

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

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF NAIM (EXCLUDING TREASURY SHARES) FOR THE ELIGIBLE EMPLOYEES OF NAIM AND ITS SUBSIDIARIES AND EXECUTIVE DIRECTORS OF NAIM (“PROPOSED LTIP”)

1. INTRODUCTION

On behalf of the Board of Directors of Naim (“**Board**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that the Company proposes to establish and implement a long-term incentive plan of up to ten percent (10%) of the issued and paid-up share capital of Naim (excluding treasury shares) at any point in time during the duration of the Proposed LTIP, for the employees of Naim and its subsidiaries (excluding subsidiaries which are dormant) (“**Group**”) and Executive Directors of Naim who fulfil the eligibility criteria set out in Section 2.1.3 below (collectively, “**Eligible Employees**”).

2. DETAILS OF THE PROPOSED LTIP

The Proposed LTIP is intended to allow Naim to award the grant of new ordinary shares of RM1.00 each in Naim (“**Naim Shares**”) (“**Grant**”) to be vested to the selected Eligible Employees (“**Selected Employees**”) for the attainment of identified performance objectives of the Group as determined by a committee to be established to administer the Proposed LTIP (“**LTIP Committee**”) in accordance with the by-laws governing the Proposed LTIP (“**By-Laws**”).

The Proposed LTIP comprises of restricted share units (“**RSU**”) and performance share units (“**PSU**”). The main difference in the features of the RSU and the PSU is the eligibility of the Selected Employees in terms of their job grades in the Group and the performance targets and/or performance conditions to be met prior to the Grant to the Selected Employees and vesting of the Grant.

The details of the Grant are set out below:

(i) **RSU**

The RSU represents the restricted share units for all Eligible Employees selected on a basis designated by the LTIP Committee.

The RSU will be awarded annually to the Selected Employees to be vested at no consideration over a period of at least three (3) years on a pro-rata basis and after the fulfilment of the performance targets and/or conditions, that may be based on, among others, individual performance targets and performance rating as determined by the LTIP Committee from time to time at its absolute discretion in accordance with the terms and conditions of the Proposed LTIP.

(ii) **PSU**

The PSU represents the performance share units for senior management of the Group and Executive Directors of Naim selected on a basis designated by the LTIP Committee.

The PSU will be awarded annually to the Selected Employees to be vested at no consideration at the end of a period of at least three (3) years and after the fulfilment of the performance targets and/or conditions, which may include, among others, long-term financial targets, as determined by the LTIP Committee from time to time at its absolute discretion in accordance with the terms and conditions of the Proposed LTIP.

In the event the performance targets and/or conditions are not met by the Selected Employees over the said period set by the LTIP Committee, the Grants will not be vested to them at the end of the vesting period.

The new Naim Shares to be allotted and issued upon the vesting of the Naim Shares pursuant to the RSU and the PSU will not be subject to any retention period or restriction on transfer.

In implementing the Proposed LTIP, the Grant will be satisfied by way of allotment and issuance of new Naim Shares to the Selected Employees who were awarded the Grant (“**Grantees**”) upon vesting of the Grant.

The LTIP Committee shall decide from time to time at its absolute discretion to determine or vary the terms and conditions of the Grant such as, among others, the eligibility criteria and allocation in each Grant, the timing and frequency of the award of the Grant, the performance targets and/or conditions to be met prior to the Grant and vesting of the Grant, and the vesting period.

2.1 Other salient terms and conditions of the Proposed LTIP

2.1.1 Maximum number of new Naim Shares available under the Proposed LTIP

The maximum number of new Naim Shares which may be made available under the Proposed LTIP and/or allotted and issued upon vesting of the new Naim Shares shall not be more than ten percent (10%) of the issued and paid-up share capital of Naim (excluding treasury shares) (“**Maximum Shares**”) at any point in time during the duration of the Proposed LTIP as set out in Section 2.1.4 of this Announcement.

In the event the total number of new Naim Shares made available under the Proposed LTIP exceeds the Maximum Shares as a result of Naim purchasing its own shares or undertaking any other corporate proposal resulting in the total number of Naim Shares to be issued under the Proposed LTIP exceeding the Maximum Shares, then such Grants awarded prior to the said purchase or corporate proposal shall remain valid and may vest in accordance with the provisions of the Proposed LTIP as if that purchase and/or corporate proposal had not occurred. However, no additional Grants shall be awarded unless the total number of Naim Shares which may be issued under the Proposed LTIP in respect of such Grants shall fall below the Maximum Shares.

2.1.2 Basis of allocation and maximum allowable allotment of new Naim Shares

The total number of new Naim Shares that may be granted to any one of the Selected Employees and/or to be vested in any one of the Grantees under the Proposed LTIP at any time shall be determined by the LTIP Committee at its absolute discretion (subject always to the By-Laws and any applicable law). Notwithstanding the foregoing, and subject to any adjustments which may be made under the By-Laws, not more than ten percent (10%) of the total number of new Naim Shares available under the Proposed LTIP shall be allocated to any individual Selected Employee who, either singly or collectively through persons connected with him (as defined under paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”)), holds twenty percent (20%) or more of the issued and paid-up share capital of Naim (excluding treasury shares).

No Eligible Employee shall participate in any deliberation or discussion on their own respective allocations and/or allocations to persons connected with them under the Proposed LTIP.

2.1.3 Eligibility

A person who fulfils the following criteria as at the date of Grant shall be eligible to be considered by the LTIP Committee as an Eligible Employee:

- (i) has attained the age of eighteen (18) years;
- (ii) has entered into a full-time or fixed-term contract of employment with, and is on the payroll of any company within the Group, and has not served a notice of resignation or received a notice of termination;
- (iii) whose service/employment has been confirmed in writing;
- (iv) is not a non-executive or independent director of Naim;
- (v) has fulfilled any other eligibility criteria which have been determined by the LTIP Committee from time to time at its absolute discretion, as the case may be; and
- (vi) for the PSU, in addition to Sections 2.1.3(i) to (v) above, such employees shall hold a senior management rank or position in the Group as designated by the LTIP Committee from time to time as at the date of Grant.

The LTIP Committee may determine any other eligibility criteria and/or waive any of the eligibility criteria as set out above for the purpose of selecting an Eligible Employee at any time and from time to time, at its absolute discretion.

Notwithstanding anything set out in the By-Laws and subject to the Listing Requirements, no Grant may be awarded to any person who is a director, a major shareholder, chief executive of Naim, or a person connected with them, unless the Grant, and the related allotment of Shares pursuant to that Grant, to that person shall have previously been approved by the shareholders of Naim in a general meeting.

2.1.4 Duration of the Proposed LTIP

The Proposed LTIP shall be in force for a period of ten (10) years commencing from the effective date of implementation of the Proposed LTIP, being the date after full compliance with all relevant provisions of the Listing Requirements in relation to the Proposed LTIP, more particularly set out in the By-Laws.

2.1.5 Ranking of and rights to the new Naim Shares issued pursuant to the Proposed LTIP

The new Naim Shares to be allotted and issued to the Grantees pursuant to the Proposed LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing Naim Shares, save and except that they shall not be entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid to the shareholders of Naim, the entitlement date of which is prior to the date on which the new Naim Shares are credited into the central depository system accounts of the respective Grantees upon vesting of the Grant under the Proposed LTIP.

2.1.6 Listing of and quotation for the new Naim Shares issued pursuant to the Proposed LTIP

An application will be made to Bursa Securities for the listing of and quotation for the new Naim Shares to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities.

3. UTILISATION OF PROCEEDS

No proceeds will be raised from the Proposed LTIP given that the new Naim Shares to be allotted and issued to the Grantees would not require any payment by the said Grantees.

4. RATIONALE FOR THE PROPOSED LTIP

The Proposed LTIP aims to serve as a long-term incentive plan that aligns the Eligible Employees' interests with the long-term objectives and business strategy of the Group. The Proposed LTIP will form part of the total remuneration structure as an integral part of the total reward strategy of the Group. It is to complement the existing remuneration structure of the Group which, among others, includes a basic salary and a variable cash bonus.

In addition, the Proposed LTIP is intended to:

- (i) reward, retain and motivate the Eligible Employees whose services are vital to the businesses, continued growth and future expansion of the Group;
- (ii) incentivise each Eligible Employee to optimise his/her performance standards and maintain high level contributions through greater levels of commitment and ownership to the Group;
- (iii) align the interest of the Eligible Employees through the Proposed LTIP to focus on long-term financial performance and shareholders' value enhancement via equity participation; and
- (iv) attract prospective skilled and experienced individuals to the Group via a competitive remuneration package.

5. EFFECTS OF THE PROPOSED LTIP

5.1 Issued and paid-up share capital

The Proposed LTIP will not have any immediate effect on the issued and paid-up share capital of Naim as it will increase progressively as and when the new Naim Shares are allotted and issued pursuant to the vesting of the Grant.

For illustrative purposes, assuming that the Maximum Shares are fully granted and vested, the proforma effect of the Proposed LTIP on the issued and paid-up share capital of Naim is as follows:

	No. of Naim Shares	RM
Issued and paid-up share capital as at 10 April 2015, being the latest practicable date prior to the date of this Announcement (“LPD”)	250,000,000	250,000,000
To be issued pursuant to the Proposed LTIP ⁽¹⁾	25,000,000	25,000,000
Enlarged issued and paid-up share capital	275,000,000	275,000,000

Note:

⁽¹⁾ Assuming all the treasury shares are resold on Bursa Securities.

5.2 Net assets (“NA”) per Naim Share and gearing

The Proposed LTIP will not have any immediate effect on the consolidated NA per Naim Share and gearing of the Company until such time as new Naim Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the consolidated NA per Naim Share would depend on the number of new Naim Shares allotted and issued pursuant to the vesting of the Grant at the relevant point in time.

The consolidated NA per Naim Share will decrease immediately following the allotment and issuance of new Naim Shares under the Grant.

Nonetheless, the Proposed LTIP is not expected to have a material impact on the Group’s NA per Naim Share and gearing for the financial year ending 31 December 2015.

5.3 Substantial shareholders’ shareholdings

The Proposed LTIP will not have any immediate effect on the shareholdings of the substantial shareholders of Naim until such time as new Naim Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the shareholdings of the substantial shareholders of Naim would depend on the number of new Naim Shares allotted and issued at the relevant point in time.

For illustrative purposes, assuming that the Maximum Shares are fully granted and vested, the proforma effect of the Proposed LTIP on the shareholdings of the substantial shareholders of Naim are as follows:

	As at the LPD				After the Proposed LTIP			
	Direct		Indirect		Direct		Indirect	
	No. of Naim Shares	%	No. of Naim Shares	%	No. of Naim Shares	(1)%	No. of Naim Shares	(1)%
	‘000		‘000		‘000		‘000	
Island Harvests Sdn Bhd	30,620	12.92	-	-	30,620	11.13	-	-
Datuk Hasmi bin Hasnan	16,669	7.03	(2)40,456	17.07	(4)19,169	6.97	(2)40,456	14.71
Tapak Beringin Sdn Bhd	27,407	11.57	-	-	27,407	9.97	-	-
Datuk Amar Abdul Hamed bin Haji Sepawi	9,737	4.11	(3)27,968	11.80	9,737	3.54	(3)27,968	10.17
Lembaga Tabung Haji	24,827	10.48	-	-	24,827	9.03	-	-

Notes:

⁽¹⁾ Assuming all the treasury shares are resold on Bursa Securities.

⁽²⁾ Deemed interested by virtue of his shareholdings in Island Harvests Sdn Bhd, Hasmi & Associates Management Sdn Bhd and Lambaian Kukuh Sdn Bhd.

⁽³⁾ Deemed interested by virtue of his shareholdings in Tapak Beringin Sdn Bhd and Lembah Rakyat Sdn Bhd.

⁽⁴⁾ Assuming that he is granted 2,500,000 new Naim Shares and all are vested.

5.4 Earnings and earnings per Naim Share (“EPS”)

With the adoption of the Financial Reporting Standard 2 on Share-based Payment as issued by the Malaysian Accounting Standards Board, the potential cost of awarding the Grant, after taking into account, among others, the number of new Naim Shares vested and market price of Naim Shares, will need to be measured at fair value on the date of the Grant and recognised as an expense in the statement of profit or loss and other comprehensive income of the Group over the vesting period of such new Naim Shares under the Grant.

The extent of the effect of the Proposed LTIP on the earnings and EPS of the Group cannot be determined at this juncture as it would depend on various factors that affect the fair value of the new Naim Shares as at the respective dates of the Grant. However, it is important to note that the potential cost of awarding the Grant does not represent a cash outflow and is only an accounting treatment.

The Proposed LTIP will have a dilutive effect on the EPS of the Group due to the increase in the number of Naim Shares resulting from the allotment and issuance of new Naim Shares pursuant to the Proposed LTIP.

The Board will take into consideration the potential impact of the relevant applicable accounting standards on the future earnings of the Group when considering allocation and awarding of the Grants to the Selected Employees.

5.5 Convertible Securities

As at the LPD, the Company does not have any convertible securities in issue.

6. APPROVALS REQUIRED

The Proposed LTIP is subject to the following approvals being obtained:

- (i) Bursa Securities, for the listing of and quotation for the new Naim Shares to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities;
- (ii) the shareholders of Naim at an extraordinary general meeting (“EGM”) to be convened for the Proposed LTIP; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed LTIP is not conditional upon any other corporate exercise/scheme announced by the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Datuk Hasmi bin Hasnan and Wong Ping Eng, being the Managing Director and Deputy Managing Director of Naim, respectively (collectively, “Interested Directors”) are eligible to be awarded the Grant and they are therefore deemed interested in their respective proposed allocations under the Proposed LTIP.

The Interested Directors have abstained and will continue to abstain from deliberating and voting in respect of their entitlements and the entitlements of persons connected with them under the Proposed LTIP at the relevant Board meetings of Naim. In addition, the Interested Directors will abstain from voting in respect of their direct and indirect shareholdings, if any, in Naim on the resolution pertaining to their entitlements and the entitlements of persons connected with them under the Proposed LTIP to be tabled at the EGM to be convened.

Further, the Interested Directors have also undertaken to ensure that persons connected with them (if any) will abstain from voting in respect of their direct and indirect shareholdings, if any, in Naim, on the resolution pertaining to their entitlements under the Proposed LTIP to be tabled at the EGM to be convened.

Save as disclosed above, none of the Directors and major shareholders of Naim and/or persons connected with them has any interest, direct and/or indirect, in the Proposed LTIP.

8. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), having considered all aspects of the Proposed LTIP including the rationale and effects of the Proposed LTIP is of the opinion that the Proposed LTIP is in the best interest of the Company.

9. APPLICATION TO RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities for the Proposed LTIP is expected to be submitted within one (1) month from the date of this Announcement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed LTIP is expected to be implemented by the second (2nd) quarter of 2015.

11. ADVISER

Maybank IB has been appointed as Adviser to the Company for the Proposed LTIP.

This Announcement is dated 14 April 2015.