

AMTEL HOLDINGS BERHAD

Stock Name :
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AMTEL
20/07/2005

Type : **Announcement**
Subject : **AMTEL HOLDINGS BERHAD ("AHB" or "CoMPANY")**

PROPOSED MANDATE TO DISPOSE OF A PARCEL OF DEVELOPMENT LAND HELD UNDER LOT NOS. 41, 80 AND 4154-4165, MUKIM 1, DISTRICT OF PROVINCE WELLESLEY CENTRAL, STATE OF PENANG ("LAND") OWNED BY METRARAMA SDN BHD ("MSB"), A WHOLLY OWNED SUBSIDIARY OF AMTEL HOLDINGS BERHAD ("PROPOSED DISPOSAL") AND TO ENTER INTO A BUSINESS ARRANGEMENT INVOLVING THE APPOINTMENT OF CONCRETE IDEA SDN BHD ("CISB") AS THE PROJECT MANAGER AND/OR SUCH OTHER BUSINESS ARRANGEMENTS FOR THE PROPOSED DISPOSAL

Contents :

1. INTRODUCTION

On 23 April 1999, MSB had acquired the Land for a total cash consideration of RM14,500,000. The Land, which comprises fourteen (14) contiguous lots encompassing a total land area of about 14.12 acres, was purchased for capital appreciation over the medium to long-term and to generate rental income by the leasing of the Land in the interim. However, since the date of acquisition, AHB and/or MSB had not been able to identify suitable lessee or buyer for the Land. With the view to improve the saleability of the Land, MSB had applied to and obtained approval from the Town Planning Department, Majlis Perbandaran Seberang Perai to subdivide the Land into individual lots for sale and for the development of sixty (60) units of 2½ storey detached houses and a 2½ storey shop/office on 11 October 2004.

The Board of AHB is pleased to announce that MSB had on 19 July 2005 entered into a Project Management Agreement to appoint CISB as the Project Manager with respect to the subdivision of the Land into individual lots and to sell the individual lots with the necessary infrastructure to purchasers for the development of sixty (60) units of 2½ storey detached houses and a 2½ storey shop/office over a period of five (5) years ("Proposed Business Arrangement").

Further details on the Proposed Disposal and the Proposed Business Arrangement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Background information on the Land

On 23 April 1999, MSB acquired the Land for a total cash consideration of RM14,500,000. The Land, which comprises fourteen (14) contiguous lots, encompassing a total land area of about 14.12 acres, is located along Jalan Baru in the locality of Prai. Presently, the Land is vacant.

The Board of AHB had intended to hold the Land for capital appreciation over the medium to long-term and leasing out the Land to generate rental income in the interim. Over the years, efforts to lease or dispose the Land were hampered by the adverse economic conditions that continued to prevail after the 1997 financial crisis and other factors such as the huge sum of monies involved and the difficult borrowing conditions for property related transactions. In view of this, efforts were made instead, to enhance the value of the Land and applications were submitted to the relevant authorities for access roads and development/sub-division of the Land into residential or commercial lots to facilitate the disposal of the Land.

With the view to improve the saleability of the Land, MSB had applied for permission from the Town Planning Department, Majlis Perbandaran Seberang Perai to subdivide the Land into individual lots for sale and for the development of sixty (60) units of 2½ storey detached houses and a 2½ storey shop/office, the approval of which was obtained on 11 October 2004.

Thereafter, MSB had appointed an independent valuer, Messrs. HENRY BUTCHER, Lim & Long (North) Sdn Bhd, to advise on the current market value of the Land. On 16 March 2005, the Independent Valuer made an inspection of the Land and vide their valuation report dated 2 April 2005, the Independent Valuer has valued the Land at RM15,500,000 ("Value Ascribed by the Independent Valuer") based on the Comparison Method of Valuation.

Premised thereto, AHB intends to dispose of the Land and to enter into the Proposed Business Arrangement (which details are set out in Section 2.2 below), and/or such other business arrangements for the Proposed Disposal, at a value not less than the Value Ascribed by the Independent Valuer on the Land.

The Land, which is presently charged as security for a banking facility granted to Amtel Group Sdn Bhd, a wholly owned subsidiary of AHB shall be redeemed to enable the individual lots to be sold by MSB to purchasers free from any encumbrances i.e. the purchasers of the individual lots will not assume any liabilities.

2.2 Details of the Proposed Business Arrangement

On 19 July 2005, MSB entered into a Project Management Agreement to appoint CISB as the Project Manager with respect to the subdivision of the Land into individual lots and to sell the individual lots with the necessary infrastructure to purchasers for the development of sixty (60) units of 2½ storey detached houses and a 2½ storey shop/office over a period of five (5) years. The sale proceeds shall be received from purchasers upon the sale of the individual lots.

As stipulated in the Project Management Agreement, the Project Manager is to assist MSB to dispose of the Land and to maximise the return from the disposal of the individual lots, where the aggregate sale consideration of the individual lots shall not be less than RM16,500,000 over a period of five (5) years.

Further, CISB is given the sole and exclusive right to market and sell the individual lots and MSB shall only enter into sale and purchase agreements with purchasers recommended by CISB.

2.3 Basis of arriving at the sale consideration for the individual lots

The aggregate sale consideration for the individual lots of not less than RM16,500,000, was arrived at after taking into consideration the Value Ascribed by the Independent Valuer and the salient terms of the Project Management Agreement, which are set out in Section 2.4 below.

2.4 Salient terms of the Project Management Agreement

The salient terms and conditions of the Project Management Agreement, inter alia, are as follows:

(i) MSB intends to sub-divide the Land into individual lots and to sell the individual lots together with the necessary infrastructure ("the Project") for an aggregate amount of not less than RM16,500,000.00 ("the Minimum Price") over a period of five (5) years.

(ii) MSB shall appoint CISB as the Project Manager, who shall have the following duties:-

(a) to carry out at CISB's costs and expense, the infrastructure works for the Project as shall be necessary to meet the requirements of the relevant authorities as certified by the engineer for the Project;

(b) to appoint contractors, workmen and professionals to carry out the infrastructure works;

(c) to carry out sales and marketing campaigns for the disposal of the individual lots;

(d) to maintain and manage the Land until completion of the Project and disposal of the individual lots; and

(e) to apply for all relevant approvals to carry out the Project and to deliver individual titles for each of the individual lots to the respective purchasers.

(iii) MSB's duties with respect to the Project shall include: -

(a) to provide the Land for purposes of the Project;

(b) to enter into sale and purchase agreements with the purchasers of the individual lots recommended by CISB;
(c) to execute all application forms and plans to enable CISB to obtain the relevant approvals for the Project;
(d) to pay for the costs and expenses for the sub-division of the Land and to pay all necessary deposits to the relevant authorities as may be required to be paid under the name of MSB under the Project; and
(e) to redeem the Land from the existing charge in favour of Alliance Bank Malaysia Berhad by utilising the proceeds of disposal of the individual lots.

(iv) The Project Management Agreement is conditional upon:-

(a) the approval of the board of directors and the shareholders of MSB and AHB for MSB to enter into the Project Management Agreement with CISB and to dispose of the Land/individual lots at the consideration provided therein;
(b) the approval of the board of directors and shareholders of CISB; and
(c) any other approval and/or consent as may be required for the purpose of entering into the Project Management Agreement.
("Conditions Precedent").

(v) In the event any of the Conditions Precedent is/are not fulfilled within three (3) months from the date of the Project Management Agreement or any extended period agreed upon, either party shall be entitled to terminate the Project Management Agreement.

(vi) CISB is given the sole and exclusive right to:-

(a) market and sell the individual lots and MSB shall only enter into sale and purchase agreements with purchasers recommended by CISB; and
(b) recommend contractors for construction of bungalows for the respective purchasers of the individual lots.

(vii) CISB shall be solely responsible to complete the Project and deliver the individual lots with infrastructure to the respective purchasers within a period of not exceeding thirty-six (36) months from the date of the relevant sale and purchase agreements with the respective purchasers, and CISB shall indemnify MSB from any claims, actions, suits,

damages and/or costs arising from any late delivery of the individual lots to the purchasers and/or from any defective infrastructure works and any rectification costs.

(viii) All costs and expenses to carry out the Project shall be borne by CISB. CISB is not entitled to charge the Land as security to obtain financing.

(ix) CISB shall employ its best endeavour to procure the sale of all the individual lots within four (4) years from the date of the Project Management Agreement, with provision for extension of another year if necessary.

(x) If CISB fails to procure the sale of all the individual lots within the stipulated five (5) years, CISB shall be granted the first right of refusal to purchase the unsold individual lots from MSB, provided that the aggregate sum receivable by MSB from disposal of all the individual lots shall not be less than the Minimum Price. If CISB does not exercise its right to purchase the unsold Individual Lots within thirty (30) days from the date such right is made available, MSB shall be entitled to take possession of the unsold individual lots and to deal with the same as MSB shall deem fit.

2.5 Utilisation of proceeds

The aggregate sale consideration from the Proposed Disposal of not less than RM16,500,000 is expected to be received over a period of five (5) years. The proceeds will be utilised for redemption of the Land from the existing charge(s) in favour of Alliance Bank Malaysia Berhad and the remaining for working capital.

As at 30 June 2005, the outstanding facility, with interest rate at 2.5% per annum + Base Lending Rate (presently at 6% per annum) ("Interest Rate"), with Alliance Bank Malaysia Berhad is RM1,508,571. The total borrowings of the Group as at 30 June 2005 is RM6,757,884.

The interest expense or interest savings per annum arising from the repayment of the facility with Alliance Bank Malaysia Berhad, based on the Interest Rate, will depend on the timing of the receipt of the sale proceeds from the sale of the individual lots.

2.6 Information on the Land

The Land is charged to Alliance Bank Malaysia Berhad (formerly Bolton Finance Berhad) vide:-

(i) Charge Presentation No. 2703/1999, Jilid No. 162, Folio No. 68 registered on 4 November 1999; and

(ii) Charge Presentation No. 16323/99, Jilid No. 830, Folio No. 160 registered on 3 November 1999.

A summary of the details of the Land is set out in **Table A** below.

2.7 Summary of the proposed development on the Land

MSB shall dispose of the individual lots to purchaser(s) as vacant lots with the necessary infrastructure. Further details of the proposed development on the Land are set out below.

(i)	Development approval obtained	Approval has been obtained from the Town Planning Department, Majlis Perbandaran Seberang Perai on 11 October 2004 to subdivide the Land into individual lots and for the development of sixty (60) units of 2½ storey detached houses and a 2½ storey shop/office under the project name "Taman Irama". Save for the surrendering of the present titles to the local land office for the subdivision into individual lots, all relevant governmental approvals for the proposed disposal of the individual lots has been obtained.
(ii)	Total development costs	Save for the incidental expenses incurred to date of RM0.908 million and further incidental expenses to be incurred over the period of five (5) years estimated at approximately RM0.685 million or approximately RM0.137 million per annum, all other costs (including the infrastructure works, earthworks, etc) for the Project shall be borne by the Project Manager.
(iii)	Expected commencement and completion date(s) of the development	The approval obtained from the Town Planning Department, Majlis Perbandaran Seberang Perai shall commence on 11 October 2004 and expires on 10 October 2005. The

		Project Manager shall assist MSB to obtain further extension of time from the relevant authority, where necessary.
(iv)	Expected profits to be derived	<p>Assuming all the individual lots are sold for an aggregate sum of RM16,500,000 (being the Minimum Price), the Proposed Disposal is expected to result in a total net gain of approximately RM0.293 million for the AHB Group which is arrived at as follows:-</p> <p style="text-align: right;">RM'000</p> <p>Estimated proceeds from the Proposed Disposal</p> <p style="text-align: right;">16,500</p> <p><u>Less:</u></p> <p>– Land costs</p> <p style="text-align: right;">(14,500)</p> <p>– Incidental costs as at 30 June 2005</p> <p style="text-align: right;">(908)</p> <p>– Estimated incidental costs for five (5) years</p> <p style="text-align: right;">(685)</p> <p style="text-align: right;">(16,093)</p> <p>Estimated gross gain from</p> <p>the Proposed Disposal</p> <p style="text-align: right;">407</p>

		<p><u>Less: Taxation</u></p> <p>(114)</p> <p>Estimated net gain from the Proposed Disposal</p> <p>293</p> <p><i>* Does not include interest expenses relating to/savings from the repayment of the facility with Alliance Bank Malaysia Berhad</i></p>
		<p>If CISB fails to procure the sale of all the individual lots within the stipulated five (5) years, CISB shall be granted the first right of refusal to purchase the unsold individual lots from MSB, provided that the aggregate sum receivable by MSB from disposal of all the individual lots shall not be less than the Minimum Price. If CISB does not exercise its right to purchase the unsold individual lots within thirty (30) days from the date such right is made available, MSB shall be entitled to take possession of the unsold individual lots and to deal with the same as MSB shall deem fit.</p> <p>Hence, the actual gain or loss to the AHB Group, may vary depending on the actual sale consideration of the individual lots, the cost allocated to the</p>

		individual lots at the point of disposal and the actual expenses incurred in relation to the Proposed Disposal.
(v)	Stage or percentage of completion	MSB has obtained approval to subdivide the Land and for the development of sixty (60) units of 2½ storey detached houses and a 2½ storey shop/office.
(vi)	Sources of funds to finance the development costs	The incidental expenses estimated at approximately RM0.137 million per annum for a period of five (5) years, shall be financed from internally generated funds.
(vii)	Planning consent	The approval which was granted by the Town Planning Department, Majlis Perbandaran Seberang Perai on 11 October 2004 to subdivide the Land into individual lots for sale and for the development of sixty (60) units of 2½ storey detached houses and a 2½ storey shop/office without any unusual conditions attached thereto.

2.8 Information on MSB

MSB was incorporated in Malaysia under the Companies Act, 1965 on 23 December 1998 as a private limited company. It is principally engaged in property investment.

The present authorised share capital of MSB is RM15,000,000 comprising 15,000,000 ordinary shares of RM1.00 each of which all have been issued and fully paid-up.

MSB does not have any subsidiary or associated company.

2.9 Information on CISB

CISB was incorporated in Malaysia under the Companies Act, 1965 on 2 January 1991 as a private limited company.

CISB is an investment company in shares and landed

property and derives rental income from renting out properties.

The present authorised share capital of CISB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which RM300,000 comprising 300,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The substantial shareholders and directors of CISB and their respective shareholdings in CISB as at 30 June 2005 is as follows:-

	<----- Direct----- -->	<----- Indirect----- -->
Shareholders/Directors	No. of shares held	%No. of shares held%
Kang Khoo Seng	139,200	46.40--
Kang Khoo Hua	80,400	26.80--
Kang Khoo Heng	80,400	26.80--

CISB does not have any subsidiary or associated company.

2.10 Original cost of investment for the Land

MSB acquired the Land on 23 April 1999 for a total cash consideration of RM14,500,000.

The audited net book value of the Land as at 30 November 2004 was RM15,398,749 comprise of the above cost of the Land of RM14,500,000 and incidental costs of RM898,749 up to 30 November 2004.

3. RATIONALE FOR THE PROPOSED DISPOSAL

In view of the difficulty in procuring suitable lessee or buyer for the Land at a reasonable price that is acceptable to the Board of AHB and the difficult borrowing conditions for property based companies such as MSB, the Proposed Disposal will enable the Group to realise the capital appreciation of the Land and, generate positive cashflow. The acquisition of the Land was partly financed by a bank facility of which a balance of about RM1.51 million remained outstanding. Proceeds arising from the sale of the Land will be utilised to settle the bank facility for redemption of the Land and the balance to be utilised as working capital for the Group's core activities in the manufacturing and distribution divisions as well as any other potential business prospects or projects. The Proposed Business Arrangement is to facilitate the Proposed Disposal.

4. EFFECTS OF THE PROPOSED DISPOSAL

4.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal will have no effect on the issued and paid-up share capital of AHB or on the shareholdings of the substantial shareholders of AHB.

4.2 Earnings and net EPS

As set out in Section 2.7(iv), the Proposed Disposal is expected to give rise to a total net gain of RM0.293 million for the AHB Group over the duration of the Proposed Business Arrangement. This will result in a total increase in the net EPS of 0.64 sen (based on the existing issued and paid-up share capital of 46,053,333 AHB shares in issue) upon completion of the Proposed Disposal.

However, the actual gain or loss to the AHB Group and the net EPS impact for each financial year will depend on the sale price, the timing of the sale of the individual lots, the receipts of the proceeds and the resulting effect on the interest of the bank facility with Alliance Bank Malaysia Berhad, and the actual expenses incurred in relation to the Proposed Disposal.

4.3 NTA

Based on the expected total net gain of RM0.293 million for the AHB Group, the Proposed Disposal is expected to increase the NTA of the AHB Group by the same quantum of RM0.293 million or RM0.64 per AHB share (based on the existing issued and paid-up share capital of 46,053,333 AHB shares in issue) upon completion of the Proposed Disposal.

However, the actual improvement in the NTA of the AHB Group and the NTA per AHB share impact for each financial year will depend on the sale price, the timing of the sale of the individual lots, the receipts of the proceeds and the resulting effect on the interest of the bank facility with Alliance Bank Malaysia Berhad, and the actual expenses incurred in relation to the Proposed Disposal.

5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors, major shareholders of AHB and persons connected with them has any interest, direct and/or indirect in the Proposed Disposal.

The shareholders of CISB, as set out in Section 2.9 above, hold shares in AHB. Based on the Record of Depositors as at 30 June 2005, the shareholders of CISB, on an aggregate basis, hold less than 5% of the issued and paid-up share capital of AHB. Although the shareholders of CISB are neither directors nor major shareholders of AHB nor persons connected with them, they will abstain from voting in respect of their direct interests on the ordinary resolution pertaining to the Proposed Disposal at an extraordinary general meeting ("EGM") to be convened.

The shareholders of CISB have also undertaken to use their best endeavour to ensure that persons connected with them will abstain

from voting in respect of their direct and/or indirect interests on the ordinary resolution pertaining to the Proposed Disposal at an EGM to be convened.

6. CONDITIONS AND APPROVALS

The Proposed Disposal is subject to approvals being obtained from the Board and shareholders of MSB and AHB and any other approval and/or consent as may be required for the purpose of the Proposed Disposal.

The Proposed Business Arrangement is subject to approvals being obtained from the Board and shareholders of MSB, AHB and CISB respectively and any other approval and/or consent as may be required for the purpose of the Proposed Business Arrangement.

7. DEPARTURE FROM THE SECURITIES COMMISSION'S ("SC") GUIDELINES

The terms of the Proposed Disposal do not depart from the requirements of the SC's Policies and Guidelines on Issue/Offer of Securities.

8. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Disposal and Proposed Business Arrangement, is of the opinion that the Proposed Disposal and Proposed Business Arrangement are in the best interests of AHB.

9. TIME FRAME FOR COMPLETION

The Proposed Disposal is expected to be completed within five (5) years from the date of the Project Management Agreement.

10. CIRCULAR TO SHAREHOLDERS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A circular to shareholders setting out the details of the Proposed Disposal and Proposed Business Arrangement together with the notice of EGM will be despatched to the shareholders of AHB in due course.

11. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the Registered Office of AHB at No.7, Jalan PJS 7/19, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan during the normal office hours from Monday to Friday (except public holidays) for a period of fourteen (14) days commencing from the date of this announcement:-

(i) The valuation report of the Land dated 2 April 2005 prepared by the Independent Valuer; and

(ii) The conditional Project Management Agreement dated 19 July 2005.

TABLE A – Information on the Land

A summary of the details of the Land is set out below:-

Location/	Description/	Tenure#	Land	Date of	NRV as at	Encumbrances
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Postal Address*	Existing use^		area (acres)	acquisition/ completion	30/11/2004 (RM)	
Lot No. 41, No GM 163 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	1.00	23/04/1999	1,263,325	Note 1
Lot No. 80, No GM 166 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	1.61	23/04/1999	1,798,973	Note 1
Lot No. 4154, No GM 135 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	3.02	23/04/1999	3,508,287	Note 1

Lot No. 4155, No GM 136 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	0.05	23/04/1999	52,121	Note 1
Location/ Postal Address*	Description/ Existing use^	Tenure#	Land area (acres)	Date of acquisition/ completion	NBV as at 30/11/2004 (RM)	Encumbrances
Lot No. 4156, No GM 137 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	0.07	23/04/1999	72,895	Note 1
Lot No. 4157, No GM 138 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	0.89	23/04/1999	133,598	Note 1

Lot No. 4158, No GM 139 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	1.41	23/04/1999	1,534,431	Note 1
Lot No. 4159 Advance Certificate of Title Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	0.13	23/04/1999	130,695	Note 2
Location/ Postal Address*	Description/ Existing use^	Tenure#	Land area (acres)	Date of acquisition/ completion	NBV as at 30/11/2004 (RM)	Encumbrances
Lot No. 4160, No GM 140 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	0.40	23/04/1999	440,838	Note 1

Lot No. 4161, No GM 141 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	1.91	23/04/1999	2,117,988	Note 1
Lot No. 4162, No GM 142 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	0.07	23/04/1999	83,263	Note 1
Lot No. 4163, No GM 143 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	3.26	23/04/1999	3,932,680	Note 1
Location/ Postal Address*	Description/ Existing use^	Tenure#	Land area (acres)	Date of acquisition/ completion	NBV as at 30/11/2004 (RM)	Encumbrances
Lot No.	Vacant land	Freehold	0.05	23/04/1999	57,278	Note 2

4164 Advance Certificate of Title Mukim 1, District of Province Wellesley Central State of Penang						
Lot No. 4165, No GM 144 Geran Mukim (First Grade) Mukim 1, District of Province Wellesley Central State of Penang	Vacant land	Freehold	0.25	23/04/1999	272,377	Note 1
TOTAL			14.12		15,398,749	

Notes:

* *The Land does not have a postal address.*

Being freehold land and does not have any lease expiry date.

^ *Being vacant land and does not have any buildings erected on the land.*

1. *These titles are not subject to any Restriction-In-Interest but are subject to Express Conditions as stated below:-*

The land comprised in this title:-

(a) shall not be affected by any provision of the National Land Code ("NLC") limiting the compensation payable by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the NLC or on the creation of a collector's right of way; and

(b) subject to the implied condition that the land is liable to be re-entered if it is abandoned for more than three years, shall revert to the State only if the proprietor for the time being dies without heirs;

and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land).

2. These titles are not subject to any Restriction-In-Interest or Express Conditions.