

KHONG GUAN FLOUR MILLING LIMITED

(Incorporated in the Republic of Singapore)

Co. Reg. No. 196000096G

Disposal of Equity Interest in an Associated Company

The Board of Directors wishes to announce that the Company has on 17th December 2014 entered into a sale and purchase agreement ('**Agreement**') for the disposal of its entire 40.58% equity interest in Henan Khong Guan Cereal and Oil Food Products Company Limited ('**HKG**'). The consideration of RMB13,739,000 (S\$2,918,000) payable in cash was arrived on an arm's length commercial basis after taking into consideration the business prospect and unaudited net assets value of RMB34,612,000 (S\$7,352,000) as at 30th November 2014 of HKG.

The sales consideration is a discount of S\$67,000 from the net tangible assets value of HKG attributable to the Company as at 30th November 2014 based on management accounts. However, the disposal will give rise to an accounting surplus of S\$74,000/- over the Company's carrying book value as at 31st July 2014.

The completion of the disposal is subject to HKG having obtained the approvals of the relevant Peoples' Republic of China ('**PRC**') authorities and shall not exceed 180 days after the execution of the Agreement.

HKG is a foreign enterprise registered in the PRC in 1990 for the milling of wheat flour and by-products. HKG has not performed well since its establishment and has incurred operating losses for many years. The Board considers that the disposal of HKG is in the interest of the Company as this investment is not expected to yield any satisfactory return in the future.

Upon the disposal, HKG shall cease to be an associated company. The transaction will not have any material financial impact on the Company's net tangible assets and earnings per share for the current financial year.

None of the directors or controlling shareholders of the Company has any interests, direct or indirect, in the above transaction.

The relative figures as computed based on the Group's latest announced consolidated financial results for the 12 months ended 31st July 2014 in accordance with Rule 1006 of the Mainboard Rules are as follows:-

Rule 1006

- (a) The net asset value of the assets to be disposed of is S\$2,844,000 representing 4.13% of the group's net assets of S\$68,929,000 as at 31st July 2014.
- (b) The net profit attributable to the assets to be disposed of is S\$16,000 representing 0.79% of the Group's net profit of S\$2,015,000 as at 31st July 2014.
- (c) Aggregate value of the consideration received, compared with the issuer's market capitalization of S\$53,433,000 based on the total number of issued shares is 5.46% as at 16th December 2014.
- (d) Not applicable as there is no issuance of shares.

BY ORDER OF THE BOARD

Koe Eng Chuan

Company Secretary

17th December 2014