segedup, Jalan Batu Kawa, 93250 Kuching, Sarawak	150	1.35	-	-

As at the LPD, save for Datuk Hasmi and Hasmiah, none of the directors of Hasmi & Associates directly hold any voting shares, voting rights and/or other interests in Naim. Hasmiah directly holds 1,100 shares in Naim. Please refer to Section 3 of Attachment I for Datuk Hasmi's holdings in Naim Shares.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**


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**3.2.5 Subsidiary and associated company**

As at the LPD, Hasmi & Associates has no subsidiary and associated company.

**3.2.6 Profit and dividend record**

A summary of the Hasmi & Associates' results based on its audited financial statements for the past three (3) financial years up to FYE 30 September 2017 are as follows:

	Audited FYE 30 September		
	2015 (RM)	Restated 2016 (RM)	2017 (RM)
Revenue	761,312	2,500,000	-
PBT/(LBT)	609,224	(2,642,919)	(3,269,440)
Income tax expense	(45,230)	(52,695)	(55,884)
PAT/(LAT)	563,994	(2,695,614)	(3,325,324)
<b>PAT/(LAT) attributable to:</b>			
Owners of the company	563,994	(2,695,614)	(3,325,324)
Non-controlling interests	-	-	-
	563,994	(2,695,614)	(3,325,324)
Number of shares in issue	11,100	11,100	11,100
Weighted average no. of shares in issue	11,100	11,100	11,100
EPS/(LPS) <sup>(i)</sup>	50.81	(242.85)	(299.58)
Net dividend	-	1,000,110	-
Net dividend per share	-	90.10	-

Note:

- (i) Computed by dividing the profit/(loss) attributable to owners of company by the weighted average number of shares in issue as at the end of financial year.

There have been no exceptional items for the past three (3) financial years up to FYE 30 September 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**


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**3.2.7 Statement of assets and liabilities**

The statement of assets and liabilities of Hasmi & Associates based on its audited financial statements as at 30 September 2016 and 30 September 2017 are as follows:

	Audited as at 30 September	
	Restated 2016 (RM)	2017 (RM)
<b>Non-current assets</b>		
Investments in equity instruments	16,163,855	12,579,938
<b>Current assets</b>		
Trade and other receivables	120,807	117,302
Fixed deposits	8,990,149	9,304,520
Cash and bank balances	64,587	15,764
Current tax assets	7,590	4,116
<b>Total current assets</b>	<b>9,183,133</b>	<b>9,441,702</b>
<b>Total assets</b>	<b>25,346,988</b>	<b>22,021,640</b>
<b>Equity</b>		
Share capital	11,100	11,100
Retained profits	25,332,271	22,006,948
<b>Total equity attributable to the owner of the Company</b>	<b>25,343,371</b>	<b>22,018,048</b>
<b>Current liabilities</b>		
Trade and other payables	3,592	3,592
Amount due to a director	25	-
<b>Total current liabilities</b>	<b>3,617</b>	<b>3,592</b>
<b>Total equity and liabilities</b>	<b>25,346,988</b>	<b>22,021,640</b>

As at the LPD, there is no known material change in the financial position of Hasmi & Associates subsequent to the latest audited financial statements for the FYE 30 September 2017.

**3.2.8 Accounting policies**

Based on the audited financial statements of Hasmi & Associates for the FYE 30 September 2015, FYE 30 September 2016 and FYE 30 September 2017, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for Hasmi & Associates' financial statements for the respective years under review.

Save for the adoption of the MPERS for the financial statements for the FYE 30 September 2017 and the restated financial statements for the FYE 30 September 2016, there is no change in the aforementioned adopted accounting standards, the change thereof which would result in a material variation to the comparable figures for the audited financial statements of Hasmi & Associates for the FYE 30 September 2015, FYE 30 September 2016 and FYE 30 September 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)****3.3 INFORMATION ON LAMBAIAN KUKUH****3.3.1 History and principal activities**

Lambaian Kukuh was incorporated in Malaysia under the Companies Act 1965 on 4 March 1992 and is principally engaged in investment holding activities.

**3.3.2 Share Capital**

The issued share capital of Lambaian Kukuh as at the LPD are as follows:

	No. of ordinary shares in Lambaian Kukuh ("Lambaian Kukuh Shares")	RM
Issued share capital	10,000	10,000

**3.3.3 Substantial shareholder**

As at the LPD, the particulars of the substantial shareholder of Lambaian Kukuh are as follows:

	No. of Lambaian Kukuh Shares	%
Datuk Hasmi	9,998	99.98

**3.3.4 Directors**

As at the LPD, the particulars of the directors of Lambaian Kukuh (all Malaysians) and their shareholdings in Lambaian Kukuh are as follows:

Name	Address	Direct		Indirect	
		No. of Lambaian Kukuh Shares	%	No. of Lambaian Kukuh Shares	%
Datuk Hasmi	Lot 5747, Block 10, Desa Pujut, Bandar Baru Permyjaya, 98000 Miri, Sarawak	9,998	99.98	-	-
Hasmiah	No. 235B, Kampung Segedup, Jalan Batu Kawa, 93250 Kuching, Sarawak	-	-	-	-

As at the LPD, Hasmiah directly holds 1,100 shares in Naim. Please refer to Section 3 of Attachment I for Datuk Hasmi's holdings in Naim Shares.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)****3.3.5 Subsidiary and associated company**

As at the LPD, Lambaian Kukuh has no subsidiary and associated company.

**3.3.6 Profit and dividend record**

A summary of Lambaian Kukuh's results based on its audited financial statements for the past three (3) financial years up to FYE 31 March 2017 are as follows:

	Audited FYE 31 March		
	2015 (RM)	Restated 2016 (RM)	2017 (RM)
Revenue	200,613	87,564	87,229
PBT/(LBT)	117,212	(414,469)	(546,405)
Income tax expense	(10,134)	(6,752)	(3,515)
PAT/(LAT)	107,078	(421,221)	(549,920)
<b>PAT/(LAT) attributable to:</b>			
Owners of the company	107,078	(421,221)	(549,920)
Non-controlling interests	-	-	-
	107,078	(421,221)	(549,920)
Number of shares in issue	10,000	10,000	10,000
Weighted average no. of shares in issue	10,000	10,000	10,000
EPS/(LPS) <sup>(i)</sup>	10.71	(42.12)	(54.99)
Net dividend	-	-	3,000,000
Net dividend per share	-	-	300

Note:

- (i) Computed by dividing the profit/(loss) attributable to owners of company by the weighted average number of shares in issue as at the end of financial year.

There have been no exceptional items for the past three (3) financial years up to FYE 31 March 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**


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**3.3.7 Statement of assets and liabilities**

The statement of assets and liabilities of Lambaian Kukuh based on its audited financial statements as at 31 March 2016 and 31 March 2017 are as follows:

	Audited as at 31 March	
	Restated 2016 (RM)	2017 (RM)
<b>Non-current assets</b>		
Property, plant and equipment	2,041	2,240
Investments in equity instruments	3,479,889	2,916,707
<b>Total non-current assets</b>	<b>3,481,930</b>	<b>2,918,947</b>
<b>Current assets</b>		
Trade and other receivables	1,503,231	1,500,000
Deposits and prepayment	1,405	1,544
Fixed deposit	1,275,252	-
Cash and bank balances	325,388	834,017
Current tax assets	110,123	115,968
<b>Total current assets</b>	<b>3,215,399</b>	<b>2,451,529</b>
<b>Total assets</b>	<b>6,697,329</b>	<b>5,370,476</b>
<b>Equity</b>		
Share capital	10,000	10,000
Retained profits	6,242,915	2,692,995
<b>Total equity attributable to the owner of the Company</b>	<b>6,252,915</b>	<b>2,702,995</b>
<b>Current liabilities</b>		
Trade and other payables	10,476	3,300
Amount due to directors	433,938	2,664,181
<b>Total current liabilities</b>	<b>444,414</b>	<b>2,667,481</b>
<b>Total equity and liabilities</b>	<b>6,697,329</b>	<b>5,370,476</b>

As at the LPD, there is no known material change in the financial position of Lambaian Kukuh subsequent to the latest audited financial statements for the FYE 31 March 2017.

**3.3.8 Accounting policies**

Based on the audited financial statements of Lambaian Kukuh for the FYE 31 March 2015, FYE 31 March 2016 and FYE 31 March 2017, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audited qualification for Lambaian Kukuh's financial statements for the respective years under review.

Save for the adoption of MPERS for the financial statements for the FYE 31 March 2017 and the restated financial statements for the FYE 31 March 2016, there is no change in the aforementioned adopted accounting standards, the change thereof which would result in material variation to the comparable figures for the audited financial statements of Lambaian Kukuh for the FYE 31 March 2015, 31 March 2016 and 31 March 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)****3.4 INFORMATION ON TAPAK BERINGIN****3.4.1 History and principal activities**

Tapak Beringin was incorporated in Malaysia under the Companies Act 1965 on 24 October 1994 and is principally engaged in investment holding activities. Through its subsidiary, the company is engaged in investment holding activities.

**3.4.2 Share Capital**

The issued share capital of Tapak Beringin as at the LPD are as follows:

	No. of ordinary shares in Tapak Beringin ("Tapak Beringin Shares")	RM
Issued share capital	300,000	300,000

**3.4.3 Substantial shareholder**

As at the LPD, the particulars of substantial shareholder of Tapak Beringin are as follows:

	No. of Tapak Beringin Shares	%
Datuk Amar	299,999	99.99

**3.4.4 Directors**

As at the LPD, the particulars of the Directors of Tapak Beringin (all Malaysians) and their respective shareholdings in Tapak Beringin are as follows:

Name	Address	Direct		Indirect	
		No. of Tapak Beringin Shares	%	No. of Tapak Beringin Shares	%
Datuk Hasmi	Lot 5747, Block 10, Desa Pujut, Bandar Baru Permyjaya, 98000 Miri, Sarawak	1	*	-	-
Datuk Amar	No.9, Luak Bay, 98000 Miri, Sarawak	299,999	99.99	-	-

Please refer to Section 3 of Attachment I for Datuk Hasmi and Datuk Amar's holdings in Naim Shares.

Note:

\* Negligible.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**
**3.4.5 Subsidiary and associated company**

As at the LPD, the particulars of the subsidiary company of Tapak Beringin are as follows:

Name	Country of incorporation	Principal activities	Equity interest (%)
Cermat Ceria Sdn. Bhd.	Malaysia	Investment holding	54

As at the LPD, Tapak Beringin has no associated company.

**3.4.6 Profit and dividend record**

A summary of the Tapak Beringin's results based on its audited consolidated financial statements for the past three (3) financial years up to FYE 31 December 2017 are as follows:

	Audited FYE 31 December		
	Restated 2015 (RM)	2016 (RM)	2017 (RM)
Revenue	-	-	-
PBT/(LBT)	(243,725)	(10,272,246)	(13,366,993)
Income tax expense	(22,642)	(4,411)	(24,816)
PAT/(LAT)	(266,367)	(10,276,657)	(13,391,809)
<b>PAT/(LAT) attributable to:</b>			
Owners of the company	(1,192,358)	(11,660,254)	(13,382,814)
Non-controlling interests	925,991	1,383,597	8,995
	(266,367)	(10,276,657)	(13,391,809)
Number of shares in issue	300,000	300,000	300,000
Weighted average no. of shares in issue ('000)	300,000	300,000	300,000
EPS/(LPS) <sup>(i)</sup>	(3.97)	(38.87)	(44.61)
Net dividend	1,619,930	809,965	1,079,953
Net dividend per share	5.40	2.70	3.60

Note:

- (i) Computed by dividing the profit/(loss) attributable to owners of company by the weighted average number of shares in issue as at the end of financial year.

There have been no exceptional items for the past three (3) financial years up to FYE 31 December 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**
**3.4.7 Statement of assets and liabilities**

The statement of assets and liabilities of Tapak Beringin based on its audited financial statements as at 31 December 2016 and 31 December 2017 are as follows:

	Audited as at 31 December	
	2016 (RM)	2017 (RM)
<b>Non-current assets</b>		
Property, plant and equipment	2,083	4
Investments in equity instruments	53,061,110	39,895,798
Investments in associates	68,785,706	68,785,706
Other investments	9,393	26
<b>Total non-current assets</b>	<b>121,858,292</b>	<b>108,681,534</b>
<b>Current assets</b>		
Trade and other receivables	2,204,308	2,307,708
Cash and cash equivalents	2,391,615	194,850
Current tax assets	577,306	599,952
<b>Total current assets</b>	<b>5,173,229</b>	<b>3,062,510</b>
<b>Total assets</b>	<b>127,031,521</b>	<b>111,744,044</b>
<b>Equity</b>		
Share capital	300,000	300,000
Retained profits	20,859,463	6,396,696
Reserves on consolidation	1,567,478	1,343,553
Equity attributable to the owner of the Company	22,726,941	8,040,249
Non-controlling interests	31,417,098	30,488,056
<b>Total equity</b>	<b>54,144,039</b>	<b>38,528,305</b>
<b>Non-current liabilities</b>		
Deferred taxation	-	24,816
Amount owing to a director	72,866,285	70,653,442
<b>Total non-current liabilities</b>	<b>72,866,285</b>	<b>70,678,258</b>
<b>Current liabilities</b>		
Trade and other payables	21,197	2,537,481
<b>Total current liabilities</b>	<b>21,197</b>	<b>2,537,481</b>
<b>Total liabilities</b>	<b>72,887,482</b>	<b>73,215,739</b>
<b>Total equity and liabilities</b>	<b>127,031,521</b>	<b>111,744,044</b>

As at the LPD, there is no known material change in the financial position of Tapak Beringin subsequent to the latest audited consolidated financial statements for the FYE 31 December 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**

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**3.4.8 Accounting policies**

Based on the audited consolidated financial statements of Tapak Beringin for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for Tapak Beringin's consolidated financial statements for the respective years under review.

Save for the adoption of MPERS for the financial statements for the FYE 31 December 2016 and the restated financial statements for the FYE 31 December 2015, there is no change in the aforementioned adopted accounting standards, the change thereof which would result in a material variation to the comparable figures for the audited consolidated financial statements of Tapak Beringin for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)****3.5 INFORMATION ON LEMBAH RAKYAT****3.5.1 History and principal activities**

Lembah Rakyat was incorporated in Malaysia under the Companies Act 1965 on 20 October 1994 and is principally engaged in investment holding activities.

**3.5.2 Share Capital**

The issued share capital of Lembah Rakyat as at the LPD are as follows:

	No. of ordinary shares in Lembah Rakyat ("Lembah Rakyat Shares")	RM
Issued share capital	1,000,000	1,000,000

**3.5.3 Substantial shareholder**

As at the LPD, the particulars of substantial shareholder of Lembah Rakyat are as follows:

	No. of Lembah Rakyat Shares	%
Datuk Amar	994,997	99.49

**3.5.4 Directors**

As at the LPD, the particulars of the directors of Lembah Rakyat (all Malaysians) and their shareholdings in Lembah Rakyat are as follows:

Name	Address	Direct		Indirect	
		No. of Lembah Rakyat Shares	%	No. of Lembah Rakyat Shares	%
Datuk Hasmi	Lot 5747, Block 10, Desa Pujut, Bandar Baru Permyjaya, 98000 Miri, Sarawak	-	-	-	-
Datuk Amar	No.9, Luak Bay, 98000 Miri, Sarawak	994,997	99.49	-	-
Mohamad Asfia Bin Awg Nasar	No.365, Lorong Satu, Jalan Urat Mata, Tabuan Jaya, 93350 Kuching, Sarawak	5,000	0.50	-	-
Yee Siew Peng ("YSP")	No.52, Taman Wee & Wee, Lorong Kapor 10, 93150 Kuching, Sarawak	-	-	-	-
Hasmiah	No. 235B, Kampung Segedup, Jalan Batu Kawa, 93250 Kuching, Sarawak	-	-	-	-

As at the LPD, save for Datuk Hasmi, Datuk Amar, Hasmiah and YSP, none of the directors of Lembah Rakyat hold any voting shares, voting rights and/or other interests in Naim. Hasmiah and YSP directly hold 1,100 and 100 shares in Naim respectively. Please refer to Section 3 of Attachment I for Datuk Hasmi and Datuk Amar's holdings in Naim Shares.

**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**
**3.5.5 Subsidiary and associated company**

As at the LPD, Lembah Rakyat has no subsidiary and associated company.

**3.5.6 Profit and dividend record**

A summary of Lembah Rakyat's results based on its audited financial statements for the past three (3) financial years up to FYE 31 December 2017 are as follows:

	Audited FYE 31 December		
	Restated 2015 (RM)	2016 (RM)	2017 (RM)
Revenue	-	-	-
PBT/(LBT)	7,299,025	3,732,473	(270,359)
Income tax expense	(139,540)	(16,871)	-
PAT/(LAT)	7,159,485	3,715,602	(270,359)
<b>PAT/(LAT) attributable to:</b>			
Owners of the company	7,159,485	3,715,602	(270,359)
Non-controlling interests	-	-	-
	7,159,485	3,715,602	(270,359)
Number of shares in issue	30,000,000	1,000,000	1,000,000
Weighted average no. of shares in issue	30,000,000	1,000,000	1,000,000
EPS/(LPS) <sup>(i)</sup>	0.24	3.72	(0.27)
Net dividend	5,000,000	4,600,000	200,000
Net dividend per share	0.17	4.60	0.20

Note:

- (i) Computed by dividing the profit/(loss) attributable to owners of company by the weighted average number of shares in issue as at the end of financial year.

There have been no exceptional items for the past three (3) financial years up to FYE 31 December 2017.

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**INFORMATION ON DATUK AMAR, DATUK HASMI AND PACS (Cont'd)**
**3.5.7 Statement of assets and liabilities**

The statement of assets and liabilities of Lembah Rakyat based on its audited financial statements as at 31 December 2016 and 31 December 2017 are as follows:

	Audited as at 31 December	
	2016 (RM)	2017 (RM)
<b>Non-current assets</b>		
Investments in equity instruments	3,041,520	2,752,336
<b>Total non-current assets</b>	<b>3,041,520</b>	<b>2,752,336</b>
<b>Current assets</b>		
Cash and cash equivalents	358,373	142,074
Current tax assets	63,023	10,200
<b>Total current assets</b>	<b>421,396</b>	<b>152,274</b>
<b>Total assets</b>	<b>3,462,916</b>	<b>2,904,610</b>
<b>Equity</b>		
Share capital	1,000,000	1,000,000
Retained profits	2,364,943	1,894,584
<b>Total equity attributable to the owner of the Company</b>	<b>3,364,943</b>	<b>2,894,584</b>
<b>Current liabilities</b>		
Trade and other payables	6,776	8,316
Amount due to a director	91,197	1,710
<b>Total current liabilities</b>	<b>97,973</b>	<b>10,026</b>
<b>Total equity and liabilities</b>	<b>3,462,916</b>	<b>2,904,610</b>

As at the LPD, there is no known material change in the financial position of Lembah Rakyat subsequent to the latest audited financial statements for the FYE 31 December 2017.

**3.5.8 Accounting policies**

Based on the audited financial statements of Tapak Beringin for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for Tapak Beringin's financial statements for the respective years under review.

Save for the adoption of MPERS for the financial statements for the FYE 31 December 2016 and the restated financial statements for the FYE 31 December 2015, there is no change in the aforementioned adopted accounting standards, the change thereof which would result in a material variation to the comparable figures for the audited consolidated financial statements of Tapak Beringin for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017.

**3.6. INFORMATION ON JAMIAH**

Jamiah, a Malaysian aged 67, is the sister of Datuk Hasmi and a shareholder of Naim.

**3.7. INFORMATION ON ABD JALAL**

Abd Jalal, a Malaysian aged 68, is the brother-in-law of Datuk Hasmi and a shareholder of Naim.

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**FURTHER INFORMATION**


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**1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES****1.1 By Datuk Amar, Datuk Hasmi and PACs****a) Interests in Naim**

Save as disclosed below, Datuk Amar, Datuk Hasmi and PACs do not have any direct or indirect holdings of Naim Shares as at the LPD:

	Direct		Indirect	
	No. of Naim Shares	% <sup>(i)</sup>	No. of Naim Shares	% <sup>(i)</sup>
Datuk Amar	9,736,600	4.11	27,867,700	11.80 <sup>(ii)</sup>
Datuk Hasmi	16,668,850	7.03	40,455,500	17.07 <sup>(iii)</sup>
Island Harvests	30,619,600	12.92	-	-
Hasmi & Associates	9,672,750	4.08	-	-
Lambaian Kukuh	163,150	0.07	-	-
Tapak Beringin	27,406,900	11.57	-	-
Lembah Rakyat	560,800	0.24	-	-
Jamiah <sup>(iv)</sup>	1,000	*	-	-
Abd Jalal <sup>(v)</sup>	100	*	-	-

Notes:

\* *Negligible.*

(i) *Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).*

(ii) *Deemed interested by virtue of his interests in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.*

(iii) *Deemed interested by virtue of his interests in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.*

(iv) *Jamiah is the sister of Datuk Hasmi.*

(v) *Abd Jalal is the brother-in-law of Datuk Hasmi.*

**b) Dealings in Naim Shares**

Datuk Amar, Datuk Hasmi and their PACs have not dealt directly or indirectly in any Naim Shares during the six (6)-month period prior to 30 August 2018 being the date of the Announcement and up to the LPD.

**1.2 By Naim****a) Interests in Island Harvests**

As at the LPD, Naim does not have any direct or indirect holdings of any Island Harvests Shares.

**b) Interests in Hasmi & Associates**

As at the LPD, Naim does not have any direct or indirect holdings of any Hasmi and Associates Shares.

**c) Interests in Lambaian Kukuh**

As at the LPD, Naim does not have any direct or indirect holdings of any Lambaian Kukuh Shares.



**FURTHER INFORMATION (Cont'd)**

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**d) Interests in Tapak Beringin**

As at the LPD, Naim does not have any direct or indirect holdings of any Tapak Beringin Shares.

**e) Interests in Lembah Rakyat**

As at the LPD, Naim does not have any direct or indirect holdings of any Lembah Rakyat Shares.

**f) Dealings in Naim Shares**

Naim has not dealt directly or indirectly in any Naim Shares during the period commencing six (6) months prior to 30 August 2018 being the date of the Announcement and up to the LPD.

**g) Dealings in Island Harvests Shares**

Naim has not dealt directly or indirectly in any Island Harvests Shares during the period commencing six (6) months prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**h) Dealings in Hasmi & Associates Shares**

Naim has not dealt directly or indirectly in any Hasmi & Associates Shares during the period commencing six (6) months prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**i) Dealings in Lambaian Kukuh Shares**

Naim has not dealt directly or indirectly in any Lambaian Kukuh Shares during the period commencing six (6) months prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**j) Dealings in Tapak Beringin Shares**

Naim has not dealt directly or indirectly in any Tapak Beringin Shares during the period commencing six (6) months prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**k) Dealings in Lembah Rakyat Shares**

Naim has not dealt directly or indirectly in any Lembah Rakyat Shares during the period commencing six (6) months prior to 30 August 2018, being the date of the Announcement and up to the LPD.

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**FURTHER INFORMATION (Cont'd)**


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**1.3 By the directors of Naim****a) Interests in Naim**

Save for Datuk Amar, Datuk Hasmi and WPE, whose interests have been disclosed in Section 4 of Attachment 1, none of the Directors have any direct or indirect holdings of Naim Shares as at the LPD.

**b) Interests in Island Harvests**

Save as disclosed below, none of the directors of Naim have any direct or indirect holdings in Island Harvests Shares as at the LPD:

	Direct		Indirect	
	No. of Island Harvests Shares	% <sup>(1)</sup>	No. of Island Harvests Shares	%
Datuk Hasmi	99,999	99.99	-	-

Note:

(i) Based on the total issued share capital of 100,000 Island Harvests Shares as at the LPD.

**c) Interests in Hasmi & Associates**

Save as disclosed below, none of the directors of Naim have any direct or indirect holdings in Hasmi & Associates Shares as at the LPD:

	Direct		Indirect	
	No. of Hasmi & Associates Shares	% <sup>(1)</sup>	No. of Hasmi & Associates Shares	%
Datuk Hasmi	7,516	67.71	-	-
WPE	350	3.15	-	-

Note:

(i) Based on the total issued share capital of 11,100 Hasmi & Associates Shares as at the LPD.

**d) Interests in Lambaian Kukuh**

Save as disclosed below, none of the directors of Naim have any direct or indirect holdings in Lambaian Kukuh Shares as at the LPD:

	Direct		Indirect	
	No. of Lambaian Kukuh Shares	% <sup>(1)</sup>	No. of Lambaian Kukuh Shares	%
Datuk Hasmi	9,998	99.98	-	-

Note:

(i) Based on the total issued share capital of 10,000 Lambaian Kukuh Shares as at the LPD.

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**FURTHER INFORMATION (Cont'd)**
**e) Interests in Tapak Beringin**

Save as disclosed below, none of the directors of Naim have any direct or indirect holdings in Tapak Beringin Shares as at the LPD:

	Direct		Indirect	
	No. of Tapak Beringin Shares	% <sup>(1)</sup>	No. of Tapak Beringin Shares	%
Datuk Hasmi	1	*	-	-
Datuk Amar	299,999	99.99	-	-

Note:

\* Negligible.

(i) Based on the total issued share capital of 300,000 Tapak Beringin Shares as at the LPD.

**f) Interests in Lembah Rakyat**

Save as disclosed below, none of the directors of Naim have any direct or indirect holdings in Lembah Rakyat Shares as at the LPD:

	Direct		Indirect	
	No. of Lembah Rakyat Shares	% <sup>(1)</sup>	No. of Lembah Rakyat Shares	%
Datuk Amar	994,997	99.49	-	-

Note:

(i) Based on the total issued share capital of 1,000,000 Lembah Rakyat Shares as at the LPD.

**g) Dealings in Naim Shares**

The Directors of Naim have not dealt, directly or indirectly, in any Naim Shares during the six (6)-month period prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**h) Dealings in Island Harvests Shares**

The Directors of Naim have not dealt, directly or indirectly, in any Island Harvests Shares during the six (6)-month period prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**i) Dealings in Hasmi & Associates Shares**

The Directors of Naim have not dealt, directly or indirectly, in any Hasmi & Associates Shares during the six (6)-month period prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**j) Dealings in Lambaian Kukuh Shares**

The Directors of Naim have not dealt, directly or indirectly, in any Lambaian Kukuh Shares during the six (6)-month period prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**k) Dealings in Tapak Beringin Shares**

The Directors of Naim have not dealt, directly or indirectly, in any Tapak Beringin Shares during the six (6)-month period prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**FURTHER INFORMATION (Cont'd)****l) Dealings in Lembah Rakyat Shares**

The Directors of Naim have not dealt, directly or indirectly, in any Lembah Rakyat Shares during the six (6)-month period prior to 30 August 2018, being the date of the Announcement and up to the LPD.

**1.4 By the persons who have irrevocably committed themselves to vote in favour or against the Proposals**

As at the LPD, there are no persons who have irrevocably committed themselves to vote in favour or against the Proposals.

**1.5 By the persons with whom Datuk Amar, Datuk Hasmi or any PACs has borrowed or lent Naim Shares**

As at the LPD, Datuk Amar, Datuk Hasmi and PACs have not borrowed or lent any Naim Shares.

**1.6 By the persons with whom Datuk Amar, Datuk Hasmi or any PACs have any arrangements**

As at the LPD, there are no persons with whom Datuk Amar, Datuk Hasmi or any of PACs have entered into any arrangement, including any arrangement involving rights over Naim Shares, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to Naim Shares which may be an inducement to deal or to refrain from dealing.

**1.7 By the persons with whom Naim or its PACs have borrowed or lent Naim Shares**

As at the LPD, Naim and its PACs have not borrowed or lent any Naim Shares.

**1.8 By the persons with whom Naim or its PACs have any arrangements**

Save for the Undertakings, there are no persons with whom Naim or its PACs have entered into any arrangement, including any arrangement involving rights over Naim Shares, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to Naim Shares which may be an inducement to deal or to refrain from dealing as at the LPD.

**1.9 By IPS and funds whose investments are managed by IPS are managed by IPS on a discretionary basis**

As at the LPD, IPS and funds whose investments are managed by IPS' subsidiary company, Inter-Pacific Asset Management Sdn. Bhd. on a discretionary basis, do not have any interest, whether direct or indirect, in any voting shares or voting rights in Naim, Island Harvests, Hasmi & Associates, Lambaian Kukuh, Tapak Beringin and Lembah Rakyat.

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER**


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**KPMG PLT**  
 (LLP0010081-LCA & AF 0758)  
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The Board of Directors  
 Naim Holdings Berhad  
 9<sup>th</sup> Floor, Wisma Naim  
 2 ½ Miles, Rock Road  
 93200 Kuching  
 Sarawak

Date: 26 October 2018

Dear Sirs

**Naim Holdings Berhad (“Naim” or the “Company”)**

**Report on the compilation of the pro forma consolidated statement of financial position for inclusion in the circular to shareholders of Naim (the “Circular”) in connection with the following:**

- (I) Proposed renounceable rights issue of up to 355,416,000 new ordinary shares in Naim (“Rights Shares”) at an issue price of RM0.45 per Rights Share, on the basis of three (3) Rights Shares for every two (2) existing ordinary shares in Naim (“Naim Shares” or “Shares”) held on an entitlement date to be determined later (“Proposed Rights Issue”); and**
- (II) Proposed exemption under Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions to Datuk Amar Abdul Hamed Bin Haji Sepawi (“Datuk Amar”), Datuk Hasmi Bin Hasnan (“Datuk Hasmi”) and persons acting in concert with them (“PACs”) from the obligation to undertake a mandatory offer for the remaining Naim Shares not already owned by them arising from the subscription by Datuk Amar, Datuk Hasmi and their PACs for the Rights Shares pursuant to the undertakings (“Proposed Exemption”).**

**(Collectively (I) and (II) above are referred to as the “Proposals”)**

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Naim Holdings Berhad and its subsidiaries (“Naim Group”) as at 31 December 2017 prepared by the management of the Company (the “Management”). The pro forma consolidated statement of financial position and the related notes as set out in Attachment A have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of Naim (“the Board”) has compiled the pro forma consolidated statement of financial position are described in Note 3 and Note 4 in Attachment A.

The pro forma consolidated statement of financial position have been compiled by the Board for inclusion in the Circular to solely illustrate the impact of the Proposals on Naim Group’s consolidated statement of financial position as at 31 December 2017. As part of this process, information about the Naim Group’s financial position has been extracted by the Board for the year ended 31 December 2017, on which an audit report has been published.



*Naim Holdings Berhad  
Reporting Accountants' letter on the  
Pro Forma Consolidated Statement of Financial Position*

### **Board's Responsibilities for the Pro Forma Consolidated Statement of Financial Position**

The Board is responsible for compiling the pro forma consolidated statement of financial position on the basis described in Note 3 and Note 4 in Attachment A.

### **Reporting Accountants' Independence and Quality Control**

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion about whether the pro forma consolidated statement of financial position have been compiled, in all material respects, by the Board on the basis described in Note 3 and Note 4 in Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board have compiled, in all material respects, the pro forma consolidated statement of financial position on the basis described in Note 3 and Note 4 in Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of Naim Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)**

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*Naim Holdings Berhad*  
*Reporting Accountants' letter on the*  
*Pro Forma Consolidated Statement of Financial Position*

**Reporting Accountants' Responsibilities (continued)**

- The related pro forma adjustments give appropriate effects to those criteria; and
- The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of Naim Group, the event or transaction in respect of which the pro forma consolidated statement of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the pro forma consolidated statement of financial position have been compiled, in all material respects, on the basis stated in Note 3 and Note 4 in Attachment A.

**Other Matters**

Our report on the pro forma consolidated statement of financial position have been prepared for inclusion in the Circular in connection with the Proposals and should not be relied upon for any other purposes.

Yours faithfully

**KPMG PLT**  
LLP0010081-LCA & AF 0758  
Chartered Accountants

**Lee Hean Kok**  
Approval Number: 02700/12/2019 J  
Chartered Accountant

## Attachment A

**Naim Holdings Berhad**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

**1. Introduction**

The pro forma consolidated statement of financial position of Naim Holdings Berhad ("Naim" or the "Company") have been prepared for inclusion in the Company's circular to shareholders (the "Circular") in connection with the following:

- (I) Proposed renounceable rights issue of up to 355,416,000 new ordinary shares in Naim ("Rights Shares") at an issue price of RM0.45 per Rights Share, on the basis of three (3) Rights Shares for every two (2) existing ordinary shares in Naim ("Naim Shares" or "Shares") held on an entitlement date to be determined later ("Proposed Rights Issue"); and
- (II) Proposed exemption under Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Rules") to Datuk Amar Abdul Hamed Bin Haji Sepawi ("Datuk Amar"), Datuk Hasmi Bin Hasnan ("Datuk Hasmi") and persons acting in concert with them ("PACs") from the obligation to undertake a mandatory offer for the remaining Naim Shares not already owned by them arising from the subscription by Datuk Amar, Datuk Hasmi and their PACs for the Rights Shares pursuant to the undertakings ("Proposed Exemption").

(Collectively (I) and (II) above are referred to as the "Proposals")

**2. Details of the Proposals****2.1 Proposed Rights Issue**

The Proposed Rights Issue entails an issuance of up to 355,416,000 Rights Shares at an issue price of RM0.45 per Rights Share ("Issue Price"), on the basis of three (3) Rights Shares for every two (2) existing Naim Shares held by the entitled shareholders whose names appear in the Record of Depositors of the Company ("Entitled Shareholders") on the Entitlement Date.

As at 23 October 2018, being the latest practicable date prior to the printing of the Circular ("LPD"), the share capital of the Company is RM336,092,000 comprising 250,000,000 Naim Shares (including 13,056,000 treasury shares ("Treasury Shares")).

For the avoidance of doubt, the Treasury Shares will have no participation rights to participate in the Proposed Rights Issue. In this regard, the Company has undertaken via an undertaking dated 30 August 2018 that it will not dispose any of the Treasury Shares or carry out any further buy-back of Naim Shares at any time prior to the completion of the Proposed Rights Issue.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part.





## Attachment A

**Naim Holdings Berhad****Pro Forma Consolidated Statement of Financial Position and the notes thereon****2. Details of the Proposals (continued)****2.1 Proposed Rights Issue (continued)**

The Rights Shares will, upon allotment and issuance, rank pari-passu in all respects with the existing Naim Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

Any unsubscribed Rights Shares will be made available to the other Entitled Shareholders and/or their renounee(s) under the excess Rights Shares applications and to such other persons as the Board of Directors of Naim ("the Board") shall determine. The Rights Shares will be provisionally allotted to the Entitled Shareholders. It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner and on such basis to be determined by the Board and announced later by the Company.

Fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as the Board in its absolute discretion deems fit or expedient or in the best interests of the Company.

**2.2 Basis of determining the Issue Price**

The issue price of RM0.45 per Rights Share was determined by the Board after taking into consideration, amongst others, the following:

- (i) the prevailing market conditions and current and historical market price of Naim Shares; and
- (ii) the resultant theoretical ex-rights price of Naim Shares ("TERP") of RM0.55 computed based on the five (5)-day volume weighted average price ("VWAP") of Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Proposed Rights Issue of RM0.6876, whereby the Issue Price represents a discount of 18.18% to the TERP.

The Issue Price's discount to the TERP is computed based on the 1-month, 3-months, 6-months and 12-months VWAP of Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Proposals:

Up to 27 August 2018	VWAP (RM)	TERP (RM)	Discount	
			RM	%
1-month	0.6906	0.55	0.10	18.18
3-months	0.6725	0.54	0.09	16.67
6-months	0.7283	0.56	0.11	19.64
12-months	0.9522	0.65	0.20	30.77

The issue price of RM0.45 represents a discount of 2.17% to the TERP of 0.46, computed based on the 5-day VWAP of Naim Shares up to the LPD of RM0.4668.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)**

## Attachment A

**Naim Holdings Berhad**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

**2. Details of the Proposals (continued)****2.3 Undertakings and underwriting arrangement**Minimum Scenario

It is the intention of the Company to undertake the Proposed Rights Issue on a minimum subscription level basis where the Proposed Rights Issue would entail a minimum issuance of up to 222,222,222 Rights Shares to raise gross proceeds of approximately RM100.0 million ("Minimum Subscription Level").

In order to meet the Minimum Subscription Level, subject to the Proposed Exemption being granted, the Company has obtained a written irrevocable and unconditional undertaking dated 28 September 2018 from each of the following shareholders, collectively the "Undertaking Shareholders":

- Datuk Amar Abdul Hamed Bin Haji Sepawi ("Datuk Amar");
  - Datuk Hasmi Bin Hasnan ("Datuk Hasmi");
  - Island Harvests Sdn Bhd ("Island Harvests");
  - Hasmi & Associates Management Sdn Bhd ("Hasmi & Associates");
  - Lambaian Kukuh Sdn Bhd ("Lambaian Kukuh");
  - Tapak Beringin Sdn Bhd ("Tapak Beringin"); and
  - Lembah Rakyat Sdn Bhd ("Lembah Rakyat")
- (i) To subscribe in full for their respective entitlements under the Proposed Rights Issue based on their shareholdings as at the Entitlement Date. Based on the aggregate shareholdings of the Undertaking Shareholders of 94,828,650 Naim Shares as at the LPD, the total number of Rights Shares to be subscribed pursuant to the Entitlement Undertaking shall amount to 142,242,975 Rights Shares ("Entitlement Undertaking"); and
- (ii) To apply for an additional 79,979,247 Rights Shares not taken up by the other Entitled Shareholders and/or their renounee(s) by way of excess Rights Shares applications, to the extent that the aggregate subscription of Rights Shares under the Proposed Rights Issue received by the Company is not less than the Minimum Subscription Level ("Additional Undertaking").

The Entitlement Undertaking and the Additional Undertaking is collectively referred to as the "Undertakings".

As at the LPD, the Undertaking Shareholders collectively hold 94,828,650 Naim Shares, representing approximately 40.02% of the issued share capital of Naim.

Maximum Scenario

Maximum subscription basis where the Proposed Rights Issue would entail a maximum issuance of up to 355,416,000 Rights Shares to raise gross proceeds of approximately RM159.94 million assuming all the Entitled Shareholders subscribe for their respective entitlements to the Rights Shares in full under the Proposed Rights Issue.



## Attachment A

## Naim Holdings Berhad

Pro Forma Consolidated Statement of Financial Position and the notes thereon

## 2. Details of the Proposals (continued)

## 2.4 Proposed Exemption

As at the LPD, Datuk Amar, Datuk Hasmi and their PACs hold 94,829,750 Naim Shares, representing approximately 40.02% of the total issued share capital of Naim (excluding Treasury Shares).

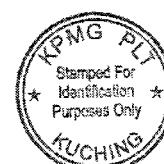
Pursuant to the Undertakings, the Undertaking Shareholders would be obliged to subscribe for their respective entitlements and apply for excess Rights Shares to the extent that the Minimum Subscription Level could be fulfilled. In the event that none of the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue other than the Undertaking Shareholders, the shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim will, over a six (6)-month period, collectively increase by more than 2% upon the completion of the Proposed Rights Issue and trigger the creeping threshold pursuant to Paragraph 4.01(b) of the Rules.

In addition, pursuant to the Undertakings, Datuk Hasmi's shareholdings in Naim (both direct and indirect) will increase from 24.10% as at the LPD to 41.60% upon completion of the Proposed Rights Issue under the Minimum Scenario, which would result in Datuk Hasmi obtaining control of Naim pursuant to Paragraph 4.01(a) of the Rules.

Datuk Amar, Datuk Hasmi and their PACs will then accordingly be obliged to undertake a mandatory take-over offer to acquire all the remaining Naim Shares not already held by them upon completion of the Proposed Rights Issue in view of the Undertakings ("Mandatory Offer").

As it is not the intention of Datuk Amar, Datuk Hasmi and PACs to undertake the Mandatory Offer, an application would be submitted on behalf of Datuk Amar, Datuk Hasmi and their PACs to the Securities Commission Malaysia ("SC") for the grant of an exemption to undertake the Mandatory Offer, after obtaining the approval of the non-interested shareholders of the Company for the Proposed Exemption pursuant to Paragraph 4.08(2)(b) of the Rules to waive their rights to receive the Mandatory Offer at the forthcoming Extraordinary General Meeting ("EGM").

For the avoidance of doubt, in the event that the non-interested shareholders of the Company and/or the SC do not approve the Proposed Exemption, the Proposed Rights Issue will not be implemented as the Proposals are inter-conditional.



## Attachment A

**Naim Holdings Berhad**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

**3. Basis of preparation of the pro forma consolidated statement of financial position**

The pro forma consolidated statement of financial position of Naim Group as at 31 December 2017 have been compiled based on the audited financial statements of Naim Group for the financial year ended 31 December 2017, which had been prepared in accordance with the Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016, respectively in Malaysia. The pro forma consolidated statement of financial position do not include the effects of Naim Group's adoption of Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board which are effective for the annual period beginning on or after 1 January 2018.

The auditors' report of the audited financial statements of Naim Group for the financial year ended 31 December 2017 was not subject to any qualification, modification or disclaimer of opinion.

The pro forma consolidated statement of financial position of Naim Group as at 31 December 2017 of which the Board are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statements of financial position of Naim Group had the events / transactions in Note 4 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

**4. Pro forma adjustments to the pro forma consolidated statement of financial position**

The pro forma consolidated statement of financial position incorporates the following events or transactions under the Minimum Scenario and the Maximum Scenario:

**Minimum Scenario****a) Pro Forma I – Proposed Rights Issue**

On the assumption that only the Undertaking Shareholders subscribe for the Rights Shares pursuant to the Undertakings and none of the other Entitled Shareholders subscribe for their entitlement under the Proposed Rights Issue.

The estimated expenses relating to the Proposals of RM800,000 comprise, amongst others, professional fees and fees payable to the relevant authorities, printing cost of the circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses, which will be charged to the profit and loss and to be settled using the proceeds from Proposed Rights Issue.

**b) Pro Forma II – Proposed Utilisation**

Pro Forma II incorporates the effects of Pro Forma I and the effect of the utilisation of the proceeds from the Proposed Rights Issue.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)**

## Attachment A

## Naim Holdings Berhad

## Pro Forma Consolidated Statement of Financial Position and the notes thereon

**4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)**

**Minimum Scenario (continued)****b) Pro Forma II – Proposed Utilisation (continued)**

The gross proceeds from the Proposed Rights Issue of approximately RM100.00 million is intended to be utilised as follows:

	RM'000	
Property development activities	70,000	(i)
General working capital	4,200	(ii)
Repayment of borrowings	25,000	(iii)
Repayment of expenses in relation to the Proposals	800	(iv)
	100,000	

**Notes:**

(i) Part of the Proposed Rights Issue gross proceeds will be utilised to support property development activities comprising condominium development projects, namely the Sapphire On The Park @ Kuching Paragon project (utilisation of approximately RM21.0 million), The Peak @ Bintulu Paragon project (utilisation of approximately RM24.0 million), and landed residential projects as part of the Bandar Baru Permyjaya mixed development project (utilisation of approximately RM25.0 million). Such expenses are envisaged to include consultant and professional fees, payment to suppliers and contractors, site overhead as well as administrative costs. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects.

The actual utilisation of proceeds for the above mentioned projects will depend on the actual funding requirement and the timing of completion of the Proposed Rights Issue. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above. In the event if there is any excess in funds allocated for the property development activities, it will be used for Naim Group's working capital requirements.

(ii) Naim Group's day-to-day operating and administrative expenses, which include, inter alia, sales and marketing expenses, personnel costs, as well as office expenses. The actual breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of Naim Group at the relevant point in time.

(iii) Partially repay Naim Group's outstanding borrowings. As at the LPD, Naim Group's total borrowings amounted to RM556.7 million comprising mainly secured term loans and unsecured revolving credits. The partial repayment of the said borrowings is expected to result in interest costs savings of RM1.40 million per annum based on Naim Group's weighted average interest rate of 5.6%.

(iv) Estimated expenses include professional fees and fees payable to the relevant authorities, printing cost of circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses which will be charged to the profit and loss. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for Naim Group's working capital requirements.



## Attachment A

## Naim Holdings Berhad

Pro Forma Consolidated Statement of Financial Position and the notes thereon

## 4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)

Maximum Scenario

## a) Pro Forma I – Proposed Rights Issue

On the assumption that all the Entitled Shareholders subscribe for their respective entitlements to the Rights Shares in full under the Proposed Rights Issue.

The estimated expenses relating to the Proposals of RM800,000 comprise, amongst others, professional fees and fees payable to the relevant authorities, printing cost of the circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses, which will be charged to the profit and loss and to be settled using the proceeds from Proposed Rights Issue.

## b) Pro Forma II – Proposed Utilisation

Pro Forma II incorporates the effects of Pro Forma I and the effect of the utilisation of the proceeds from the Proposed Rights Issue.

The gross proceeds from the Proposed Rights Issue of up to approximately RM159.94 million is intended to be utilised as follows:

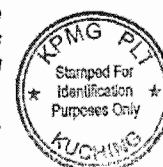
	RM'000	
Property development activities	114,937	(i)
General working capital	4,200	(ii)
Repayment of borrowings	40,000	(iii)
Repayment of expenses in relation to the Proposals	800	(iv)
	159,937	

**Notes:**

(i) Part of the Proposed Rights Issue gross proceeds will be utilised to support property development activities comprising condominium development projects, namely the Sapphire On The Park @ Kuching Paragon project (utilisation of approximately RM36.0 million), The Peak @ Bintulu Paragon project (utilisation of approximately RM39.0 million), and landed residential projects as part of the Bandar Baru Permyjaya mixed development project (utilisation of approximately RM39.94 million). Such expenses are envisaged to include consultant and professional fees, payment to suppliers and contractors, site overhead as well as administrative costs. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects.

The actual utilisation of proceeds for the above mentioned projects will depend on the actual funding requirement and the timing of completion of the Proposed Rights Issue. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above. In the event if there is any excess in funds allocated for the property development activities, it will be used for Naim Group's working capital requirements.

(ii) Naim Group's day-to-day operating and administrative expenses, which include, inter alia, sales and marketing expenses, personnel costs, as well as office expenses. The actual breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of Naim Group at the relevant point in time.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)****Attachment A****Naim Holdings Berhad****Pro Forma Consolidated Statement of Financial Position and the notes thereon****4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)****Maximum Scenario (continued)****b) Pro Forma II – Proposed Utilisation (continued)**

- (iii) *Partially repay Naim Group's outstanding borrowings. As at the LPD, Naim Group's total borrowings amounted to RM556.7 million comprising mainly secured term loans and unsecured revolving credits. The partial repayment of the said borrowings is expected to result in interest costs savings of RM2.24 million per annum based on Naim Group's weighted average interest rate of 5.6%.*
- (iv) *Estimated expenses include professional fees and fees payable to the relevant authorities, printing cost of circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses which will be charged to the profit and loss. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for Naim Group's working capital requirements.*

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)**

## Attachment A

**Naim Holdings Berhad**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

**5. Pro forma Consolidated Statement of Financial Position**

The pro forma consolidated statement of financial position of Naim Group as at 31 December 2017 as set out below have been prepared for illustrative purposes only, to show the effects of all of the Pro Forma adjustments set out in Note 4, had these events been effected 31 December 2017, and should be read in conjunction with the rest of the notes in this attachment.

**Minimum Scenario**

			Pro Forma I	Pro Forma II
	Note	As at 31 December 2017* RM'000	After the Proposed Rights Issue RM'000	After (I) and the Proposed Utilisation RM'000
Non-current assets		1,033,990	1,033,990	1,033,990
Current assets	6.1	1,091,699	1,190,899	1,165,899
		<u>2,125,689</u>	<u>2,224,889</u>	<u>2,199,889</u>
Share capital		336,092	436,092	436,092
Treasury shares		(34,748)	(34,748)	(34,748)
Retained earnings		815,835	815,035	815,035
Other reserves		11,046	11,046	11,046
Total equity attributable to the owners of the Company		<u>1,128,225</u>	<u>1,227,425</u>	<u>1,227,425</u>
Non controlling interest		19,602	19,602	19,602
Total equity	6.2	<u>1,147,827</u>	<u>1,247,027</u>	<u>1,247,027</u>
Non-current liabilities		192,059	192,059	192,059
Current liabilities	6.3	785,803	785,803	760,803
		<u>2,125,689</u>	<u>2,224,889</u>	<u>2,199,889</u>

**Supplementary Information**

No of Naim Shares in issue ('000) (net of treasury shares)		236,944	459,166	459,166
Net assets (RM'000)	(i)	1,128,225	1,227,425	1,227,425
Net assets per share (RM)	(ii)	4.76	2.67	2.67
Total borrowings (RM'000)		545,404	545,404	520,404
Gearing (times)	(iii)	0.48	0.42	0.42

\* Extracted from the audited financial statements of Naim Group for the financial year ended 31 December 2017.

**Notes:**

- (i) Net assets represents equity attributable to owners of the Company  
(ii) Net assets per share = Net assets / Number of Naim Shares in issue (net of treasury shares)  
(iii) Gearing ratio = Total borrowings / Total equity attributable to owners of the Company





**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)**

## Attachment A

## Naim Holdings Berhad

## Pro Forma Consolidated Statement of Financial Position and the notes thereon

## 5. Pro forma Consolidated Statement of Financial Position (continued)

Maximum Scenario

		Pro Forma I	Pro Forma II
	Note	As at 31 December 2017* RM'000	After the Proposed Rights Issue RM'000
			After (I) and the Proposed Utilisation RM'000
Non-current assets		1,033,990	1,033,990
Current assets	6.1	1,091,699	1,210,836
		<u>2,125,689</u>	<u>2,244,826</u>
Share capital		336,092	496,029
Treasury shares		(34,748)	(34,748)
Retained earnings		815,835	815,035
Other reserves		11,046	11,046
Total equity attributable to the owners of the Company		1,128,225	1,287,362
Non controlling interest		19,602	19,602
Total equity	6.2	<u>1,147,827</u>	<u>1,306,964</u>
Non-current liabilities		192,059	192,059
Current liabilities	6.3	785,803	745,803
		<u>2,125,689</u>	<u>2,244,826</u>

**Supplementary Information**

No of Naim Shares in issue ('000) (net of treasury shares)		236,944	592,360	592,360
Net assets (RM'000)	(i)	1,128,225	1,287,362	1,287,362
Net assets per share (RM)	(ii)	4.76	2.17	2.17
Total borrowings (RM'000)		545,404	545,404	505,404
Gearing (times)	(iii)	0.48	0.39	0.39

\* Extracted from the audited financial statements of Naim Group for the financial year ended 31 December 2017.

**Notes:**

- (i) Net assets represents equity attributable to owners of the Company  
(ii) Net assets per share = Net assets / Number of Naim Shares in issue (net of treasury shares)  
(iii) Gearing ratio = Total borrowings / Total equity attributable to owners of the Company



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)**

## Attachment A

## Naim Holdings Berhad

Pro Forma Consolidated Statement of Financial Position and the notes thereon

## 6. Effects on the Pro Forma Statement of Financial Position

## 6.1 Movement in current assets

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
<b>Balance at 31 December 2017</b>	1,091,699	1,091,699
<i>Effects of Pro Forma I</i>		
- Proceeds from the Proposed Rights Issue	100,000	159,937
- Less: Estimated expenses in relation to the Proposals	(800)	(800)
<b>Pro Forma I</b>	<u>1,190,899</u>	<u>1,250,836</u>
<i>Effect of Pro Forma II</i>		
- Less: Repayment of borrowings	(25,000)	(40,000)
<b>Pro Forma II</b>	<u>1,165,899</u>	<u>1,210,836</u>

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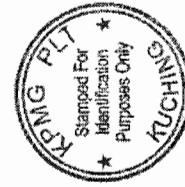
**Naim Holdings Berhad**  
 Pro Forma Consolidated Statement of Financial Position and the notes thereon

**6. Effects on the Pro Forma Statement of Financial Position (continued)**

**6.2 Movement in equity**

**Minimum Scenario**

	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
<b>Balance at 31 December 2017</b>	336,092	(34,748)	815,835	11,046	1,128,225	19,602	1,147,827
<i>Effects of Pro Forma I</i>							
- Proposed Rights Issue	100,000	-	-	-	100,000	-	100,000
- Estimated expenses in relation to the Proposals	-	-	(800)	-	(800)	-	(800)
<b>Pro Forma I and II</b>	<u>436,092</u>	<u>(34,748)</u>	<u>815,035</u>	<u>11,046</u>	<u>1,227,425</u>	<u>19,602</u>	<u>1,247,027</u>



**Naim Holdings Berhad**  
 Pro Forma Consolidated Statement of Financial Position and the notes thereon

**6. Effects on the Pro Forma Statement of Financial Position (continued)**

**6.2 Movement in equity (continued)**

**Maximum Scenario**

	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
<b>Balance at 31 December 2017</b>	336,092	(34,748)	815,835	11,046	1,128,225	19,602	1,147,827
<i>Effects of Pro Forma I</i>							
- Proposed Rights Issue	159,937	-	-	-	159,937	-	159,937
- Estimated expenses in relation to the Proposals	-	-	(800)	-	(800)	-	(800)
<b>Pro Forma I and II</b>	<u>496,029</u>	<u>(34,748)</u>	<u>815,035</u>	<u>11,046</u>	<u>1,287,362</u>	<u>19,602</u>	<u>1,306,964</u>



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF NAIM GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (CONT'D)**

## Attachment A

**Naim Holdings Berhad**

Pro Forma Consolidated Statements of Financial Position and the notes thereon

**6. Effects on the Pro Forma Statement of Financial Position (continued)****6.3 Movement in current liabilities**

	<b>Minimum Scenario</b>	<b>Maximum Scenario</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Balance at 31 December 2017 and Pro Forma I</b>	785,803	785,803
<i>Effect of Pro Forma II</i>		
- Less: Repayment of Borrowings	(25,000)	(40,000)
<b>Pro Forma II</b>	<u>760,803</u>	<u>745,803</u>

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**FURTHER INFORMATION**

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**1. DIRECTORS RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the completeness and accuracy of the information contained in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other material facts contained in this Circular, the omission of which would make any statement in this Circular false or misleading.

**2. CONSENT AND CONFLICT OF INTEREST****2.1. AmInvestment Bank**

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of Naim Group.

As at the LPD, the AmBank Group has extended certain credit facilities amounting to approximately RM176.58 million to Naim Group. The said facilities represent less than 0.19% compared to the audited consolidated loans, advances and financing of AMMB Holdings Berhad as at 31 March 2018.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposals does not give rise to a conflict of interest situation in view that:-

- (i) AmBank Group form a diversified financial group and are engaged in a wide range of transactions as highlighted above. AmInvestment Bank is licensed investment bank and its appointment as Principal Adviser in respect of the Proposals is in the ordinary course of business; and
- (ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each departments and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is also regulated by Bank Negara Malaysia.

In addition, depending on any changes in the mode of funding by the Undertaking Shareholders, AmBank Group may extend credit facilities to the Undertaking Shareholders to partially fund the subscription of Rights Shares pursuant to the Undertakings. Nonetheless, any such credit facilities to be extended to the Undertaking Shareholders by AmBank Group are in the ordinary course of its banking business and are not conditional upon AmInvestment Bank being appointed as the Principal Adviser for the Proposals.

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**FURTHER INFORMATION (CONT'D)**

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**2.2. Independent Adviser**

IPS, being the Independent Adviser to the Directors (excluding the Interested Directors) and non-interested Shareholders for the Proposed Exemption, has given and not subsequently withdrawn its written consent for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

IPS has confirmed that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as Independent Adviser to the Directors (excluding the Interested Directors) and non-interested Shareholders for the Proposed Exemption.

**2.3. KPMG PLT**

KPMG PLT, being the Reporting Accountants for the Proposed Rights Issue, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Reporting Accountants' letter in respect of the proforma consolidated statement of financial position as at 31 December 2017 and all references thereto in the form and context in which it appears in this Circular.

KPMG PLT has confirmed that it is not aware of any circumstances or relationships which would give rise to a conflict of interest situation in their capacity to act as the Reporting Accountants to the Company for the Proposed Rights Issue.

**3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

Save as disclosed below and as at the LPD, Naim Group is not engaged in any other material litigation, claims and/or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of the Group and the Board is not aware of any proceeding which is pending or threatened against the Naim Group, or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group:

- (i) On 20 March 2017, Naim Land Sdn Bhd ("**NLSB**") received a Writ of Summons from 2 persons suing on behalf of themselves and their other siblings and families, claiming against NLSB, the Superintendent of Land & Survey, Miri Division and the State Government of Sarawak to have native customary rights ("**NCR**") over an area of approximately 47.15 acres within parcels of land described as Lots 8837 and Lot 6182 both of Block 11 Kuala Baram Land District and Lot 820 Block 13 Kuala Baram Land District, which is within NLSB's existing township areas. The land was previously alienated by the State Government of Sarawak in 1997 and due land premium had been settled in prior years.

NLSB filed its Defence to the claim on 26 May 2017 and had on 3 July 2017 filed a Notice of Application for certain questions or issues of law to be determined before or without a full trial of the action and consequentially, if appropriate, to strike out the plaintiff's Statement of Claim. Parties had exchanged affidavits in respect of the said application and ruling on the same was delivered on 17 January 2018; wherein the Judge ruled that there was no merit in NLSB's application and dismissed the application with costs of RM1,000, and set down the matter for trial from 21 to 25 May 2018. NLSB has filed a Notice of Appeal to the Court of Appeal on 1 February 2018 against the Judge's ruling. As at the LPD, the Court of Appeal has yet to fix a hearing date for the appeal against the Judge's ruling on the striking-out application. The trial fixed on 21 to 25 May 2018 has also been vacated pending the outcome of the appeal.

The solicitors acting for NLSB is of the view that NLSB has a reasonable chance of success in the appeal.

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**FURTHER INFORMATION (CONT'D)**


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- (ii) On 25 April 2017, Naim Engineering Sdn. Bhd. ("**NESB**") received a payment claim amounting to RM17,227,919.60 from its subcontractor, Isogress Construction Sdn. Bhd. ("**Isogress**"), under the Construction Industry Payment and Adjudication Act 2012 under which Isogress claims that NESB had wrongfully taken over its sub-contract works under the project known as "Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Kajang Package S4: Construction and Completion of Elevated Stations and Other Associated Works at Seksyen 16, Pusat Bandar Damansara and Semantan" ("**Project**").

NESB had issued a payment response to Isogress on 11 May 2017 and counterclaimed, amongst others:-

- (a) that there has been an overpayment by NESB to Isogress in the sum of RM2,361,127.80 for work completed as at 25 September 2017;
- (b) that there is an outstanding payment due to NESB by Isogress in the sum of RM7,804,499.07 as at 29 February 2016 for payments made by NESB to third parties on behalf of Isogress for materials, supplies, equipment and machinery as well as other miscellaneous items for the sub-contract works; and
- (c) payment made by NESB on behalf of Isogress in the sum of RM433,378.69 due to the failure, neglect and/or omission on the part of Isogress to make payment of wages to its workmen for the months of October and November 2014,

all of which NESB is seeking to pursue as set-off and/or counterclaim against Isogress.

As at the LPD, Isogress has not issued any notice of adjudication. The solicitors acting for NESB is of the view that NESB has a reasonable chance of success in defending an action by Isogress and to claim for overpayment to Isogress.

#### 4. HISTORICAL SHARE PRICES

The monthly highest and lowest closing market price of Naim Shares traded on the Main Market of Bursa Securities for the past twelve (12) months preceding the date of this Circular are set out as below:-

	<b>Highest RM</b>	<b>Lowest RM</b>
<b>2017</b>		
October	1.250	1.160
November	1.190	1.050
December	1.420	1.020
<b>2018</b>		
January	1.280	1.030
February	1.080	0.990
March	1.070	0.960
April	1.040	0.930
May	0.950	0.610
June	0.720	0.605
July	0.780	0.605
August	0.740	0.665
September	0.575	0.520
October (up to the LPD)	0.565	0.455
Last transacted market price on 29 August 2018 (being the last Market Day prior to the announcement of the Proposals)	0.690	0.685
Last transacted market price as at the LPD		0.455

(Source: Bloomberg)



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**FURTHER INFORMATION (CONT'D)**


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**5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****5.1. Material commitments**

The Board is not aware of any material commitments incurred or known to be incurred which upon becoming enforceable may have a material impact on the financial position of the business of Naim Group.

Based on the unaudited quarterly report of the Group for the FPE 30 June 2018, the capital commitments of the Group are as follows:-

	<b>RM'000</b>
Capital expenditure in respect of purchase of property, plant and equipment:-	
- Authorised but not contracted for	1,922
- Contracted for but not provided for	22,152
	<u><b>24,074</b></u>

**5.2. Contingent liabilities**

Save as the material litigation disclosed above, based on the unaudited quarterly report of the Group for the FPE 30 June 2018, the Board is not aware of any other material contingent liabilities incurred or known to be incurred by the Naim Group, which upon becoming enforceable, may have a material impact on the profit or NA of Naim Group.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 9th Floor, Wisma Naim, 2½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia during normal business hours from Monday to Friday (except public holidays) following the date of this Circular, up to and including the date of the EGM:-

- (i) the constitution of Naim;
- (ii) the audited consolidated financial statements of Naim for the past two (2) FYEs 31 December 2016 and 31 December 2017 and the latest unaudited consolidated financial statements of Naim for the FPE 30 June 2018;
- (iii) the letters of consent referred to in Section 2 of Appendix II of this Circular;
- (iv) the relevant cause papers in respect of the material litigation referred to in Section 3 of Appendix II of this Circular;
- (v) proforma consolidated statement of financial position of Naim as at 31 December 2017 together with the Reporting Accountants' letter thereon as set out in Appendix I of this Circular; and
- (vi) the undertaking letters from the Undertaking Shareholders dated 21 September 2018.

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**NAIM HOLDINGS BERHAD**

(Company No.: 585467-M)

(Incorporated in Malaysia under the Companies Act, 1965)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Naim Holdings Berhad ("**Naim**" or the "**Company**") will be held at Ranchang Ballroom, Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak, Malaysia on Tuesday, 13 November 2018 at 11:00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

### **ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 355, 416,000 NEW ORDINARY SHARES IN NAIM ("RIGHTS SHARES") AT THE ISSUE PRICE OF RM0.45 PER RIGHTS SHARE, ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN NAIM ("NAIM SHARES" OR "SHARES") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE")**

**"THAT** subject to the passing of Ordinary Resolution 2 and the approvals of all relevant authorities or parties being obtained, where required, approval be and is hereby given to the Board of Directors of Naim ("**Board**") for the following:-

- (a) to provisionally allot and issue by way of a renounceable rights issue of up to 355,416,000 Rights Shares on the basis of three (3) Rights Shares for every two (2) existing Naim Shares held by the shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board, at an issue price of RM0.45 per Rights Share;
- (b) to issue such Rights Shares as may be required to give effect to the Proposed Rights Issue, including any persons entitled on renunciation of the provisional allotments; and
- (c) to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the Rights Shares;

**THAT** any Rights Shares which are not taken up shall be made available for excess applications to the entitled shareholders and/or their renounee(s) who have applied for the excess Rights Shares, and are intended to be allocated on a fair and equitable basis;

**THAT** any fractional entitlements of the Rights Shares arising from the Proposed Rights Issue, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient, and to be in the best interest of the Company;

**THAT** the proceeds of the Proposed Rights Issue be utilised as set out in the circular to shareholders of the Company dated 29 October 2018, and the Board be and is hereby authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to (where required) the approval of the relevant authorities;

**THAT** the Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Naim Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares;

**THAT** the Board be and is hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/or undertakings with any party or parties, do all things and acts as may be required to give effect to the Proposed Rights Issue with full powers to assent to any conditions, variations, modifications and/or amendments including to vary the manner and/or the purpose of the utilisation of proceeds arising from the Proposed Rights Issue, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Rights Issue in the best interest of the Company;

**AND THAT** this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue to be in full force and effect until the Rights Shares to be issued pursuant to or in connection with the Proposed Rights Issue have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue."

## **ORDINARY RESOLUTION 2**

**PROPOSED EXEMPTION UNDER PARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS TO DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI ("DATUK AMAR"), DATUK HASMI BIN HASNAN ("DATUK HASMI") AND PERSONS ACTING IN CONCERT WITH THEM ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR ALL THE REMAINING ORDINARY SHARES IN NAIM ("NAIM SHARES" OR "SHARES") NOT ALREADY HELD BY THEM UPON COMPLETION OF THE PROPOSED RIGHTS ISSUE ("PROPOSED EXEMPTION")**

"**THAT** subject to and conditional upon the passing of Ordinary Resolution 1 and the approvals of all relevant regulatory authorities being obtained, where required, including but not limited to such conditions as may be imposed by the Securities Commission Malaysia ("**SC**") and any other relevant authorities, approval be and is hereby given for exemptions to be granted to Datuk Amar, Datuk Hasmi and their PACs, namely Island Harvests Sdn. Bhd., Tapak Beringin Sdn. Bhd., Hasmi & Associates Management Sdn. Bhd., Lambaian Kukuh Sdn. Bhd., Lembah Rakyat Sdn. Bhd., Jamiah Bt Hasenan @ Hasnah Bt Hasnan and Abd Jalal Bin Abd Rahim, by the SC pursuant to Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions from the obligation to undertake a mandatory take-over offer to acquire all the remaining Naim Shares not already held by them which may arise pursuant to the Proposed Rights Issue;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give full effect to the Proposed Exemption with full power to assent to, reject and/or appeal against any conditions, stipulations, modifications, variations or amendments imposed by the relevant regulatory authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deemed fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Exemption."

**By Order of the Board**

**BONG SIU LIAN (MAICSA 7002221)  
HASMIAH BINTI ANTHONY HASBI (SAA0772-KH004)**

Company Secretaries

Kuching, Sarawak  
Dated this 29 October 2018

**Notes:-**

1. A member entitled to attend, speak and vote at the same meeting may appoint a proxy to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.
2. To be valid the Proxy Form duly completed must be deposited at the Office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. Only members registered in the Records of Depositors as at 2 November 2018 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

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CDS account no.  
of authorised nominee

## FORM OF PROXY

I/We \_\_\_\_\_  
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

IC No./ID No./Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member of NAIM HOLDINGS BERHAD, hereby  
appoint \_\_\_\_\_

\_\_\_\_\_  
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

NRIC No./Passport No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) of

\_\_\_\_\_  
(FULL ADDRESS)

Or failing him/her the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Ranchang Ballroom, Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak, Malaysia on Tuesday, 13 November 2018 at 11:00 a.m. or any adjournment thereof, in the manner indicated below:-

Resolutions	FOR	AGAINST
Ordinary Resolution 1 Proposed Rights Issue		
Ordinary Resolution 2 Proposed Exemption		

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolution specified in the Notice of Meeting. If no specific direction as the voting is indicated, the proxy/proxies will vote abstain from voting as he/she/they think(s) fit.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Number of shares held:

\_\_\_\_\_  
Signature of Shareholder(s)/Common Seal

### NOTES:-

1. A member entitled to attend, speak and vote at the same meeting may appoint a proxy to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.
2. To be valid the Proxy form duly completed must be deposited at the Office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respects of each omnibus account it holds.
7. Only members registered in the Record of Depositors as at 2 November 2018 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.



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AFFIX  
STAMP

**Share Registrar**  
**TRICOR INVESTOR & ISSUING**  
**HOUSE SERVICES SDN BHD**

Unit 32-01, Level 32, Tower A, Vertical Business Suite  
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia

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