

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

PROPOSED DISPOSAL OF TWO (2) PARCELS OF LAND HELD UNDER LOTS 789 & 2861 BLOCK 20 KEMENA LAND DISTRICT, BINTULU SARAWAK (“PROPOSED DISPOSAL”)

(This announcement should be read in conjunction with the earlier announcement dated 17 July 2020 in relation to the Proposed Disposal (“Initial Announcement”). The terms used herein, unless the context otherwise stated, bear the same meaning as those defined in the Initial Announcement.)

1. INTRODUCTION

The Board of Directors of Naim (“**Board**”) had on 17 July 2020 announced that Petrochemical Hub Sdn Bhd (“**PHSB**” or “**Vendor**”), a wholly-owned subsidiary of the Company, had on 17 July 2020 entered into the sale and purchase agreement (“**SPA**”) with Sarawak Economic Development Corporation (“**SEDC**” or “**Purchaser**”), for the Proposed Disposal, which consists of the disposal of 2 parcels of vacant land measuring a total area of approximately 405.6 hectares held under Lots 789 & 2861 Block 20 Kemena Land District, Bintulu, Sarawak (“**Subject Lands**”) for a total cash consideration of RM340,000,000 (“**Disposal Consideration**”).

It was also announced in the Initial Announcement that the highest percentage ratio applicable for the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) is 24.85% (“**Initial Percentage Ratio**”). For information purposes, the percentage ratio was derived based on the Disposal Consideration vis-à-vis the net assets of Naim and its subsidiaries (“**Naim Group**” or “**Group**”).

Further to the Initial Announcement, the Company wishes to update that it has since reassessed the percentage ratio computation and the highest percentage ratio applicable for the Proposed Disposal should instead be 25.21% (“**Revised Percentage Ratio**”).

Pursuant to the Revised Percentage Ratio, Naim is now required to:

- (i) submit the valuation report prepared by CH Williams Talhar Wong & Yeo Sdn Bhd (“**CH Williams**” or “**Valuer**”) in regards to the Subject Lands to Bursa Securities;
- (ii) ensure that the date of the valuation which forms the basis of the valuation certificate is not more than 6 months before the date of the circular to be issued to shareholders of Naim; and
- (iii) send a circular to its shareholders and obtain the approval of its shareholders at an extraordinary general meeting (“**EGM**”) to be convened for the Proposed Disposal

(collectively referred to as the “**Proposed Amendments**”).

Arising from the above, the Proposed Disposal is now expected to be completed by the 4th quarter of 2020 instead of the 3rd quarter of 2020 as previously announced.

Further, the Company also wishes to inform that it had on 30 July 2020 appointed AmInvestment Bank Berhad (“**AmInvestment Bank**”) as Principal Adviser to the Company for the Proposed Disposal.

2. SUPPLEMENTAL AGREEMENT

In view of the Proposed Amendments, PHSB had on 30 July 2020 entered into a supplemental agreement with SEDC ("**Supplemental Agreement**") to amend and vary the terms of the SPA so as to cater for the inclusion of new provisions in relation to the requirement for Naim to obtain the approval of its shareholders as a condition precedent to the completion of the SPA.

The following salient terms form part of the Supplemental Agreement. For avoidance of doubt, the salient terms of the SPA, as disclosed in Appendix I of this announcement, remain unchanged.

2.1 Salient terms of the Supplemental Agreement

2.1.1. Condition Precedent

- (i) The sale and purchase of the Subject Lands is subject to the approval of the shareholders of Naim being obtained for the sale of the Subject Lands to the Purchaser within six (6) months from the date of the SPA ("**Condition Period**") ("**Condition Precedent**").
- (ii) In the event the Condition Precedent is not obtained by, on or before the expiration of the Condition Period, the Vendor and the Purchaser shall mutually agree to such extended period(s) ("**Extended Period**") to enable the Condition Precedent to be fulfilled. In the event the Condition Precedent is not fulfilled by, on or before the expiration of the Extended Period, either party shall be entitled to terminate the SPA by notice in writing given to the other and the Vendor shall refund the deposit and part payment described in the SPA to the Purchaser forthwith and then the SPA shall terminate and be null and void and neither party shall have any further claim against the other whatsoever and howsoever arising from the SPA.
- (iii) The parties further agree and covenant to fully co-operate with each other to secure the fulfilment of the Condition Precedent, including but not limited to the preparation and signing of and/or furnishing of relevant and necessary documents, information, details and/or particulars.
- (iv) Upon the fulfilment of the Condition Precedent referred to above, the SPA shall then become unconditional on the date that the Condition Precedent is fulfilled ("**Unconditional Date**")."

2.1.2. In view of the aforementioned new clause, the Vendor shall submit the Memorandum of Transfer for adjudication of stamp duty and registration of the same to the relevant Land Registry together with the original documents of title and quit rent booklets to the Subject Lands and all other relevant documents necessary to effect the registration of the Memorandum of Transfer only after the Unconditional Date.

3. **ADDITIONAL / REVISED INFORMATION IN RELATION TO THE PROPOSED DISPOSAL ARISING FROM THE PROPOSED AMENDMENTS**

Further to the above, the Company wishes to announce the following additional / revised information which are required to be disclosed according to the Listing Requirements following the Proposed Amendments.

Save for the revision and/or amendments to the disclosures in the Initial Announcement and any additional information as set out below, the remaining disclosures in the Initial Announcement remain unchanged.

3.1 **Market value of the Subject Lands and method of valuation**

Further to the Initial Announcement, the Valuer has performed an updated valuation on the Subject Lands. The market value of the Subject Lands as at 24 July 2020, as appraised by CH Williams vide its letter dated 28 July 2020 ("**Valuation Letter**"), remains unchanged at RM400.00 million.

The market value of the Subject Lands is arrived based on the Comparison Approach of valuation, whereby it entails analysis of recent transactions in and around the locality for comparison purposes, with adjustments made for differences for various factors such as land size, location, date of transaction, tenure and land use, amongst others.

CH Williams has adopted the Comparison Approach as the main and sole method in arriving at the market value of the Subject Lands as the Subject Lands have yet to have any detailed layout plans for development.

3.2 **Basis and justification of arriving at the Disposal Consideration**

The Disposal Consideration of RM340.00 million represents a discount of RM60.00 million or approximately 15% discount over the market value of RM400.00 million as ascribed by the Valuer.

In arriving at the Disposal Consideration, the Board has taken into consideration the following:-

- (a) it will be challenging for the Company to dispose the Subject Lands to any single buyer taking into consideration:-
 - (i) the substantial Disposal Consideration involved as well as the mode of settlement whereby the balance Disposal Consideration of RM306.00 million is to be fully settled in a single tranche instead of via deferred settlement;
 - (ii) the limitation in the types of development / land use available for future development considering the heavy industrial developments within the locality; and
 - (iii) the soft sentiment in the Malaysian property market as market activity and market absorption are expected to be slow given the downside in economic conditions arising from the outbreak of Coronavirus Disease 2019 ("**COVID-19**"), amongst others.

- (b) the discount range of recent land transactions undertaken by other listed companies in Bursa Securities in the past 12 months which ranged from 3.5% to 18% discount to market value. For information purpose, it should be noted that the market value of the lands involved in the said transactions were relatively smaller, ranging from RM50 million to RM200 million.
- (c) the Proposed Disposal will enable the Company to immediately unlock the value and monetise its investment in the Subject Lands at an estimated net gain on disposal of approximately RM110.17 million. In addition, the Disposal Consideration also represents a premium of RM153.17 million / 81.98% to Naim's cost of investment in the Subject Lands of RM186.83 million.

3.3 Utilisation of proceeds

Based on the Disposal Consideration of RM340.00 million, the Company intends to utilise the proceeds to be received from the Proposed Disposal in the following manner:-

Details of utilisation	Note	RM'000	Estimated utilisation timeframe upon receipt of the proceeds
Repayment of bank borrowings	(a)	117,000	Within 12 months
Dividend to shareholders	(b)	90,000	Within 12 months
Working capital for property development activities	(c)	75,000	Within 18 months
Capital investment	(d)	15,000	Within 24 months
Estimated expenses in relation to the Proposed Disposal	(e)	43,000	Within 9 months
Total		340,000	

Notes:-

- (a) *To be utilised for partial repayment of the Group's existing bank borrowings, which is expected to result in annual interest costs saving of approximately RM5.30 million based on the Group's weighted average interest rate of approximately 4.53% as at 30 June 2020, being the latest practicable date ("LPD") of this announcement.*
- (b) *To be utilised for cash dividend to Naim's shareholders to reward the shareholders for their investment and continuous support to the Group. The intended total dividend of RM90.00 million translates into a dividend per share of approximately 18 sen based on 500.74 million ordinary shares in Naim ("**Naim Shares**") in issue (net of 13.06 million treasury shares).*
- (c) *To be utilised to fund the working capital for the Group's on-going and future property development projects, which include but are not limited to:-*
- (i) *Kuching Paragon*
- Comprises the condominium development, known as Sapphire on The Park @ Kuching Paragon, which forms part of the Group's Kuching Paragon integrated development in Kuching, Sarawak. The estimated gross development value ("**GDV**") of the project (comprising two condominium towers) is RM170.00 million. The development of the two condominium towers is approximately 38% and 64% completed as at the LPD and it is expected to complete by 1st quarter of 2021.*

(ii) *Miri Southlake Permyjaya*

Part of the on-going Bandar Baru Permyjaya projects, of which comprise the development of landed affordable and medium-priced residential houses with an estimated GDV of approximately RM164.00 million. As at the LPD, the development of the Miri Southlake Permyjaya project is in various stage of completion, ranging from 10% to 80% and is expected to be completed by 2nd quarter of 2022.

(iii) *Proposed development of up to 500 units of affordable and medium-priced houses in Miri, Kuching and Bintulu over the next two years with an indicative GDV of RM185.00 million. The details of the projects have yet to be finalised at this juncture.*

The actual utilisation of proceeds for the above-mentioned projects will depend on the status of development of the projects, sales take-up rate, actual funding requirement and the timing of completion of the Proposed Disposal. Any amount not utilised for any one (1) or more of these projects will be reallocated and utilised for the other property development projects.

(d) *To be utilised to partly fund the Group's proposed investment in an industrialised building system ("IBS") plant in Miri, Sarawak. The total estimated investment costs, which consist of, inter-alia, acquisition of land, construction of factory as well as acquisition of the IBS plant and machineries, is approximately RM30 million. The proposed investment is part of the Group's long-term plan to accelerate the development of affordable houses in major towns of Sarawak as the construction period is expected to be shortened with the IBS technology in place. Nonetheless, the proposed investment is still at a preliminary stage at this juncture and detailed plans for the investment have yet to be finalised.*

(e) *To defray expenses which include, amongst others, professional fees and fees payable to the relevant authorities, printing cost of circular, cost of convening the EGM, advertising and miscellaneous expenses, as well as associated income tax and stamp duty payments which make up a substantial part of the total estimated expenses. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the Group's property development activities as mentioned in item 3.3(c) above.*

3.4 Expected gain arising from the Proposed Disposal

Based on the audited consolidated financial statements of Naim Group for the FYE 31 December 2019, the Proposed Disposal is expected to generate an estimated net pro forma gain of approximately RM110.17 million, as set out below:-

	RM'000
Disposal Consideration	340,000
Less: Carrying amount of the Subject Lands	(186,830)
Less: Estimated expenses for the Proposed Disposal (including associated tax)	(43,000)
Net pro forma gain	110,170

3.5 Cash company or PN17 company

The Proposed Disposal is not expected to result in Naim becoming a cash company and/or a PN17 company as defined under the Listing Requirements.

3.6 Financial effects on Naim Group's net assets ("NA") and gearing

The effects of the Proposed Disposal on Naim Group's NA and gearing are set out below:-

	Audited as at 31 December 2019 (RM'000)	After the Proposed Disposal (RM'000)
Share Capital	454,802	454,802
Retained earnings	918,379	938,549 ⁽ⁱ⁾
Treasury shares	(34,748)	(34,748)
Foreign currency translation reserve	9,936	9,936
Other reserves	174	174
NA attributable to owners of the Company	1,348,543	1,368,713
Number of Naim Shares in issue excluding Treasury Shares ('000)	500,743	500,743
NA per Naim Share attributable to owner (RM)	2.69	2.73
Total borrowings	483,509	366,509 ⁽ⁱⁱ⁾
Gearing	0.36	0.27

Notes:-

- (i) After incorporating the estimated net pro forma gain from the Proposed Disposal of RM110.17 million and deducting the proposed dividend payment of RM90.00 million.
- (ii) After the proposed partial repayment of bank borrowings of RM117.00 million from the Disposal Consideration.

3.7 Approvals required

The Proposed Disposal is subject to the following approvals being obtained:-

- (i) shareholders of Naim at the extraordinary general meeting of the Company to be convened;
- (ii) any other relevant authorities and/or parties, if required.

The Proposed Disposal is not conditional upon or inter-conditional with any other corporate exercises undertaken or to be undertaken by Naim.

3.8 Estimated timeframe for completion

The application to Bursa Securities in relation to the Proposed Disposal is expected to be submitted within 2 months from the date of this announcement.

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the 4th quarter of 2020.

3.9 Documents available for inspection

The SPA, Supplemental Agreement and Valuation Letter are available for inspection at the registered office of Naim at 9th Floor, Wisma Naim, 2½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia during normal business hours on Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 30 July 2020.

Appendix I – SALIENT TERMS OF THE SPA

1. SALIENT TERMS OF THE SPA

1.1 Sale of the Subject Lands free from encumbrance

In consideration of the Disposal Consideration and the terms and conditions contained in the SPA, the Vendor shall sell to the Purchaser and the Purchaser shall buy from the Vendor the Subject Lands free from all encumbrances including charges except the conditions and restrictions expressed and/or implied in the documents of title of the Subject Lands or any instruments or matters of which by reason of their registration in any register or of which by any rule of law or otherwise the Purchaser has or is deemed to have notice.

1.2 Disposal Consideration

- (i) The Disposal Consideration for the Subject Lands shall be RM340,000,000 only.
- (ii) The Disposal Consideration shall be paid by the Purchaser to the Vendor in the following time and manner:-
 - (a) the sum of RM34,000,000 being deposit and part payment of the Disposal Consideration shall be paid to the Vendor upon execution of the SPA. The Vendor shall simultaneously procure and provide to the Purchaser a corporate guarantee from Naim to guarantee the refund or repayment of the deposit and part payment in the event the Vendor fails to comply with Clause 1.6(ii) below; and
 - (b) within 14 days of written notification from the Vendor to the Purchaser of the issuance of Form L by the relevant Land Registry for the transfer of the Subject Lands to the Purchaser, the balance of the Disposal Consideration in the sum of RM306,000,000 only ("**Balance Sum**") shall be paid to the Vendor by the Purchaser.
- (iii) In the event that the Purchaser fails to pay the said Balance Sum in accordance with Clause 1.2(ii) herein or if any payment due from the Purchaser under the SPA remains unpaid after the due date for payment, the Purchaser shall pay to the Vendor interest thereon calculated at the rate of 3% per annum calculated from the due date until actual payment or until the termination of the SPA pursuant to Clause 1.5 below, if such termination occurs.

1.3 Memorandum of Transfer

- (i) Simultaneously with the execution of the SPA, the Vendor and the Purchaser shall execute a valid and registrable Memorandum of Transfer of the Subject Lands in favour of the Purchaser and/or its nominee(s) to enable adjudication of stamp duty and registration of the same. The Vendor shall thereafter submit the Memorandum of Transfer together with the original documents of title and quit rent booklets to the Subject Lands and all other relevant documents necessary to the Land Registry to effect the registration of the Memorandum of Transfer.
- (ii) The parties expressly declare and confirm that although the transfer may have been executed by the Vendor in favour of the Purchaser and/or the Purchaser's nominee(s), the acknowledgment of receipt of the consideration stated in the Memorandum of Transfer shall not be construed as payment in full of the consideration stated therein and the Subject Lands shall not be deemed to be transferred to the Purchaser and/or the Purchaser's nominee(s) by the Vendor unless and until the Purchaser has paid the Disposal Consideration in full to the Vendor together with accrued interest thereon, if any.

Appendix I – SALIENT TERMS OF THE SPA (CONT'D)

1.4 Delivery of Vacant Possession

It is agreed by the parties that vacant possession of the Subject Lands shall be and/or shall be deemed to be delivered to the Purchaser on the date that the Vendor receives full payment of the Disposal Consideration from the Purchaser together with the accrued interest thereon, if any.

1.5 Purchaser's default

In the event that the Purchaser makes default in payment of the Disposal Consideration or any part thereof or other moneys payable under the SPA or fails to perform or observe any of the terms and conditions in the SPA, then the Vendor may either:-

- (i) enforce specific performance of the SPA including the payment of all moneys payable under it in which case the whole of the unpaid purchase moneys shall be deemed to have become due and payable to the Vendor notwithstanding the due date of such payment may not have arrived; or
- (ii) give the Purchaser not less than 14 days' notice in writing by registered post to treat the SPA as having been repudiated by the Purchaser and unless in the meanwhile such default and/or breach alleged is rectified, the SPA shall at the expiration of the said notice be deemed to be terminated. In such event, the Vendor shall be entitled to:-
 - (a) have the deposit and part payment together with accrued interest thereon (if any) paid under Clause 1.2(i) hereinabove forfeited to the Vendor as agreed liquidated damages;
 - (b) have all improvement made by the Purchaser, if any, on the Subject Lands forfeited to the Vendor;
 - (c) re-enter and take possession of the Subject Lands (if possession shall have been delivered in the meantime) with their interests intact and neither party thereafter shall have any claim for compensation or otherwise against the other party.

Appendix I – SALIENT TERMS OF THE SPA (CONT'D)

1.6 Vendor's default

In the event that the Vendor shall fail refuse to sell or transfer the Subject Lands to the Purchaser and the Purchaser being able and willing to make the full payment of the Disposal Consideration, the Purchaser may then either:-

- (i) enforce specific performance of the SPA; or
- (ii) give the Vendor not less than 14 days' notice in writing by registered post to treat the SPA as having been repudiated by the Vendor and unless in the meanwhile such default and/or breach alleged is rectified, the SPA shall at the expiration of the said notice be deemed to be terminated. In such event, the Vendor shall:-
 - (a) refund to the Purchaser all monies paid to date under Clause 1.2 above;
 - (b) compensate and pay to the Purchaser a further like sum as agreed liquidated damages.

Possession of the Subject Lands shall thereupon be returned to the Vendor (if possession shall have been delivered in the meantime) with their interests intact and neither party thereafter shall have any claim for compensation or otherwise against the other party.