

Description: Disposal of Two Parcels of Industrial Land of Cymao Plywood Sdn. Bhd., the wholly-owned subsidiary of Cymao Holdings Berhad to South Pacific Fish Processing Sdn. Bhd. for a total cash consideration of RM12,000,000.00

The Board of Directors of Cymao Holdings Berhad (Company No. 445931-U) (“CHB” or the “Company”) wishes to announce that Cymao Plywood Sdn. Bhd. (Company No. 196313-M) (“the Vendor”), a wholly-owned subsidiary of the Company has on 4 June 2018 entered into a Sale and Purchase Agreement (“SPA”) with South Pacific Fish Processing Sdn. Bhd. (Company No. 1268783-M) (“the Purchaser”) for the disposal of the two parcels of industrial land (“Disposal of Land”) for a total cash consideration of RM12,000,000.00 (“Total Price Consideration”).

1. INFORMATION ON THE VENDOR

The Vendor was incorporated on 9 April 1990 under the Companies Act, 1965 under the name of Dashiki Corporation Sdn. Bhd. It subsequently changed its name to Cymao Plywood Sdn. Bhd. on 30 June 1990. The issued share capital of the Vendor is RM51,000,000.00 comprising of 51,000,000 ordinary shares. The principal activity of the Vendor is presently letting of properties.

2. INFORMATION ON THE PURCHASER

The Purchaser was incorporated on 15 February 2018 under the Companies Act 2016 under the name of South Pacific Fish Processing Sdn. Bhd. having its registered office at C-6-12, Streetmall, One South, Jalan OS, Taman Serdang Perdana, Seksyen 6, Seri Kembangan, Selangor Darul Ehsan. The issued share capital of the Vendor is RM3.00 comprising of 3 ordinary shares. The intended nature of business of the Purchaser is manufacture of food products.

3. DETAILS ON LAND

3.1 1st Land

Title	:	Sandakan Town Lease 077565434
Tenure	:	Leasehold 99 years, expiring on 31 December 2068
Location	:	9.1 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah
Land area	:	3,279 hectares (8.1 acres)
Category of land use	:	Industrial
Description	:	A warehouse, a boiler shed, a pump house, a guard house, a single-storey office building and a three-storey staff quarter.
Built up area	:	352,713 square feet
Age of building (Approximate)	:	25 years
Price consideration	:	RM11,862,950.00
Encumbrances	:	The 1 st Land is free from all debentures, covenants or any other encumbrances of whatever nature.

Registered owner	:	Cymao Plywood Sdn. Bhd.
Date of acquisition	:	29-12-1994
Cost of investment and Year of investment	:	RM12,135,440.06 (Year 1994)
Net book value based on the latest audited financial statements for the year ended 31 December 2017	:	RM2,420,661.00
Estimated net gain to Cymao Group	:	RM9,442,289.00
Existing use	:	Presently Caraloma Permata Sdn. Bhd. (Company No. 1178674-D) ("Tenant") is occupying part of the warehouse erected on the 1 st Land measuring an area of approximately 73,871.2 square feet for a term of three years at a monthly rental of RM35,000.00 per month commencing on 15 February 2018.

3.2 2nd Land

Title	:	Sandakan Town Lease 077574200
Tenure	:	Leasehold 99 years, expiring on 31 December 2096
Location	:	9.1 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah
Land area	:	1.962 hectares (4.848 acres)
Category of land use	:	Industrial
Description	:	Open shed for log conditioning
Built up area	:	None
Age of building (Approximate)	:	25 years
Price consideration	:	RM137,050.00
Encumbrances	:	The 2 nd Land is free from all debentures, covenants or any other encumbrances of whatever nature.
Registered owner	:	Cymao Plywood Sdn. Bhd.
Date of acquisition	:	19-05-1998

Cost of investment and Year of investment	:	RM1,599,081.91 (Year 1998)
Net book value based on the latest audited financial statements for the year ended 31 December 2017	:	RM356,399.00
Estimated net loss to Cymao Group	:	(RM219,349.00)
Existing use	:	Similarly the 2 nd Land is partly rented out. Edotco Malaysia Sdn. Bhd. (Formerly known as Celcom Services Sdn. Bhd.) (Company No. 148800-H) by is occupying part of the 2 nd Land measuring an area of 1,089 square feet for a term of three years at a monthly rental of RM2,500.00 per month commencing on 1 December 2016 with automatic renewal of two years subject to the same terms and conditions of the Tenancy Agreement and a further ten years subject to increment of rental.

4. BASIS OF TOTAL PURCHASE CONSIDERATION

The total purchase consideration was arrived based on negotiations between the parties on a willing buyer willing seller basis after taking into consideration of the original cost of the 1st Land and 2nd Land and the overall property market condition in that vicinity.

The valuation was conducted by C H Williams Talhar & Wong on 23 April 2015 and subsequently updated on 23 April 2018 via desktop valuation. The 1st Land and 2nd Land are valued by the Comparison Method by comparing with similar lands in the locality that were sold. The combined market value for the 1st Land and 2nd Land is RM12,000,000.00

The management is of the view that the total purchase consideration is fair and reasonable.

5. SALIENT TERMS OF THE SPA

5.1 Consideration of Purchase Price

The Purchase Price of RM12,000,000.00 shall be paid by the Purchaser in the following manner:

- (i) Upon execution of the SPA, the Purchaser shall pay a sum of RM1,200,000.00 ("the Deposit Sum") and towards part payment of the Purchase Price in the following manners:
 - (a) A sum of RM360,000.00 shall be paid to the Purchaser's Solicitors, Messrs Peter Lo & Co for onward remittance to the Director General of Inland Revenue being 3% of the Purchase Price for the purpose of payment of Real Property Gain Tax;
 - (b) The balance in the sum of RM840,000.00 shall be paid to the Vendor's Solicitors as stakeholders upon confirmation by the Purchaser's Solicitors that the Caveat has been registered against the Land within fourteen working days from the date of payment of the said balance.

- (c) The balance of RM10,800,000.00 ("Balance of Purchase Price") shall be paid by the Purchaser to the Vendor's Solicitors as stakeholder within five months from the date of the Agreement ("the Date of Completion").

5.2 Extension of Time on the Date of Completion

In the event of the Purchaser fails to pay the Balance Purchase Price on or before the Date of Completion, the Vendor shall grant to the Purchaser an extension of time for a period of five months ("the Extended Completion Date") commencing the day following the expiry of the Date of Completion. In consideration thereof, the Purchaser shall pay to the Vendor an interest at 6% per annum on the unpaid Balance of Purchase Price on daily basis until the date of full payment.

5.2 Conditions Precedent

The Disposal of Land is subject to the fulfillment of the conditions precedent as stated in the SPA, amongst others as follows:

- (i) Upon the Vendor procuring the necessary approval for the transfer and for an extension of time to fulfill the Owner Covenant as stipulate in the title deed to the 2nd Land within three months from the date of SPA or such other extended period that the parties may mutually agree in writing provided that if the agreed period is extended, the Completion Date shall be extended accordingly for the same period without payment of interest.
- (ii) In the event that the Vendor is unable to procure the approval for transfer and for extension of time on 5.2(i) above, the Purchase shall entitle to terminate the SPA and the Vendor shall refund to the Purchaser all monies received pursuant to the SPA, free of interest.
- (iii) The Vendor shall be responsible for payment of all premium/processing fee and registration fee in respect of the fulfillment of the Condition Precedent to the 2nd Land.

6. LIABILITIES TO BE ASSUMED BY THE PURCHASER

There are no liabilities to be assumed by the Purchaser pursuant to the Disposal of Land.

7. RATIONALE FOR THE DISPOSAL OF LAND

As part of the Company's cost of rationalisation measures undertaken in 2016, the Sandakan operations had resulted in merging of two mills into a single mill by ceasing the operation of CPSB's mill altogether in January 2017 and focused on plywood production at Inovwood Sdn. Bhd. (Company No. 585609-D), a wholly-owned subsidiary of the Company. The reason for operation of a single plymill in Sandakan is due to reduced logs supply and with the production level of combined mills into one to maximise the usage of logs, resources and manpower contributing in substantial cost saving and improvement in operation efficiency. As a result of the closure of CPSB's mill, the Disposal of Land would enable the Cymao Group to unlock the value of land and availability of additional funds for the working capital requirements of the Group.

8. UTILISATION OF SALE PROCEEDS FROM THE DISPOSAL OF LAND

The proceeds from the Disposal of Land will be channeled for the working capital requirements of the CHB Group.

9. EFFECTS OF THE DISPOSAL OF LAND

9.1 Share capital and shareholding structure of the substantial shareholders

The share capital of CHB and/or the shareholdings of CHB's substantial shareholders will remain unchanged as the consideration for the Disposal of Land is satisfied by cash.

9.2 Net Assets Per Share and Gearing

The impact of the Disposal of Land to the net assets and gearing of CHB is summarised as below:

	Audited as at 31-12-2017 (RM)	Proforma after the Disposal of Land (RM)
Share capital	92,374,387	92,374,387
Treasury shares, at cost	(693,951)	(693,951)
Accumulated losses	(29,126,898)	(19,903,958)
Total equity	62,553,538 =====	71,776,478 =====
No. of shares in issue	75,000,000	75,000,000
Net Assets per share	0.83	0.96
Total borrowings	8,240,779	8,240,779
Gearing (times)	0.13	0.11

9.3 Earnings

There is no significant impact on the earning per share after the Proposed Disposal.

10. RISK FACTOR

The Board of Directors of CHB is not aware of any material risk arising from the Disposal of Land other than the normal and market risks associated with a transaction of similar nature.

11. ESTIMATED TIME FRAME FOR COMPLETION

The Disposal of Land is expected to be completed by end of October 2018.

12. APPROVAL REQUIRED

The Disposal of Land is not subject to the approval of the shareholders of the Company or any regulatory approval.

13 THE HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Disposal of Land is 19.18% pursuant to paragraph 10.02(g)(i) and 10.02g(iii) of the Main Market Listing Requirements calculated based on:

- the value of assets compared with the net assets of the listed issuer; and
- the aggregate value of the consideration compared with the net assets of the listed issuer.

14. INTEREST OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors, substantial shareholders of CHB and its subsidiaries and/or persons connected with them have any interest, direct or indirect in the Disposal of Land.

15. STATEMENTS BY THE BOARD OF DIRECTORS

The Directors of CHB having considered all aspect of the Disposal of Land is of the opinion that the Disposal of Land is in the best interest of the Company.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA is available for inspection at the Company's registered office at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah during normal office hours (8.30 a.m. to 5.30 p.m.) from Monday to Friday (excluding public holiday) for a period of three months from the date of this announcement.

This announcement is dated 4 June 2018.