The Board of Directors of HSIB is pleased to announce that Hup Seng Perusahaan Makanan (M) Sdn Bhd, a wholly-owned subsidiary of HSIB, had on 9 March 2016 entered into two conditional sale and purchase agreements dated 9 March 2016 with Syarikat Koon Fuat Industries Sdn Bhd (16860-A) for the Proposed Acquisitions.

Further details on the Proposed Acquisitions are set out in the attachment.

This announcement is dated 9 March 2016.
HUP SENG INDUSTRIES BERHAD (226098-P) (“HSIB” or “THE COMPANY”)

PROPOSED ACQUISITIONS BY HUP SENG PERUSAHAAN MAKANAN (M) SDN BHD (19770-K) OF TWO PARCELS OF LAND IN MUKIM LINAU, DAERAH BATU PAHAT, NEGERI JOHOR TOGETHER WITH BUILDINGS ERECTED THEREON (“SAID PROPERTIES”) FOR A TOTAL PURCHASE CONSIDERATION OF RM17,490,000.00 (INCLUDING GOODS AND SERVICES TAXES) (“PURCHASE CONSIDERATION”) (“PROPOSED ACQUISITIONS”)

1. INTRODUCTION

The Board of Directors of HSIB (“Board”) wishes to announce that Hup Seng Perusahaan Makanan (M) Sdn Bhd (19770-K) (“HSPM” or “Purchaser”), a wholly-owned subsidiary of HSIB, had on 9 March 2016 entered into the following agreements:

(i) a sale and purchase agreement with Syarikat Koon Fuat Industries Sdn Bhd (16860-A) (“SKFI” or “Vendor”) for the proposed acquisition of a piece of land in Mukim Linau, Daerah Batu Pahat, Negeri Johor measuring in aggregate approximately 1.1875 acre together with a 3 storey factory building cum office erected thereon for a total cash consideration of RM4,399,000.00 (inclusive of Goods and Services Tax (“GST”)) (“Purchase Consideration 1”) (“SPA 1”); and

(ii) a sale and purchase agreement with SKFI for the proposed acquisition of a piece of land in Mukim Linau, Daerah Batu Pahat, Negeri Johor measuring in aggregate approximately 15428.6156 square metres (3a. 3r. 10p.) together with 5 units of buildings erected thereon for a total cash consideration of RM13,091,000.00 (inclusive of GST) (“Purchase Consideration 2”) (“SPA 2”).

(SPA 1 and SPA 2 are collectively referred to as the “SPAs”).

2. INFORMATION ON HSPM

HSPM is a private limited company incorporated in Malaysia under the Companies Act 1965 on 12th August 1974. As at 1ST January 2016, being the latest practicable date prior to this Announcement (“LPD”), the authorised share capital of HSPM is RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each of which 4,950,000 shares are issued and fully paid-up. HSPM is wholly-owned by HSIB.

HSPM’s principal activity is manufacture and sale of biscuits.
As at LPD, the directors of HSPM are

1. Dato’ Seri Ker (Kerk) Kim Tim @ Kerk Choo Ting;
2. Kuo Choo Song;
3. Ke (Kek) Kim Soon @ Kerk Choo Soon;
4. Dato’ Keh (Kerk) Chu Koh;
5. Kerk Chiew Siong;
6. Kuo Liong Yok;
7. Kuo Chee Ching;
8. Kuo Chee Yoong;
9. Teo Lee Teck;
10. Kuo Chee Joo;
11. Teo Lay Gak;
12. Kerk Kar Han;
13. Kerk Chian Tung;

3. INFORMATION ON SKFI

SKFI is a private limited company incorporated in Malaysia under the Companies Act 1965 on 31 December 1973 and having its registered office at Ground Floor, 8 Lorong Universiti B, Section 16, 46350 Petaling Jaya, Selangor and a place of business at No. 3, Jalan Kapal, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor. As at LPD, the authorised share capital of SKFI is RM300,000.00 comprising 300,000 ordinary shares of RM1.00 each of which 127,500 shares are issued and fully paid-up. SKF is wholly-owned by Yong Tai Berhad.

SKFI’s principal activity is Dyeing & Finishing and Textile Products.

As at LPD, the directors of SKFI are:

1. Wong Liew Lin @ Liew Fat Lin
2. Wong Mee Yow Cheen @ Liew Mee Yow Cheen
3. Wong Chock Eng

4. INFORMATION ON THE SAID PROPERTIES

The Said Properties measuring a total of approximately 5 acres, are located in Mukim Linau, Daerah Batu Pahat, Negeri Johor.

<table>
<thead>
<tr>
<th>Property 1 – 60 Years Leasehold Land &amp; Building</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title No. &amp; Lot No.:</strong> H.S.(D) 12111 PTD 1860</td>
</tr>
<tr>
<td><strong>Area:</strong> Provisional area of 0.4805 hectare (1.18785 acre)</td>
</tr>
<tr>
<td><strong>Other Particulars:</strong> The land is a 60 year leasehold land expiring on 21-10-2041 with a 3 storey factory building cum office erected thereon bearing postal address No. 3, Jalan Kapal, Kawasan Perindustrian Tongkang Pecah, 83010 Tongkang Pecah, Batu Pahat, Johor</td>
</tr>
<tr>
<td><strong>Express Conditions:</strong> The land title to the property is endorsed with and subject to the following Express Conditions and Restriction In Interest:</td>
</tr>
</tbody>
</table>
**EXPRESS CONDITIONS (SYARAT-SYARAT NYATA)**

1. Tanah ini hendaklah digunakan untuk kilang bagi tujuan Perusahaan Sederhana dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.

2. Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa berkenaan.

3. Segala kekotoran dasar dan syarat-syarat yang ditetapkan dan dikuatkuasakan dari semasa kesemasa oleh Pihak Berkuasa berkenaan hendaklah dipatuhi.

**RESTRICTION IN INTEREST (SEKATAN-SEKATAN KEPENTINGAN)**

Tanah yang dikurniakan ini tidak boleh dijual, dipajak, dicagar, digadai atau dipindahmilik dengan apa cara sekalipun termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/jualan tanah ini tanpa kebenaran Penguasa Negeri.

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**Property 2 – Freehold Industrial Land & Building**

<table>
<thead>
<tr>
<th>Title No. &amp; Lot No.:</th>
<th>H.S.(M) 672 Lot 766</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area:</td>
<td>Provisional area of 15428.6156 square metres (3a. 3r. 10p.)</td>
</tr>
<tr>
<td>Other Particulars:</td>
<td>The land is a freehold industrial land with the following 5 units of buildings erected thereon:</td>
</tr>
<tr>
<td></td>
<td>(A) one (1) unit of 4 storey factory building cum office bearing postal address No. 18, Jalan Kilang, Kawasan Perindustrian Tongkang Pecah, 83010 Tongkang Pecah, Batu Pahat, Johor.</td>
</tr>
<tr>
<td></td>
<td>(B) three (3) units of single storey factory buildings bearing postal addresses Nos. 18.1, 18.2 and 18.3, Jalan Kilang, Kawasan Perindustrian Tongkang Pecah, 83010 Tongkang Pecah, Batu Pahat, Johor.</td>
</tr>
</tbody>
</table>
A portion of the land measuring 37.16 square metres has been leased to TENAGA NASIONAL BERHAD (200866-W) of No. 129, Jalan Bangsar, 50732 Kuala Lumpur for a period of 30 years commencing from 10-12-2001 and ending on 09-12-2031 and registered under Pers.2464/2002 Pajakan Sebahagian Tanah (“the TNB Lease”).

<table>
<thead>
<tr>
<th>Express Conditions:</th>
<th>The land title to the property is endorsed with and subject to the provisions of the National Land Code and the following Express Conditions and Restriction In Interest:</th>
</tr>
</thead>
</table>
| EXPRESS CONDITIONS (SYARAT-SYARAT NYATA) | 1. *Tanah ini hendaklah digunakan kawasan Industri Sederhana untuk tujuan Perusahaan Printing & Finishing of Textiles Product Garment dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.*  
  
2. *Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan atau dibuang ketempat-tempat yang telah ditentukan oleh Pihak Berkuasa Tempatatan berkenaan.*  

3. *Segala dasar dan syarat-syarat yang ditetapkan dan dikuatkuasakan dari semasa kesemasa oleh Pihak Berkuasa Tempatatan berkenaan hendaklah dipatuhi.*

| RESTRICTION IN INTEREST (SEKATAN-SEKATAN KEPENTINGAN) | Tiada |

(Property 1 and Property 2 are collectively referred to as the “Said Properties”).
5. DETAILS OF THE PROPOSED ACQUISITIONS

5.1 The Proposed Acquisitions entail the acquisitions of the Said Lands by HSPM from SKFI for a total cash consideration of RM17,490,000.00, subject to the terms and conditions of the SPAs.

(i) SPA 1

HSPM shall purchase the Property 1 on an “as is where is” basis subject to the condition precedent that a prior written consent for the transfer of the Property 1 by SKFI to HSPM (“Consent to Transfer”) must have been obtained from the Penguasa Negeri Johor within the period stipulated in SPA 1; free from encumbrances with vacant possession and upon the terms, conditions, representations and warranties contained in the SPA 1 and subject to the conditions and restrictions in interest expressed and implied in the original land title and in the Land Code.

(ii) SPA 2

HSPM shall purchase the Property 2 on an “as is where is” basis subject to the TNB Lease; free from encumbrances with vacant possession and upon the terms, conditions, representations and warranties contained in the SPA 2 and subject to the conditions and restrictions in interest expressed and implied in the original land title and in the Land Code.

5.2 Basis of arriving at the Purchase Consideration

The Purchase Consideration for the Proposed Acquisitions amounting to Ringgit Malaysia Seventeen Million Four Hundred and Ninety Thousand (RM17,490,000.00) (inclusive of GST) only was arrived at on a “willing-buyer willing-seller” basis in an arm’s-length transaction after taking into consideration, amongst others, the indicative market valuation of the Said Properties of RM16,500,000.00 (“Property Value”), as appraised by JS Valuers Property Consultant (Johore) Sdn Bhd (244783-T) (“Valuer”) via its valuation report dated 28 July 2015 (“Valuation Report”) which adopted the Comparison Method of valuation. The Comparison Method entails analysis of sales and listings of similar properties in the locality and the value of the property is arrived at by comparison after making adjustments for differences in location, size, neighbourhood and other relevant factors. The Valuer had also cross-checked the value by the Cost Method of valuation which entails the summation of land and building values. The land component is arrived at by the Comparison Method. The building component is arrived at by Depreciated Replacement Cost Approach whereby an estimate is made of the replacement cost new and then allowing for depreciation.

HSIB had appointed the Valuer to undertake an independent valuation of the Said Properties.

The Proposed Acquisitions will be fully satisfied by cash and funded by the Group’s internally generated funds.
## Mode of settlement of the Purchase Consideration

According to the SPAs, HSPM will pay the Purchase Consideration in the following manner:

### Property 1

<table>
<thead>
<tr>
<th>Mode of settlement</th>
<th>Date of settlement</th>
<th>Consideration (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit of 20% of the Purchase Consideration 1:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17% of the Purchase Consideration 1 which forms part of the Deposit</td>
<td>After HSPM’s Solicitors have received the original Consent to Transfer</td>
<td>705,500.00</td>
</tr>
<tr>
<td>3% of the Purchase Consideration 1 which forms part of the Deposit</td>
<td>To be released by HSPM’s Solicitors to the Director General for payment on behalf of SKFI to account of payment of RPGT payable by SKFI within 60 days from the Absolute Date (as defined in Section 5.5 of this Announcement).</td>
<td>124,500.00</td>
</tr>
<tr>
<td>6% GST on the Deposit</td>
<td>To be deposited with SKFI’s Solicitors as stakeholder for SKFI upon the execution of the SPA 1.</td>
<td>49,800.00</td>
</tr>
<tr>
<td>Balance Purchase Consideration 1</td>
<td>Within the Completion Period but at any time after HSPM’s Solicitors have received the original Consent To Transfer and before the Transfer Documents are to be presented within the Period for Presentation to the Land Registration Authority for registration.</td>
<td>3,320,000.00</td>
</tr>
<tr>
<td>6% GST on Balance Purchase Consideration 1</td>
<td>Before the Transfer Documents are to be presented for registration.</td>
<td>199,200.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>4,399,000.00</strong></td>
</tr>
</tbody>
</table>
Property 2

<table>
<thead>
<tr>
<th>Mode of settlement</th>
<th>Date of settlement</th>
<th>Consideration (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit of 20% of the Purchase Consideration 2:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17% of the Purchase Consideration 2 which forms part of the Deposit</td>
<td>Upon execution of the SPA 2</td>
<td>2,099,500.00</td>
</tr>
<tr>
<td>3% of the Purchase Consideration 2 which forms part of the Deposit</td>
<td>Remitted by HSPM’s Solicitors to the Ketua Pengarah Hasil Dalam Negeri (Director General) on behalf of SKFI to account of payment of RPGT within 60 days at any time after the date of the SPA 2</td>
<td>370,500.00</td>
</tr>
<tr>
<td>6% GST on the Deposit</td>
<td>To be deposited with SKFI’s Solicitors as stakeholder for SKFI upon the execution of the SPA 2.</td>
<td>148,200.00</td>
</tr>
<tr>
<td>Balance Purchase Consideration 2</td>
<td>Within the Completion Period but before the Transfer Documents are to be presented for registration.</td>
<td>9,880,000.00</td>
</tr>
<tr>
<td>6% GST on Balance Purchase Consideration 2</td>
<td>Before the Transfer Documents are to be presented for registration.</td>
<td>592,800.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>13,091,000.00</strong></td>
</tr>
</tbody>
</table>

5.4 Assumption of liabilities including contingent liabilities and guarantees

The Company will not be assuming any liabilities, including any contingent liabilities and guarantees, pursuant to the Proposed Acquisitions.

5.5 Salient terms and conditions of the SPAs

SPA 1 is conditional upon the fulfilment of the condition precedent that the Consent to Transfer must have been obtained from the Penguasa Negeri Johor within a period of six (6) months from the date of the SPA 1.

If the Consent to Transfer is not issued by the Penguasa Negeri Johor within a period of six (6) months from the date of the SPA 1, HSPM shall be entitled to terminate the SPA 1 and in such event all sums of money deposited with or paid to SKFI and/or to SKFI’s Solicitors shall be refunded to HSPM provided that the parties may from time to time agree for the extension of the period for the issue of the Consent to Transfer.

SPA 1 shall become absolute on the following day in which the original Consent to Transfer has been received by HSPM’s Solicitors (“Absolute Date”).
5.6 Completion Date

(i) SPA 1
The period for completion of SPA 1 is a period of six (6) months from the Absolute Date (as defined in section 5.5 of this Announcement). Completion shall take place when the Transfer Documents have been received by HSPM’s Solicitors and the balance of the Purchase Consideration 1 paid to SKFI’s Solicitors.

(ii) SPA 2
The period for completion of SPA 2 is a period of six (6) months from the date of the SPA 2. Completion shall take place when the Transfer Documents have been received by HSPM’s Solicitors and the balance of the Purchase Consideration 2 paid to SKFI’s Solicitors.

5.7 Representations and Warranties by Vendor

SKFI represents and warrants to and with HSPM, amongst others, that:-

(i) SKFI is the registered and beneficial proprietor of Property 1 and has the unfettered and indisputable right and power to sell and transfer the Property 1 (subject to the redemption and discharge thereof by the existing charge and subject to the Consent to Transfer being obtained);

(ii) SKFI is the registered and beneficial proprietor of Property 2 and has the unfettered and indisputable right and power to sell and transfer the Property 2 (subject to the redemption and discharge thereof by the existing charge);

and

(iii) The transfer of the Said Properties to HSPM will confer on HSPM an indefeasible title to the Said Properties.

5.8 Specific Performance

In the event SKFI shall fail or refuse for any reason (other than due to the fault, delay or omission of HSPM) to perform his part of the SPAs, HSPM shall be entitled to either one of the following remedies:

(i) to the remedy of specific performance and it is agreed that compensation without specific performance shall not be adequate; or

(ii) to the refund of all sums of money paid plus an additional sum equivalent to the amount of the Deposit as liquidated damages and upon such payment (which is to be made within fourteen (14) working days from the date of receipt of such demand) the SPAs shall be deemed to be of no further effect whatsoever and SKFI shall be at liberty to resell the Said Properties to whomsoever without being accountable to HSPM for any profit made but is also not entitled to claim against HSPM for any loss suffered on the resale.
6.0 RATIONALE FOR THE PROPOSED ACQUISITIONS AND PROSPECTS OF THE SAID PROPERTIES

The Said Properties, being adjacent to the Group’s current factory, would be ideal for future expansion in production capacities. They will also enable centralised management. The Proposed Acquisitions will increase the Group’s factory premises by nearly 57%.

The Group’s existing facilities are congested and the current capacity may not be able to cope with expected increased demand in year 2017 and beyond. The Proposed Acquisitions will enable the Group to rationalise and modernise its production lines with the addition of new lines and corresponding support facilities and improve the layout of its packaging areas for efficient production processes.

All of the production lines of the Group are housed in a factory which sits on a 60 years leasehold land with a total land area of 20,234.11sq. metres, expiring on 24th May 2040, with a remaining lease of about 25 years. Property 2 is freehold industrial land with a land area of 15,428.6156 sq. metres, which would help to ensure operational continuity for the Group.

7.0 RISK FACTORS

7.1 The economic value of the Proposed Acquisitions is subject to the risks inherent in the property market. These include inter-alia changes in general economic, business and credit conditions and other external factors such as, obtaining approval for satisfactory performance from the relevant authorities.

7.2 Completion risk

Completion of the Proposed Acquisitions is subject to among others, the fulfilment of the conditions precedent and the performance by the relevant parties of their respective obligations as set out in the SPAs.

In this regards, the Board shall endeavour to ensure that there is no delay in fulfilling all the conditions precedent to the SPAs by the parties concerned and should there be any delay beyond the agreed time period, the Board shall negotiate with the relevant parties to the SPAs to mutually extend the said period prior to its expiry.

8.0 EFFECTS OF THE PROPOSED ACQUISITIONS

8.1 Issued and paid-up ordinary share capital

The Proposed Acquisitions will not have any effect on the issued and paid-up share capital of HSIB.

8.2 Substantial shareholders’ shareholdings

The Proposed Acquisitions will not have any effect on HSIB’s substantial shareholders’ shareholdings in HSIB.
8.3 **Earnings and earnings per share**

The Proposed Acquisitions is not expected to have any material impact on the earnings per share, net assets per share and gearing of the Company for the financial year ending 31 December 2016.

9.0 **APPROVALS REQUIRED AND ESTIMATED TIMEFRAME**

The Proposed Acquisition is not subject to approval of the shareholders of the Company.

Barring any unforeseen circumstances, the Consent to Transfer (“Absolute Date”) is expected to be obtained within 3 months from the date of the SPAs or such other extended date as may be mutually agreed by the parties.

The Board expects the Proposed Acquisitions to be completed within 6 months from the Absolute Date.

10.0 **DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS**

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

11.0 **DIRECTORS’ RECOMMENDATIONS**

The Board, after having considered all aspects of the Proposed Acquisitions, including but not limited to the terms and conditions of the SPAs, the market value of the Said Properties as appraised by the Valuer and the rationale for the Proposed Acquisitions, and after careful deliberation, is of the opinion that the Proposed Acquisitions are in the best interest of HSIB and of the Group.

12.0 **PERCENTAGE RATIOS**

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 11.29%, calculated for the Purchase Consideration inclusive of GST, or 10.65%, calculated for the Purchase Consideration not taking into account GST payable which will be claimed as Input Tax.

13.0 **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of HSIB at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement:

(i) SPA 1 and SPA 2; and
(ii) Valuation Report.

This announcement is dated 9 March 2016