



KEONG HONG HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200807303W)

**PROPOSED ACQUISITION OF 60% OF THE ENTIRE ISSUED AND PAID-UP SHARE
CAPITAL OF HANSIN TIMBER SPECIALIST AND TRADING PTE. LTD.**

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Keong Hong Holdings Limited (the “**Company**”) wishes to announce that the Company has on 21 April 2017 entered into a share purchase agreement (the “**SPA**”) with Tan Tee Meng and Heng Soon Miang (the “**Vendors**”) to acquire 1,200,000 shares in Hansin Timber Specialist and Trading Pte. Ltd. (the “**Target**”), which comprises 60% of the entire issued and paid-up share capital of the Target (“**Sale Shares**”) on the terms and conditions of the SPA (the “**Proposed Acquisition**”).
- 1.2 Each of the Vendors is an independent third party unrelated to any of the directors and controlling shareholders (as defined in the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), of the Company and its subsidiaries (the “**Group**”).

2. INFORMATION ON THE TARGET

- 2.1 The Target is engaged in the supplies and installation of timber floorings and exterior timber decking, trellis and roofing for residential and commercial development projects in Singapore.
- 2.2 As at the date of this announcement, the Target has an issued and paid-up share capital of S\$2,000,000 comprising 2,000,000 ordinary shares. The directors and shareholders of the Target are Tan Tee Meng and Heng Soon Miang, who each hold 50% of the share capital of the Target.

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 The Board is of the view that the Proposed Acquisition is in the best interests of the Company and its shareholders as the Target is profitable and is able to provide consistent returns to the Group.
- 3.2 The Proposed Acquisition is part of the corporate strategy of the Company for long term growth to provide shareholders with diversified returns. The Board believes that the proposed diversification will offer new business opportunities, provide the Company with additional revenue streams and improve its prospects, so as to enhance shareholder value.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Sale and Purchase

Pursuant to the SPA, the Vendors shall sell and the Company shall purchase the Sale Shares, free from all encumbrances and together with all rights, interests, benefits and advantages attaching thereto as at completion of the SPA ("**Completion**"). Following Completion, the Target will become a subsidiary of the Company.

4.2 Salient Terms of the SPA

4.2.1 Conditions Precedent

The obligations of the parties relating to the Proposed Acquisition will be subject to the fulfilment of, *inter alia*, the following conditions precedent set out in Clause 4 of the SPA:-

- (a) all approvals, waivers or consents as may be required for the sale of the Sale Shares, to enable the Company and/or its nominee(s) to be registered as holder(s) of all of the Sale Shares, and to give effect to the transactions contemplated hereunder (including without limitation, under all applicable laws and such waivers, as may be necessary, of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Target is a party or by which the Target or its assets are bound and waivers of all pre-emption rights or rights of first refusal in relation to the Sale Shares) being obtained and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;
- (b) the results of the due diligence (including but not limited to legal, reputational, financial, tax and operational) being satisfactory to the Company;
- (c) the warranties remaining true and accurate in all respects and not misleading in any respect, as if repeated at any time before and on Completion, by reference to the facts and circumstances then existing, and there being no breaches of any covenants, undertakings and agreements required to be performed or caused to be performed by the Vendors under the SPA on or before the Completion Date;
- (d) the entry by each of the Vendors and the Company into a shareholders' agreement;
- (e) the entry into a service agreement between the Target and each of the Vendors, the terms of which shall be subject to the written approval of the Company;
- (f) there being no material adverse change in the business, operations, assets, financial condition or prospects of the Target since the accounts date;

- (g) the Company having received from the Target and the Vendors, to the Company's satisfaction, evidence in writing from all banks which the Target has an existing relationship with, confirming that there are no other facilities and outstanding obligations owing from the Target to the banks, save for such facilities and/or outstanding obligations disclosed by the Vendors and attached to the SPA; and
- (h) the Company having received approval from the SGX-ST for the listing of and quotation for the Consideration Shares on the SGX-ST.

4.2.2 Consideration

- (a) The aggregate consideration for the Proposed Acquisition is S\$4,500,000, being S\$3,000,000 in cash and 2,565,000 new shares in the Company at an issue price of S\$0.585 per share, credited as fully paid to be issued to the Vendors ("**Consideration Shares**") (collectively, the "**Consideration**").
- (b) The Consideration was arrived at on a willing-buyer, willing-seller basis, after arm's length negotiations.
- (c) The payment and full settlement of the Consideration shall be effected by the Company in the following manner:
 - (i) the amount of S\$1,500,000 payable in cash in aggregate to the Vendors on Completion;
 - (ii) provided always that the Target achieves a net profit after tax ("**NPAT**") of no less than S\$2,000,000 based on the audited financial statements for the financial year ended 31 December 2015, the amount of S\$1,500,000 payable in cash in aggregate to the Vendors on Completion; and
 - (iii) the amount of S\$1,500,000 by way of issue to the Vendors by the Company of the Consideration Shares within three (3) business days on receipt of notice, together with the audited financial statements of the Target, provided that the Target has achieved an NPAT of not less than S\$2,500,000 based on the audited financial statements for the financial year ended 31 December 2016 (the "**Consideration Shares**").

4.2.3 Completion Date

Completion shall take place on such date as the Parties may agree.

4.3 Valuation of the Target

No valuation was conducted on the Target.

5. RELATIVE FIGURES FOR THE PROPOSED ACQUISITION

The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 (a) to (e) of the Listing Manual of the SGX-ST are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	The net profits ⁽¹⁾ attributable to the assets acquired, compared with the Group's consolidated net profits.	17.5% ⁽²⁾
(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	4.0% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	1.1% ⁽⁴⁾
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Group's proven and probable reserves.	Not applicable ⁽⁵⁾

Notes:

- (1) "Net profits" means profit before income tax, minority interests and extraordinary items.
- (2) The unaudited net profits of the Group for the three (3) months ended 31 December 2016 were S\$4.9 million. For the three (3) months ended 31 December 2016, the Target had unaudited net profits of S\$0.86 million.
- (3) Based on the Consideration of S\$4,500,000, and the Company's market capitalisation of approximately S\$113,406,817. The Company's market capitalisation is determined by multiplying the number of Shares in issue 229,820,000 (excluding 10,180,000 treasury shares) by the volume weighted average price of S\$0.493 per Share on 20 April 2017, being the market day preceding the date of the SPA.
- (4) Based on the number of Consideration Shares to be issued, being 2,565,000, divided by the number of Shares in issue, being 229,820,000, excluding 10,180,000 treasury Shares.
- (5) The Company is not a mineral, oil or gas company.

Based on the relative figures computed above, the Proposed Acquisition is a discloseable transaction for the purposes of Chapter 10 of the Listing Manual of the SGX-ST.

6. SOURCES OF FUNDS FOR THE PROPOSED ACQUISITION

The component of the Consideration to be satisfied in cash will be funded by internal resources.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

- 7.1 For illustrative purposes only, the financial effects of the Proposed Acquisition on the net tangible assets per share and earnings per share of the Group based on the latest audited consolidated financial statements of the Group for the financial year ended 30 September 2016 are as follows: -

Effects on net tangible assets

Had the Proposed Acquisition been effected on 30 September 2016, the financial effect on the net tangible assets (“NTA”) of the Group is as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Consolidated NTA attributable to the shareholders of the Company (S\$'000)	136,040	140,634
Number of issued shares (excluding treasury shares)	229,170,000	231,735,000
Net tangible assets per share (Singapore cents)	59.4	60.7

Effects on earnings

Had the Proposed Acquisition been effected on 1 October 2015, the financial impact on the effect on Company's earnings per share for the financial year ended 30 September 2016 is as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Net profit attributable to shareholders after tax (S\$'000)	34,668	36,011
Weighted average number of issued shares (excluding treasury shares)	228,398,880	230,963,880
Earnings per share (Singapore cents)	15.2	15.6

Please note that the above financial figures are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Proposed Acquisition. No representation is made as to the actual financial position and/or results of the Company after completion of the Proposed Acquisition.

Share Capital

The Proposed Acquisition involves the allotment and issuance of the Consideration Shares. The Consideration Shares represent approximately 1.1% of the existing issued and paid-up share capital of the Company of 229,820,000 Shares as at the date of this announcement (excluding treasury shares). Immediately after completion of the Proposed Acquisition and assuming that no further Shares are issued prior thereto, the Proposed Acquisition will increase the number of issued and paid-up Shares to 232,385,000 Shares and the Consideration Shares represent approximately 1.1% of the enlarged issued and paid-up share capital of the Company (excluding treasury shares).

New Share Issue Mandate

The Consideration Shares will be allotted and issued pursuant to the new share issue mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 24 January 2017. As such, no circular will be issued by the Company in connection with the issue of the Consideration Shares.

8. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholdings in the Company, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

9. RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

10. SERVICE CONTRACTS

There are no directors who are proposed to be appointed to the Board of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company at 9 Sungei Kadut Street 2, Sungei Kadut Industrial Estate Singapore 729230, for a period of three (3) months from the date of this announcement.

12. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition and other matters contemplated by this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Lo Swee Oi
Company Secretary
21 April 2017