

LTKM BERHAD (“LTKM” OR “COMPANY”)

PROPOSED ACQUISITION OF A PARCEL OF FREEHOLD LAND HELD UNDER GM1603 LOT 1401, MUKIM PETALING, KUALA LUMPUR MEASURING 4,047 SQUARE METRES BY LTK (MELAKA) SDN BHD, A WHOLLY OWNED SUBSIDIARY OF LTKM FOR A PURCHASE CONSIDERATION OF RM12,563,300 (“PROPOSED ACQUISITION OF LOT 1401”)

1. INTRODUCTION

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

In furtherance thereof, MIDF Investment, on behalf of the Board, is pleased to announce that LTK Melaka had on 4 July 2016 entered into a sale and purchase agreement to acquire an adjoining parcel of freehold land held under GM1603 Lot 1401, Mukim Petaling, Kuala Lumpur measuring 4,047 square metres (“Lot 1401” or “the Land”) for a purchase consideration of RM12,563,300 to be fully settled in cash (“SPA”).

2. DETAILS OF THE PROPOSED ACQUISITION OF LOT 1401

2.1 Details of the Proposed Acquisition of Lot 1401

A summary of information of Lot 1401 is set out below:

Registered owner	: Vendors (as set out in Section 3.2 below)
Location	: GM1603 Lot 1401, 9 th Mile Kuchai Road of Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan
Tenure	: Freehold
Category of land use	: Agriculture
Express Condition	: Not stated
Restriction in interest	: Not stated
Land area	: 4,047 square metres (or 0.4047 hectares)
Accessibility	: It is accessible via Old Klang Road and Jalan Puchong
Encumbrances/Caveat/	: Nil

(Source: Valuation certificate dated 21 January 2016 and private title search dated 9 June 2016)

Lot 1401 will be acquired in its existing physical condition on an “*as-is-where-is*” basis with vacant possession (free from squatters) and with its title being free from all encumbrances but subject to the restrictions in interest and conditions presently expressed or implied in the document of titles, and the terms and conditions specified in the SPA.

2.2 Basis and Justification of arriving at the Purchase Consideration

The purchase consideration of RM12,563,300 for Lot 1401 (“Purchase Consideration”) was arrived on a “*willing buyer-willing seller*” basis after taking into consideration the market value of the Land of RM12,630,000.00 (“Market Value”) based on the valuation certificate dated 21 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 basis to arrive at the Market Value.

2.3 Source of Funding

The Purchase Consideration will be fully settled in cash whereby 60% of the Purchase Consideration will be funded from bank borrowings and the remaining 40% will be financed from internally generated funds.

2.4 Assumption of Liabilities

Save for the borrowings as mentioned in Section 2.3 above, there are no liabilities, including contingent liabilities and guarantees, to be assumed by LTKM and its subsidiaries (“LTKM Group” or the “Group”) arising from the Proposed Acquisition of Lot 1401.

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 Lot 1401 are as follows:

- (i) Khalid Bin Abu Bakar (NRIC No.: 320713-10-5025), a Malaysian citizen of full age of No. 35, Jalan 9A, Cheras Jaya, 43200 Kajang, Selangor Darul Ehsan. (“1st Vendor”). The 1st Vendor is the registered and beneficial owner of 1/2 undivided share in Lot 1401;
- (ii) Johari Bin Abu Bakar (NRIC No.:590628-10-6429), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“2nd Vendor”). The 2nd Vendor is the registered and beneficial owner of 97/1248 undivided share in Lot 1401;
- (iii) Mohd Razi Bin Abu Bakar (NRIC No.:641026-10-7675), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“3rd Vendor”). The 3rd Vendor is the registered and beneficial owner of 97/1248 undivided share in Lot 1401;
- (iv) Fariz Bin Abu Bakar (NRIC No.:681006-10-5177), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“4th Vendor”). The 4th Vendor is the registered and beneficial owner of 97/1248 undivided share in Lot 1401;
- (v) Nor Hayati @ Noraini Binti Abu Bakar (NRIC No.:431120-10-5670), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“5th Vendor”). The 5th Vendor is the registered and beneficial owner of 7/208 undivided share in Lot 1401;
- (vi) Ainon Binti Abu Bakar (NRIC No.:471226-10-5296), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“6th Vendor”). The 6th Vendor is the registered and beneficial owner of 97/2496 undivided share in Lot 1401;
- (vii) Rosefah Binti Abu Bakar (NRIC No.:500116-10-5834), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“7th Vendor”). The 7th Vendor is the registered and beneficial owner of 97/2496 undivided share in Lot 1401;
- (viii) Rosma Binti Abu Bakar (NRIC No.:521201-10-6084), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“8th Vendor”). The 8th Vendor is the registered and beneficial owner of 97/2496 undivided share in Lot 1401;
- (ix) Ramlah Binti A Bakar (NRIC No.:541003-10-5660), a Malaysian citizen of full age of 22 No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“9th Vendor”). The 9th Vendor is the registered and beneficial owner of 97/2496 undivided share in Lot 1401;

- (x) Azizah Binti Abu Bakar (NRIC No.:570128-10-5640), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“10th Vendor”). The 10th Vendor is the registered and beneficial owner of 97/2496 undivided share in Lot 1401; and
- (xi) Rozitah Binti Abu Bakar (NRIC No.:620610-08-6292), a Malaysian citizen of full age of No. 21, Jalan AU2C/2 Taman Desa Keramat, 54200 Wilayah Persekutuan Kuala Lumpur (“11th Vendor”). The 11th Vendor is the registered and beneficial owner of 97/2496 undivided share in Lot 1401.

(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 RM251,266.00 which is equivalent to two per centum (2%) of the Purchase Consideration was paid to the Vendors’ solicitors on 20 October 2015 prior to the execution of the SPA;
 - (ii) the deposit of RM1,005,064.00 which is equivalent to eight per centum (8%) of the Purchase Consideration was paid by the Purchaser upon the Vendors’ execution of the SPA consisting the following:
 - (a) the sum of RM193,349.94, being the retention sum for the purpose of the Real Property Gains Tax chargeable in respect on the sale of the share of the 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th and 11th Vendors in Lot 1401 was paid to the Vendors’ Solicitors as stakeholders; and
 - (b) the balance deposit sum of RM811,714.06 was paid to the Vendors’ Solicitors as stakeholders and thereafter to be released to each Vendor proportionately in accordance with the SPA;

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- (iii) within three (3) months from the date of the SPA (“Completion Period”), the balance RM11,306,970.00 which is equivalent to ninety per centum (90%) of the Purchase Consideration (“Balance Purchase Consideration”) shall be paid to the Vendors’ Solicitors as stakeholders and thereafter to be released to each Vendor proportionately in accordance with the SPA.

In the event the Purchaser is unable to pay the Balance Purchase Consideration 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 Vendors 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 Consideration in accordance with the provisions of the SPA, 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 Lot 1401 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 agreed liquidated damages.
- (iv) Termination of Agreement : The following provisions shall apply in the event of a termination of the SPA:
 - (i) The Vendors shall, within fourteen (14) days from the date of termination, refund to the Purchaser all sums paid by the Purchaser towards the account of the Purchase Consideration, unless the SPA is terminated pursuant to a default by the Purchaser;

- (ii) The Purchaser shall, within fourteen (14) days from the date of termination:
 - (a) redeliver all documents that have been forwarded to the Purchaser, the Purchaser's financier, and/or the Purchaser's solicitors prior to the termination of the SPA with the Vendors' interest intact;
 - (b) redeliver vacant possession of Lot 1401 if the Purchaser has taken vacant possession of Lot 1401; and
 - (c) withdraw any private caveat that the Purchaser or the Purchaser's financier may have lodged over Lot 1401.

5. RATIONALE FOR THE PROPOSED ACQUISITION OF LOT 1401

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 Lot 1401 will allow the Group to obtain a firmer foothold in the growing area of property market in selective locations, allowing the Group to create greater shareholder value in anticipation of the value appreciation of the Land in the future. LTKM believes that when combined, the total land area of the two (2) adjoining lands, i.e. Lot 1401 and Lot 1402, of 11,888 square meters will further enhance the potential of the lands as a whole.

6. PROSPECTS AND RISK FACTORS

Lot 1401 is located in a prime area and the Group envisages that the prospects for the Proposed Acquisition of Lot 1401 is positive in the long term. The Group is not aware of any risk factors arising from the Proposed Acquisition of Lot 1401 other than the normal market risks and the economic outlook of Malaysia.

7. FINANCIAL EFFECT

7.1 Share capital and shareholdings of substantial shareholders

The Proposed Acquisition of Lot 1401 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 Lot 1401 is not expected to have a material impact on the earnings and EPS of the Group for the financial year ending 31 March 2017.

7.3 Net assets (“NA”) and gearing

The table below illustrates the pro forma effects of the Proposed Acquisition of Lot 1401 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 Lot 1401 was effected on 31 March 2015.

	Audited as at 31 March 2015	I After proposed acquisition of Lot 1402^(a)	II After I and proposed disposal of Kapar Property^(b)	III After II and proposed acquisition of Balakong Properties^(c)	IV After III and Proposed Acquisition of Lot 1401
	RM’000	RM’000	RM’000	RM’000	RM’000
Share capital	43,368	43,368	43,368	43,368	43,368
Share premium	2,467	2,467	2,467	2,467	2,467
Asset revaluation reserve	36,163	36,163	36,163	36,163	36,163
Available-for-sale reserve	5,803	5,803	5,803	5,803	5,803
Retained profits	133,578	133,578	132,811	132,811	132,811
NA attributable to ordinary shareholders	221,379	221,379	220,612	220,612	220,612
Number of shares in issue (‘000)	130,104	130,104	130,104	130,104	130,104
Par value (RM)	0.50	0.50	0.50	0.50	0.50
NA per ordinary share (RM)	1.70	1.70	1.70	1.70	1.70
Cash and bank balances (RM’000)	37,645	25,670	50,903	22,042	16,517 ^{(d) (e)}
Total borrowings (RM’000)	15,445	31,907	31,907	66,949	74,487 ^(d)
Gearing (times) ^(f)	0.07	0.14	0.14	0.30	0.34

Notes:

(a) Proposed acquisition of Lot 1402 was for a purchase consideration of RM27,436,700 as announced on 21 January 2016. The pro forma effects are prepared based on the assumption that the proposed acquisition of Lot 1402 has been effected with 60% of the purchase consideration being funded by bank borrowings and the remaining amount (with an associated cost of RM1.0 million included therein) funded by internally-generated funds.

- (b) 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.
- (c) Proposed acquisitions by LTK Properties Sdn. Bhd. and LTK Development Sdn. Bhd., both wholly-owned subsidiaries of LTKM, of four (4) adjoining parcels of leaseholds land situated at Tempat Jalan Balakong Serdang, Mukim and District of Petaling, State of Selangor from Chip Ngai Engineering Works Sdn. Bhd., Douwin Sdn. Bhd., Crystal Bond Sdn. Bhd., and Marvellous Production Sdn. Bhd. for a consideration of RM58,403,100 as announced on 13 June 2016. The pro forma effects are prepared based on the assumption that the proposed acquisitions have been effected with 60% of the purchase consideration being funded by bank borrowings and the remaining amount (with an associated cost of RM5.5 million included therein) funded by internally-generated funds.
- (d) The Purchase Consideration will be fully settled in cash whereby 60% of the Purchase Consideration will be funded from bank borrowings and the remaining 40% will be financed from internally generated funds.
- (e) The estimated expenses for the Proposed Acquisition of Lot 1401 is RM0.5 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 Lot 1401.
- (f) 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 Lot 1401 pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) is 5.68% based on the latest audited financial statements of LTKM Group as at 31 March 2015.

Pursuant to Paragraph 10.12 of the Listing Requirements, the aggregated percentage ratio applicable for the acquisition of Lot 1401 and Lot 1402 is 18.07% based on the latest audited financial statements of LTKM Group as at 31 March 2015.

9. APPROVALS REQUIRED

The Proposed Acquisition of Lot 1401 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 Lot 1401.

11. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisition of Lot 1401 (including but not limited to the rationale as disclosed in Section 5 above), is of the opinion that the Proposed Acquisition of Lot 1401 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 Lot 1401.

13. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED ACQUISITION OF LOT 1401

Barring any unforeseen circumstances and subject to the satisfaction of the terms and conditions of the SPA, the Proposed Acquisition of Lot 1401 is expected to be completed by the second (2nd) half of 2016.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA in respect of the Proposed Acquisition of Lot 1401 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 4 July 2016.

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