

LEONG HUP INTERNATIONAL BERHAD (“LHI” OR THE “COMPANY”)

- (1) ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF THE BAKER’S COTTAGE SDN BHD (“TBC”) BY LEONG HUP (MALAYSIA) SDN BHD (“LHM”), A WHOLLY-OWNED SUBSIDIARY OF LHI FOR A CASH CONSIDERATION OF RM17,937,574.00
 - (2) ACQUISITION OF THE BAKER’S COTTAGE RETAIL BUSINESS FROM ASTAKA SHOPPING CENTRE (MUAR) SDN BHD (“ASTAKA”) BY LEONG HUP AGROBUSINESS SDN BHD (“LHASB”), A WHOLLY-OWNED SUBSIDIARY OF LHM FOR A CASH CONSIDERATION OF RM1,531,300.00
 - (3) ACQUISITION OF THE BAKER’S COTTAGE RETAIL BUSINESS FROM POLY-YARN INDUSTRIES SDN BHD (“PYISB”) BY LHASB, A WHOLLY-OWNED SUBSIDIARY OF LHM FOR A CASH CONSIDERATION OF RM862,126.00
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1. INTRODUCTION

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of the Company (“Board”) wishes to announce that LHM and LHASB, the subsidiary companies of LHI have on 1 June 2020, entered into the following agreements:-

- (i) Share Acquisition Agreement (“SAA”) between LHM and Emerging Glory Sdn Bhd (“EGSB”) for the acquisition of the entire 43,432,000 ordinary shares representing 100% of the issued and paid-up share capital of TBC from EGSB (“Sale Shares”) for a purchase consideration of RM17,937,574.00 (“Proposed Acquisition I”) only subject to the terms and conditions stated therein;
- (ii) Business Acquisition Agreement (“BAA”) between LHASB and Astaka for the acquisition of The Baker’s Cottage brand bakery business (“The Baker’s Cottage Retail Business”) owned and operated by Astaka at Freeport A’Famosa Outlet Village, Pusat Perniagaan Payamas in Tangkak, Plaza Sungai Udang in Melaka, Taman Komersial Senawang in Seremban, Pusat Perdagangan Dato Lau Bong Wong in Muar and Pusat Perniagaan Sinar Bakri in Muar, including but not limited to all the operating assets comprising tenanted property(ies), other fixed assets and inventories which are necessary for the continuation of The Baker’s Cottage Retail Business presently carried on (“Purchased Business Assets”), and including employees for a purchase consideration of RM1,531,300.00 (“Proposed Acquisition II”) only subject to the terms and conditions stated therein; and
- (iii) BAA between LHASB and PYISB for the acquisition of The Baker’s Cottage Retail Business owned and operated by PYISB at 26-1B, Jalan SS6/3 in Kelana Jaya, Taman Sri Manja in Petaling Jaya and No. 112-G, Jalan Setia Gemilang (BJ) U13/BJ in Setia Alam, including but not limited to all the operating assets comprising tenanted property(ies), other fixed assets and inventories which are necessary for the continuation of The Baker’s Cottage Retail Business presently carried on (“Purchased Business Assets”), and including employees for a purchase consideration of RM862,126.00 (“Proposed Acquisition III”) only upon such terms and conditions as stipulated therein

(collectively referred to as the “Proposals”).

2. DETAILS OF THE PROPOSALS

(i) Proposed Acquisition I

TBC is a private limited company incorporated in Malaysia on 21 February 1994 and having its registered address at 2nd Floor, Wisma Westcourt, 126 Jalan Klang Lama, 58000 Kuala Lumpur. The total number of issued shares of TBC is 43,432,000 ordinary shares of which EGSB is the registered and beneficial owner of all the shares. TBC is principally engaged in the business of manufacturing, trading and distribution of food products. TBC has two subsidiaries namely, BC Confectionery Sdn Bhd and Selasih Prospek Sdn Bhd which will be part of LHI Group upon the execution of the SAA.

The Directors of TBC are Lau Joo Ping and Chua Teck Choh.

A summary of the key financial information of TBC Group for the financial year ended 31 December 2019 are set out below:-

	TBC Group Unaudited FYE 31 December 2019 RM'000
Revenue	41,571
Profit before tax	318
Profit after tax	593
Share capital	43,432
Shareholders' funds / Net Assets	16,530
Total borrowings	7,116
No of TBC shares issued ('000)	43,432
Net Assets per share (RM)	0.38
Net EPS (RM)	0.01
Gearing (times)	0.43

(ii) Proposed Acquisition II

The Baker's Cottage Retail Business currently owned and operated by Astaka are located in Melaka, Tangkak, Seremban and Muar, as detailed below:-

Location of The Baker's Cottage Retail Outlet(s)	Inventories (RM)	Fixed Assets (RM)
(1) Freeport A'Famosa Outlet Village Lot 42, Freeport A'Famosa Outlet Village, Jalan Kemus Simpang Empat 78000 Alor Gajah Melaka	25,243	74,264

Location of The Baker's Cottage Retail Outlet(s)		Inventories (RM)	Fixed Assets (RM)
(2)	Tangkak No. 19, Ground Floor Jalan Perniagaan Payamas Pusat Perniagaan Payamas 84900 Tangkak, Johor	28,276	207,839
(3)	Sungai Udang Ground Floor, No. 9, Jalan PSU 2 Plaza Sungai Udang 76300 Sungai Udang Melaka	26,382	208,673
(4)	Taman Komersial Senawang No. 134-G, Jalan Taman Komersial Senawang 1, Taman Komersial Senawang, 70450 Seremban Negeri Sembilan	19,310	269,122
(5)	Dato Lau Bong Wong No. 8, Ground Floor, Jalan Dato Lau Bong Wong, Pusat Perdagangan Dato Lau Bong Wong Jalan Temenggong Ahmad 84000 Muar, Johor	23,255	366,832
(6)	Bukit Bakri No. 5, Jalan Sinar Bakri Pusat Perniagaan Sinar Bakri 84000 Muar, Johor	20,558	261,546
Total		143,024	1,388,276

(iii) Proposed Acquisition III

The Baker's Cottage Retail Business currently owned and operated by PYISB are located in Kelana Jaya, Taman Sri Manja in Petaling Jaya and Setia Alam, as follows:-

Location of The Baker's Cottage Retail Outlet(s)		Inventories (RM)	Fixed Assets (RM)
(1)	Kelana Jaya 26-1B, Jalan SS6/3, Kelana Jaya 47301 Petaling Jaya, Selangor	32,000	295,587
(2)	Sri Manja PJ No. 43, Jalan PJS 3/48 Taman Sri Manja 46000 Petaling Jaya, Selangor	28,000	231,083

Location of The Baker's Cottage Retail Outlet(s)		Inventories (RM)	Fixed Assets (RM)
(3)	Setia Alam No. 112-G, Jalan Setia Gemilang (BJ) U13/BJ, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor	18,000	257,456
Total		78,000	784,126

3. INFORMATION ON LHM, EGSB, LHASB, ASTAKA AND PYISB

(i) Leong Hup (Malaysia) Sdn Bhd ("LHM")

LHM is a private limited company incorporated in Malaysia on 9 June 2014 and having its registered office at Lot 2.08, 2nd Floor, Wisma Westcourt, 126 Jalan Kelang Lama, 58000 Kuala Lumpur. LHM is an investment holding company, with issued and paid-up share capital of RM313,087,002.00.

The Directors of LHM are:-

- a) Dato' Lau Eng Guang
- b) Tan Sri Lau Tuang Nguang
- c) Lau Joo Han
- d) Lau Jui Peng

LHM is a wholly-owned subsidiary of LHI.

(ii) Emerging Glory Sdn Bhd ("EGSB")

EGSB is a private limited company incorporated in Malaysia on 31 May 2010 and having its registered office at Lot 2.08, 2nd Floor, Wisma Westcourt, 126 Jalan Kelang Lama, 58000 Kuala Lumpur. EGSB is an investment holding company. The issued and paid-up capital of EGSB is RM100,000.00.

The Directors of EGSB are:-

- a) Lau Chia Nguang
- b) Dato' Lau Eng Guang
- c) Tan Sri Lau Tuang Nguang
- d) Datuk Lau Joo Hong
- e) Lau Joo Han
- f) Lau Joo Keat

The shareholders of EGSB and their respective shareholdings are as follows:

- a) CW Lau & Sons Sdn Bhd – 20,002 ordinary shares (20.01%)
- b) HN Lau & Sons Sdn Bhd – 14,999 ordinary shares (14.99%)
- c) Lau Chia Nguang – 14,999 ordinary shares (14.99%)
- d) Dato' Lau Eng Guang – 14,999 ordinary shares (14.99%)
- e) Tan Sri Lau Tuang Nguang – 14,999 ordinary shares (14.99%)
- f) Lau Joo Han – 20,002 ordinary shares (20.01%)

(iii) Leong Hup Agrobusiness Sdn Bhd (“LHASB”)

LHASB is a private limited company incorporated in Malaysia on 21 March 1989 and having its registered office at 2nd Floor, Wisma Westcourt, 126 Jalan Kelang Lama, 58000 Kuala Lumpur. The issued and paid-up capital of LHASB is RM400,837,390.00 comprising 90,700,000 ordinary shares and 31,013,739 redeemable preference share. Its principal activities are poultry farming, trading of broiler chickens, day old chicks, poultry feeds, medicine, processing and marketing of chicken and related products, renting of farm buildings, confectionary and investment holding.

The Directors of LHASB are:-

- a) Dato’ Lau Eng Guang
- b) Tan Sri Lau Tuang Nguang
- c) Lau Joo Han
- d) Lau Jui Peng
- e) Tay Kong Howe

LHASB is a wholly-owned subsidiary of LHM which in turn a subsidiary of LHI.

(iv) Astaka Shopping Centre (Muar) Sdn Bhd (“Astaka”)

Astaka is a private limited company incorporated in Malaysia on 14 June 1989 and having its registered office at 2nd Floor, Wisma Westcourt, 126 Jalan Kelang Lama, 58000 Kuala Lumpur. The issued and paid-up capital of Astaka is RM2,450,000.00. Its principal activities are business of operators of a supermarket, mini market, emporium, departmental stores and bakery, selling fresh and roasted chicken and related products through retail outlets, wholesale of sundry goods and restaurants business.

The Directors of Astaka are:-

- a) Datuk Lau Joo Hong
- b) Lau Jui Peng
- c) Lau Joo Han
- d) Lau Joo Ping

Astaka is a wholly-owned subsidiary of Xing Ji Food Products Sdn Bhd.

(v) Poly-Yarn Industries Sdn Bhd (“PYISB”)

PYISB is a private limited company incorporated in Malaysia on 21 August 1990 with its registered office at No.7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim. The issued and paid-up capital of PYISB is RM4,965,494.00. Its principal activities are investment holding, manufacturing and trading of polypropylene woven products, baker, manufacturer and dealer of pastry, confectionery and other food stuff.

The Directors of PYISB are:-

- a) Lau Joo Han
- b) Toh Eng @ Toh Teck Chai
- c) Chua Chin Lin
- d) Rowan Lai Yuen Khong

The shareholders of PYISB and their respective shareholdings are as follows:

- a) Leong Hup Management Sdn Bhd (“LHMSB”) – 2,450,836 ordinary shares (49.36%)
- b) Leong Hup Corporation Sdn Bhd – 2,332,157 ordinary shares (46.96%)
- c) Toh Eng @ Toh Teck Chai – 70,000 ordinary shares (1.41%)
- d) Tang Choon Huat – 112,500 ordinary shares (2.27%)
- e) Estate of Dato’ Lau Bong Wong – 1 ordinary share (0.00%)

4. ORIGINAL COST OF INVESTMENT

The original cost of investment and date of investment of the Proposals are as follows:-

(i) Proposed Acquisition I

Original Cost of Investment	Date of Investment
RM20,331,000.00	1 October 2017

(ii) Proposed Acquisition II

TBC Retail Outlet(s)	Original Cost of Investment (RM)	Date of Investment
Freeport A’Famosa Outlet Village	207,481	4 July 2016
Tangkak	303,160	13 February 2018
Sungai Udang	333,305	1 June 2018
Taman Komersial Senawang	375,914	27 July 2018
Dato Lau Bong Wong	490,117	9 June 2018
Bukit Bakri	376,067	3 August 2018
Total	2,086,044	

(iii) Proposed Acquisition III

TBC Retail Outlet(s)	Original Cost of Investment (RM)	Date of Investment
Kelana Jaya	393,903	19 July 2016
Sri Manja PJ	326,950	5 May 2018
Setia Alam	344,993	21 July 2018
Total	1,065,846	

5. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

(i) Proposed Acquisition I

The purchase consideration of RM17,937,574.00 was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration the net asset value of TBC of RM15,081,165.00 as at 31 March 2020, the latest management accounts of TBC.

LHM shall pay the purchase consideration in cash to TBC on a deferred basis, within one month from the date of the SAA. Notwithstanding the deferred payment terms, it is the agreement and intention that the interest and title in the Sale Shares shall effectively pass to LHM on 1 June 2020.

(ii) Proposed Acquisition II

The purchase consideration of RM1,531,300.00 is calculated based on the aggregate of the net book value of the inventories and fixed assets of RM1,531,300.00 as at 31 May 2020.

Subject to Astaka having complied with all its obligations in the BAA, the purchase consideration shall be paid in full in cash by LHASB to Astaka within thirty (30) days from the date of the BAA.

(iii) Proposed Acquisition III

The purchase consideration of RM862,126.00 is calculated based on the aggregate of the net book value of the inventories and fixed assets of RM862,126.00 as at 31 May 2020.

Subject to PYISB having complied with all its obligations in the BAA, the purchase consideration shall be paid in full in cash by LHASB to PYISB within thirty (30) days from the date of the BAA.

6. SALIENT TERMS AND CONDITIONS OF THE SAA AND BAA

(i) Proposed Acquisition I

The salient terms and conditions of the SAA are as follows:-

- a) Subject to the terms and conditions of the SAA, EGSB agrees to sell, and LHM agrees to purchase, the Sale Shares, free from all pledges or liens or any other encumbrances and with all rights now or hereinafter attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the date of the SAA, for the purchase consideration.
- b) The completion of the sale and purchase of the Sale Shares shall be deemed to take place on 1 June 2020.

(ii) Proposed Acquisitions II & III

The salient terms and conditions of the BAAs are as follows:-

- a) Astaka and PYISB agree to sell, and LHAB agrees to acquire, all of Astaka and PYISB's right, title and interest in respect of the Purchased Business Assets as at 1 June 2020, free from all encumbrances, which shall comprise the following:
 - i) the Inventories;
 - ii) the Fixed Assets; and
 - iii) The Baker's Cottage license right of The Baker's Cottage Retail Business and the tenancy(ies) over The Baker's Cottage Retail Outlet(s) subject to the terms and conditions herein contained.
- b) Simultaneously with the execution of the BAAs, Astaka and PYISB shall execute a deed of assignment of the existing tenancy(ies) over The Baker's Cottage Retail Outlet(s) in favour of LHASB on terms acceptable to LHASB. Astaka and PYISB further undertake to procure the endorsement of consent thereto by the landlord(s) of The Baker's Cottage Retail Outlet(s), within fourteen (14) days from the date of the BAAs i.e. 1 June 2020.
- c) LHASB shall assume the employees of Astaka and PYISB in The Baker's Cottage Retail Business with effect from 1 June 2020, and make to each of the said employee of Astaka and PYISB ("Assumed Employee") an offer in writing to continue to employ the Assumed Employee under terms and conditions of employment not less favourable than which the said Assumed Employee was employed by Astaka and PYISB (including the continuous enjoyment of seniority ranking, years of services and all benefits accrued thereof etc.) and accordingly, shall co-operate with Astaka and PYISB in respect of the procedures to notify the Assumed Employee of the change of ownership of The Baker's Cottage Retail Business. The new employment to be offered to the Assumed Employee shall commence on 1 June 2020.

7. SOURCE OF FUNDING

The purchase consideration for the Proposals will be financed through internally generated funds and/or bank borrowings, the quantum of which has yet to be determined at this juncture.

8. LIABILITIES TO BE ASSUMED

There are no liabilities, including contingent liabilities and guarantees, to be assumed by LHI pursuant to the Proposals.

9. RATIONALE AND BENEFITS OF THE PROPOSALS

The Proposals will allow LHI to own the Bakers Cottage brand and integrate vertically downward to capture incremental value added from its poultry related product sales and provide margin stability in times of live broilers supply-demand imbalance.

10. PROSPECTS OF THE PROPOSALS

The Proposals are expected to improve profitability of the Group in the future.

11. RISKS OF THE PROPOSALS

Other than the normal and market risks such as non-compliance of the SAA and BAA, the Board of Directors does not foresee any specific risk/ risk factors arising from the Proposals which could materially or adversely affect the financial and operating condition of the Company.

12. EFFECTS OF THE PROPOSALS

a. Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as the Proposals will be fully satisfied in cash.

b. Net assets per share and gearing

The Proposals will not have any material effect on the net assets per share and gearing of the Company for the financial year ending 31 December 2020.

c. Earning and earnings per share ("EPS")

The Proposals are expected to contribute positively to the earnings and EPS of the Company for the financial year ending 31 December 2020.

13. APPROVAL/CONSENT REQUIRED

The Proposals are not subject to the approval of the shareholders of the Company and/or any other relevant government authorities.

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

(i) Interested Shareholders

Save as disclosed below, none of the major shareholders of the Company or persons connected with them, have any interest, direct or indirect, in the Proposals:

- a) EGSB is the major shareholder of LHI. CW Lau & Sons Sdn Bhd ("CWL"), HN Lau & Sons Sdn Bhd ("HNL"), Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang and Lau Joo Han are major shareholders of EGSB. Datuk Lau Joo Hong, Lau Jui Peng and Lau Joo Heng are the Directors and major shareholders of CWL. Lau Joo Keat is a Director and major shareholder of HNL. Datuk Lau Joo Hong, Lau Jui Peng, Lau Joo Heng and Lau Joo Han are the major shareholders of LHI.
- b) Astaka is a wholly-owned subsidiary of Xing Ji Food Products Sdn Bhd, which in turn is wholly-owned by LHMSB. Lau Chia Nguang, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Jui Peng, Lau Joo Heng, Lau Joo Han and Lau Joo Keat are the major shareholders of LHMSB. Datuk Lau Joo Hong, Lau Jui Peng, Lau Joo Heng and Lau Joo Han are the major shareholders of LHI.

- c) PYISB is collectively owned by LHMSB, Leong Hup Corporation Sdn Bhd (“LHC”) and the Estate of Dato’ Lau Bong Wong of which Lau Joo Han is the sole beneficiary. LHC is collectively owned by Lau Chia Nguang, Dato’ Lau Eng Guang, Lau Hai Nguan, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Jui Peng, Lau Joo Heng and Lau Joo Han. Datuk Lau Joo Hong, Lau Jui Peng, Lau Joo Heng and Lau Joo Han are the major shareholders of LHI.

(ii) Interested Directors

Save as disclosed below, none of the Directors of the Company or persons connected with them, have any interest, direct or indirect, in the Proposals:

- a) Lau Chia Nguang, Dato’ Lau Eng Guang, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat are the Directors of LHI and also the Directors of EGSB.
- b) Datuk Lau Joo Hong and Lau Joo Han are the Directors of LHI and also the Directors of Astaka.
- c) Lau Joo Han is a Director of LHI and also a Director of PYISB.

Accordingly, Lau Chia Nguang, Dato’ Lau Eng Guang, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat are deemed interested in the Proposals. The interested Directors have abstained and will continue to abstain from deliberating and voting on resolutions relating to the Proposals.

15. DIRECTORS’ STATEMENT

The Board (except Lau Chia Nguang, Dato’ Lau Eng Guang, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat) after having considered all aspects of the Proposals including but not limited to the rationale and financial effects and after careful deliberation, is of the opinion that the Proposals are in the best interest of the Company and the Proposals are fair, reasonable and on normal commercial terms and are not detrimental to the interest of the minority shareholders of the Company.

16. STATEMENT BY THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of LHI, after having considered all aspects of the Proposals including but not limited to the rationale, basis in arriving at the purchase consideration, financial effects and risk factors, is of the opinion that the Proposals are:

- a. in the best interest of the Company;
- b. fair, reasonable and on normal commercial terms; and
- c. not detrimental to the interest of the minority shareholders of the Company.

17. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSALS

The highest percentage ratio applicable to the Proposals pursuant to paragraph 10.02(g) of the MMLR of Bursa Securities is 1.24%, based on the audited consolidated financial statements of LHI for the financial year ended 31 December 2019.

18. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by third quarter of 2020.

19. AMOUNT TRANSACTED WITH THE INTERESTED DIRECTORS AND MAJOR SHAREHOLDERS FOR THE PRECEDING 12 MONTHS

The total amount transacted with the interested Directors and major shareholders, as mentioned above, for the preceding 12 months is RM27.2 million.

20. DOCUMENTS AVAILABLE FOR INPECTION

The SAA and BAAs are available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 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 1 June 2020.