

LEONG HUP INTERNATIONAL BERHAD (“LHI” OR THE “COMPANY”)

ACQUISITIONS OF A FEEDMILL FACTORY IDENTIFIED AS HUNG VUONG TAY NAM AQUA FACTORY, MOTOR VEHICLES, MACHINERIES AND PLANT & EQUIPMENT BY EMIVEST FEEDMILL (TG) VIETNAM LIMITED LIABILITY COMPANY (“EFTG”), A WHOLLY-OWNED SUBSIDIARY OF LHI FOR A TOTAL CASH CONSIDERATION OF VND369,272,100,000 INCLUDES VALUE ADDED TAX (“VAT”) (EQUIVALENT TO APPROXIMATELY RM67,030,695)

## 1. INTRODUCTION

Pursuant to paragraph 10.06 (1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of the Company (“Board”) wishes to announce that EFTG, a wholly-owned subsidiary of the Company had performed the following acquisitions with Hung Vuong Tay Nam Panga Feed Joint Stock Company (“Vendor” or “Party A”) :-

- (i) on 28 February 2020, entered into Sale and Purchase Agreements (“SPAs”), also known as “Contracts For Transfer Of Land Use Right And Assets Attached To The Land” for the acquisition of a feedmill factory identified as Hung Vuong Tay Nam Aqua Factory for a total purchase consideration of approximately RM41,532,038 (“Feedmill Factory Acquisition”);
  - (ii) on 28 February 2020, entered into SPAs also known as “Contract For Purchase Of Car” for the acquisition of motor vehicles for a purchase consideration of approximately RM403,540 (“Motor Vehicle Acquisition”);
  - (iii) on 9 March 2020, entered into SPAs also known as “Contract For Purchase of Forklift, Damper and Dumber Excavator” for the acquisition of machineries for a purchase consideration of approximately RM539,118 (“Machineries Acquisition”); and
  - (iv) on 9 March 2020, entered into SPAs also known as “Contract For Purchases of Plant and Equipment” for the acquisition of machineries & equipment for a purchase consideration of approximately RM24,555,999 (“Plant & Equipment Acquisition”).
- (collectively referred to as the “Proposed Acquisitions”)

## 2. DETAILS OF THE FACTORY, MOTOR VEHICLES AND PLANT & EQUIPMENT

Details of the Factory & Land, Motor Vehicles, Machineries and Plant & Equipment are set out in the table below:-

<b>Factory &amp; Land</b>	<b>Description of Factory &amp; Land</b>	A feedmill factory mainly consists of corporate office, boiler houses and workshop erected on a parcel of land identified as Hung Vuong Tay Nam Aqua Factory (“Land”) bearing postal address Lot II-5, II-6, II-7, C Open Zone, Sa Dec Industrial Park, Sa Dec City, Dong Thap Province, Vietnam
	<b>Tenure</b>	Leasehold (Expiring on June 2054)

	<b>Land Area</b>	52,576 m <sup>2</sup>
	<b>Category of Land use</b>	Industrial Land
	<b>Motor Vehicles</b>	3 units
	<b>Machineries</b>	Forklift, Wheel loader / Damper and Dumber Excavator
	<b>Plant &amp; Equipment</b>	Feedmill Machinery

### 3. INFORMATION ON EFTG AND THE VENDOR

The Vendor was established in Vietnam in the year 2007, principally involved in aquatic feedmill. Its business office is located at Lot II-5, II-6, II-7, C Open Zone, Sa Dec Industrial Park, Sa Dec City, Dong Thap Province, Vietnam.

The Board of Directors of the Vendor are Mr. Nguyen Van Lam, Mr. Le Manh Duc, Mr. Mai Van Tien and Mr. Nguyen Quoc Dat.

Shareholders of the Vendor are Mr. Nguyen Van Lam, Mr. Nguyen Quoc Dat, and Hung Vuong Mien Tay Aquaculture Company.

EFTG, a wholly-owned subsidiary of LHI, was incorporated in Vietnam in the year 2007 with its business address at Lot AV-1,2,3,4,7 Tan Huong Industrial Park, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam. EFTG is principally engaged in feedmill.

The General Director of EFTG is Datuk Lau Joo Hong.

### 4. BASIS AND JUSTIFICATION OF ARRIVING AT THE PURCHASE CONSIDERATION

The purchase consideration for the Proposed Acquisitions is VND369,272,100,000 (Vietnam Dong Three Hundred and Sixty-Nine Billion Two Hundred and Seventy-Two Million and One Hundred Thousand) only comprising (i) VND348,000,000,000 (Vietnam Dong Three Hundred and Forty-Eight Billion); and (ii) VAT of VND21,272,100,000 (Vietnam Dong Twenty-One Billion Two Hundred and Seventy-Two Million and One Hundred Thousand). The purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration of its strategic location at the vicinity of Mekong Delta.

EFTG also took into consideration the following when deciding on the Proposed Acquisitions:

- (i) Feedmill Factory completed with all the necessary facilities is ready to operate upon handing over the right of possession.
- (ii) Feedmill Factory location that is near to EFTG's customers, fish farming and poultry farming areas.

### 5. SALIENT TERMS OF THE SPAs

The salient terms of the SPAs are set out below:

- (i) the deposit of VND34,800,000,000 (Vietnam Dong Thirty-Four Billion and Eight Hundred Million) only which is equivalent to 10% of the purchase consideration shall be treated as the first payment of the total consideration;
- (ii) the 2<sup>nd</sup> payment of VND139,200,000,000 (Vietnam Dong One Hundred and Thirty-Nine Billion and Two Hundred Million) only which is equivalent to 40% of the purchase consideration shall be made upon five (5) working days as from the signing of the contract for purchases machinery, and forklifts and the handover of the factory, motor vehicles, machineries and plant & equipment to EFTG;
- (iii) At the time EFTG receives its Investment Certificate, EFTG shall pay to Party A, a 3<sup>rd</sup> payment of VND104,400,000,000 (Vietnam Dong One Hundred and Four Billion and Four Hundred Million) only which is equivalent to 30% of the purchase consideration;
- (v) The final payment of VND69,600,000,000 (Vietnam Dong Sixty-Nine Billion and Six Hundred Million) only which is equivalent to 20% of the purchase consideration shall be made upon receiving the Certificate Land Use Rights, Ownership of House and other Properties Above Land for the Land issued by the Resources and Environment Department; and
- (vi) The VAT amount will be paid upon receiving the original invoice.

## **6. SOURCE OF FUNDING**

The Proposed Acquisitions will be financed through internally generated funds and/or bank borrowings, the quantum of which has yet to be determined at this juncture.

## **7. LIABILITIES TO BE ASSUMED**

There are no liabilities, including contingent liabilities and guarantees, to be assumed by LHI pursuant to the Proposed Acquisitions

## **8. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITIONS**

The feedmill factory is strategically located near to a river with port discharge facilities. It is also a highly sought-after location for production and warehousing activities at that region as well as to benefit from cost savings for transportation of raw materials and finished products by using canal transport system.

The feedmill factory is fully functionable with supporting works, machineries, equipment, wharfs and infrastructure that allows commencement of production immediately upon handing over the right of possession. The Proposed Acquisitions would substantially reduce the time needed for sourcing for suitable land and construction of a new feedmill as the entire process requires a minimum period of 2 years before production can begin.

## **9. PROSPECTS OF THE PROPOSED ACQUISITIONS**

The feedmill factory will be used for producing aqua feed, poultry feed and other animal feed. The Proposed Acquisitions will be the first step of product diversification for Vietnam group to venture into aqua feed market, and further expand its market share in Southern Region of Vietnam.

The feedmill factory is surrounded by active livestock farming and aqua farming activities, which will enable Vietnam operation to penetrate and expand its market share in Mekong delta region and to remain competitive in market as well as to take advantages of the growing demand for feeds in Vietnam as a whole.

In addition to the above, the easy access to rice base ingredients and other local raw materials through the canal transport system will benefit the feedmill operation in the long run.

## **10. RISKS OF THE PROPOSED ACQUISITIONS**

The Board of Directors does not foresee any specific risk/ risk factors arising from the Proposed Acquisitions which could materially or adversely affect the financial and operating condition of the LHI Group other than the normal business and market risks such as non-compliance of the SPAs.

## **11. EFFECTS OF THE PROPOSED ACQUISITIONS**

- a. Share capital and substantial shareholders' shareholdings  
The Proposed Acquisitions will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company as the Proposed Acquisitions will be fully satisfied in cash.
- b. Net assets per share and gearing  
The Proposed Acquisitions will not have any material effect on the net assets per share and gearing of the Company for the financial year ending 31 December 2020.
- c. Earnings and earnings per share ("EPS")  
The Proposed Acquisitions are expected to contribute positively to the earnings and EPS of the Company for the financial year ending 31 December 2020.

## **12. APPROVAL REQUIRED**

The Proposed Acquisitions are not subject to the approval of the shareholders of the Company. However, it is conditional upon obtaining the relevant consent from the Management of Economic Zone of Dong Thap Province, Vietnam.

## **13. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

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

## **14. DIRECTORS' STATEMENT**

The Board, after having considered all aspects of the Proposed Acquisitions including but not limited to the rationale and financial effects of the Proposed Acquisitions, is of the opinion that the Proposed Acquisitions are in the best interest of the Company.

**15. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITIONS**

The aggregate highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.12 of the MMLR of Bursa Securities is 5.15% based on the latest audited consolidated financial statements of LHI Group for the financial year ended 31 December 2018 whereas the respective highest percentage ratio applicable to the individual acquisition is as follows:-

	<b>Percentage ratio (%)</b>
Feedmill Factory Acquisition	3.19%
Motor Vehicle Acquisition	0.03%
Machineries Acquisition	0.04%
Plant and Equipment Acquisition	1.89%
<b>Total</b>	<b>5.15%</b>

**16. ESTIMATED TIMEFRAME FOR COMPLETION**

The Proposed Acquisitions (except for Motor Vehicle Acquisition) are expected to be fully completed within six (6) months from the date of signing the SPAs subject to the relevant consent from the Management of Economic Zone of Dong Thap Province, Vietnam being obtained.

The Motor Vehicle Acquisition is expected to be completed within two (2) months from the date of signing the respective SPAs.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

The SPAs of “Contracts For Transfer Of Land Use Right And Assets Attached To The Land” dated 28 February 2020; “Contract For Purchase Of Car” dated 28 February 2020; “Contract For Purchase Forklift, Damper and Dumber Excavator” dated 9 March 2020 and “Contract For Purchases of Plant and Equipment” dated 9 March 2020 will be available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 9 March 2020.