

General Announcement

Reference No **LH-090911-44069**

Company Name : **LEONG HUP HOLDINGS BERHAD**
Stock Name : LHH
Date Announced : 11/09/2009

Type : Announcement

Subject : LEONG HUP HOLDINGS BERHAD (“LHH” or the “Company”) Proposed disposal of 40,000,000 ordinary shares of RM0.20 each in Teo Seng Capital Berhad (“Teo Seng”) (“Teo Seng Shares”) by Advantage Valuations Sdn Bhd (“AVSB”), a subsidiary of LHH for a cash consideration of RM18,600,000 (“Disposal”)

Contents : 1. The Securities Commission (“SC”) had on 31 March 2008 approved the listing scheme of Teo Seng (“Listing”) which consists, among others, the offer for sale by AVSB of 42,000,000 Teo Seng Shares representing approximately 21.0% of the enlarged share capital of Teo Seng at an offer price to be determined later to Bumiputera investors to be approved by Ministry of International Trade and Industry (“MITI”). On 10 June 2008, the Listing was approved by the shareholders of LHH. However, the MITI was not able to identify any interested Bumiputera investors for the remaining 37,000,000 Teo Seng Shares. Therefore, AVSB had temporarily placed 37,000,000 Teo Seng Shares in a trust account, whereby the shares must be placed to Bumiputera investors approved by 29 October 2009.

2. In view of the above, the Board of Directors of LHH (“Board”) wishes to announce that AVSB, a 51.16%-owned subsidiary of LHH had on 10 September 2009 entered into the following in relation to the Disposal:

(a) a share sale agreement with Koperasi Permodalan Felda Berhad (“KPFB”) for the disposal of 40,000,000 Teo Seng Shares (“Sale Shares”) (“representing 20% of the issued and paid-up share capital of Teo Seng for a cash consideration of RM18,600,000 (“SSA”); and

(b) a three (3)-year put option agreement with KPFB whereby AVSB grants an irrevocable option to KPFB to dispose of the Sale Shares for an option fee of RM1 (“Put Option Agreement”).

3. The salient terms of the SSA are as follows:

(a) AVSB shall sell and KPFB shall purchase, free from all liens, charges, equities and encumbrances and together with all rights now or hereafter attaching thereto subject always to AVSB’s post completion warranties and undertakings and obligations as described in paragraphs (b) and (c) below, the entire Sale Shares subject to the terms and conditions of the

SSA.

(b) KPFB has entered into the SSA based on the KPFB's reliance of the fact that AVSB, being the controlling shareholder are capable of giving the following express covenants, warranties and undertakings to KPFB in AVSB's capacity as managing and controlling shareholder of Teo Seng. AVSB covenants and undertakes to KPFB that within three (3) years from the completion of the SSA ("Warranty Period") AVSB shall ensure (provided that at any point of and all times during the Warranty Period KPSB holds the Sale Shares at no less than 15% of the issued and paid-up capital of Teo Seng) the following:

(i) that the Chairman and Managing Director listed in Teo Seng's prospectus dated 26 September 2008 ("Prospectus") shall continue to manage Teo Seng for no less than three (3) years from the completion of the SSA.

(ii) that Teo Seng shall achieve a profit after tax in respect of its financial year ending ("FYE") 31 March 2010 and 31 March 2011 no less than the historical profit after tax of RM12.6 million only that was achieved in respect of Teo Seng's FYE 31 March 2009;

(iii) that Teo Seng's dividend payout shall not be lower than that stated in the Prospectus as the dividend policy of Teo Seng for at least two(2) succeeding financial years of 20% - 50%;

(iv) that AVSB shall hold no less than 51.12% of the issued and paid-up capital in Teo Seng for at least three (3) years from the completion of the SSA notwithstanding any increase in the issued and paid-up capital of Teo Seng;

(v) that KPFB's nomination of one director into the board of directors of Teo Seng shall be carried into effect within 14 days from the completion of the SSA and in order to achieve this, AVSB undertakes to KPFB that it shall cause a written invitation addressed to KPFB to appoint one (1) nominee on KPFB's behalf to sit as a director of Teo Seng within 14 days from the completion of the SSA;

(vi) that AVSB shall cause the appointment of two (2) representatives of KPFB in the capacity of veterinarians or production officers to be attached to Teo Seng as permanent employees, the terms and conditions of appointment shall be governed by Teo Seng's current policy of employment; and

(vii) that Teo Seng shall to enter into formal hatchery agreements in respect of two (2) pilot project sites identified by KPFB and/or its

associates, the cost of which, limited to only the building and equipment, shall be borne by Teo Seng and shall be further negotiated and subject to such terms and conditions as may be mutually agreed upon by the parties.

In the event that any of the covenants and undertakings above shall be breached then such breach shall constitute "Trigger Events" and KPFB shall be entitled to exercise the rights and remedies contained in the Put Option Agreement.

In the event that KPFB decides to sell down its 20% of the issued and paid up capital of Teo Seng to 15% shareholding in Teo Seng, AVSB shall be offered the first right of refusal to purchase the difference thereof being the 5% of the Sale Shares at no higher than the then market price of the Sale Shares.

(c) Upon the expiry of the Warranty Period, in the event that AVSB is desirous of selling and/or divesting its shares or management interest in Teo Seng (forming part of the 51.12% of the issued and paid up shares) by the sale of all or any part thereof ("Subject Shares"), AVSB shall first offer the Subject Shares to KPFB. In the event that KPFB shall not be desirous of purchasing the Subject Shares, KPFB shall revert to AVSB within seven (7) business days from the date of being offered and AVSB undertakes to sell KPFB's Sale Shares with that of the Subject Shares provided always that KPFB shall agree to such sale terms as may be agreed by AVSB. In the event KPFB does not agree to the relevant sale terms and conditions that have been agreed by AVSB, AVSB shall not be obliged to sell KPFB's Sale Shares. This obligation shall be continuous for as long as AVSB owns any of the Subject Shares.

4. The salient terms of the Put Option Agreement are as follows:

(a) AVSB grants to KPFB an irrevocable option to sell the Sale Shares ("Put Option") free from any liens, charges, and other encumbrance and with all rights attaching thereto at the market price at the time of the exercise of the option or RM18,600,000, whichever shall be the higher. The Put Option shall be exercised by KPFB within three (3) years from the completion of the SSA provided always that the Trigger Events as described in paragraph 3(b) above shall occur.

5. The Disposal is expected to result in a gain of RM2,447,649, thereby improving LHH Group's earnings and net assets ("NA") by RM2,447,649 and an improvement of RM0.0147 in earnings per share for LHH group. This translates into an estimated increase in earnings per share of 1.47 sen and NA per share of 1.47 sen, based on LHH's existing issued and paid-up capital of RM166,725,000. The Disposal will not have any effect on the share capital and substantial shareholding structure of LHH.

6. None of the Directors and/or major shareholders of LHH and/or persons connected to them have any interest, direct or indirect, in the Disposal.

7. The SAA and the Put Option Agreement both dated 10 September 2009 are available for inspection at the registered office of LHH at 201-203, Jalan Abdullah, 84000 Muar, Johor Darul Takzim from Mondays to Fridays (except for public holidays) during the hours from 9.00 a.m. to 5.00 p.m. for a period of three (3) months from the date of this announcement.

This announcement is dated 11 September 2009.