



KEONG HONG HOLDINGS LIMITED
(Company Registration Number: 200807303W)

PROPOSED SUBSCRIPTION OF A CONVERTIBLE BOND OF S\$5,000,000 ISSUED BY KORI HOLDINGS LIMITED

1. INTRODUCTION

The Board of Directors of Keong Hong Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company had on 19 August 2013 entered into a convertible bond subscription agreement (the “**Agreement**”) with Kori Holdings Limited (“**Kori**”), pursuant to which the Company has agreed to subscribe (“**Proposed Bond Subscription**”) for a convertible bond in the principal amount of S\$5,000,000 (the “**Bond**”).

The principal amount of S\$5,000,000 will be funded using the Company's internal resources.

2. SALIENT TERMS OF THE AGREEMENT

2.1 Pursuant to the terms of the Agreement, Kori has agreed to issue, and the Company has agreed to subscribe for, a convertible bond of S\$5,000,000 in principal amount (“**Principal Amount**”) of 5.0% due in year 2016 at an issue price of 100% of the Principal Amount (“**Issue Price**”), on the next day on which banks are open in Singapore (“**business day**”) after all the conditions precedent as stated in the Agreement have been satisfied (or waived by the Company) or on such other date as the Company and Kori may agree, which shall not be later than the date falling three months from the date of the Agreement (“**Closing Date**”). The Bond will be issued in registered form, will not be listed and will constitute direct, unconditional and unsubordinated obligations of Kori.

2.2 Conditions Precedent

The obligation of the Company to subscribe and pay for the Bond is subject to, *inter alia*, the following conditions:

- (a) at the Closing Date, (i) all the representations and warranties provided by Kori in the Agreement shall be accurate and correct in all respects at, and as if made on, the Closing Date; and Kori shall have performed all its undertakings or obligations required to be performed by it on or before the Closing Date as stated in the Agreement; and
- (b) the approval of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Conversion Shares (defined below) on Catalist of the SGX-ST being obtained not less than one (1) business day prior to the Closing Date and all other consents, approvals and authorisations as have been obtained by Kori continue to be in full force and effect.

2.3 **Interest**

The Bond will bear interest from the Closing Date at the rate of 5.0% per annum on the Principal Amount of the Bond. Interest is payable annually in arrears on the anniversary of the Closing Date in each year.

2.4 **Maturity Date**

Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the Bond ("**Bond Conditions**"), Kori will on the date falling on the third anniversary of the Closing Date ("**Maturity Date**") redeem the Bond at the redemption amount being 100% of the Principal Amount of the Bond plus an interest chargeable on the Principal Amount at an annually compounded rate of 5.0% based on 360 days per annum, and deducting all interest paid by Kori to the Company from the Closing Date to the Maturity Date.

2.5 **Conversion of the Bond**

The Bond may be converted at the option of the Company into 11,904,000 ordinary shares in the capital of Kori ("**Conversion Shares**", and each, a "**Conversion Share**") at any time, from and including the Closing Date up to the close of business on the day falling on the Maturity Date. The number of Conversion Shares to be issued on conversion of the Bond shall be determined by dividing the Principal Amount of the Bond by the conversion price of S\$0.42 per Conversion Share ("**Conversion Price**"). Based on the foregoing, the Conversion Shares represent 10.71% of the enlarged share capital of Kori.

The Conversion Price will be subject to adjustment, in accordance with the Bond Conditions, upon the occurrence of any of the following: (a) consolidation, subdivision or reclassification of the number of issued shares in the capital of Kori ("**Kori Shares**"); (b) capitalisation of profits or reserves; (c) capital distributions; (d) rights issues of Kori Shares or options over Kori Shares; (e) rights issues of other securities; (f) issues of Kori Shares at less than the current market price of the Kori Shares; (g) other issues of securities at less than the current market price of the Kori Shares; (h) any modification of rights of conversion, exchange or subscription attaching to any securities as mentioned in subparagraph (g) above; and (i) issue, sale or distribution of any securities in connection with an offer by or on behalf of Kori pursuant to which offer the shareholders of Kori generally are entitled to participate in arrangements whereby such securities may be acquired by them.

The Conversion Shares allotted and issued upon conversion of the Bond will be valid, fully-paid, unencumbered and free and clear of any security interests, claims (including preemptive rights), liens or encumbrances and will be freely transferable and rank *pari passu* in all respects with all other Kori Shares then in issue, except (for the avoidance of doubt) for any dividends, rights, allotments or other distributions, the record date for which is before the relevant conversion date, and will be admitted to listing on Catalist of the SGX-ST.

2.6 **Redemption of the Bond**

Kori may at any time prior to the Maturity Date in the event there is a Change of Control (as defined below) of the Company, redeem the Bond in an amount equal to 130% of their Principal Amount less any interest paid by Kori to the Company from the Closing Date to the date of redemption, on the Bond being redeemed. If Kori wishes to redeem the Bond in accordance with this Condition, it shall give no less than fifteen days written notice to the

Company (“**Notice Period**”). The Company may not exercise its Conversion Right during the Notice Period to convert the Bond.

“**Change of Control**” refers to any transaction or series of transactions within a period of 12 months that would result in:

- (a) a change in the majority of the executive directors of the board of the Company; or
- (b) Mr Leo Ting Ping Ronald holding 46% or less of the issued share capital of the Company.

3. BACKGROUND ON KORI

Kori is a company listed on Catalist of the SGX-ST. Kori and its subsidiaries (collectively, the “**Kori Group**”) are principally engaged in providing civil or structural engineering and infrastructural construction services as a sub-contractor for commercial, industrial and public infrastructural construction projects. Kori Group’s businesses can be categorised into two main segments, namely structural steelworks services and tunnelling services. Kori Group’s customers include local and overseas developers in the engineering construction industry.

The Company has decided to undertake the Proposed Bond Subscription in order to strike a strategic alliance with Kori, a company with an established track record and strong technical expertise in civil/structural engineering and infrastructural construction services. The Company believes that the both parties will benefit from the realisation of any potential synergies that will arise from the two complementary businesses in the construction sector.

The net asset value of Kori based on Kori’s unaudited consolidated financial statements for its half year ended 30 June 2013 is S\$38,558,000 (“**HY2013**”) (rounded to the nearest thousand dollars).

4. RELATIVE FIGURES

The Proposed Bond Subscription constitutes a discloseable transaction pursuant to Rule 1006 and Rule 1010 of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST (“**Catalist Rules**”). The relative figures computed on the bases in Rule 1006 of the Catalist Rules are set out below:

	Rule	Bases	Relative Figures
(a)	1006(a)	Net Asset Value Base Net asset value (“ NAV ”) of the assets to be disposed of, compared with the Group’s NAV.	Not applicable
(b)	1006(b)	Net Profits Base Net profits attributable to the Conversion Shares, compared with the Group’s net profits.	8.84% ⁽¹⁾
(c)	1006(c)	Market Capitalisation Base Aggregate value of the consideration for the Proposed Bond Subscription, being the Principal	5.67% ⁽²⁾

Amount of S\$5,000,000, compared with the Company's market capitalisation based on the total number of issued shares, excluding treasury shares.

(d) 1006(d) **Equity Securities Issued Base** Not applicable

The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issued.

(e) 1006(e) **Disposal of Reserves Base** Not applicable

The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves.

Notes:

(1) The relative figure in 1006(b) is calculated based on Kori's unaudited consolidated financial statements for HY2013 attributable to the Conversion Shares (on the basis that the Bond has been fully converted), being S\$622,000 (rounded to the nearest thousand dollars) and the net profits of the Group based on the Group's unaudited consolidated financial statement for half year ended 31 March 2013, being S\$7,041,000 (rounded to the nearest thousand dollars).

(2) The relative figure in 1006(c) is calculated based on the consideration for the Proposed Bond Subscription being the Principal Amount of S\$5,000,000 and the market capitalisation of the Company being S\$88,171,200, which is determined by multiplying the number of shares in issue of 156,000,000 shares multiplied by the volume weighted average price of the shares of S\$0.5652 transacted on 16 August 2013 (being the last market day preceding the date of the Agreement).

5. FINANCIAL EFFECTS OF THE PROPOSED BOND SUBSCRIPTION

For illustrative purposes only, based on the audited consolidated financial statements of the Group as at 30 September 2012, the *pro forma* financial effects of the Proposed Bond Subscription on the net tangible asset ("**NTA**") per ordinary share in the capital of the Company ("**Share**") and earnings per Share ("**EPS**") are computed based on, *inter alia*, the following assumptions:

NTA

Assuming that the Proposed Bond Subscription had been completed on 30 September 2012 and full conversion of the Bond into the Conversion Shares ("**Full Conversion**"), the financial effect on the NTA per Share is as follows:

	Before the Proposed Bond Subscription and Full Conversion	After the Proposed Bond Subscription and Full Conversion
NTA	\$51,352,513	\$51,352,513
NTA per Share	\$0.382	\$0.382

EPS

Assuming that the Proposed Bond Subscription had been completed on 1 October 2011 and Full Conversion, the financial effect on the EPS is as follows:

	Before the Proposed Bond Subscription and Conversion	After the Proposed Bond Subscription and Full Conversion
Net profits	\$10,974,833	\$10,974,833
EPS	\$1.14	\$1.14

The pro forma financial effects of the Proposed Bond Subscription and Full Conversion above are for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Bond Subscription and Full Conversion.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for Mr Leo Ting Ping Ronald, a Director and controlling shareholder of the Company, who currently has a direct shareholding of 1.3 million Kori Shares representing 1.31% of the total issued share capital of Kori as at the date of this announcement, none of the Directors, and to the best of the Directors' knowledge, none of the substantial shareholders of the Company, have an interest, direct or indirect, in the Proposed Bond Subscription (other than arising from their shareholdings in the Company, if any).

No person is proposed to be appointed as a Director in connection with the Proposed Bond Subscription. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the Company's registered office at Block 151 Bukit Batok Street 11 #03-250 Singapore 650151, for a period of three (3) months from the date of this announcement.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Bond Subscription and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in its proper form and context.

9. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Shares in relation to this announcement as there is no certainty that the Proposed Bond Subscription will be completed as it is subjected to the fulfilment of terms and conditions set out in the Agreement, or that the Full Conversion will take place. When in doubt as to the action they should take, shareholders and potential investors should consult their financial, tax or other advisors.

BY ORDER OF THE BOARD

Lo Swee Oi
Company Secretary
Dated: 20 August 2013

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 16 December 2011. The initial public offering of the Company was sponsored by Prime Partners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been prepared by the Company and reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8008.