KIAN HO BEARINGS LTD
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197302030N)

PROPOSED ACQUISITION OF PROPERTIES AS A MAJOR TRANSACTION

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1. INTRODUCTION

The board of directors (the "**Board**") of Kian Ho Bearings Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company and/or its nominee have, on 10 October 2014, been granted the following option agreements (the "**Option Agreements**") with Seasonal Produce (S) Pte Ltd (the "**Vendor**") in relation to the following options to acquire the following properties (the "**Proposed Acquisition**"):

a. an option granted by the Vendor to the Company and/or its nominee ("**Purchaser A**") to purchase the property known as 1, Sophia Road #01-01/02/03/04/05/06/07/08 Singapore 228149 ("**Property A**") for a consideration of S$9,268,000 ("**Option A**"). The Company intends to nominate its wholly-owned subsidiary, Raffles Land & Investments Pte Ltd, to enter into and exercise Option A; and

b. an option granted by the Vendor to the Company and/or its nominee ("**Purchaser B**") to purchase the property known as 1, Sophia Road #02-01 and #02-02 Singapore 228149 ("**Property B**") for a consideration of S$6,000,000 ("**Option B**"). The Company intends to nominate its wholly-owned subsidiary, Raffles Majestic Realty Pte Ltd, to enter into and exercise Option B.

Purchaser A and Purchaser B shall hereinafter collectively be referred to as the "**Purchasers**". Property A and Property B shall hereinafter collectively be referred to as the "**Properties**". Option A and Option B shall hereinafter collectively be referred to as the "**Options**".

The Vendor (Company Registration No. 200405471M) is a company incorporated in Singapore with its registered address at 120 Lower Delta Road, #16-01 Cendex Centre, Singapore 169208.

2. INFORMATION AND RATIONALE FOR THE PROPOSED ACQUISITION

2.1 Information on the Properties

The Properties are commercial properties with a lot area of 260 sq m each. The Properties are held under lease issued by Singapore Land Authority ("**SLA**") with remaining tenure of 55 years and are presently tenanted.

No valuation was undertaken for the purpose of this transaction.

2.2 Rationale for the Proposed Acquisition

The entry into the Proposed Acquisition is pursuant to the Group's proposal to expand the scope of the current core business of the Group to include property investment and property development (the "**Proposed New Business**") as announced on 11 September 2014.

In order to gain a foothold in the Proposed New Business, the Board after careful consideration, would like to propose for the Group to undertake the Proposed Acquisition, and is of the view that the Proposed Acquisition is in line with the Group's strategic plans and on-going efforts to pursue suitable new investment opportunities.

The Proposed Acquisition will give the Group further exposure to the property sector, and will provide an additional source of revenue for the Group and is thus in the best interest of the Group.

3. CONSIDERATION

The respective considerations for the Properties were determined pursuant to arm's length negotiations between the Purchasers and the Vendor on a willing-buyer willing-seller basis, and was based, *inter alia*, on various commercial factors such as the location of the Properties, the property market in the vicinity and prevailing market conditions, factors and indicatives.

The respective considerations, which are payable in cash, will be financed by the Group through a combination of internal funds and bank borrowings.

The Group has paid to the Vendor the option money of S$152,680 amounting to 1% of the aggregate consideration for both the Properties (the "**Option Money**"). The Option Money shall be treated as part payment towards the 5% deposit of the aggregate consideration to be paid upon the exercise of the Options. On completion, the Purchasers shall pay the balance 95% of the aggregate consideration to the Vendor's solicitors at their office.

4. PRINCIPAL TERMS OF THE OPTION AGREEMENTS

The principal terms of the Option Agreements are as follows:

a. In the event that any goods and services taxes ("**GST**") are required by law to be paid on the sale price payable to the Vendor, the same shall be borne by the Purchasers who shall pay to the Vendor on demand a sum equivalent to the amount of such GST.

b. The Properties are sold with tenancy.

c. The sale and purchase of the Properties shall be completed on or before 21 January 2015 at the discretion of the Purchasers and the title shall be properly deduced and free from encumbrances on completion.

d. The Properties are sold subject to, *inter alia*, the satisfaction of the following:

(i) the Purchasers' solicitors receiving satisfactory replies to all requisitions sent by them to various government departments; satisfactory drainage plan and/or road interpretation plan from the competent authorities; and satisfactory reply from the Land Transport Authority; and

(ii) the Purchasers obtaining clearance from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the regulatory authorities as well any necessary shareholders' approval for the purchase of the Properties. If the said clearance is not obtained by the Purchasers within 12 weeks from the date of acceptance of the Options, then the Purchasers shall have liberty upon written notice to the Vendor to annul the sale and purchase here in which event the duly exercised Option shall become null and void and the Vendor shall refund to the Purchasers the 5% of the consideration paid by the Purchasers to the Vendor but without any interest compensation or deductions whatsoever and thereupon neither party shall have any claim or demand against the order for cost damages or compensation or otherwise.

e. The Purchasers shall purchase with full notice of all aspects of the actual state and condition of the Properties and shall accept the Properties on an "as is, where is" condition.

f. The Options shall expire on 2 January 2015 and will become null and void if not exercised on or before such date and the Option Money under the respective Option Agreements shall be forfeited to the Vendor.

g. On completion the Vendor shall make and execute to the Purchasers a proper assurance of the Properties in relation to the Vendor's title such assurance to prepare by and at the expense of the Purchasers.

5. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 (a) to (e) of the Listing Manual of the SGX-ST (the "**Listing Manual**") are set out below, based on the latest unaudited announced consolidated accounts of the Group for the half year ended 30 June 2014 :

Rule 1006 of the Listing Manual	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 net profits	33%[(1)]
(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	33%[(2)]
(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[(3)]
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

(1) The unaudited net profit before tax, minority interest and extraordinary items attributable to the Proposed Acquisition for the half-year ended 30 June 2014, being the latest announced unaudited profit and loss accounts prior to the date of the Option Agreements, is approximately S$0.2 million. The unaudited net profit before tax, minority interest and extraordinary items attributable to the Group for the half-year ended 30 June 2014 is approximately S$0.6 million.

(2) On the basis that the aggregate value of the consideration for the Proposed Acquisition is equivalent to the total purchase consideration being approximately S$15.3 million. The market capitalisation of the Company as at 9 October 2014 (being the last market day preceding the date of the Option Agreement during which trades were conducted) is approximately S$46.8 million.

(3) No equity securities are being issued by the Company as consideration for the Proposed Acquisition.

As the relative figures computed on the bases set out in Rule 1006 (b) and (c) of the Listing Manual exceeds 20%, the Proposed Acquisition would constitute a major transaction under Chapter 10 of the Listing Manual. The Proposed Acquisition is therefore subject to the approval of the shareholders at an extraordinary general meeting ("**EGM**") to be convened.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The *pro forma* financial effects of the Proposed Acquisition on the Group are set out below and are prepared purely for illustrative purposes only and do not reflect the actual future financial position and results of the Group after completion of the Proposed Acquisition. These *pro forma* financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 ("**FY2013**").

6.1 Net Profits

Based on the latest unaudited announced consolidated accounts of the Group for the half-year ended 30 June 2014, the unaudited net profit before tax, minority interest and extraordinary items attributable to the Proposed Acquisition is approximately S$0.2 million.

6.2 Net Tangible Assets ("NTA") per Share

Assuming that the Proposed Acquisition had been completed on 31 December 2013, the *pro forma* financial effects of the Proposed Acquisition on the NTA per share of the Group for FY2013 would have been as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA for FY2013 (S$'000)	75,517	75,963
No. of issued shares excluding treasury shares as at 31 December 2013 ('000)	234,060	234,060
NTA per share for FY2013 (S$ cents)	32.26	32.45

6.3 Earnings per Share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 January 2013, the financial effects of the Proposed Acquisition on the EPS of the Group for FY2013 would have been as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Net profit after tax for FY2013 (S$'000)	1,284	1,730
Weighted average no. of issued shares as at 31 December 2013 ('000)	234,060	234,060
EPS for FY2013 (S$ cents)	0.55	0.74

7. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the completion of the Proposed Acquisition is conditional upon, *inter alia*, the approval from the Company's shareholders in respect of the Proposed Acquisition being obtained and are therefore advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the directors or substantial shareholders of the Company (other than in their capacity as directors or shareholders of the Company) have any interests (direct or indirect) in the Proposed Acquisition and/or the Option Agreements.

9. NO SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Proposed Acquisition and no service contracts in relation thereto will be entered into by the Company.

10. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

The Company shall seek shareholders' approval for the Proposed Acquisition. A circular setting out the relevant information on the Proposed Acquisition, together with a notice of the EGM to be convened, will be despatched to the shareholders in due course.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Option Agreements are available for inspection at the Company's registered office at 5 Changi South Street 3, Singapore 486117 during normal business hours for a period of three months from the date of this announcement.

BY ORDER OF THE BOARD

Yeo Wee Kiong
Chairman
10 October 2014, Singapore