



KEONG HONG HOLDINGS LIMITED

Incorporated in the Republic of Singapore
(Company Registration Number: 200807303W)

ACQUISITION OF PROPERTY IN OSAKA, JAPAN BY INDIRECT WHOLLY-OWNED SUBSIDIARY

1. INTRODUCTION

The Board of Directors of Keong Hong Holdings Limited (the “**Company**” or “**Keong Hong**” and together with its subsidiaries, the “**Group**”) wishes to announce that its indirect wholly-owned subsidiary Grandwood (Japan) Pte. Ltd. (“**Buyer**”), had on 29 June 2017 entered into a Sale and Purchase Agreement (“**Agreement**”) with Samty Co., Ltd. (“**Seller**”) for the purchase of a commercial building located in Minamihorie, Osaka, Japan, (“**Property**”) for a consideration of JPY950,000,000 (equivalent to approximately S\$11,843,000) (“**Consideration**”) (“**Proposed Acquisition**”).

2. DESCRIPTION ON AND RATIONALE FOR THE PROPOSED ACQUISITION

The Property comprises ownership of the land and building located at 1-2-6 Minamihorie, Nishi-ku, Osaka-shi, Osaka. The land size is approximately 293.65 square meters and the building comprised of 9-storey and a basement, has a net rentable area of 1,626.04 square meters. The Property is located near Minamihorie District which is a 4-minute walk from Yotsubashi Station. As at 28 February 2017, the Property is 100% tenanted, mainly occupied by offices.

The Proposed Acquisition will provide an alternative income stream for the Group through rental income from the Property. The Proposed Acquisition is also in line with the Company’s strategy of creating sustainable recurring income.

3. CONSIDERATION

The Consideration was arrived at after arm’s length negotiations on a willing buyer willing seller basis, taking into account, *inter alia*, prevailing rental yield of the Property, market condition and prevailing properties prices in the same vicinity.

4. SALIENT TERMS OF THE AGREEMENT

The salient terms of the Agreement are, *inter alia*, as follows:

- (a) Upon execution of the Agreement, the Buyer shall pay the Seller JPY50,350,480 (“**Down Payment**”) (5% of JPY1,007,009,600 (“**Total Payment**”), being the aggregate of the Consideration and consumption tax of JPY57,009,600);
- (b) The Buyer shall within 90 days after the execution of the Agreement, pay the Seller the remaining amount of the Total Payment;
- (c) The ownership of the Property shall be transferred from the Seller to the Buyer upon completion of payment of the Total Payment; and
- (d) Any and all rights and obligations under the existing lease agreements shall be succeeded from Seller to Buyer at the time of ownership transfer.

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 Singapore Exchange Securities Trading Limited ("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 attributable to the assets acquired, compared with the Group's consolidated net profits.	Not applicable (This is related to an acquisition of a property)
(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.	10.6% ⁽¹⁾
(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.	Not applicable. No equity securities will be issued as consideration for the Proposed Acquisition.
(e)	The aggregate volume or amount of proved and probable reserves to be acquired, compared with the aggregate of the Group's proved and probable reserves.	N.A. The Company is not a mineral, oil or gas company

Notes:

- (1) Based on the Consideration of JPY950,000,000 (approximately S\$11,843,000), and the Company's market capitalisation of approximately S\$111,462,700. 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\$0.485 per share on 28 June 2017, being the market day preceding the date of the Agreement.

Based on the relative figure 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 Proposed Acquisition will be funded by the Group's internal resources and bank borrowings.

7. FINANCIAL EFFECTS ON THE PROPOSED ACQUISITION

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 FY2016 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	136,040
Number of issued shares (excluding treasury shares)	229,170,000	229,170,000
Net tangible assets per share (Singapore cents)	59.4	59.4

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	35,269
Weighted average number of issued shares (excluding treasury shares)	228,398,880	228,398,880
Earnings per share (Singapore cents)	15.2	15.4

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.

8. INTEREST OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company, as well as their respective associates, has any interest, direct or indirect, in the Proposed Acquisition other than through their shareholding interests in the Company.

9. DOCUMENTS FOR INSPECTION

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

BY ORDER OF THE BOARD

Lo Swee Oi
Company Secretary

29 June 2017