

LTKM BERHAD (“LTKM” or the “Company”)

Proposed disposal of property by wholly-owned subsidiary of the Company

1. INTRODUCTION

The Board of Directors of LTKM (“Board”) wishes to announce that the Company’s wholly-owned subsidiary, Lumi Jaya Sdn. Bhd. (Company No. 855685-H) (“LJSB”), had on 5th February, 2016 entered into a Sale and Purchase Agreement (“SPA”) with Yetta Steel Industries Sdn. Bhd. (Company No. 194116-K) (“YSISB”) for the disposal of the property for a cash consideration of RM26 million (“Disposal Consideration”) (“Proposed Disposal”).

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information of the Property

All that piece of freehold industrial land held under Individual Title No. H.S. (M) 43458, Lot 71510, Mukim of Kapar, District of Klang and State of Selangor Darul Ehsan measuring approximately 21284 square metres together with a factory erected thereon and known as Lot 5998, Batu 8, Jalan Kapar, 42200, Selangor Darul Ehsan.

The original cost of the investment and audited net book value as at 31 March 2015 of the property were RM22,836,000 and RM26,000,000 respectively.

Erected on the land is a factory complex which comprises the following:-

- i) A double storey office building
- ii) A single storey factory annexed
- iii) A TNB sub-station
- iv) A refuse chamber; and
- v) A guardhouse

This factory complex has a total built-up area of approximately 80,000 square feet.

2.2 Information of YSISB

YSISB is a company incorporated in Malaysia under the Companies Act 1965, with an authorised share capital of RM5,000,000, comprising of 5,000,000 ordinary shares of RM1.00 each, of which 1,200,000 ordinary shares of RM1.00 each have been issued and fully paid up, and having its business address at Lot 113, Jalan PKNK 2/1, Kawasan Perindustrian Taman Ria, 08000 Sungai Petani, Kedah Darul Aman.

The details of the directors and shareholders of YSISB are listed hereunder:

Directors of YSISB

Teoh Cha Hai (NRIC No.: 550528-07-5403)
Yeoh Kam (NRIC No.: 561219-02-5326)
Teoh Ching Keat (NRIC No.: 830404-07-5723)

Shareholders of YSISB

Teoh Cha Hai (NRIC No.: 550528-07-5403)
Yeoh Kam (NRIC No.: 561219-02-5326)
Teoh Ching Keat (NRIC No.: 830404-07-5723)

The principal activity of YSISB is manufacturing and dealer of all types of metal parts, sheets, steel rods, bars, hardware and building materials.

2.3 Information of LJSB

LJSB is a company incorporated in Malaysia under the Companies Act 1965 and having its business office at No. 102, Batu 1 ½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

The authorised share capital of LJSB is RM20,000,000 comprising of 18,000,000 ordinary shares of RM1.00 each and 200,000,000 Redeemable Non-Cumulative Convertible Preference Shares (RNCCPS) of RM0.01 each, of which 5,000,000 ordinary shares of RM1.00 each and 20,000,000 RNCCPS of RM0.01 each have been issued and fully paid up.

The Principal activity of LJSB was manufacturing and sale of processed glass. Currently it is dormant.

2.4 Basis and justification for the Disposal Consideration

The Disposal Consideration was arrived at on a "willing buyer-willing seller" basis after taking into account the original cost of investment and the market value of the Property. The market value was appraised by Henry Butcher (Sel) Sdn Bhd ("HBM") for the financial year ended 31 March 2015 using the Comparison Method and Cost Method of Valuation. According to HBM's valuation report, the Current Market Value ("MV") may be apportioned as follows:

Land – RM14,250,000.00
Building – RM11,750,000.00
Total MV – RM26,000,000.00

The date of valuation for this subject property by HBM was 11 February 2015.

2.5 Utilisation of the Sale Proceeds

The sale proceeds to be generated from the Proposed Disposal is expected to be utilised for future acquisition of landbank and / or for working capital purposes of the Group.

2.6 Salient Terms and Conditions of the SPA

LJSB has agreed to sell and YSISB has agreed to purchase the Property free from all encumbrances on an 'as is where is' basis with vacant possession, subject to the terms and conditions set out in the SPA.

The Disposal Consideration shall be satisfied in full in the following manner:

- (i) RM520,000 (2% of purchase price) as the earnest deposit;
- (ii) RM2,080,000 as the balance deposit sum upon execution of the SPAs;
- (ii) balance purchase price of 90% or RM23,400,000.00 is to be satisfied within four (4) months from date of the SPA, failing which LJSB shall automatically grant YSISB an extension of two (2) months at interest of eight per centum (8%) per annum to be calculated on a day to day basis on the unpaid portion of the balance purchase price within the extended completion period.

2.7 Assumption of Liabilities

There are no liabilities to be assumed by LTKM Group arising from the Proposed Disposal except for expenses related to the Proposed Disposal.

3.0 RATIONALE FOR THE DISPOSAL

The Property was originally constructed by LJSB for glass manufacturing operation. When LJSB ceased its business operation in the financial year ended 31 March 2012, the Property was subsequently rented out. The Company therefore has no further use for the Property, after the tenant vacated the premises in 2014.

Hence, the Proposed Disposal will allow LTKM to unlock the potential value of the Property and generate cash and increase opportunity for LTKM to acquire strategic land bank in future.

4.0 FINANCIAL EFFECTS OF THE DISPOSAL

4.1 Share Capital and Substantial Shareholders' Shareholdings

There will be no effect on the existing issued and paid-up capital of LTKM and the substantial shareholders' shareholdings in LTKM as the Proposed Disposal of the Property does not involve any issuance of new shares by LTKM.

4.2 Earnings and Earnings per Share ("EPS")

Based on the latest audited net book value of the Property as at 31 March 2015 of RM26 million, the Proposed Disposal is expected to result in no gain no loss except for estimated expenses and tax expense of approximately RM767,200.

4.3 Net Assets ("NA") and Gearing

The proforma effects of the Proposed Disposal on the NA per share and gearing of the Group, based on latest audited consolidated statement of financial position of LTKM as at 31 March 2015 are set out below:

	Audited as at 31 March 2015 RM'000	After Proposed Disposal RM'000
Share capital	43,368	43,368
Share premium	2,467	2,467
Asset revaluation reserve	36,163	36,163
Available-for-sales reserve	5,803	5,803
Retained earnings	133,578	132,811
NA attributable to ordinary shareholders	<u>221,379</u>	<u>220,612</u>
Number of shares in issue ('000)	130,104	130,104
Par value (RM)	0.50	0.50
NA per ordinary share (RM)	1.70	1.70
Cash and bank balances (RM'000)	37,645	62,878 ^(a)
Total borrowings (RM'000)	15,445	15,445
Gearing (times) ^(b)	0.07	0.07

Notes:

- (a) The Disposal Consideration after less expenses of RM767,200 which include professional fees, agents' commission and other incidental expenses in relation to the Proposed Disposal.
- (b) Computed based on total borrowings divided by NA attributable to ordinary shareholders.

5.0 APPROVAL REQUIRED

The Proposed Disposal is not subjected to the approval of the shareholders or any authority.

6.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors, major shareholders and persons connected with the Directors and/or major shareholders of LTKM, have any interest, direct or indirect, in the Proposed Disposal.

7.0 STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of LTKM, after taking into consideration all the relevant facts of the SPA is of the opinion that the SPA is in the best interest of the Company.

8.0 ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed within the quarter ending 30 June 2016.

9.0 HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 11.75%.

10.0 DOCUMENTS FOR INSPECTION

The SPA will be made available for inspection at the registered office of LTKM at Unit 7-02, Level 7, Menara Persoft, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan during normal business 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 5th February 2016.