

**LTKM BERHAD (“LTKM” OR THE “COMPANY”)**

- **PROPOSED ACQUISITIONS BY LTK PROPERTIES SDN BHD (“LTKPSB”) AND LTK DEVELOPMENT SDN BHD (“LTKDSB”), BOTH WHOLLY-OWNED SUBSIDIARIES OF LTKM, OF FOUR (4) ADJOINING PARCELS OF LEASEHOLD LANDS MEASURING IN AGGREGATE APPROXIMATELY 25,837 SQUARE METRES TOGETHER WITH BUILDINGS AND AMENITIES ERECTED THEREON FOR A TOTAL CASH CONSIDERATION OF RM58,403,100 (“PROPOSED ACQUISITIONS”)**
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**1. INTRODUCTION**

On behalf of the Board of Directors of LTKM (“**Board**”), Strategic Capital Advisory Sdn Bhd (“**SCA**”) wishes to announce that LTKM, through its wholly-owned subsidiaries, namely LTKPSB and LTKDSB, have on even date entered into four conditional Sale and Purchase Agreements (“**SPAs**”) to effect the following:-

- (i) Proposed acquisition by LTKPSB of a leasehold land measuring approximately 9,669 square metres known as H.S (M) 20480, PT No. 17040, Tempat Jalan Balakong Serdang, Mukim and District of Petaling, State of Selangor together with a 5-storey office building and two (2) factory buildings (“**Parcel 1**”) from Chip Ngai Engineering Works Sdn Bhd (Co No 10217-A) (“**Chip Ngai**”), a wholly-owned subsidiary of CN Asia Corporation Berhad (“**CN Asia**”), for a cash consideration of RM21,856,200;
- (ii) Proposed acquisition by LTKPSB of a vacant leasehold land measuring approximately 6,559 square metres known as H.S. (M) 20479, PT No. 17041, Tempat Jalan Balakong Serdang, Mukim and District of Petaling, State of Selangor (“**Parcel 2**”) from Douwin Sdn Bhd (Co No 205994-P) (“**Douwin**”), a wholly-owned subsidiary of CN Asia, for a cash consideration of RM14,826,300;
- (iii) Proposed acquisition by LTKDSB of a vacant leasehold land measuring approximately 4,760 square metres known as H.S. (M) 20481, PT No 17042, Tempat Jalan Balakong Serdang, Mukim and District of Petaling, State of Selangor (“**Parcel 3**”) from Crystal Bond Sdn Bhd (Co No 204809-D) (“**Crystal Bond**”) for a cash consideration of RM10,759,700; and
- (iv) Proposed acquisition by LTKDSB of a leasehold land measuring approximately 4,849 square metres known as PM 8925, Lot 1196, Tempat Jalan Balakong Serdang, Pekan Baru Sungai Besi, District of Petaling, State of Selangor together with a single storey factory and a guardhouse (“**Parcel 4**”) from Marvellous Production Sdn Bhd (Co No 251403-V) (“**Marvellous Production**”) for a cash consideration of RM 10,960,900.

*(Collectively the “**Proposed Acquisitions**”. Parcel 1, Parcel 2, Parcel 3 and Parcel 4 are collectively referred to as “**Property**”).*

Further details of the Proposed Acquisitions are set out in the ensuing sections.

## 2. DETAILS OF THE PROPOSED ACQUISITIONS

LTKM, via its wholly-owned subsidiaries, namely LTKPSB and LTKDSB, has entered into the following SPAs:

- (a) SPA dated 13 June 2016 between LTKPSB and Chip Ngai for the purchase by LTKPSB of Parcel 1 from Chip Ngai for a cash consideration of RM21,856,200 (“**SPA 1**”). Pursuant to SPA 1, LTKPSB shall rent Parcel 1 to Chip Ngai for a tenure up to 36 months from the date of completion of SPA 1 for a monthly rental of RM22,000;
- (b) SPA dated 13 June 2016 between LTKPSB and Douwin for the purchase by LTKPSB of Parcel 2 from Douwin, for a cash consideration of RM14,826,300 (“**SPA 2**”). Pursuant to SPA 2, LTKPSB shall rent Parcel 2 to Douwin for a tenure up to 36 months from the date of completion of SPA 2 for a monthly rental of RM8,000;
- (c) SPA dated 13 June 2016 between LTKDSB and Crystal Bond for the purchase by LTKDSB of Parcel 3 from Crystal Bond, for a cash consideration of RM10,759,700 (“**SPA 3**”);
- (d) SPA dated 13 June 2016 between LTKDSB and Marvellous Production for the purchase by LTKDSB of Parcel 4 from Marvellous Production, for a cash consideration of RM10,960,900 (“**SPA 4**”);

The total cash consideration for the Proposed Acquisitions amount to RM58,403,100 (“**Total Consideration**”).

### 2.1 Source of funding

The Total Consideration shall be fully funded by LTKM and its subsidiaries (“**LTKM Group**”) via internally generated funds and/or bank borrowings. The exact mix of the internally generated funds and bank borrowings will be decided by the management at a later stage after taking into consideration the gearing level, interest costs as well as the internal cash requirements for the business operations of the LTKM Group.

### 2.2 Information on the Property

The Property and comprises of four parcels of adjoining lands measuring a total of approximately 25,837 square metres or 6.385 acres, currently occupied by CN Asia, with a postal address of Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor. The buildings and amenities erected on the Property are one 5-storey office building, three (3) single-storey factories, a guardhouse and an open yard.

The Property is located in the heart of Balakong township in Selangor, between the Kajang and Cheras townships. The properties are less than 1.3 kilometres away from the main interchange of Kajang Dispersal Link Expressway (or SILK) and Sungei Besi Highway where it provides easy and immediate access and links from Kuala Lumpur to Cheras, to Kajang and its vicinities namely Seri Kembangan, Bandar Sungai Long, Bandar Mahkota Cheras and Batu 11 Cheras. The link connectivity ie KL-Seremban Highway to Sungai Besi Highway, to SILK and to Cheras-Kajang Highway, was made possible by the well-planned transport infrastructure put in place over the years as local growth become imminent.

Details of the Property are summarised below:

	<u>Parcel 1</u>	<u>Parcel 2</u>	<u>Parcel 3</u>	<u>Parcel 4</u>
Title details	: H.S (M) 20480, PT No. 17040, Tempat Jalan Balakong Serdang, Mukim and District of Petaling, State of Selangor	H.S. (M) 20479, PT No 17041, Tempat Jalan Balakong Serdang, Mukim and District of Petaling, State of Selangor	H.S. (M) 20481, PT No 17042, Tempat Jalan Balakong Serdang, Mukim and District of Petaling, State of Selangor	PM 8925, Lot 1196, Tempat Jalan Balakong Serdang, Pekan Baru Sungai Besi, District of Petaling, State of Selangor
Registered proprietor	: Chip Ngai	Douwin	Crystal Bond	Marvellous Production
Category of land use	: Industrial	Industrial	Industrial	Industrial
Existing use	: A 5-storey office building and two (2) single-storey factory buildings	Vacant land used as an open storage yard	Vacant	A single-storey factory building
Tenure / Approximate age of buildings	: 99 years lease expiring on 11 October 2091 / 22 years	99 years lease expiring on 11 October 2091 / -	99 years lease expiring on 11 October 2091 / 22 years	99 years lease expiring on 11 October 2091 / -
Land area/ Build-up area	: 9,669 square metres / 72,200 square feet	6,559 square metres / -	4,760 square metres / -	4,849 square metres / 20,800 square feet
Encumbrances	: Charged to Public Bank Berhad	Charged to Public Bank Berhad	Nil	Charged to CIMB Bank Berhad
Restriction-in-interest	: <i>"Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri"</i>			
Express conditions	: <i>"i. Tanah yang diberimilik ini hendaklah semata-mata digunakan untuk Perusahaan Ringan. ii. Pemilik hendaklah mengadakan kebersihan dan mengawal kekotoran-kekotoran udara daripada asap-asap, debu-debu, bau-bau, bahan kimia dan sebagainya yang boleh mengancam kesihatan orang ramai. iii. Pemilik tidak dibenarkan membuang atau menyalorkan bahan minyak, sampah-sampah sarap, debu-debu, hampas-hampas, bahan-bahan ubat-ubatan yang mengandungi bahan kimia serta beracun yang boleh mengancam kesihatan dan sebagainya kedalam sungai atau parit-parit. iv. Pemilik hendaklah membuat kerja-kerja mencegah nyamok. v. Pemilik hendaklah menetapkan sekurang-kurangnya 50% daripada pekerja-pekerja yang diambil menjalankan perusahaan ini mestilah orang-orang Bumiputra. vi. Pemilik hendaklah mematuhi kehendak-kehendak Akta Kualiti Alam Sekeliling 1974 (Environmental Quality Act 1974). vii. Pelan-pelan bangunan hendaklah diluluskan oleh Pihak Berkuasa Tempatan."</i>			

## **2.3 Information on the purchasers**

### **2.3.1 LTKPSB**

LTKPSB was incorporated in Malaysia under the Companies Act, 1965 (“Act”) on 28 January 2000. The authorised share capital of LTKPSB is RM400,000 comprising 400,000 ordinary shares of RM1.00 each (“**LTKPSB Shares**”) and the total issued and paid up share capital is RM100,000 comprising 100,000 LTKPSB Shares. Its principal activity is investment property holding.

As at the date of this announcement, the directors of LTKPSB are Datuk Tan Kok and Datin Lim Hooi Tin. LTKPSB is a wholly-owned subsidiary of LTKM.

### **2.3.2 LTKDSB**

LTKDSB was incorporated in Malaysia under the Act on 27 August 2001. The authorised share capital of LTKDSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each all of which are issued and paid up. Its principal activities are property development activities.

As at the date of this announcement, the directors of LTKDSB are Datuk Tan Kok, Datin Lim Hooi Tin and Tan Yee Hou. LTKDSB is a wholly-owned subsidiary of LTKM.

## **2.4 Information on the vendors**

### **2.4.1 Information on Chip Ngai**

Chip Ngai was incorporated in Malaysia under the Act on 5 December 1970. The authorised share capital of Chip Ngai is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each (“**Chip Ngai Shares**”) and the total issued and paid up share capital is RM4,597,940 comprising 4,597,940 Chip Ngai Shares. Its principal activities are manufacturing of tanks and related products, and provision of specialised engineering and fabrication works.

As at the date of this announcement, the directors of Chip Ngai are Ho Cheng San, Angeline Chan Kit Fong and Ariffin bin Khalid. Chip Ngai is a wholly-owned subsidiary of CN Asia.

#### **Information on CN Asia**

CN Asia was incorporated in Malaysia under the Act on 23 August 1996. The authorised share capital of CN Asia is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each (“**CN Asia Shares**”) and the total issued and paid up share capital is RM45,382,500 comprising of 45,382,500 CN Asia Shares.

On 29 May 2015, CN Asia had announced that it has triggered Paragraph 2.1(e) of the Practice Note 17 of the MMLR.

CN Asia is principally engaged in investment holding and providing management services, whilst the principal activities of its subsidiaries include the manufacturing, repairing and renting of transportable containers for hazardous chemicals and those carried out by Chip Ngai.

As at the date of this announcement, the directors of CN Asia are Dato’ Hilmi bin Mohd Noor, Ho Cheng San, Ir. Lee Lam, Chong Ying Choy and Roy Ho Yew Kee. As at 31 March 2016, the substantial shareholders of CN Asia are Ho Cheng San (35.46% direct shareholdings), Charles Ross Mckinnon (9.21%) and CN Asia Engineering Sdn Bhd (5.77%) (*Source: Annual Report 2015 of CN Asia*).

#### 2.4.2 Information on Douwin

Douwin was incorporated in Malaysia under the Act on 10 October 1990. The authorised share capital of Douwin is RM25,000 comprising 25,000 ordinary shares of RM1.00 each (“**Douwin Shares**”) and the total issued and paid up share capital is RM1,000 comprising 1,000 Douwin Shares. Its principal activities is investment property holding.

As at the date of this announcement, the directors of Douwin are Ho Cheng San, Angeline Chan Kit Fong and Ariffin bin Khalid. Chip Ngai is a wholly-owned subsidiary of CN Asia.

#### 2.4.3 Information on Crystal Bond

Crystal Bond was incorporated in Malaysia under the Act on 25 September 1990. The authorised share capital of Crystal Bond is RM25,000 comprising 25,000 ordinary shares of RM1.00 each (“**Crystal Shares**”) and the total issued and paid up share capital is RM1,000 comprising 1,000 Crystal Shares. Its principal activities are [investment property holding].

As at the date of this announcement, the directors of Crystal Bond are Ho Cheng San and Angeline Chan Kit Fong. The shareholders of Crystal Bond are Ho Cheng San (99.9%%) and Angeline Chan Kit Fong (0.1%).

#### 2.4.4 Information on Marvellous Production

Marvellous Production was incorporated in Malaysia under the Act on 21 October 1992. The authorised share capital of Marvellous Production is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each (“**Marvellous Shares**”) and the total issued and paid up share capital is RM2,300,000 comprising 2,300,000 Marvellous Shares. Its principal activities is investment property holding.

As at the date of this announcement, the directors of Marvellous Production are Ho Cheng San and Angeline Chan Kit Fong. The shareholders of Marvellous Production are Ho Cheng San (90%) and Angeline Chan Kit Fong (10%).

#### 2.5 Basis of arriving on the purchase consideration

The Total Consideration was arrived at based on a “willing-buyer willing-seller” basis after taking into consideration the following:-

- (i) the strategic location of the Property which is situated in a growth area that provides investment and development potential in the foreseeable future; and
- (ii) the market values of the Property totalling RM58,410,000 as summarised below:

	<u>Parcel 1</u>	<u>Parcel 2</u>	<u>Parcel 3</u>	<u>Parcel 4</u>
Market value	: RM21,860,000 <sup>(1)</sup>	RM14,830,000 <sup>(1)</sup>	RM10,760,000 <sup>(1)</sup>	RM10,960,000 <sup>(1)</sup>
Date of valuation	: 7 June 2016	7 June 2016	7 June 2016	7 June 2016
Method of valuation	: Comparison Method	Comparison Method	Comparison Method	Comparison Method
Purchase consideration	: RM21,856,200	RM14,826,300	RM10,759,700	RM10,960,900

	<u>Parcel 1</u>	<u>Parcel 2</u>	<u>Parcel 3</u>	<u>Parcel 4</u>
Net book value	: RM11,099,625 as at 31 December 2015	RM2,410,560 as at 31 December 2015	Not available	Not available

Note:

- (1) *Extracted from the valuation certificates dated 8 June 2016 prepared by Henry Butcher Malaysia Sdn Bhd (“Valuer”)*

## 2.6 Salient terms of the SPAs

### 2.6.1 SPA 1

The salient terms of SPA 1 are as follows:

#### (a) The SPA

The sale and purchase of the Parcel 1 is with legal possession and free from all encumbrances but subject to the restrictions in interest (if any) and conditions now or presently expressed or implied on the register document of title at the total purchase price of a sum of RM21,856,200 (“**Purchase Price 1**”).

#### (b) Conditions precedent

- (i) SPA 1 is conditional upon the following conditions being fulfilled within 3 months from its date, or such further period as will be mutually agreed by both parties (“**Conditional Period 1**”):
- (a) Chip Ngai having obtained the letter of consent to transfer Parcel 1 in favour of LTKPSB from the relevant State Authority;
  - (b) Chip Ngai obtaining the approvals from the shareholders of CN Asia; and
  - (c) LTKPSB obtaining its approvals from the shareholders of LTKM.
- (ii) SPA 1 shall only become unconditional on the date where all the Conditions Precedent have been fulfilled (“**Unconditional Date 1**”).

#### (c) Payment of the purchase price

The Purchase Price 1 shall be paid by LTKPSB in the following manner:

- (a) Upon the execution of SPA 1, LTKPSB shall pay a sum of RM2,185,620 which is 10% of the Purchase Price 1 being a security deposit for LTKPSB’s performance of its obligation pursuant to SPA 1 (“**Deposit Sum 1**”) in the following manner:
- (i) RM655,686 being three per cent (3%) of the Purchase Price 1 for the purpose of the Real Property Gains Tax chargeable in respect of Parcel 1 in accordance with Section 21B of the Real Property Gains Tax Act 1976 to LTKPSB’s Solicitors (“**Retention Sum**”); and
  - (ii) RM1,529,934 being seven per cent (7%) of the Purchase Price 1 to Chip Ngai’s solicitors as stakeholders to be released (together with the interest accrued thereon) to Chip Ngai upon the Unconditional Date 1,

the Deposit Sum 1 shall in the event of the completion of the sale and purchase herein form part payment towards the Purchase Price 1.

- (b) Within three (3) months from the Unconditional Date 1 ("**Completion Period 1**"), LTKPSB shall pay the total balance sum of RM19,670,580, being 90% of the Purchase Price 1 ("**Balance Purchase Price 1**") by way of banker's cheque in favour of Chip Ngai to be deposited with Chip Ngai's solicitors as stakeholders save and except where the portion of the Balance Purchase Price 1 is to be utilised to redeem Parcel 1 from the chargee.
- (c) In the event that LTKPSB is unable to pay the Balance Purchase Price 1 within the Completion Period for any reason, Chip Ngai shall grant to LTKPSB an extension of two (2) months from the date of expiry of the Completion Period 1 ("**Extended Completion Period 1**") to pay the outstanding balance with interest calculated at the rate of 8% per annum on a daily basis.

**(d) Default by LTKPSB**

In the event that LTKPSB fails refuses or neglects to pay the Balance Purchase Price under SPA 1, Chip Ngai shall be entitled to terminate SPA 1 by a notice in writing and Deposit Sum 1 (together with interest accrued thereon) shall be forfeited to Chip Ngai absolutely as agreed liquidated damages in accordance with the provisions of SPA 1. Thereafter SPA 1 shall be treated as null and void and cease to have any further effect on either parties.

**(e) Default by Chip Ngai**

In the event that Chip Ngai fails neglects or refuses to complete the sale and purchase of the Parcel 1 or commits fundamental breach under SPA 1, LTKPSB shall be entitled to as follows:

- (i) the remedy of specific performance against Chip Ngai; or
- (ii) to terminate SPA 1 and in which event Chip Ngai shall pay to LTKPSB a sum equivalent to the Deposit Sum 1 as agreed liquidated damages in accordance with the provisions of SPA 1. Thereafter SPA 1 shall be treated as null and void and cease to have any further effect on either parties.

**(f) Conditional upon SPA 2**

- (i) The completion of SPA 1 is subject to the completion of SPA 2.
- (ii) In the event of a termination or non-completion of the SPA 2 due to Douwin's default or completion of the SPA 2 does not take place for any reasons due to Douwin's default, LTKPSB shall be entitled to either:
  - (a) terminate SPA 1 and in which event Chip Ngai shall pay to LTKPSB a sum equivalent to the Deposit Sum 1 as agreed liquidated damages and pay for all the cost and expense to re-transfer Parcel 1 to Chip Ngai if the transfer of Parcel 1 has been registered in favour of LTKPSB; or
  - (b) continue with SPA 1.
- (iii) In the event of a termination or non-completion of SPA 2 where there is no default, wilful neglect, omission or blameworthy conduct on the part of the parties hereto, then either party shall be entitled to terminate SPA 1 by written notice in accordance with the provisions of the SPA 1. Thereafter SPA 1 shall be treated as null and void and cease to have any further effect on either parties.

**(g) Other salient terms**

Upon completion of SPA 1, legal possession of Parcel 1 shall be deemed to be delivered to LTKPSB and LTKPSB shall let the same to Chip Ngai for a tenure up to 36 months for a monthly rental of RM22,000 for Chip Ngai's existing operation and relocation plan.

**2.6.2 SPA 2**

The salient terms of SPA 2 are as follows:

**(a) The SPA**

The sale and purchase of the Parcel 2 is with legal possession and free from all encumbrances but subject to the restrictions in interest (if any) and conditions now or presently expressed or implied on the register document of title at the total purchase price of a sum of RM14,826,300 ("**Purchase Price 2**").

**(b) Conditions precedent**

(i) SPA 2 is conditional upon the following conditions being fulfilled within 3 months from its date, or such further period as will be mutually agreed by both parties ("**Conditional Period 2**"):

- (a) Douwin having obtained the letter of consent to transfer Parcel 2 in favour of LTKPSB from the relevant State Authority;
- (b) Douwin obtaining the approvals from the shareholders of CN Asia; and
- (c) LTKPSB obtaining approvals from the shareholders of LTKM.

(ii) SPA 2 shall only become unconditional on the date where all the Conditions Precedent have been fulfilled ("**Unconditional Date 2**").

**(c) Payment of the purchase price**

The Purchase Price 2 shall be paid by LTKPSB in the following manner:

(a) Upon the execution of SPA 2, LTKPSB shall pay a sum of RM1,482,630, which is 10% of the Purchase Price 2 being a security deposit for LTKPSB's performance of its obligation pursuant to SPA 2 ("**Deposit Sum 2**") in the following manner:

- (i) RM444,789, being three per cent (3%) of the Purchase Price 2 for the purpose of the Real Property Gains Tax chargeable in respect of Parcel 1 in accordance with Section 21B of the Real Property Gains Tax Act 1976 to LTKPSB's Solicitors ("**Retention Sum**"); and
- (ii) RM1,037,841 being seven per cent (7%) of the Purchase Price 2 to Douwin's solicitors as stakeholders to be released (together with the interest accrued thereon) to Douwin upon the Unconditional Date 2,

the Deposit Sum shall in the event of the completion of the sale and purchase herein form part payment towards the Purchase Price 2.

(b) Within three (3) months from the Unconditional Date 2 ("**Completion Period 2**"), LTKPSB shall pay the total balance sum of RM13,343,670, being 90% of the Purchase Price 2 ("**Balance Purchase Price 2**") by way of banker's cheque in favour of Douwin to be deposited with Douwin's solicitors as stakeholders save and except where the portion of the Balance Purchase Price 2 is to be utilised to redeem Parcel 2 from the chargee.



- (c) In the event that LTKPSB is unable to pay the Balance Purchase Price 2 within the Completion Period for any reason, shall grant to LTKPSB an extension of two (2) months from the date of expiry of the Completion Period ("**Extended Completion Period**") to pay the outstanding balance with interest calculated at the rate of 8% per annum on a daily basis.

**(d) Default by LTKPSB**

In the event that LTKPSB fails refuses or neglects to pay the Balance Purchase Price under SPA 2, Douwin shall be entitled to terminate the SPA 2 by a notice in writing and the Deposit Sum 2 (together with interest accrued thereon) shall be forfeited to Douwin absolutely as agreed liquidated damages in accordance with the provisions of the SPA 2. Thereafter SPA 2 shall be treated as null and void and cease to have any further effect on either parties.

**(e) Default by Douwin**

In the event that Douwin fails neglects or refuses to complete the sale and purchase of the Parcel 2 or commits fundamental breach under in SPA 2, LTKPSB shall be entitled to as follows:

- (i) the remedy of specific performance against Douwin; or
- (ii) to terminate SPA 2 and in which event Douwin shall pay to LTKPSB a sum equivalent to the Deposit Sum 2 as agreed liquidated damages in accordance with the provisions of the SPA 2. Thereafter SPA 2 shall be treated as null and void and cease to have any further effect on either parties.

**(f) Conditional upon SPA 1**

- (i) The completion of SPA 2 is subject to the completion of SPA 1
- (ii) In the event of a termination of SPA 1 for any reasons due to Chip Ngai's default or completion of the SPA 1 does not take place for any reasons due to Chip Ngai's default, LTKPSB shall be entitled to either:
- (a) terminate SPA 2 and in which event Douwin shall pay to LTKPSB a sum equivalent to the Deposit Sum 2 as agreed liquidated damages and pay for all the cost and expense to re-transfer Parcel 2 to Douwin if the transfer of Parcel 2 has been registered in favour of LTKPSB; or
- (b) continue with SPA 2.
- (iii) In the event of a termination or non-completion of SPA 1 where there is no default, wilful neglect, omission or blameworthy conduct on the part of the parties hereto, then either party shall be entitled to terminate SPA 2 by written notice in accordance with the provisions of the SPA 2. Thereafter SPA 2 shall be treated as null and void and cease to have any further effect on either parties.

**(g) Other salient terms**

Upon completion of SPA 2, legal possession of Parcel 2 shall be deemed to be delivered to LTKPSB and LTKPSB shall let the same to Douwin for a tenure up to 36 months for a monthly rental of RM8,000 for Douwin's existing operation and relocation plan.

### 2.6.3 SPA 3

The salient terms of SPA 3 are as follows:

**(a) The SPA**

The sale and purchase of the Parcel 3 is with vacant possession and free from all encumbrances but subject to the restrictions in interest (if any) and conditions now or presently expressed or implied on the register document of title at the total purchase price of a sum of RM10,759,700 ("**Purchase Price 3**").

**(b) Conditions precedent**

- (i) SPA 3 is conditional upon the following conditions being fulfilled within 3 months from its date, or such further period as will be mutually agreed by both parties ("**Conditional Period 3**"):
  - (a) Crystal Bond having obtained the letter of consent to transfer Parcel 3 in favour of LTKDSB from the relevant State Authority; and
  - (b) LTKDSB obtaining approvals from the shareholders of LTKM.
- (ii) SPA 3 shall only become unconditional upon on the date where all the Conditions Precedent have been fulfilled. ("**Unconditional Date 3**").

**(c) Payment of the purchase price**

The Purchase Price 3 shall be paid by LTKDSB in the following manner:

- (a) Upon the execution of SPA 3, LTKDSB shall pay a sum of RM1,075,970, which is 10% of the Purchase Price 3 being a security deposit for LTKDSB's performance of its obligation pursuant to SPA 3 ("**Deposit Sum 3**") in the following manner:
  - (i) RM322,791, being three per cent (3%) of the Purchase Price 3 for the purpose of the Real Property Gains Tax chargeable in respect of Parcel 1 in accordance with Section 21B of the Real Property Gains Tax Act 1976 to LTKDSB's Solicitors ("**Retention Sum**"); and
  - (ii) RM753,179, being seven per cent (7%) of the Purchase Price 3 to Crystal Bond's solicitors as stakeholders to be released (together with the interest accrued thereon) to Crystal Bond upon the Unconditional Date 3,the Deposit Sum shall in the event of the completion of the sale and purchase herein form part payment towards the Purchase Price 3.
- (b) Within three (3) months from the Unconditional Date 3 ("**Completion Period 3**"), LTKDSB shall pay the total balance sum of RM9,683,730, being 90% of the Purchase Price 3 ("**Balance Purchase Price 3**") by way of banker's cheque in favour of Crystal Bond to be deposited with Crystal Bond's solicitors as stakeholders.
- (c) In the event that LTKDSB is unable to pay the Balance Purchase Price 3 within the Completion Period for any reason, shall grant to LTKDSB an extension of two (2) months from the date of expiry of the Completion Period ("**Extended Completion Period**") to pay outstanding balance with interest calculated at the rate of 8% per annum on a daily basis.

**(d) Default by LTKDSB**

In the event that LTKDSB fails refuses or neglects to pay the Balance Purchase Price under SPA 3, Crystal Bond shall be entitled to terminate the SPA 3 by a notice in writing and the Deposit Sum 3 (together with interest accrued thereon) shall be forfeited to Crystal Bond absolutely as agreed liquidated damages in accordance with the provisions of the SPA 3. Thereafter SPA 3 shall be treated as null and void and cease to have any further effect on either parties.

**(e) Default of Crystal Bond**

In the event that Crystal Bond fails neglects or refuses to complete the sale and purchase of the Parcel 3 or commits fundamental breach in SPA 3, LTKDSB shall be entitled to as follows:

- (i) the remedy of specific performance against Crystal Bond; or
- (ii) to terminate SPA 3 and in which event Crystal Bond shall pay to LTKDSB a sum equivalent to the Deposit Sum 3 as agreed liquidated damages in accordance with the provisions of the SPA 3. Thereafter SPA 3 shall be treated as null and void and cease to have any further effect on either parties.

**(f) Conditional upon SPA 4**

- (i) The completion of SPA 3 is subject to the completion of SPA 4.
- (ii) In the event of a termination of SPA 4 for any reasons due to Marvellous Production's default or completion of the SPA 4 does not take place for any reasons due to Marvellous Production's default, LTKDSB shall be entitled to either:
  - (a) terminate SPA 3 and in which event Crystal Bond shall pay to LTKDSB a sum equivalent to the Deposit Sum 4 as agreed liquidated damages and pay for all the cost and expense to re-transfer Parcel 3 to Crystal Bond if the transfer of Parcel 3 has been registered in favour of LTKDSB; or
  - (b) continue with SPA 3.
- (iii) In the event of a termination or non-completion of SPA 4 where there is no default, wilful neglect, omission or blameworthy conduct on the part of the parties hereto, then either party shall be entitled to terminate SPA 3 by written notice in accordance with the provisions of the SPA 3. Thereafter SPA 3 shall be treated as null and void and cease to have any further effect on either parties.

**2.6.4 SPA 4**

The salient terms of SPA 4 are as follows:

**(a) The SPA**

The sale and purchase of the Parcel 4 is with vacant possession and free from all encumbrances but subject to the restrictions in interest (if any) and conditions now or presently expressed or implied on the register document of title at the total purchase price of a sum of RM10,960,900.00 ("**Purchase Price 4**").

**(b) Conditions precedent**

- (i) SPA 4 is conditional upon the following conditions being fulfilled within 3 months from its date, or such further period as will be mutually agreed by both parties ("**Conditional Period 4**"):

- (a) Marvellous Production having obtained the letter of consent to transfer Parcel 4 in favour of LTKDSB from the relevant State Authority; and
  - (b) LTKDSB obtaining approval from the shareholders of LTKM.
- (ii) SPA 4 shall only become unconditional on the date where all the Conditions Precedent have been fulfilled ("**Unconditional Date 4**").

**(c) Payment of the purchase price**

The Purchase Price 4 shall be paid by LTKDSB in the following manner:

- (a) Upon the execution of SPA 4, LTKDSB shall pay a sum of RM1,096,090, which is 10% of the Purchase Price 4 being a security deposit for LTKDSB's performance of its obligation pursuant to SPA 4 ("**Deposit Sum 4**") in the following manner:
  - (i) RM328,827, being three per cent (3%) of the Purchase Price 4 for the purpose of the Real Property Gains Tax chargeable in respect of Parcel 1 in accordance with Section 21B of the Real Property Gains Tax Act 1976 to LTKDSB's Solicitors ("**Retention Sum**"); and
  - (ii) RM767,263 being seven per cent (7%) of the Purchase Price 4 to Marvellous Production's solicitors as stakeholders to be released (together with the interest accrued thereon) to Marvellous Production upon the Unconditional Date 4,

the Deposit Sum shall in the event of the completion of the sale and purchase herein form part payment towards the Purchase Price 4.

- (b) Within three (3) months from the Unconditional Date 4 ("**Completion Period 4**"), LTKDSB shall pay the total balance sum of RM9,864,810, being 90% of the Purchase Price 4 ("**Balance Purchase Price 4**") by way of banker's cheque in favour of Marvellous Production to be deposited with Marvellous Production's solicitors as stakeholders save and except where the portion of the Balance Purchase Price 4 is to be utilised to redeem Parcel 4 from the chargee.
- (c) In the event that LTKDSB is unable to pay the Balance Purchase Price 4 within the Completion Period for any reason, shall grant to LTKDSB an extension of two (2) months from the date of expiry of the Completion Period ("**Extended Completion Period**") to pay the outstanding balance with interest calculated at the rate of 8% per annum on a daily basis.

**(d) Default by LTKDSB**

In the event that LTKDSB fails refuses or neglects to pay the Balance Purchase Price under SPA 4, Marvellous Production shall be entitled to terminate the SPA 4 by a notice in writing and the Deposit Sum 4 (together with interest accrued thereon) shall be forfeited to Marvellous Production absolutely as agreed liquidated damages in accordance with the provisions of the SPA 4. Thereafter SPA 4 shall be treated as null and void and cease to have any further effect on either parties.

**(e) Default by Marvellous Production**

In the event that Marvellous fails neglects or refuses to complete the sale and purchase of the Parcel 4 or commits fundamental breach under SPA 4, LTKDSB shall be entitled to as follows:

- (i) the remedy of specific performance against Marvellous Production ; or

- (ii) to terminate SPA 4 and in which event Marvellous Production shall pay to LTKDSB a sum equivalent to the Deposit Sum 4 as agreed liquidated damages in accordance with the provisions of the SPA 4. Thereafter SPA 4 shall be treated as null and void and cease to have any further effect on either parties.

**(f) Conditional upon SPA 3**

- (i) The completion of SPA 4 is subject to the completion SPA 3.
- (ii) In the event of a termination of SPA 3 for any reasons due to Crystal Bond's default or completion of the SPA 3 does not take place for any reasons due to Crystal Bond's default, LTKDSB shall be entitled to either:
  - (a) terminate SPA 4 and in which event Crystal Bond shall pay to LTKDSB a sum equivalent to the Deposit Sum as agreed liquidated damages and pay for all the cost and expense to re-transfer Parcel 4 to Crystal Bond if the transfer of Parcel 4 has been registered in favour of LTKDSB; or
  - (b) continue with SPA 4.
- (iii) In the event of a termination or non-completion of SPA 3 where there is no default, wilful neglect, omission or blameworthy conduct on the part of the parties hereto, then either party shall be entitled to terminate SPA 4 by written notice in accordance with the provisions of the SPA 4. Thereafter SPA 4 shall be treated as null and void and cease to have any further effect on either parties.

**2.7 Liabilities to be assumed and estimated financial commitments pursuant to the Proposed Acquisitions**

LTKM Group will not assume any additional liabilities (including contingent liabilities and guarantees (if any) under the Proposed Acquisitions.

**3. RATIONALE FOR THE PROPOSED ACQUISITIONS**

The Property is situated in a very strategic location in the Balakong township. The Property not only has easy and immediate access and links to nearby vicinities but it is also a close proximity to major shopping mall, 5-star hotels, corporate offices, medical centre, and international school. Coupled with well-planned transportation infrastructure and amenities, the surrounding exhibits growth and supply of residences such as The Heritage Residence, BluWater Luxury Link Villas, and the latest Senja superb residences.

While the Property benefits from more than 300 metres wide frontage, the combined four adjoining parcels of lands give an approximate aggregate 6.4 acres of area for development potentials in the future. Potential development may include medium to high range residential and commercial buildings.

As part of the continual search for investment opportunities, the Board identified the Property as prime and an ideal acquisition and accumulation of strategic land bank that ultimately enhances its shareholders' values.

## 4. OVERVIEW AND PROSPECTS

### 4.1 Malaysia economy

In the first quarter of 2016, the global economy expanded moderately against a backdrop of high financial market volatility. The advanced economies continued to register modest improvements, as the pace of growth remained constrained by crisis-related legacies, including high indebtedness and labour market slack. In Asia, economic activity expanded at a more moderate pace due in part to the weakness in exports. Amid these developments, several economies adopted more stimulus to support growth.

The Malaysian economy expanded by 4.2% in the first quarter of 2016 (4Q 2015: 4.5%). The slight moderation in growth mainly reflected external shocks to the economy and cautious spending by the private sector. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on quarter seasonally-adjusted basis, the economy recorded a growth of 1.0% (4Q 2015: 1.2%).

*(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2016, Bank Negara Malaysia (“BNM”))*

The Malaysian economy grew by 5.0% in 2015 (2014: 6.0%), supported by the continued expansion of domestic demand (2015: 5.1%, 2014: 5.9%). Domestic demand was primarily driven by the private sector. Modest improvements in external demand in the second half of the year also provided additional impetus to economic growth.

Private consumption continued to expand, albeit at a more moderate pace as households adjusted their spending to the higher cost of living arising from the implementation of Goods and Services Tax (GST), adjustments in administrative prices, and the depreciation in the ringgit. Nevertheless, households received some support from the higher cash transfers under the Bantuan Rakyat 1Malaysia (BR1M) scheme, the reduction in individual income tax rates for the 2015 assessment year and savings derived from lower domestic fuel prices during the year. Household spending was also supported by continued income growth and stable labour market conditions. Public consumption recorded a sustained growth of 4.3% in 2015 (2014: 4.4%), reflecting the continued efforts by the Government to provide support to growth, while remaining committed to the steady reduction in the fiscal deficit.

*(Source: Annual Report 2015, BNM)*

### 4.2 Prospect of the property market in Malaysia

#### **Property Market Activity**

Market volume recorded at 362,105 transactions worth RM149.9 billion in 2015, down by a marginal 5.7% in volume and 8.0% in value against 2014. Residential sub-sector continued to lead the overall market, with 65.2% contribution in volume and 49.0% in value. The sub-sector recorded a slight downturn by 4.6% in volume and correspondingly down in value by 10.5%. The commercial, industrial, agriculture and development land sub-sectors were also on moderating path, down by 10.6%, 13.0%, 7.5% and 2.4% respectively.

#### **Residential Property**

There were 235,967 transactions worth RM73.47 billion recorded in the review period, declined by 4.6% in volume and 10.5% in value. Performance by states was generally on a low tone. Major states namely Johor and Pulau Pinang recorded mark declines in market activity, down by 20.4% and 16.9% respectively whilst Kuala Lumpur and Selangor recorded moderate declines of 8.3% and 5.1% respectively.

In line with market softening and bleak households' sentiment, the primary market reacted accordingly as the number of new launches reduced to 70,273 units, down by 19.2% against 2014 (86,997 units). Most states particularly the major ones namely Johor and Pulau Pinang saw substantial declines in their new launches, each down by 42.8% (9,428 units) and 47.5% (2,348 units). The overall sales performance for the country hovered at 41.4% (29,089 units sold), lower than 45.4% (39,491 units sold) performance in 2014.

The residential overhang situation took a downturn as more units were recorded. There were 11,316 overhang units worth RM5.9 billion, up by 16.3% in volume and 56.0% in value. Johor which held 21.9% of the national overhang, saw its overhang increased to 2,483 units, up by 8.5% due to higher unsold in terrace and service apartment types. On similar trend, the unsold under construction recorded an increase of 28.6% to 68,760 units due to large numbers of unsold condominium and service apartment units. The fewer number of new launches partly helped contain the unsold not constructed, down by 20.5% to 10,704 units.

### ***Commercial Property***

There were 31,776 transactions worth RM26.4 billion recorded, down by 10.6% in volume and 17.1% in value. Major states recorded lacklustre performance with Johor recording the highest decrease of 21.9%, followed by WPKL at 15.0%, Selangor at 11.1% and Pulau Pinang at 10.7%. In terms of transactions value, only Pulau Pinang held strong with an increase of 19.0% despite fallen market activity whilst the other major states succumbed to double-digit declines.

### **2016 Outlook**

The economic and financial environment, both local and global, will be even more challenging in 2016. This has led to the recalibration of 2016 Annual Budget in order to ensure that our country remain firm to brave the forthcoming uncertainties.

### ***Residential Property Sub-sector***

The residential sub-sector is expected to experience further softening in 2016 in view of the various internal and external uncertainties foreseeable in the coming year.

Issues on affordable housing and affordability of home purchasers will continue to top the national agenda. The measure announced in budget recalibration, that states all new housing projects priced up to RM300,000 be limited to first-time house buyers.

### ***Commercial Property Sub-Sector***

The commercial sub-sector is expected to be equally or more challenging in comparison to residential sub-sector.

The retail sector is likely to moderate as cautious sentiment on consumers' spending lingers at the onset of increasing costs of living. The performance of hypermarkets looks more positive due to nature of goods sold in these premises i.e. necessity goods.

The performance of office market is expected to plateau. Downward pressure on rental may be felt by buildings, particularly those with tenants that are related to oil and gas industry. At the same time, the ample office space supply should send some cautionary signals to the authority before approving new developments.

The leisure sub-sector is expected to remain positive. The allocation of RM1.2 billion to the Ministry of Tourism and Culture to implement programmes and events to achieve the targeted tourist at 30.5 million in 2016 may help support the sub-sector i.e. hotel industry.

## **Conclusion**

Property sector will be able to endure this challenging period with adjustments and corrections expected from both the demand and supply side. Although property sector may see moderation in market activity, the slowdown would still be manageable.

Several infrastructure projects i.e. public transport networks are game-changers that would help boost values in areas where the networks run. These are:

Public Transport Network	Completion / Commencement
LRT line Ampang – Putra Height	Completion March 2016
LRT line Kelana Jaya – Putra Height	Completion Mid-2016
MRT Sg Buloh - Semantan	Completion December 2016
MRT II from Sg Buloh – Serdang - Putrajaya	Commence 2016 / Completion 2022
LRT 3 linking Bandar Utama to Shah Alam and Klang	Commence 2016 / Completion 2020
High-Speed Rail	In negotiation
Pan-Borneo	Completion 2021

*(Source: Press Release, Malaysian Property Market 2015, National Property Information Centre (NAPIC), Valuation & Property Services Department (JPPH), Ministry of Finance Malaysia)*

### **4.3 Prospects of the Property and Risk Factors**

LTKM Group is of the view that the Property is located in a prime area and the LTKM Group envisages that the prospects for the Proposed Acquisitions is positive in the long term. The LTKM Group is not aware of any risk factors arising from the Proposed Acquisitions other than the normal market risks and the economic outlook of Malaysia.

## **5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS**

### **5.1 Share capital**

The Proposed Acquisitions will not have any effect on the issued and paid-up share capital of the Company.

### **5.2 Earnings and Earnings per share (“EPS”)**

The Proposed Acquisitions are not expected to have any immediate material impact on the consolidated earnings and EPS of the LTKM Group for the financial year ending 31 December 2017 given the expected completion date of the Proposed Acquisitions

### **5.3 Substantial shareholders’ shareholdings**

The Proposed Acquisitions will not have any effect on the substantial shareholders’ shareholdings in LTKM.



## 5.4 Net assets (“NA”) and gearing

The pro forma effects of the Proposed Acquisitions on the NA and gearing of LTKM Group, based on the latest audited consolidated statement of financial position of LTKM Group as at 31 March 2015 and the assumption that the Proposed Acquisitions was effected on 31 March 2015 is set out below:

		I	II	III
	Audited as at 31 March 2015 RM'000	After proposed acquisition of Jalan Puchong land <sup>(1)</sup> RM'000	After I and proposed disposal of Kapar Property <sup>(2)</sup> RM'000	After II and the Proposed Acquisitions RM'000
Share capital	43,368	43,368	43,368	43,368
Share premium	2,467	2,467	2,467	2,467
Asset revaluation reserve	36,163	36,163	36,163	36,163
Available-for-sale reserve	5,803	5,803	5,803	5,803
Retained profits	133,578	133,578	132,811	132,811
NA attributable to ordinary shareholders	221,379	221,379	220,612	220,612
Number of shares in issue (‘000)	130,104	130,104	130,104	130,104
Par value (RM)	0.50	0.50	0.50	0.50
NA per ordinary share (RM)	1.70	1.70	1.70	1.70
Cash and bank balances (RM'000)	37,645	25,670	50,903	22,042 <sup>(a)(b)</sup>
Total borrowings (RM'000)	15,445	31,907	31,907	66,949 <sup>(a)</sup>
Gearing	0.07	0.14	0.14	0.30

Notes:-

- (1) Proposed acquisition of a parcel of freehold land held under GM62 Lot 1402, Jalan Puchong of Mukim Petaling, Kuala Lumpur measuring 7,841 square metres by LTK (Melaka) Sdn Bhd, a wholly-owned subsidiary of LTKM for a purchase consideration of RM27,436,700 as announced on 21 January 2016. The proforma effect has been prepared based on 60% of the consideration being funded by bank borrowings and an associated cost of RM1.0 million included therein.
- (2) Proposed disposal by Lumi Jaya Sdn. Bhd., a wholly-owned subsidiary of LTKM, of a property situated at Mukim of Kapar, District of Klang and State of Selangor Darul Ehsan to Yetta Steel Industries Sdn. Bhd. for a consideration of RM26,000,000 as announced on 5 February 2016.
- (a) The Total Consideration is expected to be funded by both internally-generated funds and/or bank borrowings, the breakdown of which has yet to be determined at this juncture. For illustration purpose only, the pro forma effect above has been prepared assuming the Total Consideration is 60% funded by bank borrowings.
- (b) The estimated expenses for the Proposed Acquisitions is RM5.50 million, which include GST, professional fees, memorandum of transfer fees, application and registration fees to the authorities, as well as other incidental and miscellaneous expenses in relation to the Proposed Acquisition.
- (c) Computed based on total borrowings divided by total NA attributable to ordinary shareholders.

## 5.5 Convertible securities

As at the date of this announcement, LTKM does not have any convertible securities in issue.

## **5.6 Dividends**

Any potential effect of the Proposed Acquisitions on the dividends to be declared for the future financial years will be dependent on the dividend rate to be determined after taking into consideration the financial performance of the LTKM Group.

## **6. APPROVALS REQUIRED**

The Proposed Acquisitions are subject to the approvals being obtained from the following:

- (i) shareholders at an EGM of the Company to be convened for the Proposed Acquisitions;
- (ii) Selangor State Land authority for the transfer of titles of Property pursuant to the Proposed Acquisitions; and
- (iii) any other relevant authorities, if required.

## **7. INTER-CONDITIONALITY**

The proposed acquisitions of Parcel 1 and Parcel 2 are inter-conditional. The proposed acquisitions of Parcel 3 and Parcel 4 are inter-conditional.

The Proposed Acquisitions, collectively, are not conditional or inter-conditional upon other corporate proposal undertaken or to be undertaken by LTKM, if any.

## **8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Proposed Acquisitions.

## **9. PERCENTAGE RATIOS**

The highest percentage ratio for the Proposed Acquisitions pursuant to paragraph 10.02(g) of the MMLR, based on the latest audited consolidated financial statements of LTKM Group for the financial year ended 31 March 2015, is 26.39%, being the Total Consideration compared with the NA of the LTKM Group.

## **10. STATEMENT BY THE BOARD**

The Board having considered all aspects of the Proposed Acquisitions including the terms and conditions of the SPAs, the market value of the Property as appraised by the Valuer, the rationale for the Proposed Acquisitions, prospects of the Property and the effects of the Proposed Acquisitions on the LTKM Group, is of the opinion that the Proposed Acquisitions are in the best interest of the LTKM Group.

## **11. ADVISER**

SCA has been appointed to act as the Adviser to the Company for the Proposed Acquisitions.

**12. APPLICATION TO THE AUTHORITIES**

Barring unforeseen circumstances, the relevant applications to the authorities are targeted to be made within two (2) months from the date of this announcement.

**13. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the completion of the Proposed Acquisitions is expected to take place in the second half of the financial year ending 31 March 2017.

**14. DOCUMENTS FOR INSPECTION**

The SPAs and the Valuation Certificates are available for inspection at the registered office of LTKM at the registered office of the Company at Unit 07-02, Level 7, Persoft Tower 6B Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 13 June 2016.