

## LTKM BERHAD (“LTKM” OR “COMPANY”)

### PROPOSED ACQUISITION OF A PARCEL OF FREEHOLD LAND HELD UNDER GM62 LOT 1402, 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 (“PROPOSED ACQUISITION OF LAND”)

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#### 1. INTRODUCTION

On behalf of the Board of Directors of LTKM (“Board”), MIDF Amanah Investment Bank Berhad (“MIDF Investment”) is pleased to announce that LTK (Melaka) Sdn Bhd (“LTK Melaka” or the “Purchaser”), a wholly owned subsidiary of LTKM had, on 21 January 2016 entered into a sale and purchase agreement with the landowners of a parcel of freehold land held under GM62 Lot 1402, Mukim Petaling, Kuala Lumpur measuring 7,841 square metres (“the Land”) to acquire the Land for a purchase consideration of RM27,436,700 to be fully settled in cash (“SPA”).

#### 2. DETAILS OF THE PROPOSED ACQUISITION OF LAND

##### 2.1 Details of the Proposed Acquisition of Land

A summary of information of the Land is set out below:

Registered owner	: Vendors (as set out in Section 3.2 below)
Location	: GM62 Lot 1402, Jalan Puchong of Mukim Petaling, district of Federal Territory of Kuala Lumpur
Tenure	: Freehold
Category of land use	: Not stated
Express Condition	: Nature of Cultivation – Fruit Trees
Restriction in interest	: Not stated
Land area	: 7,841 square metres (or 1.94 acres)
Accessibility	: It is accessible via Old Klang Road and Jalan Puchong
Encumbrances/Caveat/ Legal Charge	: Two (2) legal charges under presentation number 1974/2009 and 7772/2010 created by the 4 <sup>th</sup> Vendor (as set out herein) in favour of RHB Bank Berhad (“Chargee”) over his undivided 16/84 share of the Land (“4 <sup>th</sup> Vendor’s Land”) (“Charges”)

*(Source: Valuation certificate dated 5 January 2016 and private title search dated 15 January 2016)*

The Land will be acquired in its existing physical condition on an “*as-is-where-is*” basis with vacant possession (free from squatters) and subject to its title being free from all encumbrances and registerable but subject to the conditions and restrictions in the document of titles presently expressed or implied, and the terms and conditions specified in the SPA.

## **2.2 Basis and Justification of arriving at the Purchase Consideration**

The purchase consideration of RM27,436,700 for the Land (“Purchase Consideration”) was arrived on a “*willing buyer-willing seller*” basis after taking into consideration the market value of the Land of RM27,440,000 (“Market Value”) based on the valuation certificate dated 5 January 2016 (“Valuation Certificate”) issued by an independent registered valuer, Laurelcap Sdn Bhd (“Laurelcap” or the “Valuer”). The Valuer has employed the Comparison Method as the only valuation approach to arrive at the Market Value.

## **2.3 Source of Funding**

LTKM intends to fund the Proposed Acquisition of Land through 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 and its subsidiaries (“LTKM Group” or the “Group”).

## **2.4 Assumption of Liabilities**

There are no liabilities, including contingent liabilities and guarantees, to be assumed by LTKM Group arising from the Proposed Acquisition of Land.

# **3. BACKGROUND INFORMATION**

## **3.1 LTK Melaka**

LTK Melaka (Company No.: 156852-X), a wholly owned subsidiary of LTKM is a private limited company incorporated in Malaysia under the Companies Act, 1965 (“Act”) on 16 October 1986. LTK Melaka is principally engaged in the operation of a poultry farm for production and sale of chicken eggs.

The authorised share capital of LTK Melaka is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The directors of LTK Melaka are Datuk Tan Kok, Datin Lim Hooi Tin, Lee Chee Gaip, Kok Chew Heng, and Loo Eng Seng.

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### 3.2 The Vendors

The vendors for the Land are as follows:

- (i) CF Import Auto Sdn Bhd (Company No.: 354867-U) (“CFIA”), a private limited company incorporated in Malaysia under the Act on 11 August 1995 and having its registered office at 568-10-24, 10<sup>th</sup> Floor, Kompleks Mutiara, Jalan Ipoh, 51200 Kuala Lumpur. CFIA is the registered and beneficial owner of 1/2 undivided share in the Land (“1st Vendor”).

CFIA is principally engaged in the trading of motor vehicles. The authorised share capital of CFIA is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up.

The directors of CFIA are Wong Sim Pah, Wong Thiam Min, and Lee Cheng Teak.

The shareholders of CFIA are Wong Sim Pah, Wong Sing Sang, and Wong Thiam Min, each owns 33.33% of the issued and paid-up share capital of CFIA respectively;

- (ii) Syarikat Kwong Nam Hing Sdn Bhd (Company No.:14600-T) (“SKNH”), a private limited company incorporated in Malaysia under the Act on 4 June 1973 and having its registered office at Unit C, Tingkat 11, Wisma Pahlawan, Jalan Sultan Sulaiman, 50000 Kuala Lumpur. SKNH is the registered and beneficial owner of 20/84 undivided share in the Land (“2<sup>nd</sup> Vendor”).

SKNH is principally engaged in the dealing and supplying of hardware, building materials and similar products. The authorised share capital of SKNH is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which RM3,254,443 comprising 3,254,443 ordinary shares of RM1.00 each have been issued and fully paid-up.

The directors of SKNH are Yap Ming @ Yap Chi Ming, Toh Yew Peng, Wong Siak Cheong, Yap Keen Wah, and Yip Chee Yuen.

The substantial shareholders of SKNH are Yap Khai Chun & Sons Realty Sdn Bhd, Yap Ming @ Yap Chi Ming, Logam Indah Sdn Bhd, and Estate of Yip Siew Min (deceased), each owns 28.99%, 9.66%, 8.78% and 7.62% of the issued and paid-up share capital of SKNH respectively;

- (iii) Choong Siew Kwan (NRIC No.: 260527-71-5098), a Malaysian citizen of full age of No. 12, Jalan Perisa, Taman Bukit Indah, Off Jalan Kelang Lama, 58200 Kuala Lumpur, Wilayah Persekutuan. (“3<sup>rd</sup> Vendor”). The 3<sup>rd</sup> Vendor is the registered and beneficial owner of 6/84 undivided share in the Land;
- (iv) Yang Yong Chong (NRIC No.:520620-10-6017), a Malaysian citizen of full age of No. 7, Jalan Desa Permai, Taman Desa, 58100 Kuala Lumpur, Wilayah Persekutuan (“4<sup>th</sup> Vendor”). The 4<sup>th</sup> Vendor is the registered and beneficial owner of 16/84 undivided share in the Land.

(collectively to be referred to as the “Vendors”)

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

The salient terms of the SPA include *inter-alia*, the following:

- (i) Terms of Payment : The Purchase Consideration shall be satisfied in the following manner:
  - (i) the deposit of RM548,734.00 which is equivalent to two per centum (2%) of the Purchase Consideration was paid to the Vendor's solicitors on 20 October 2015 prior to the execution of the SPA;
  - (ii) the deposit of RM2,194,936.00 which is equivalent to eight per centum (8%) of the Purchase Consideration was paid by the Purchaser upon the Vendors' execution of the SPA as follows:
    - (a) RM621,819.00 which is for the purpose of the Real Property Gains Tax chargeable in respect on the sale of the share of the 1<sup>st</sup> Vendor and the 2<sup>nd</sup> Vendor in the Land was paid to the Purchaser's Solicitors;
    - (b) RM1,164,365.00 which is the amount payable to the 1<sup>st</sup> Vendor, 2<sup>nd</sup> Vendor, and 3<sup>rd</sup> Vendor was paid to the Vendor's Solicitors as stakeholders; and
    - (c) RM408,752.00 which is the amount payable to the 4<sup>th</sup> Vendor was paid to the Vendor's Solicitors as stakeholders;
  - (iii) within three (3) months from the date of the SPA ("Completion Period"), the balance RM24,693,030.00 which is equivalent to ninety per centum (90%) of the Purchase Consideration ("Balance Purchase Consideration") shall be paid to the Vendors or the Vendors' Solicitors save and except for the sum attributable to the 4<sup>th</sup> Vendor which shall be made payable directly to the Chargee for the redemption of the 4<sup>th</sup> Vendor's portion of the Land from the Chargee.

In the event the Purchaser is unable to pay the Balance Purchase Price within the Completion Period for any reason, the Purchaser shall be granted an extension of one (1) month from the expiry of the Completion Period (“Extended Completion Period”) provided that the Purchaser shall pay to the Vendor interest on the Balance Purchase Consideration thereof at the rate of eight per centum (8%) per annum.

- (ii) Default by Purchaser : In the event that the Purchaser fails, refuses, or neglects to pay the Balance Purchase Price in accordance with the provisions of the SPA and Goods and Service Tax if any, the Vendors shall be entitled to terminate the SPA by a notice in writing and the total deposit paid which is equivalent to ten per centum (10%) of the Purchase Consideration (“Deposit Sum”) shall be forfeited to the Vendors absolutely as agreed liquidated damages.
  
- (iii) Default by Vendors : In the event that the Vendors fail, neglect, or refuse to complete the sale and purchase of the Land in accordance with the provisions of the SPA, and/or the Vendors commit a fundamental breach of the SPA after the Purchaser has complied with the said provisions, the Purchaser shall be entitled to the remedy of specific performance or to terminate the SPA, in which event the Purchaser shall be entitled to claim from the Vendor a sum equivalent to the Deposit Sum as liquidated damages.

**5. RATIONALE FOR THE PROPOSED ACQUISITION OF LAND**

LTKM is continuously looking for investment opportunities to acquire strategic land bank and to unlock the value of the properties for further growth opportunities over the long term.

The Proposed Acquisition of Land will allow the Group to obtain a better foothold in the growing area of property market in choiced locations, allowing the Group to create greater shareholder value in anticipation of the appreciation of Land value in the future.

**6. PROSPECTS AND RISK FACTORS**

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

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## 7. FINANCIAL EFFECT

### 7.1 Share capital and shareholdings of substantial shareholders

The Proposed Acquisition of Land does not have any impact on the issued and paid-up share capital of LTKM and the shareholdings of the substantial shareholders of LTKM as it does not involve any issuance of new ordinary share of RM0.50 each in LTKM.

### 7.2 Earnings and earnings per share (“EPS”)

The Proposed Acquisition of Land is not expected to have a material impact on the earnings and EPS of the Group for the financial year ending 31 March 2016.

### 7.3 Net assets (“NA”) and gearing

The pro forma effects of the Proposed Acquisition of Land 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 Acquisition of Land was effected on 31 March 2015 is set out below:

	<b>Audited as at 31 March 2015 RM ‘000</b>	<b>After the Proposed Acquisition of Land RM ‘000</b>
Share capital	43,368	43,368
Share premium	2,467	2,467
Asset revaluation reserve	36,163	36,163
Available-for-sale reserve	5,803	5,803
Retained profits	133,578	133,578
NA attributable to ordinary shareholders	<u>221,379</u>	<u>221,379</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	25,670 <sup>(a)(b)</sup>
Total borrowings (RM’000)	15,445	31,907 <sup>(a)</sup>
Gearing (times) <sup>(c)</sup>	0.07	0.14

Notes:

- (a) The Purchase 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 Purchase Consideration is 60% funded by bank borrowings.

- (b) The estimated expenses for the Proposed Acquisition of Land is RM1.0 million, which include 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 of Land.
- (c) Computed based on total borrowings divided by total NA attributable to ordinary shareholders.

## **8. PERCENTAGE RATIO**

The highest percentage ratio applicable for the Proposed Acquisition of Land pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 12.39% based on the latest audited financial statements of LTKM Group as at 31 March 2015.

## **9. APPROVALS REQUIRED**

The Proposed Acquisition is not subject to the approval of the shareholders of the Company and any relevant government authorities.

## **10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM**

None of the Directors, major shareholders of LTKM and persons connected to them has any interest, direct or indirect, in the Proposed Acquisition of Land.

## **11. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Acquisition of Land (including but not limited to the rationale as disclosed in Section 5 above), is of the opinion that the Proposed Acquisition of Land is in the best interest of LTKM Group.

## **12. ADVISER**

MIDF Investment has been appointed as the Adviser to LTKM for the Proposed Acquisition of Land.

## **13. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED ACQUISITION OF LAND**

Barring any unforeseen circumstances and subject to the satisfaction of the terms and conditions of the SPA, the Proposed Acquisition of Land is expected to be completed by the second (2<sup>nd</sup>) quarter of 2016.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the SPA in respect of the Proposed Acquisition of Land and Valuation Certificate are available for inspection 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 for public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 21 January 2016.

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