

## LEONG HUP HOLDINGS BERHAD (“LHH” or the “Company”)

- Proposed acquisition of 744,813 ordinary shares of RM1.00 each in Alam Muhibah Sdn Bhd (“AMSB”) representing approximately 21.25% of the issued and paid-up share capital of AMSB for a purchase consideration of RM21,300,000
- Proposed acquisition of 5,090,000 ordinary shares of RM1.00 each in Ladang Ternakan Maju Sdn Bhd (“LTM”) representing the entire issued and paid-up share capital of LTM for a purchase consideration of RM12,750,000

### 1. INTRODUCTION

On behalf of the Board of Directors of LHH (“**Board**”), HwangDBS Investment Bank Berhad (“**HwangDBS**”) wishes to announce that the Company had on 13 October 2009 entered into two (2) separate share acquisition agreements (“**SAAs**”) in relation to the proposed acquisitions of the following:

- (a) 744,813 ordinary shares of RM1.00 each in AMSB (“**AMSB Shares**”) representing approximately 21.25% of the issued and paid-up share capital of AMSB from CW Lau & Sons Sdn Bhd (“**CWL**”), Dato’ Lau Bong Wong, Lau Joo Han, CN Lau & Sons Sdn Bhd, LCN & Family Sdn Bhd, Dato’ Lau Eng Guang, Lau Joo Yong, HN Lau & Sons Sdn Bhd and LTN Resources Sdn Bhd (collectively referred to as the “**AMSB Vendors**”) for an aggregate consideration of RM21,300,000 to be satisfied by the issuance of 20,285,714 new ordinary shares of RM1.00 each in LHH (“**LHH Shares**”) at an issue price of RM1.05 each (“**Proposed AMSB Acquisition**”); and
- (b) 5,090,000 ordinary shares of RM1.00 each in LTM (“**LTM Shares**”) representing the entire issued and paid-up share capital of LTM from Amnah Bt Ibrahim, Rahmat Bin Ibrahim and Tan Sri Lau Tuang Nguang (collectively referred to as the “**LTM Vendors**”) for an aggregate consideration of RM12,750,000 to be satisfied by the issuance of 12,142,857 new LHH Shares at an issue price of RM1.05 each (“**Proposed LTM Acquisition**”),

(collectively referred to as the “**Proposed Acquisitions**”).

### 2. PROPOSED ACQUISITIONS

#### 2.1 Proposed AMSB Acquisition

On 13 January 2009, the Board announced that LHH entered into, amongst others, a 5-year call option agreement with the AMSB Vendors whereby the AMSB Vendors granted a call option to LHH to acquire up to 744,813 AMSB Shares representing approximately 21.25% of the issued and paid up capital of AMSB for a purchase consideration to be mutually agreed at the time of the exercise of the call option (“**AMSB Call Option Agreement**”).

The Proposed AMSB Acquisition is pursuant to the exercise of the call option under the AMSB Call Option Agreement by LHH on 13 October 2009. With the express approval of the AMSB Vendors, LHH has nominated its wholly-owned subsidiary, i.e. Leong Hup Contract Farming Sdn Bhd (“**LHCF**”) to receive the AMSB Sale Shares. In determining the market value attributable to the AMSB Sale Shares, LHH appointed Raine & Horne International Zaki+ Partners Sdn Bhd (“**Raine & Horne**”) to conduct an independent valuation of the AMSB Plantation Right (as defined in Section 2.2).

The Proposed AMSB Acquisition entails the acquisition by the Company/LHCF of 744,813 AMSB Shares (“**AMSB Sale Shares**”) representing approximately 21.25% of the issued and paid-up share capital of AMSB from the AMSB Vendors for an aggregate purchase consideration of RM21,300,000 to be satisfied by the issuance of 20,285,714 new LHH Shares at an issue price of RM1.05 (“**AMSB Consideration Shares**”).

The AMSB Vendors and their respective portion of the AMSB Sale Shares are as follows:

AMSB Vendors	----- AMSB Sale Shares -----		Purchase consideration (RM)	No. of AMSB Consideration Shares
	No. of AMSB Shares	% equity interest in AMSB		
CWL	82,718	2.36	2,365,551.33	2,252,906
Dato' Lau Bong Wong	16,474	0.47	471,120.31	448,686
Lau Joo Han	66,244	1.89	1,894,431.03	1,804,220
CN Lau & Sons Sdn Bhd	82,718	2.36	2,365,551.33	2,252,906
LCN & Family Sdn Bhd	165,787	4.73	4,741,140.67	4,515,372
Dato' Lau Eng Guang	82,718	2.36	2,365,551.33	2,252,906
Lau Joo Yong	82,718	2.36	2,365,551.33	2,252,906
HN Lau & Sons Sdn Bhd	82,718	2.36	2,365,551.33	2,252,906
LTN Resources Sdn Bhd	82,718	2.36	2,365,551.33	2,252,906
<b>Total</b>	<b>744,813</b>	<b>21.25</b>	<b>21,300,000.00</b>	<b>20,285,714</b>

AMSB is currently a 35%-owned associate company of LHH. Upon completion of the Proposed AMSB Acquisition, AMSB will become a 56.25%-owned subsidiary of the Company, which will enable it to consolidate the earnings of AMSB and exercise further control over AMSB.

As per the terms of the SAA for the Proposed AMSB Acquisition, the AMSB Vendors have nominated Leong Hup Management Sdn Bhd ("**LHM**") to receive the AMSB Consideration Shares in their place ("**Proposed Nomination**") subject to the approval of the Securities Commission ("**SC**") for the Proposed MGO Exemption (as defined below). Pursuant to the Nomination, the AMSB Consideration Shares will be issued directly to LHM upon fulfilment of the conditions precedent for the completion of the SAA. As a result, LHM's shareholdings in LHH will increase by 5.67% from 47.71% to 53.38%, triggering Part II of the Malaysian Code on Take-overs and Mergers 1998 ("**Code**").

LHM will be submitting an application to seek approval of the SC under Practice Note 2.9.7 of the Code for the proposed exemption to LHM from the obligation to undertake a mandatory general offer for all remaining LHH Shares not already owned by LHM upon the SAA becoming unconditional ("**Proposed MGO Exemption**").

In the event the SC does not grant approval for the Proposed MGO Exemption, the AMSB Consideration Shares will then be issued directly to the AMSB Vendors in their respective names.

### 2.1.1 Information on AMSB

AMSB was incorporated in Malaysia under the Companies Act, 1965 ("**Act**") on 11 February 1987 under its current name. AMSB's present authorised share capital is RM5,000,000 comprising 5,000,000 AMSB Shares, of which RM3,505,000 comprising 3,505,000 AMSB Shares have been issued and fully paid up. AMSB is principally engaged in investment holding and the operation of oil palm estate in Malaysia.

As at 9 October 2009, AMSB has no subsidiary or associate company. Based on the latest audited financial statements of AMSB for the financial year ended ("**FYE**") 31 October 2008, the net liabilities ("**NL**") and loss after tax ("**LAT**") of LTM amounted to RM900,218 and RM671,707 respectively.

Pursuant to the Plantation Land Development Agreement dated 9 August 2006 between Perbadanan Pembangunan Ladang Rakyat Negeri Kelantan (“PPLRKN”) and AMSB (as amended by the Supplementary Agreement dated 4 December 2007 and the Additional Supplementary Agreement dated 19 March 2008) (“**Development Agreement**”), AMSB has been granted a 60-year plantation right (with an option for automatic renewal of an additional 30 years) to develop ‘Ladang Rakyat Kerajaan Negeri Fasa 1’ (“**AMSB Plantation Right**”) in respect of five (5) pieces of lands designated for oil palm plantation measuring approximately 10,095 acres in aggregate, details of which are set out in Section 2.3 (“**AMSB Plantation Land**”). However, the AMSB Vendors have estimated a net developable area of approximately 9,000 acres only for which economic benefit may be derived from the exploits of the AMSB Plantation Right (“**Estimated Developable Area**”).

The shareholders of AMSB based on the Register of Members as at 9 October 2009 are as follows:

Name	No. of AMSB Shares		No. of AMSB Shares	
		%		%
LHH	1,226,753	35.00	-	-
LHM	-	-	1,226,753 <sup>(1)</sup>	35.00
CWL	301,780	8.61	1,226,753 <sup>(2)</sup>	35.00
Dato’ Lau Bong Wong	60,286	1.72	-	-
Lau Joo Han	241,494	6.89	-	-
CN Lau & Sons Sdn Bhd	301,780	8.61	-	-
LCN & Family Sdn Bhd	165,787	4.73	-	-
Dato’ Lau Eng Guang	301,780	8.61	-	-
Lau Joo Yong	301,780	8.61	-	-
HN Lau & Sons Sdn Bhd	301,780	8.61	-	-
LTN Resources Sdn Bhd	301,780	8.61	-	-
Lau Joo Hong	-	-	1,528,533 <sup>(3)</sup>	43.61
Lau Jui Peng	-	-	1,528,533 <sup>(3)</sup>	43.61
Lau Joo Heng	-	-	1,528,533 <sup>(3)</sup>	43.61

**Notes:**

- (1) Deemed interested by virtue of its interest in LHH
- (2) Deemed interested by virtue of its interest in LHM
- (3) Deemed interested by virtue of his interest in CWL

The Directors of AMSB as at 9 October 2009 are Dato’ Mohamed Salleh bin Ahmad, Dato’ Lau Eng Guang and Tan Sri Lau Tuang Nguang.

**2.1.2 Information on the Plantation Land**

Registered owner	PPLRKN
Location	<ul style="list-style-type: none"> <li>▪ PT Nos. 5386, Mukim of Ulu Nenggiri</li> <li>▪ PT Nos. 5603, Mukim of Ulu Nenggiri</li> <li>▪ PT No. 2573, Mukim of Limau Kasturi</li> <li>▪ PT No. 4015, Mukim Renok</li> <li>▪ PT No. 2623, Mukim of Renok</li> </ul> which are all in Jajahan Gua Musang, State of Kelantan known as ‘Ladang Rakyat Kerajaan Negeri Fasa 1’
Description and existing use	Oil palm plantation
Land area	Approximately 10,095 acres (Estimated Developable Area of 9,000 acres)
Tenure	Leasehold for 99 years, commencing from the relevant date of the alienation of the Plantation Land to PPLRKN

Maturity of the trees	Approximately 3,482.47 acres of the Plantation Land are planted with young oil palms with various ages between one (1) month to two (2) years whilst the remaining area is partly undergoing development and partly under secondary forest
Historical production	Nil
Net book value *	Nil
Market value	RM100,930,000
Independent valuer	Raine & Horne
Valuation date	17 August 2009
Valuation method	Comparison method and profit method
Encumbrances	Nil

\* Based on the audited accounts of AMSB as at 31 October 2008

### 2.1.3 Basis and justification of arriving at the purchase consideration

The purchase consideration for the Proposed AMSB Acquisition of RM21,300,000 was arrived at on a willing buyer-willing seller basis negotiated between LHH and the Vendors after taking into consideration, amongst other factors, the following:

- (i) the unaudited net assets (“NA”) of AMSB as at 30 June 2009 of RM1,453,769; and
- (ii) the market value of the AMSB Plantation Right of RM100,930,000 as appraised by Raine & Horne vide the valuation report dated 17 August 2009.

The purchase consideration of RM21,300,000 was derived as follows:

	<b>RM</b>
Unaudited NA of AMSB as at 30 June 2009	1,453,769
Add: Market value of the AMSB Plantation Right	100,930,000
Adjusted NA of AMSB	<u>102,383,769</u>
% of the issued and paid-up share capital of AMSB to be acquired	21.25%
Adjusted NA attributable to the AMSB Sale Shares	21,756,566

The purchase consideration of RM21,300,000 for the Proposed AMSB Acquisition represents a discount of approximately RM456,566 or 2.10% to the adjusted NA attributable to the AMSB Sale Shares.

### 2.1.4 Salient terms of the SAA

The salient terms of the SAA for the Proposed AMSB Acquisition are as follows:

- (a) Completion of the sale and purchase of the AMSB Sale Shares is conditional upon the following conditions being satisfied within a period of six (6) months from the date of the SAA or within such further period as may be mutually agreed upon by the AMSB Vendors and LHH in writing, namely:
  - (i) LHH obtaining approvals as set out in Section 7 below;
  - (iii) the AMSB Vendors obtaining the approval or consent of any third party to the sale and purchase of the AMSB Sale Shares (if required) in accordance with the terms of any contract or agreement of a material nature entered into between AMSB and such third party;
  - (iv) the AMSB Vendors obtaining the approval or consent of any financier (if required) in accordance with the terms of any banking or financing facilities granted to AMSB;

- (v) the final decision of the SC in respect of the application for the Proposed MGO Exemption has been obtained;
  - (vi) the approval or waiver of any regulatory requirement by any other relevant authorities, if required; and
  - (vii) the AMSB Vendors furnishing the audited financial statements of AMSB for the 8-month financial period ended 30 June 2009 to LHH.
- (b) The AMSB Sale Shares to be acquired by LHH from the AMSB Vendors shall be free from all pledges or liens or any other encumbrances and with all rights now or hereinafter attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the date of SAA.
- (c) The purchase consideration is subject to adjustments in the following events:
- (i) if the audited shareholders funds of AMSB as at 30 June 2009 attributable to the AMSB Sale Shares are less than the unaudited shareholders' funds as at 30 June 2009 by more than 3%, the AMSB Vendors shall on the completion date pay the entire deficient amount to LHH in cash; and
  - (ii) if the net developable area as determined by the findings of an independent licensed surveyor to be appointed by AMSB ("**Net Developable Area**") is:
    - (aa) more than the Estimated Developable Area by 5% or more, the purchase consideration shall automatically be adjusted upwards by an amount corresponding to such increase to be calculated as follows:
 
$$\frac{[(\text{Net Developable Area} - \text{Estimated Developable Area}) / \text{Estimated Developable Area}] \times \text{market value of AMSB Plantation Right X (AMSB Sale Shares / issued and paid-up share capital of AMSB)}}{\text{or}}$$
    - (bb) less than the Estimated Developable Area by 5% or more, the purchase consideration shall automatically be adjusted downwards by an amount corresponding to such decrease to be calculated as follows:
 
$$\frac{[(\text{Estimated Developable Area} - \text{Net Developable Area}) / \text{Estimated Developable Area}] \times \text{market value of AMSB Plantation Right X (AMSB Sale Shares / issued and paid-up share capital of AMSB)}}{\text{or}}$$

The AMSB Vendors hereby agree to ensure that the findings of the independent licensed surveyor appointed by AMSB as contained in a surveyor's report shall be made available to LHH within a period of 24 months from the date of the SAA or such later period as LHH may allow. All adjustments as regards the purchase consideration shall be payable by or to LHH in cash within 30 days of such report being made available to LHH. In the event no such report is made available to LHH within the stipulated time, LHH shall be entitled at the cost of the AMSB Vendors, to appoint a licensed surveyor of the LHH's own choice for the purposes of determining the Net Developable Area and in such event the findings thereof shall be binding on the parties.

- (d) The AMSB Vendors have represented to LHH that all or any action to be taken in respect of the removal of illegal squatters from the Plantation Land will be made by PPLRKNK at PPLRKNK's sole cost. In the event that AMSB incurs any costs in respect of or in connection with the foregoing, the AMSB Vendors shall jointly and severally be solely responsible for any such costs incurred by AMSB and shall indemnify and keep AMSB indemnified in respect of the same. LHH shall hold the benefit of the aforesaid undertaking and indemnity by the AMSB Vendors for AMSB, and shall be entitled to enforce the same against the AMSB Vendors for the benefit of AMSB.
- (e) The purchase consideration for the AMSB Sale Shares shall be satisfied by the issue of the AMSB Consideration Shares credited as fully paid-up and ranking *pari passu* with the existing LHH Shares including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of the issuance of the AMSB Consideration Shares.
- (f) Pursuant to an arrangement between the AMSB Vendors and LHM, each of the AMSB Vendors nominates LHM to receive the AMSB Consideration Shares in their place. As at 9 October 2009, LHM holds an aggregate of 79,545,566 LHH Shares, representing approximately 47.71% of the Company's existing issued and paid-up share capital. The receipt by LHM of the AMSB Consideration Shares in place of the AMSB Vendors as aforesaid, would result in the shareholdings of LHM in the Company, to increase to approximately 53.38%, which would trigger a requirement for LHM to extend a mandatory offer for the remaining LHH Shares not already held by LHM, unless an exemption from the obligation to carry out a mandatory offer has been obtained under the Code. The AMSB Vendors and LHH shall cause and assist each other to ensure that an application for such exemption shall be made, and accordingly:
  - (i) in the event the exemption is duly given by the SC, the AMSB Consideration Shares shall be issued to LHM; and
  - (ii) in the event the exemption is not duly given by the SC, the AMSB Consideration Shares shall be issued to the AMSB Vendors in their respective names.

## **2.1.5 Information on the AMSB Vendors**

### **(a) CWL**

CWL was incorporated in Malaysia under the Act on 14 August 1995 as a private limited company under the name of Sri Medan Food Processing Sdn Bhd. Subsequently on 13 August 2002, it assumed its present name. As at 13 January 2009, CWL has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM100 comprising 100 ordinary shares of RM1.00 each have been issued and fully paid-up. The principal activity of the company is investment holding. As at 9 October 2009, Lau Joo Hong, Lau Jui Peng and Lau Joo Heng are Directors and substantial shareholders of CWL holding 36%, 32% and 32% equity interest respectively in CWL.

### **(b) CN Lau & Sons Sdn Bhd**

CN Lau & Sons Sdn Bhd was incorporated in Malaysia under the Act on 19 April 1996 as a private limited company under the name of A.I.O Technology Sdn Bhd. Subsequently on 12 September 2002, it assumed its present name. As at 13 January 2009, CN Lau & Sons Sdn Bhd has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM100 comprising 100 ordinary shares of RM1.00 each have been issued and fully paid-up. The principal activity of the company is investment holding. As at 9 October 2009, Lau Chia Nguang, Lau Joo Hwa, Lau Joo Pern and Lau Joo Kiang are the substantial shareholders of CN Lau & Sons Sdn Bhd holding 52%, 16%, 16% and 16% equity interest respectively in CN Lau & Sons Sdn Bhd. The Directors of CN Lau & Sons Sdn Bhd as at 9 October 2009 are Lau Chia Nguang, Lau Joo Hwa and Lau Joo Pern.

**(c) LCN & Family Sdn Bhd**

LCN & Family Sdn Bhd was incorporated in Malaysia under the Act on 11 May 2004 as a private limited company under the name of Corporate Parade (M) Sdn Bhd. Subsequently on 12 February 2007, it assumed its present name. As at 13 January 2009, LCN & Family Sdn Bhd has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM1,000 comprising 1,000 ordinary shares of RM1.00 each have been issued and fully paid-up. The principal activity of the company is investment holding. As at 9 October 2009, Datin Tan Chay Hoon, Lau Joo Liang, Lau Joo Kwang, Lau Swee Chu, Lau Siew Cheng and Datuk Lau Chir Nguan are the substantial shareholders of LCN & Family Sdn Bhd holding 32%, 20%, 20%, 10%, 10% and 8% equity interest respectively in LCN & Family Sdn Bhd. The Directors of LCN & Family Sdn Bhd as at 9 October 2009 are Datin Tan Chay Hoon and Lau Joo Liang.

**(d) HN Lau & Sons Sdn Bhd**

HN Lau & Sons Sdn Bhd was incorporated in Malaysia under the Act on 15 July 1994 as a private limited company under the name of Pangkal Anika Sdn Bhd. Subsequently on 4 September 2002, it assumed its present name. As at 13 January 2009, HN Lau & Sons Sdn Bhd has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM100 comprising 100 ordinary shares of RM1.00 each have been issued and fully paid-up. The principal activity of the company is investment holding. As at 9 October 2009, Lau Hai Nguan, Lau Joo Keat and Lau Joo Tong are Directors and substantial shareholders of HN Lau & Sons Sdn Bhd holding 76%, 12% and 12% equity interest respectively in HN Lau & Sons Sdn Bhd.

**(e) LTN Resources Sdn Bhd**

LTN Resources Sdn Bhd was incorporated in Malaysia under the Act on 21 June 2006 as a private limited company under the name of Integral Billion Sdn Bhd. Subsequently on 11 October 2006, it assumed its present name. As at 13 January 2009, LTN Resources Sdn Bhd has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up. The principal activity of the company is investment holding. As at 9 October 2009, Tan Sri Lau Tuang Nguang, Puan Sri Wong Kee Choo and Lau Wee Fong are the substantial shareholders of LTN Resources Sdn Bhd holding 65%, 30% and 5% equity interest respectively in LTN Resources Sdn Bhd. The Directors of LTN Resources Sdn Bhd as at 9 October 2009 are Tan Sri Lau Tuang Nguang, Puan Sri Wong Kee Choo and Lum Sow Wai.

**2.1.6 Original dates and costs of investment**

The original dates and costs of investment incurred by the AMSB Vendors in respect of the AMSB Sale Shares are as follows:

<b>AMSB Vendors</b>	<b>Date of Investment</b>	<b>Original cost of Investment RM</b>
CWL	January 2009 and March 2009	82,718
Dato' Lau Bong Wong	September 2001 and March 2009	16,474
Lau Joo Han	January 2009 and March 2009	66,244
CN Lau & Sons Sdn Bhd	January 2009 and March 2009	82,718
LCN & Family Sdn Bhd	January 2009 and March 2009	165,787
Dato' Lau Eng Guang	September 2001, July 2006 and March 2009	82,718
Lau Joo Yong	January 2009 and March 2009	82,718
HN Lau & Sons Sdn Bhd	January 2009 and March 2009	82,718
LTN Resources Sdn Bhd	January 2009 and March 2009	82,718

## 2.2 Proposed LTM Acquisition

The Proposed LTM Acquisition entails the acquisition by the Company of 5,090,000 LTM Shares (“**LTM Sale Shares**”) representing the entire issued and paid-up share capital of LTM from the Vendors for an aggregate purchase consideration of RM12,750,000 to be satisfied by the issuance of 12,142,857 new LHH Shares at an issue price of RM1.05 (“**LTM Consideration Shares**”).

Details of the Vendors of the LTM Sale Shares are as follows:

LTM Vendors	----- LTM Sale Shares -----		Purchase consideration (RM)	No. of LTM Consideration Shares
	No. of LTM Shares	% equity interest in LTM		
Amnah Bt Ibrahim	3,054,000	60.0	7,649,999.79	7,285,714
Rahmat Bin Ibrahim	1,119,800	22.0	2,805,000.48	2,671,429
Tan Sri Lau Tuang Nguang	916,200	18.0	2,294,999.73	2,185,714
<b>Total</b>	<b>5,090,000</b>	<b>100.0</b>	<b>12,750,000.00</b>	<b>12,142,857</b>

Upon completion of the Proposed LTM Acquisition, LTM will become a wholly owned subsidiary of the Company, thereby enabling the Company to consolidate the earnings of LTM and exercise full control over LTM.

### 2.2.1 Information on LTM

LTM was incorporated in Malaysia under the Act on 16 January 1982 as a private limited company under its current name. LTM's present authorised share capital is RM10,000,000 comprising 10,000,000 LTM Shares, of which RM5,090,000 comprising 5,090,000 LTM Shares have been issued and fully paid up. LTM is principally engaged in contract farming, poultry farming and investment holding. As at 9 October 2009, LTM has two (2) wholly-owned subsidiary companies, Ternakan Emas Sdn Bhd (“**TESB**”) and Dimensi Alam Sdn Bhd (“**DASB**”), and TESB has a wholly-owned subsidiary company called Golden Egg Sdn Bhd (“**GESB**”). LTM and its subsidiaries (“**LTM Group**”) own the LTM Group Properties as set out in Section 2.2.2 below.

Based on the latest audited financial statements of LTM for the FYE 31 January 2009, the consolidated NA and profit after tax (“**PAT**”) of LTM amounted to RM12,604,638 and RM1,052,787 respectively.

The shareholders of LTM based on the Register of Members as at 9 October 2009 are as follows:

Name	Direct		Indirect	
	No. of LTM Shares	%	No. of LTM Shares	%
Amnah Bt Ibrahim	3,054,000	60.0	-	-
Rahmat Bin Ibrahim	1,119,800	22.0	-	-
Tan Sri Lau Tuang Nguang	916,200	18.0	-	-

The Directors of LTM as at 9 October 2009 are Amnah Bt Ibrahim and Rahmat Bin Ibrahim.

## 2.2.2 Information on the LTM Group Properties

	Yong Peng Farm 1	Yong Peng Farm 2	Yong Peng Farm 3	Sungkai Farm 1 & 2
Registered owner	i) Er Ah Moy (410/1210 share) ii) LTM (800/1210 share)	LTM	LTM	LTM
Location	Lot No. 1358, Title No. GM 3140 (formerly EMR 780), Mukim of Tanjong Sembrong, District of Batu Pahat, Johor Darul Takzim	Lot No. 258, Title No. GM 1172 (formerly EMR 1218), Mukim of Chaah Bahru, District of Batu Pahat, Johor Darul Takzim	Lot Nos. 28 and 29, Title Nos. GM 1081 (EMR 879) and GM 1080 (EMR 878), Mukim of Chaah Bahru, District of Batu Pahat, Johor Darul Takzim	Lot Nos. 1999, 2311, 2312 and 2313, Title Nos. GM 893, GM 1927, GM 1928 and GM 1929, Mukim of Sungkai, District of Batang Padang, Perak Darul Ridzuan
Description and existing use	A parcel of agricultural land that is currently let out by LTM as a duck farm consisting of five (5) units of duck houses, a block of workers' quarter and other ancillary buildings for a monthly rental of RM2,100 for a period of one (1) year commencing from 1 March 2009 with an option for renewal of additional one (1) year	A parcel of agricultural land that is currently let out by LTM as a duck farm consisting of six (6) units of duck houses, a block of workers' quarter and other ancillary buildings for a monthly rental of RM1,900 for a period of one (1) year commencing from 1 March 2009 with an option for renewal of additional one (1) year	Two (2) contiguous parcels of agricultural land that is currently let out by LTM as a duck farm consisting of nine (9) units of duck houses, a block of workers' quarter and other ancillary buildings for a monthly rental of RM3,300 for a period of one (1) year commencing from 1 March 2009 with an option for renewal of additional one (1) year	Four (4) contiguous parcels of agricultural land used as a chicken farm consisting of eight (8) units of chicken houses (closed house type), a manager's house, two (2) generator rooms, store, kitchen and other ancillary buildings
Land area	7.5624 acres	4.912 acres	8.4251 acres	21.5377 acres
Tenure	Freehold	Freehold	Freehold	Freehold
Built-up area	58,604 sq ft	50,523 sq ft	91,317 sq ft	153,800 sq ft
Age of buildings	13 years	13 years	13 years	4 years
Net book value *	RM387,422	RM350,946	RM572,120	RM4,013,969
Market value	RM750,000 (RM621,000 for LTM's share of the property)	RM650,000	RM1,120,000	RM5,330,000
Independent valuer	Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd (" <b>Colliers, Jordan Lee &amp; Jaafar</b> ")	Colliers, Jordan Lee & Jaafar	Colliers, Jordan Lee & Jaafar	Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd
Valuation date	24 June 2009	24 June 2009	24 June 2009	25 June 2009
Valuation method	Cost method	Cost method	Cost method	Cost method
Encumbrances	Nil	Charges in favour of OCBC Bank (Malaysia) Berhad registered on 19 August 1997	Charges in favour of OCBC Bank (Malaysia) Berhad registered on 19 August 1997	Nil

\* Based on the audited accounts of LTM as at 31 January 2009

	<b>Tapah Farm 2</b>	<b>Tapah Farm 5</b>	<b>Tanjung Malim Farm</b>	<b>Tebrau Industrial Land</b>
Registered owner	LTM	LTM	LTM	DASB
Location	Lot Nos. 2963 and 2964, Title Nos. GM 1459 and GM 1458, Mukim and District of Batang Padang, Perak Darul Ridzuan	Lot Nos. 2908 and 2910, Title Nos. GM 1461 and GM 1460, Mukim and District of Batang Padang, Perak Darul Ridzuan	PT Nos. 1262 and 1263, Title Nos. HS (D) 27800 and 27797, Mukim Sungai Gumut, District of Ulu Selangor, State of Selangor	Lot Nos. 876 and 878, Title Nos. GRN 91153 and 104482, Mukim of Tebrau, District of Johor Bahru, State of Johor
Description and existing use	Two (2) contiguous parcels of agricultural land erected with six (6) units of broiler houses and a single-storey building for staff	Two (2) contiguous parcels of agricultural land erected with seven (7) units of broiler houses and a single-storey building for staff	Two (2) contiguous parcels of agricultural land erected with 27 units of broiler houses and partly planted with young oil palm trees	Two (2) parcels of vacant undeveloped industrial land
Land area	5.5249 acres	5.7124 acres	100.5223 acres	9.8312 acres
Tenure	Freehold	Freehold	<u>PT No. 1262:</u> 20-year leasehold expiring on 11 January 2022 <u>PT No. 1263:</u> 20-year leasehold expiring on 9 January 2022	Freehold
Built-up area	64,080 sq ft	61,980 sq ft	403,200 sq ft	-
Age of buildings	4 years	13 years	7 years	-
Net book value *	RM814,137	RM459,975	RM7,774,344	RM6,671,275
Market value	RM1,423,000	RM1,031,000	RM12,668,000	RM8,755,000
Independent valuer	Raine & Horne	Raine & Horne	Raine & Horne	Raine & Horne
Valuation date	25 June 2009	25 June 2009	2 July 2009	15 September 2009
Valuation method	Comparison and cost methods	Comparison and cost methods	Comparison and cost methods	Comparison method
Encumbrances	Charges in favour of OCBC Bank (Malaysia) Berhad registered on 20 August 1997	Charges in favour of OCBC Bank (Malaysia) Berhad registered on 20 August 1997	Charge in favour of OCBC Bank (Malaysia) Berhad registered on 30 January 2008	Nil

\* Based on the audited accounts of the LTM Group as at 31 January 2009

### 2.2.3 Basis and justification of arriving at the purchase consideration

The purchase consideration for the Proposed LTM Acquisition of RM12,750,000 was arrived at on a willing buyer-willing seller basis negotiated between LHH and the LTM Vendors after taking into consideration, amongst other factors, the following:

- (a) the proforma consolidated NA of LTM as at 31 January 2009 of RM12,756,924 based on the audited consolidated NA as at 31 January 2009 of RM12,604,638 adjusted to take into account the effects of the subsequent transactions as follows:
  - (i) disposal of 737,002 ordinary shares of RM1.00 each in Murni Hatchery Sdn Bhd representing the entire issued and paid-up share capital of MHSB to Sakura Strateji Sdn Bhd for a cash consideration of RM1,505,500, which was completed on 19 August 2009;
  - (ii) acquisition of 2,254,500 ordinary shares of RM1.00 each in DASB not already owned by LTM representing 50.1% of the issued and paid-up share capital of DASB from Teratai Agriculture Sdn Bhd and Lau Jui Peng for a cash consideration of RM642,800, which was completed on 19 August 2009;
  - (iii) the revaluation surplus of RM8,470,087 arising from the LTM Group Properties based on the valuation reports prepared by Colliers, Jordan Lee & Jaafar and Raine & Horne and deferred tax of RM1,769,866 resulting from the revaluation of the LTM Group Properties; and
  - (iv) the dividend payment of RM6,499,930 to the shareholders of LTM on 8 September 2009,

(collectively referred to as the “**LTM Internal Restructuring**”); and

The purchase consideration of RM12,750,000 for the Proposed LTM Acquisition represents a slight discount of approximately RM6,924 or 0.05% to the proforma NA of the LTM Group; and

- (b) the proforma consolidated PAT of LTM for the FYE 31 January 2009 of RM1,345,653 based on the audited consolidated PAT for the FYE 31 January 2009 of RM1,052,787 and as if the LTM Internal Restructuring was completed on 1 February 2008. The purchase consideration of RM12,750,000 is benchmarked against the PE multiples of comparable poultry companies listed on Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

### 2.2.4 Salient terms of the SAA

The salient terms of the SAA for the Proposed LTM Acquisition are as follows:

- (a) Completion of the sale and purchase of the LTM Sale Shares is conditional upon the following conditions being satisfied within a period of six (6) months from the date of the SAA or within such further period as may be mutually agreed upon by the LTM Vendors and LHH in writing, namely:
  - (i) LHH obtaining approvals as set out in Section 7 below;
  - (iii) the LTM Vendors obtaining the approval or consent of any third party to the sale and purchase of the LTM Sale Shares (if required) in accordance with the terms of any contract or agreement of a material nature entered into between LTM and such third party;
  - (iv) the LTM Vendors obtaining the approval or consent of any financier (if required) in accordance with the terms of any banking or financing facilities granted to LTM;

- (v) the approval or waiver of any regulatory requirement by any other relevant authorities, if required;
  - (vi) LHH being satisfied with the result or findings of a due diligence into the financial, legal, contractual, tax and trading position and financial prospects or future profitability of the LTM Group and their title to their respective assets, to be conducted by LHH and/or its financial and legal advisers; and
  - (vii) the Reporting Accountants' letter on the proforma balance sheets of the LTM Group as at 31 January 2009 which incorporates the effects of the LTM Internal Restructuring ("**RA Letter**") shall have been furnished to LHH.
- (b) The LTM Sale Shares to be acquired by LHH from the LTM Vendors shall be free from all pledges or liens or any other encumbrances and with all rights now or hereinafter attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the date of SAA.
  - (c) The purchase consideration is subject to adjustments if the shareholders' funds of the LTM Group as at 31 January 2009 (adjusted to take into account the effects of the LTM Internal Restructuring) attributable to the LTM Sale Shares stated in the RA Letter and rounded down to the nearest ten thousand is less than the purchase consideration of RM12,750,000 by more than 3%, the LTM Vendors shall on or before the completion date, pay the entire deficient amount to LHH in cash.
  - (d) The purchase consideration for the LTM Sale Shares shall be satisfied by the issue of the LTM Consideration Shares credited as fully paid-up and ranking *pari passu* with the existing LHH Shares including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of the issuance of the LTM Consideration Shares.

### 2.2.5 Original dates and costs of investment

The original dates and costs of investment incurred by the LTM Vendors in LTM are as follows:

LTM Vendors	Date of Investment	Original cost of Investment RM
Amnah Bt Ibrahim	January 1982, June 1982, January 1985, June 1993, January 1995, July 2005, August 2007 and October 2007	3,054,000
Rahmat Bin Ibrahim	February 1990, January 1995, July 2005 and October 2007	1,119,800
Tan Sri Lau Tuang Nguang	May 2004 and July 2005	916,200

### 2.3 Basis and justification of determining the issue price of the AMSB Consideration Shares and LTM Consideration Shares

The purchase consideration for the Proposed Acquisitions will be satisfied by the issuance of new LHH Shares. The Board has decided on this mode of payment after taking into consideration the current economic conditions and the need to conserve cash.

The issue price of the AMSB Consideration Shares and LTM Consideration Shares of RM1.05 is arrived at based on the following:

- (i) the five (5)-day volume weighted average market price ("**VWAMP**") of LHH Shares of RM1.05 up to 12 October 2009, the market day immediately prior to the date of the SAA. The issue price represents the 5-day VWAMP of LHH Shares;

- (ii) the one (1)-month weighted average market price of LHH Shares up to 12 October 2009 of RM1.05. The issue price represents the 1-month VWAMP of LHH Shares; and
- (iii) the three (3)-month weighted average market price of LHH Shares up to 12 October 2009 of RM1.04. The issue price represents a premium of RM0.01 or 0.96% over the 3-month VWAMP of LHH Shares.

## **2.4 Ranking and listing of the AMSB Consideration Shares and LTM Consideration Shares**

The AMSB Consideration Shares and LTM Consideration Shares shall upon allotment and issue, rank pari passu in all respects with the existing LHH Shares, save and except that they shall not be entitled to any dividends, rights, allotment and/or other distributions which are declared, made or paid prior to the date of their allotment.

An application to Bursa Securities will be submitted for the listing and quotation of the AMSB Consideration Shares and LTM Consideration Shares on the Main Market of Bursa Securities.

## **2.5 Liabilities to be assumed**

LHH will not assume any liabilities, including contingent liabilities and guarantees, arising from the Proposed Acquisitions other than those reflected in the balance sheets of AMSB and LTM, which would be consolidated into the financial statements of LHH.

# **3. RATIONALE**

## **3.1 Proposed AMSB Acquisition**

The Board believes that the Proposed AMSB Acquisition will offer the LHH Group with an additional stream of potential revenue and earnings for future growth given the prospects of the palm oil industry. The Proposed AMSB Acquisition represents a strategic investment by LHH and is expected to contribute positively to the earnings and shareholders' value of the enlarged LHH Group in the medium to long term when the oil palm trees on the Plantation Land reach their prime-yielding phase and provide higher yield gradually as they mature.

As stated in the Company's circular dated 12 February 2009 in respect of the acquisition of approximately 35% equity interests in AMSB, it is the intention of the Company to exercise the call option under the AMSB Call Option Agreement and acquire a further 21.25% equity interest in AMSB from the AMSB Vendors. The Proposed AMSB Acquisition will allow LHH to increase its equity shareholdings from the existing 35.00% to 56.25% thereby enabling LHH to consolidate the earnings of AMSB and enjoy an increase in future earnings contribution from AMSB.

## **3.2 Proposed LTM Acquisition**

The Proposed LTM Acquisition is consistent with LHH's plans to continue to expand its core business by acquiring new poultry farms and hatcheries in Peninsular Malaysia. This will provide the LHH and its subsidiaries ("**LHH Group**") with readily available facilities to expand its poultry farming and hatchery business, and enable LHH to leverage on the common infrastructures to reap economies of scale and operational synergies. The Proposed LTM Acquisition represents a strategic investment by LHH and is expected to contribute positively to the earnings as well as the shareholders' value of the LHH Group in the medium to long term.

After the Proposed LTM Acquisition, LTM will be a wholly owned subsidiary of LHH. With the new subsidiary, the LHH Group is expected to expand its production of day-old chicks from its current output of approximately 124 million birds to approximately 134 million birds per annum and broiler chickens from approximately 38 million birds to approximately 47 million birds. Since LTM is a competitor, the LHH Group also expects to increase its market share of poultry farming and hatcheries in Malaysia via the Proposed LTM Acquisition. As such, the Proposed LTM Acquisition would further strengthen the LHH Group's position as one of the largest integrated poultry farm and hatchery operators in Malaysia.

## **4. PROSPECTS**

### **4.1 Prospects of the palm oil industry**

Business opportunities for palm oil are abundant even in the current economic climates. As an affordable substitute, palm oil will see its demand increase in a recessionary environment as consumer spending moderates. Strong and sustained growth in demand will continue to be driven by emerging-market countries such as China and India, which have large, cost-conscious populations who prefer affordable cooking oil.

Malaysia has provision for a B5 bio-diesel mandate by 2010, which also prescribes palm oil as the only feedstock permissible. This implies a potential demand of 500,000 tonnes of palm oil; however, details on subsidies for businesses during periods of high feedstock prices remain scarce.

Market access in the food, bio-diesel and oleochemical segments remains key to successful competition. Lower valuations going forward are likely to encourage some consolidation among plantation players, followed by downstream expansion.

*(Source: Global Oils & Fats Business Magazine, Volume 6 Issue 1 (April – June 2009), Malaysian Palm Oil Council)*

### **4.2 Prospects of the poultry industry**

The agriculture, forestry and fishing (agriculture) sector expanded at a faster pace of 3.8% in 2008, driven mainly by stronger palm oil production, which accounted for about 30% of value add in the agriculture sector. Growth during the year was also supported by higher output of key food-related activities such as fisheries and livestock.

The food crops sub-sector continued to perform favourably in 2008, with fisheries and livestock subsectors growing by 5.2% and 4.3% respectively. Growth in the fisheries sub-sector was driven mainly by growth in aquaculture, while livestock was led by higher output of poultry.

*(Source: Annual Report 2008, Bank Negara Malaysia)*

The Government will implement several agriculture programmes to ensure adequate food supply. For this, a sum of RM5.6 billion is provided under the National Food Security Policy, for the period 2008 to 2010. This allocation, among others, is to provide incentives to agriculture entrepreneurs to reduce production costs and encourage higher agriculture output. About 350,000 vegetable and fruit growers, as well as aquaculture and livestock breeders, will benefit from these incentives. In addition, to increase poultry output, the Government proposes that the expansion of chicken and duck farms be given Reinvestment Allowance of 60% for a period of 15 years.

*(Source: The 2009 Budget Speech, Prime Minister and Minister of Finance)*

## **5. RISK FACTORS**

### **5.1 Proposed AMSB Acquisition**

The risks set out below are not an exhaustive list of the challenges and risks that AMSB may currently face or develop in the future. Additional risks, whether known or unknown may have a material adverse effect on AMSB in the future.

#### **(a) Termination of the Development Agreement**

The AMSB Plantation Right is the most crucial factor in the valuation of the equity interest in AMSB and hence the Board's decision to undertake the Proposed AMSB Acquisition. AMSB will derive its future earnings from the development of the Plantation Land and the sale of the proceeds from the oil palms. Should the Development Agreement be terminated as result of any breach or default by AMSB, AMSB has to surrender the possession of the Plantation Land to PPLRNK and PPLRNK has the right to claim for damages and any antecedent breach in respect of such default. As a result, AMSB will lose its rights to develop the Plantation Land into oil palm plantation and as such will suffer a lose of its major business and source of income.

#### **(b) Risks inherent in the oil palm plantation industry**

Pursuant to the Proposed AMSB Acquisition, the LHH Group will be increasing its exposure to the risks inherent in the oil palm plantation industry. These include but not limited to the fluctuations in demand and commodity prices, weather conditions, pests and diseases, threat of substitutes for palm oil products, constraints of supply of labour and raw materials, rising costs of raw materials, potential native customary rights claims and changes in general economic, business and credit conditions. Although the Board and management of LHH would take appropriate measures to limit such risks, no assurance that unfavourable changes in the business environment will not adversely affect the performance of the LHH Group.

### **5.2 Proposed LTM Acquisition**

The Board does not foresee any material risk pursuant to the Proposed LTM Acquisition except for the inherent risk factors associated with poultry industry, of which the LHH Group is already involved in, and will be addressed as part of the LHH Group's ordinary course of business.

However, no assurance can be given that any adverse development in the abovementioned will not affect the business, prospects and/or future financial performance of the LHH Group.

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## 6. FINANCIAL EFFECTS

### 6.1 Share capital

The effects of the Proposed Acquisitions on the issued and paid-up share capital of LHH are as follows:

	As at 9 October 2009		(I) After the Proposed AMSB Acquisition		(II) After the Proposed LTM Acquisition		After (I) and (II) After the Proposed Acquisitions	
	No. of LHH Shares	RM	No. of LHH Shares	RM	No. of LHH Shares	RM	No. of LHH Shares	RM
Existing share capital	166,725,000	166,725,000	166,725,000	166,725,000	166,725,000	166,725,000	166,725,000	166,725,000
Issuance of new LHH Shares	-	-	20,285,714	20,285,714	12,142,857	12,142,857	32,428,571	32,428,571
Enlarged share capital	166,725,000	166,725,000	187,010,714	187,010,714	178,867,857	178,867,857	199,153,571	199,153,571

### 6.2 Shareholdings of substantial shareholders

The following sets out the effects of the Proposed Acquisitions on the shareholdings of the substantial shareholders of LHH (holding 5% or more equity interest):

Scenario A : Assuming the SC grants approval for the Proposed MGO Exemption, the AMSB Consideration Shares will be issued to LHM in the AMSB Vendors' place

Scenario B : Assuming the SC does not grant approval for the Proposed MGO Exemption, the AMSB Consideration Shares will be issued to the AMSB Vendors in their respective names

	Existing as at 9 October 2009				(I) After the Proposed AMSB Acquisition							
	Direct		Indirect		Scenario A				Scenario B			
	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*
LHM	79,545,566	47.71	-	-	99,831,280	53.39	-	-	79,545,566	42.54	-	-
CWL	-	-	79,545,566 <sup>(1)</sup>	47.71	-	-	99,831,280 <sup>(1)</sup>	53.39	2,252,906	1.20	79,545,566 <sup>(1)</sup>	42.54
Lau Joo Hong	309,966	0.19	79,545,566 <sup>(2)</sup>	47.71	309,966	0.17	99,831,280 <sup>(2)</sup>	53.39	309,966	0.17	79,545,566 <sup>(2)</sup>	42.54
Lau Jui Peng	330,700	0.20	79,545,566 <sup>(2)</sup>	47.71	330,700	0.18	99,831,280 <sup>(2)</sup>	53.39	330,700	0.18	79,545,566 <sup>(2)</sup>	42.54
Lau Joo Heng	309,700	0.19	79,545,566 <sup>(2)</sup>	47.71	309,700	0.17	99,831,280 <sup>(2)</sup>	53.39	309,700	0.17	79,545,566 <sup>(2)</sup>	42.54

	(II) After the Proposed LTM Acquisition				After (I) and (II) After the Proposed Acquisitions							
					Scenario A				Scenario B			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*	No. of LHH Shares	%*
LHM	79,545,566	44.47	-	-	99,831,280	50.13	-	-	79,545,566	39.94	-	-
CWL	-	-	79,545,566 <sup>(1)</sup>	44.47	-	-	99,831,280 <sup>(1)</sup>	50.13	2,252,906	1.13	79,545,566 <sup>(1)</sup>	39.94
Lau Joo Hong	309,966	0.17	79,545,566 <sup>(2)</sup>	44.47	309,966	0.16	99,831,280 <sup>(2)</sup>	50.13	309,966	0.16	79,545,566 <sup>(2)</sup>	39.94
Lau Jui Peng	330,700	0.18	79,545,566 <sup>(2)</sup>	44.47	330,700	0.17	99,831,280 <sup>(2)</sup>	50.13	330,700	0.17	79,545,566 <sup>(2)</sup>	39.94
Lau Joo Heng	309,700	0.17	79,545,566 <sup>(2)</sup>	44.47	309,700	0.16	99,831,280 <sup>(2)</sup>	50.13	309,700	0.16	79,545,566 <sup>(2)</sup>	39.94

**Notes:**

\* Calculated based on the number of LHH Shares in issue net of 10,000 LHH Shares held as treasury shares in the Company

(1) Deemed interested by virtue of its interest in LHM

(2) Deemed interested by virtue of his interest in CWL

### 6.3 NA and gearing

Based on the latest available audited consolidated balance sheets of LHH as at 31 March 2009, the proforma effects of the Proposed Acquisitions on LHH's consolidated net assets and gearing are as follows:

	Audited as at 31 March 2009	(I) After the Proposed AMSB Acquisition	(II) After the Proposed LTM Acquisition	After (I) and (II) After the Proposed Acquisitions
	RM	RM	RM	RM
Share capital	166,725,000	187,010,714	178,867,857	199,153,571
Reserves	141,023,685	142,037,971 <sup>(1)</sup>	141,630,828 <sup>(2)</sup>	142,645,114 <sup>(1),(2)</sup>
NA	307,748,685	329,048,685	320,498,685	341,798,685
No. of LHH Shares in issue	166,725,000	187,010,714	178,867,857	199,153,571
NA per share (RM)	1.85	1.76	1.79	1.72
Borrowings (RM)	183,573,675	183,757,616	191,664,861	191,848,802
Gearing ratio (times)	0.60	0.56	0.60	0.56

**Notes:**

(1) After taking into consideration the issuance of 20,285,714 new LHH Shares issued at a premium of RM0.05 per LHH Share and the par value of the LHH Shares of RM1.00

(2) After taking into consideration the issuance of 12,142,857 new LHH Shares issued at a premium of RM0.05 per LHH Share and the par value of the LHH Shares of RM1.00

## 6.4 Earnings

### 6.4.1 Proposed AMSB Acquisition

The Proposed AMSB Acquisition is not expected to have any material impact on the consolidated earnings of LHH for the FYE 31 March 2010. However, the Proposed AMSB Acquisition will result in dilution to the consolidated earnings per share (“**EPS**”) of LHH. Barring any unforeseen circumstance, the Proposed AMSB Acquisition is expected to contribute positively to the earnings of the LHH Group from FYE 2013 onwards when the oil palm trees on the Plantation Land reach maturity.

### 6.4.2 Proposed LTM Acquisition

The Proposed LTM Acquisition is not expected to have any material impact on the consolidated earnings and EPS of LHH for the FYE 31 March 2010. Barring any unforeseen circumstance, the Proposed LTM Acquisition is expected to contribute positively to the future earnings of the LHH Group.

## 7. APPROVALS REQUIRED

The Proposed Acquisitions are conditional upon the following approvals:

- (a) Bursa Securities for the listing of and quotation for the AMSB Consideration Shares and LTM Consideration Shares;
- (b) the shareholders of LHH for the Proposed Acquisitions at an extraordinary general meeting (“**EGM**”) to be convened; and
- (c) any other relevant authorities/parties, if required.

The Proposed AMSB Acquisition and Proposed LTM Acquisition are not inter-conditional upon one another.

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

Dato’ Lau Bong Wong is a Director of LHH. Dato’ Lau Eng Guang, Tan Sri Lau Tuang Nguang and Lau Joo Hong are Directors and shareholders of LHH. Dato’ Lau Bong Wong, Dato’ Lau Eng Guang and Tan Sri Lau Tuang Nguang are brothers (collectively referred to as “**Lau Brothers**”) while Lau Joo Hong is the nephew of Lau Brothers.

Dato’ Lau Bong Wong is a vendor for the Proposed AMSB Acquisition. Dato’ Lau Eng Guang, who is Director of AMSB, is a vendor for the Proposed AMSB Acquisition. Tan Sri Lau Tuang Nguang, who is a Director of AMSB, is a Director and major shareholder of LTN Resources Sdn Bhd, which in turn is a vendor for the Proposed AMSB Acquisition. Lau Joo Hong is a Director and major shareholder of CWL, which in turn is a vendor for the Proposed AMSB Acquisition.

Tan Sri Lau Tuang Nguang is a vendor for the Proposed LTM Acquisition.

In view of the above, Dato’ Lau Bong Wong, Dato’ Lau Eng Guang, Tan Sri Lau Tuang Nguang and Lau Joo Hong are referred to as “**Interested Directors**”.

As such, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposed Acquisitions. They will also abstain voting in respect of their direct and/or indirect shareholdings in LHH on the resolutions pertaining to the Proposed Acquisitions to be tabled at the EGM to be convened.

The Interested Directors have undertaken to ensure that persons connected to them shall abstain from voting in respect of their direct and/or indirect shareholdings in LHH, if any, on the resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM.

LHM, a major shareholder of LHH, is a person connected to the Interested Directors by virtue of the following:

- (a) Datin Chua Ah Nia @ Chua Kah Nui, spouse of Dato' Lau Bong Wong, is a major shareholder of LHM;
- (b) Dato' Lau Eng Guang is a Director of LHM; and
- (c) Puan Sri Wong Kee Choo, spouse of Tan Sri Lau Tuang Nguang, is a major shareholder of LHM; and
- (d) Lau Joo Hong is a Director and major shareholder of CWL, which in turn is a major shareholder of LHM.

LHM will abstain from voting in respect of its direct and/or indirect shareholdings in LHH on the resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM.

Save as disclosed above and insofar as the Directors of LHH are aware, none of the Directors and/or major shareholders of LHH and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisitions.

## **9. PERCENTAGE RATIOS**

The highest percentage ratio computed on the bases set out in paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") is 19.45% being the aggregate value of the consideration given in relation to the Proposed Acquisitions, compared with the market capitalisation of LHH.

## **10. OTHER RELATED PARTY TRANSACTIONS**

Within 12 months prior to the date of this announcement, the value of transactions entered into between the Company and the Interested Directors and persons connected to them amounted to approximately RM437.2 million comprising the following:

- (i) acquisition of 1,226,753 AMSB Shares representing approximately 35% of the issued and paid-up share capital of AMSB for a cash consideration of RM33.9 million, which was approved by the shareholders of LHH on 27 February 2009;
- (ii) acquisition of the entire issued and paid-up share capital of Budaya Zaman Sdn Bhd, Aneka Flora Sdn Bhd and Pedoman Ikhlas Sdn Bhd for a cash consideration of RM1.0 million; and
- (iii) sale and purchase of raw materials, materials relating to the poultry and food industry and chicken products, purchase of ducks and packing materials, sale of eggs, egg trays and veterinary products, provision of management services, transportation services, rental charges and machinery rental charges amounting to approximately RM402.3 million, which were recurrent transactions of revenue or trading nature approved by the shareholders of LHH on 21 September 2008 and 28 September 2009.

## **11. INDEPENDENT ADVISER**

The Proposed Acquisitions are related party transactions pursuant to paragraph 10.08 of the Listing Requirements. Accordingly, OSK Investment Bank Berhad (“**OSK**”) has been appointed to act as an Independent Adviser to advise the non-interested Directors and shareholders of LHH on whether the Proposed Acquisitions are fair and reasonable and whether the Proposed Acquisitions are to the detriment of non-interested shareholders of LHH.

## **12. DIRECTORS' STATEMENT**

The Board (save for the Interested Directors), having considered all aspects of the Proposed Acquisitions, is of the opinion that the Proposed Acquisitions are in the best interests of the Company.

## **13. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee of LHH having considered all aspects of Proposed Acquisitions, is of the opinion that Proposed Acquisitions are:

- (i) in the best interest of LHH after taking into consideration the rationale of the Proposed Acquisitions and the earnings potential of AMSB and LTM;
- (ii) fair and reasonable based on normal commercial terms as the purchase consideration for the Proposed Acquisitions was arrived at after taking into consideration the independent valuation of the AMSB Plantation Right and LTM Group Properties as well as the discount of the purchase consideration over the adjusted NA attributable to AMSB Sale Shares and proforma NA attributable to LTM Sale Shares; and
- (iii) not detrimental to the interest of the minority shareholders as Proposed Acquisitions are expected to improve the financial performance of the LHH group in the future.

The Audit Committee has sought the opinion of OSK, the Independent Adviser in forming its views in relation to Proposed Acquisitions and concurred that the terms and conditions of Proposed Acquisitions are fair and reasonable.

## **14. SUBMISSION TO THE AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION**

The applications to the relevant authorities for the Proposed Acquisitions will be submitted within two (2) months from the date of this announcement.

Barring unforeseen circumstances, the Proposed Acquisitions are expected to be completed by the first quarter of 2010.

## **15. DOCUMENTS FOR INSPECTION**

The SAAs dated 13 October 2009 and the valuation reports by Raine & Horne and Colliers, Jordan Lee & Jaafar 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. from the date of this announcement up to and including the date of the EGM to be convened.

This announcement is dated 13 October 2009.