

Type : **Announcement**
Subject : **AYER HITAM TIN DREDGING MALAYSIA BERHAD ("AHTIN" OR "COMPANY")**

PROPOSED DISPOSAL OF A PIECE OF LEASEHOLD LAND HELD UNDER PN28306, LOT 210, KAWASAN BANDAR XXXIX, DAERAH MELAKA TENGAH, NEGERI MELAKA (FORMERLY HELD UNDER H.S.(D) 4708, KAWASAN BANDAR XXXIX, DAERAH MELAKA TENGAH, NEGERI MELAKA) MEASURING APPROXIMATELY 7,503 SQUARE METERS IN AREA ("LAND") TOGETHER WITH UNCOMPLETED BUILDINGS ERECTED THEREON ("UNCOMPLETED BUILDINGS") (COLLECTIVELY, THE "PROPERTY") BY MOTIF HARTA SDN BHD ("MHSB"), A WHOLLY-OWNED SUBSIDIARY OF AHTIN TO PROPEL SYNERGY SDN BHD ("PROPEL") FOR A CASH CONSIDERATION OF RM11,000,000 ("PROPOSED DISPOSAL")

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1. INTRODUCTION

On behalf of the Board of Directors of AHTIN ("Board"), Avenue Securities Sdn Bhd (a member of the ECM Libra Avenue Group) wishes to announce that MHSB had on 14 July 2006 entered into a sale and purchase agreement ("SPA") with Propel for the Proposed Disposal.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal by MHSB of the Property to Propel for a cash consideration of RM11,000,000. The Property is located about one kilometre south-east of Melaka town centre, within an established commercial area known as Taman Melaka Raya, Melaka. The Land's leasehold tenure of 99 years will be expiring on 19 August 2075.

During 1996, MHSB has undertaken a hotel construction project on the Land known as the "Ambassador Hotel", which was partially financed by a RM63.0 million syndicated term loan ("Syndicated TL"). However, due to the Asian financial crisis and weak property market conditions, MHSB has suspended the construction works of the said hotel project, which is currently approximately 60% completed. As a result, MHSB has defaulted on its obligation in relation to the Syndicated TL and on 14 October 2004, the lenders have served a letter of demand on AHTIN (being the corporate guarantor) and MHSB for the principal and interest under the loan and judgment was entered in favour of the lenders against AHTIN and MHSB.

MHSB is the registered and beneficial owner of the Property, which is charged to a financial institution ("Chargee"), who is the syndicate manager for the Syndicated TL.

In order to meet its obligations under the Syndicated TL, MHSB has attempted to dispose the Property since 2001 via three (3) open tenders conducted. However, MHSB did not receive any offers pursuant to the said tenders. On 17 August 2005, it was announced that AHTIN proposed to undertake a comprehensive restructuring scheme to return the AHTIN group of companies ("AHTIN Group") back onto a stronger financial footing, which includes a debt settlement scheme with the lenders of the Syndicated TL ("Lenders"). The Lenders have given their approval-in-principle for the restructuring scheme subject to inter-alia, a definitive agreement for the disposal of the Property to be executed by 15 July 2006.

During the 2nd quarter of 2006, MHSB has received an indication of interest from Propel to purchase the Property, which led to the execution of the SPA on 14 July 2006 after a series of negotiations. City Valuers and Consultants Sdn Bhd, a firm of professional valuers had vide its letter dated 19 September 2005 indicated a market value for sale by public auction of the Property of RM20.0 million based on the cost and comparison methods of valuation.

Notwithstanding the above valuation, the Board has agreed to the disposal consideration of RM11,000,000 after taking into account the past unsuccessful tenders conducted and the deadline imposed by the Lenders as a condition for their support of the Company's restructuring scheme.

The Land was acquired on 16 September 1996. MHSB's original cost of investment in the Property and its net book value based on the audited financial statements for the financial year ended 30 June 2005 is RM60.1 million (before taking into account impairment losses) and RM20.0 million respectively.

2.1 Liabilities to be Assumed

MHSB and Propel will not assume any additional liabilities arising from the Proposed Disposal.

2.2 Salient Terms of the SPA

The salient terms of the SPA, include the following:-

(a) Propel shall acquire the Property free from all encumbrances with vacant possession and in its present state and condition together with all rights, title and interest in the building plans, sewerage plans, mechanical and

electrical plans and any other plans in connection with and incidental to the construction of the Property upon all terms and subject to the conditions contained in the SPA and subject to all expressed or implied conditions and the category of land use of which the Land is subject to.

(b) The cash consideration for the Proposed Disposal of RM11,000,000 ("Consideration") shall be payable by Propel in the following manner:-

- (i) a sum of RM220,000 representing 2% of the Consideration being earnest deposit paid upon execution of the SPA;

- (ii) a sum of RM880,000 representing 8% of the Consideration being balance deposit is payable within three (3) working days from the date the SPA becomes unconditional ("Unconditional Date"); and

- (iii) a sum of RM9,900,000 being the balance Consideration is payable within three (3) months from the Unconditional Date.

(c) The Proposed Disposal is conditional upon the following:-

- (i) the approval of the shareholders of AHTIN;

- (ii) the notification to the Foreign Investment Committee;

- (iii) the approval of the Securities Commission ("SC") or the exemption of the SC for the Proposed Disposal from being classified as a "significant change in business direction" to AHTIN

- (iv) the approval of the State Authority for the transfer of the Property;

- (v) Propel being satisfied with the result of the report carried out by its consultant on the

Uncompleted Buildings provided that such report shall not be a condition precedent to the SPA unless the result shows that the specified defects on the Uncompleted Buildings cannot be remedied with monetary;

(vi) MHSB shall supply to Propel a copy of the agreement made between Kerajaan Negeri Melaka and Usaha Nusa Sdn Bhd dated 27 July 1976; and

(vii) A statement from the Chargee stating a redemption sum not exceeding RM11,000,000 shall be given by MHSB.

MHSB shall obtain the abovesaid approvals from the authorities and shareholders of AHTIN within six (6) months from the date of the SPA.

2.3 Utilisation of Proceeds

The disposal proceeds of RM11,000,000 shall be utilised to repay the Syndicated TL in order to obtain a discharge of the existing charge from the Chargee in respect of the Property (after deducting all lawful outgoings due and payable to the relevant authorities in respect of the Property, if necessary).

2.4 Information on Propel

Propel was incorporated on 11 May 2006 as a private limited company under the Companies Act, 1965. The principal activities of Propel are general trading and investment holding.

3. RATIONALE OF THE PROPOED DISPOSAL

The Property is currently charged to the lender of the Syndicated TL and the Proposed Disposal is necessary to address the repayment of the Syndicated TL, which is currently under litigation. In addition, the Proposed Disposal also meets the condition imposed by the Lenders for their support of the Company's restructuring scheme, which is critical to ensure the successful implementation of the said restructuring.

Furthermore, the Property is a non-core asset of the AHTIN Group and does not generate any income. Hence, the Proposed Disposal would not have an impact on the current on-going operations of the AHTIN Group.

4. EFFECTS OF THE PROPOSED DISPOSAL

The Proposed Disposal will not have any effect on the share capital and substantial shareholdings of AHTIN as the Proposed Disposal will not involve any issuance of securities by AHTIN. Based on the audited net book value of the Property as at 30 June 2005 of RM20.0 million, the AHTIN Group is expected to incur a one-time loss on disposal of RM9.0 million.

The proforma effects of the Proposed Disposal on the net liabilities and gearing of the AHTIN Group is shown in **Table 1** below.

5. CONDITIONS OF THE PROPOSED DISPOSAL

The Proposed Disposal is subject to and conditional upon the approvals from the following:-

- (i) the SC (if required). The Company intends to seek an exemption from classifying the Proposed Disposal as a transaction falling under the definition of "significant changes in business direction" pursuant to Chapter 12 of the SC's Policies and Guidelines on Issue/Offer of Securities ("SC Guidelines");
- (ii) the shareholders of AHTIN;
- (iii) the State Authority; and
- (iv) other relevant authorities (if necessary).

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

None of the Directors and/or substantial shareholders of AHTIN and persons connected to the Directors and substantial shareholders have any interest, direct or indirect, in the Proposed Disposal.

7. ESTIMATED TIME FRAME FOR THE COMPLETION

Barring unforeseen circumstances, the Proposed Disposal is expected to be completed by the 4th quarter of 2006.

8. DEPARTURE FROM THE SC GUIDELINES

To the best knowledge of the Board, the Proposed Disposal has not departed from the SC Guidelines.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection at the registered office of AHTIN at Suite 4-6, Level 24 Menara Olympia, 8, Jalan Raja Chulan, 50200 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 17 July 2006.