

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

ACQUISITION OF A PARCEL OF LEASEHOLD INDUSTRIAL LAND IDENTIFIED AS PN 24346, LOT 102515, MUKIM KLANG, DISTRICT KLANG, STATE OF SELANGOR (“LAND”) BY LEONG HUP FEEDMILL MALAYSIA SDN. BHD. (“LHFM”), A WHOLLY OWNED SUBSIDIARY OF LHI FOR A CASH CONSIDERATION OF RM6.30 MILLION (“LAND ACQUISITION”)

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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 the Company, via its direct subsidiary, LHFM has on 28 November 2019 entered into a Sale and Purchase Agreement (“SPA”) with Darma Canggih Sdn. Bhd. (“Darma” or the “Vendor”) for the Land Acquisition for a total purchase consideration of RM6.30 million only.

### 2. DETAILS OF THE LAND

Details of the Land are set out in the table below:-

Title Details	PN 24346, Lot 102515, Mukim Klang, District Klang, State of Selangor.
Tenure	Leasehold (Expiring on 24 February 2097)
Land Area	9,902 square meters
Category of Land use	Industrial Land

### 3. INFORMATION ON DARMA AND LHFM

Darma is a property investment company incorporated in Malaysia on 28 August 1996 with its registered office at 2<sup>nd</sup> Floor, Wisma Westcourt, 126 Jalan Kelang Lama, 58000 Kuala Lumpur with issued and paid up capital of RM2/-.

The Directors of Darma are as follows:-

- a) Dato’ Lau Eng Guang; and
- b) Ms Low Chiew Boey.

The Shareholders of Darma and respective percentage shareholdings are as follows:

- a) Dato’ Lau Eng Guang - 50%
- b) Mr Lau Joo Han - 50%

LHFM, a manufacturing and marketing company of animals feeds was incorporated in Malaysia on 27 September 1988 with its registered office at 2<sup>nd</sup> Floor, Wisma Westcourt, 126 Jalan Kelang Lama, 58000 Kuala Lumpur.

The Directors of LHFM are as follows:-

- a) Mr Lau Joo Han;
- b) Mr Lau Jui Peng; and
- c) Mr Sim Kim Hwa.

#### 4. ORIGINAL COST OF INVESTMENT

The original cost of investment and the date of acquisition for the Land is as follows:-

Original Cost of Investment	Year of Acquisition
RM2,044,270-80	1997

#### 5. BASIS AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The purchase consideration of RM6.30 million is calculated based on the acquisition price of RM59.00 per square foot on a “willing-buyer willing-seller” basis after taking into consideration the prevailing market value of the similar land appraised by Henry Butcher Malaysia (SEL) Sdn. Bhd. (“Valuer”) vide its valuation report dated 30 August 2019. The Valuer is an independent registered valuer. In arriving at the market value, the Valuer had adopted the comparison method of valuation and had valued the Land at RM6.30 million.

#### 6. SALIENT TERMS AND CONDITIONS OF THE SPA

- a) The Vendor agrees to sell and LHFMM agrees to purchase the Land on an “as is where is” basis, free from all encumbrances and with vacant possession but subject to all conditions of title, whether express or implied and any restrictions-in-interest, affecting the title to the Land and upon the terms and conditions as stated in the SPA.
- b) The Land Acquisition is subject to the relevant consent for the transfer from the state authority.
- c) The payment of the purchase consideration is to be made by LHFMM to Darma in accordance with the terms and conditions set out in the SPA.

#### 7. SOURCE OF FUNDING

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

#### 8. RATIONALE AND BENEFITS FOR THE LAND ACQUISITION

The Land will be used to construct a new warehouse for business operation and for future expansion of LHFMM. The Land is adjacent to the existing LHFMM’s feedmill. Its strategic location will enable LHFMM to penetrate and to expand in order to remain competitive in market as well as to take advantage of the growing demand for feeds in Malaysia.

#### 9. PROSPECTS

The strategic location of the Land which is next to Westport Terminal as well as easy access to the KESAS and SKVE has poised this industrial park into a highly sought after location for production and warehousing activities. Thus, the prospect for the Land and property value in Westport area to appreciate in long term and gains benefit from any future expansion is promising.

## 10. RISKS OF THE TRANSACTION

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

## 11. EFFECTS OF THE PROPOSED ACQUISITION

### a. Share capital and substantial shareholders' shareholdings

The Land Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings as the Land Acquisition does not involve any issuance of new ordinary shares in the Company.

### b. Net assets per share and gearing

The Land Acquisition will not have any material effect on the net assets per share and gearing of the Company for the financial year ending 31 December 2019.

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

The Land Acquisition will not have any material effect on the earnings and EPS of the Company for the financial year ending 31 December 2019.

## 12. APPROVAL REQUIRED

The Land Acquisition is not subject to the approval of the shareholders of the Company. As set out in item 6(b) above, the Land Acquisition is conditional upon obtaining the relevant consent for the transfer from the state authority.

## 13. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND / OR PERSONS CONNECTED WITH THEM

Dato' Lau Eng Guang and Lau Joo Han are shareholders of Darma. Dato' Lau Eng Guang is a Director of LHI and also a Director of Darma. Lau Joo Han is a Director and major shareholder of LHI. Both of them are deemed to be interested in the Land Acquisition.

Save as disclosed above, none of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Land Acquisition.

## 14. DIRECTORS' STATEMENT

The Board (except Dato' Lau Eng Guang and Lau Joo Han) after having considered all aspects of the Land Acquisition including but not limited to the rationale and financial effects and after careful deliberation, is of the opinion that the Land Acquisition is in the best interest of Company and the Land Acquisition is fair, reasonable and on normal commercial terms and is not detrimental to the interest of the minority shareholders of the Company.

15. STATEMENT BY THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of LHI, after having considered all aspects of the Land Acquisition 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 Land Acquisition is:

- 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.

16. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE LAND ACQUISITION

The highest percentage ratio applicable to the Land Acquisition pursuant to paragraph 10.02(g) of the MMLR of Bursa Securities is 0.48%, based on the audited consolidated financial statements of LHI for the financial year ended 31 December 2018.

17. TIMEFRAME FOR COMPLETION

The Land Acquisition is expected to be completed within one (1) year from the date of SPA subject to the relevant consent from state authority being obtained.

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

The total amount transacted with the same related party for the preceding 12 months including this Land Acquisition is RM6,336,000.

19. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA and the Valuation Letter will be 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 3 months from the date of this announcement.

This announcement is dated 28 November 2019.