KLW HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
Company Registration Number: 199504141D

PROPOSED ACQUISITION OF 45.45% OF THE ISSUED SHARE CAPITAL OF MEGA SUN DEVELOPMENT LIMITED

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1. INTRODUCTION

The Board of Directors of KLW Holdings Limited (the "**Company**" and the Company together with its subsidiaries, the "**Group**") is pleased to announce that the Company has on 27 October 2014 entered into a sale and purchase agreement ("**SPA**") with Prosperity Real Estate Holdings Limited ("**Prosperity Real Estate**"), a company incorporated in Bermuda and an indirect wholly-owned subsidiary of Prosperity International Holdings (H.K.) Limited ("**Prosperity International**"), a company incorporated in Bermuda and whose shares are listed on the Hong Kong Stock Exchange.

Pursuant to the SPA, the Company shall acquire 4,545 ordinary shares in the share capital of Mega Sun Development Limited (宏日發展有限公司) ("**Mega Sun**") ("**Sale Shares**") from Prosperity Real Estate ("**Proposed Acquisition**"). The Sale Shares represent 45.45% of the issued share capital of Mega Sun, which are legally and beneficially owned by Prosperity Real Estate as at the date of the SPA.

Conditional upon the satisfaction of the conditions precedent set out in the SPA, Completion shall take place on the completion date ("**Completion Date**"), defined as such business day as agreed by the Company and Prosperity Real Estate (the "**Parties**") in writing, and failing such agreement the Completion Date shall be deemed to be the business day falling on the 90th day from the date of the SPA, and if such date is not a business day, the business day immediately after such date.

2. INFORMATION ON MEGA SUN

Mega Sun, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Prosperity Real Estate, which is an indirect wholly-owned subsidiary of Prosperity International. One of the core businesses of Prosperity International is real estate investment and development in the People's Republic of China ("**PRC**"). Mega Sun is principally engaged in the business of property development and property investment.

Mega Sun directly holds 55% equity interest in Suzhou Jiaxin Real Estate Development Company Limited[(1)] (苏州市嘉欣房地产开发有限公司) ("**Suzhou Jiaxin**"), a company incorporated in the PRC.

Suzhou Jiaxin is principally engaged in the business of development, construction and operations of beverage and hostel business, hotel management, construction and building works, and property management. Suzhou Jiaxin is presently developing a luxury villas project located in Wuzhong District, Jin Ting Town, Jin Ting Road North, Tianwang Dang, Suzhou in the PRC which is expected to be completed around 2018 (the "**Suzhou Project**"). Suzhou Jiaxin plans to sell the luxury villas on or around the last quarter of 2014.

The other shareholders in Suzhou Jiaxin are Mr Zhou Xiaolang (34.20%), Mr Xie Youcai (7.60%) and Mr Sun Jianfeng (3.20%) who are un-related 3rd parties to the directors and controlling shareholders of the Company and are not directors of Mega Sun.

***Note**:*
(1) the English name of this company is used for identification purposes only

3. DETAILS OF THE PROPOSED ACQUISITION

3.1. Conditions Precedent Of The Proposed Acquisition

Completion of the Proposed Acquisition is conditional upon the occurrence of following:

(a) the Company having obtained all consents, waivers, authorisations, approvals, exemptions or orders from government or regulatory authorities or third parties which are necessary or desirable in connection with the execution and performance of the SPA and the transactions contemplated therein, including but not limited to the approval of the Proposed Acquisition by the shareholders of the Company (the "**Shareholders**") at a general meeting to be convened by the Company;

(b) Prosperity Real Estate having obtained all consents, waivers, authorisations, approvals, exemptions or orders from government or regulatory authorities or third parties which are necessary or desirable in connection with the execution and performance of the SPA and the transactions contemplated therein;

(c) Prosperity International (if required) having obtained all consents, waivers, authorisations, approvals, exemptions or orders from government or regulatory authorities or third parties which are necessary or desirable in connection with the execution and performance of the SPA and the transactions contemplated therein;

(d) the Parties having entered into the Escrow Agreement(1) and the Company having paid the Total Consideration(2) to the Escrow Account(3) in accordance with the SPA; and

(e) the warranties in the SPA remaining true, correct and not misleading as at the Completion Date.

***Note**:*
(1)(2)(3) the terms "Escrow Agreement", "Total Consideration" and "Escrow Account" are defined below at Section 3.3

3.2. Covenants And Undertakings

The following covenants were entered into pursuant to the SPA:

(a) the business of Mega Sun shall only be investing in Suzhou Jiaxin and ancillary business relating thereto. The business of Suzhou Jiaxin shall be the ownership of the Land and the construction, development, operation and management of the Development and all other activities incidental or ancillary thereto;

(b) Prosperity Real Estate and the Company shall procure that the Mega Sun and its subsidiaries (the "**Mega Sun Group Companies**") shall not, without the prior unanimous consent of the parties in writing, change the nature or scope of the business or enter into any transactions which are not on normal commercial terms or otherwise than on an arm's length basis;

(c) The financing requirement of the Mega Sun Group Companies shall be determined by the board of directors of Mega Sun and the board of directors of Suzhou Jiaxin from time to time. In the event that Mega Sun and/or Suzhou Jiaxin shall require financing for the Suzhou Project, Prosperity Real Estate shall provide shareholders' loans to Mega Sun and/or provide such guarantees and/or securities as the board of directors of Mega Sun and the board of directors of Suzhou Jiaxin may require, provided that all such shareholders' loans including interests payable to Prosperity Real Estate shall be given on normal commercial terms and on an arm's length basis;

(d) For so long as the Company holds a 45.45% interest in Mega Sun, the Company shall be entitled to nominate one person as an additional director to the board of directors of each of the Mega Sun Group Companies;

(e) Prosperity Real Estate shall procure that in the case where any of the Mega Sun Group Companies proposes to issue any new securities, the relevant Mega Sun Group Company shall grant the Company the pre-emptive right (but not the obligation) to purchase or subscribe for (at the same price, at the same time and under the same terms as the additional securities are issued to or place with other investors) such number of the additional securities as, when aggregate with the effective shareholding or equity interest held by the Company in such Mega Sun Group Company, will result in the percentage shareholding or equity interest held by the Company in such Mega Sun Group Company immediately after the issue of the additional securities being the same as that immediately before the issue of any additional securities; and

(f) The above covenants shall survive completion of the Proposed Acquisition.

3.3. Consideration

The consideration for the Proposed Acquisition shall be an aggregate amount of RMB 85,000,000 (approximately S$17,680,000[(1)]) ("**Total Consideration**").

The Total Consideration shall be paid in the following manner:

(a) Within twenty (20) Business Days after the signing of the SPA, the Parties shall enter into an escrow agreement with an escrow agent appointed by the parties (the "**Escrow Agent**") (the "**Escrow Agreement**") and the Company shall pay the Total Consideration (or its equivalent amount in USD), in clear funds, by telegraphic transfer to an interest bearing deposit account in the name of the Escrow Agent to be opened with a licensed bank in Hong Kong in accordance with the terms of the Escrow Agreement (the **Escrow Account**); and

(b) At Completion, the Parties shall instruct the Escrow Agent to release to Prosperity Real Estate from the Escrow Account the Total Consideration (together with interest accrued thereon but less any applicable bank charges), in clear funds, by telegraphic transfer to the account designated by Prosperity Real Estate in the SPA.

All the costs and disbursements incurred in the preparation and negotiation of the Escrow Agreement and the performance by the Escrow Agent of its obligations thereunder shall be borne by the Company.

If the conditions precedent mentioned in Section 3.1 above are not fulfilled before within 90 days from the date of the SPA (the "**Long Stop Date**"), the SPA shall terminate without prejudice to the right of any Party to claim against the other for antecedent breach of the SPA and if the Company has paid the Total Consideration to the Escrow Account, the Parties shall instruct the Escrow Agent to refund the Total Consideration (together with interest accrued thereon but less any applicable bank charges) to the Company within five (5) business days after the Long Stop Date.

The Company is funding the Acquisition through the proceeds of the various completed fund raising activities[(2)].

***Note**:*
(1) Based on the exchange rate of RMB1 to S$0.208 as at the date of this announcement.
(2) For more information on the utilisation of proceeds from the various completed fund raising activities, please refer to the announcement on "Update on Use of Proceeds" on 27 October 2014.

3.4. Basis For The Consideration

The Total Consideration was arrived at on a willing buyer-willing seller basis taking into account the following factors:-

(a) the estimated gross sales revenue from the sale of the luxury villas of RMB 979 million (approximately S$204 million) and the effective interest of 25% of the Company in the Suzhou Project ; and

(b) the rationale for the acquisition as elaborated in Section 3.5 below.

3.5. Rationale For The Proposed Acquisition

With a view to strengthening the Group's experience and to build the Group's track record in the real estate development business, the Group has through the network of its non-executive Chairman, Prince Abdul Qawi of Brunei, connected with Prosperity International as a potential strategic partner, given Prosperity International's expertise in real estate investment and development.

The Proposed Acquisition marks the Group's second foray into the real estate business. The acquisition of property at 301 Flinders Lane, Melbourne, Victoria, Australia[(1)] which will enable the Group to obtain a rental income is the Group's first acquisition into the real estate business. By undertaking the Proposed Acquisition, the Group will have an investment in a company that is involved in property development, allowing the Group to

gain experience and build a track record in the property development business. Further, as the Suzhou Project will be completed in 2017, there will be a shorter timeframe required for returns on investment with no further funding required from the Group.

Note:

(1) For more information, please refer to the announcement by the Company on 30 September 2014.

3.6. Relative Figures Computed Pursuant To Rule 1006 Of The Catalist Rules

For the purposes of Chapter 10 of the listing manual, Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**") and based on the latest announced audited financial statements for the Group for the financial year ended 31 March 2014, the relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule	**Relative Computation**	**Size of relative figure**
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits	(884)%(1)
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	20.5%(2)
1006(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
1006(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Based on the relevant figures computed under Rule 1006 of the Catalist Rules, as the relative figure under Rule 1006(c) exceeds 5%, the Acquisition constitutes a discloseable transaction.

As the relative figure computed pursuant to Rule 1006(b) is a negative figure, the Company shall be consulting the SGX-ST through its Sponsor, in accordance with Rule 1007(1) of

the Catalist Rules, on whether shareholders' approval will be required for the Proposed Acquisition.

The Company will make further announcements on the outcome of the consultation with the SGX-ST and convene an EGM seeking shareholders' approval for the Proposed Acquisition, if required.

As at 31 August 2014, the book value and the net tangible assets attributable to the Sale Shares in the accounts of the Prosperity Real Estate was US$ (1,363,720) (approximately S$*1,741,470*[(3)]) and US$ 4,027,000 (approximately S$*5,142,479*[(3)]). For the financial period from 1 April 2014 to 31 August 2014, the net loss attributable to the Sale Shares is US$ 1,287,000 (approximately S$*1,643,499*[(3)]).

Notes:

(1) Based on the unaudited net loss of Mega Sun of USD2,830,916 (approximately S$3,615,079[(3)]) for the period from 1 January 2014 to 31 August 2014 and the Company's audited net profits before tax of S$408,859 for the financial year ended 31 March 2014.

(2) The Company's market capitalisation is computed based on the Company's issued and paid-up share capital of 5,380,556,316 shares in issue as at the date of this announcement and on a volume weighted average price of S$0.016 for each share traded on the SGX-ST on 24 October 2014 (being the full market day immediately preceding the date of this announcement).

(3) Based on the exchange rate of US$1 to S$1.277 as at the date of this announcement.

3.7. Financial Effects Of The Proposed Acquisition

(a) For purposes of illustration, the financial effects of the Proposed Acquisition is based on, *inter alia*, the following assumptions:

(i) the financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after completion of the Acquisition;

(ii) for the purpose of computing the financial effects of the Proposed Acquisition on the earnings of the Group, the Proposed Acquisition is assumed to have been completed on 1 January 2013;

(iii) for the purpose of computing the financial effects of the Proposed Acquisition on the NTA of the Group, the Proposed Acquisition is assumed to have been completed on 31 March 2014; and

(iv) the financial effects of the Proposed Acquisition are based on the Group's audited financial statements for the financial year ended 31 March 2014.

(b) Net Tangible Assets ("**NTA**")

	As at 31 March 2014	
	Before the Acquisition	**After the Acquisition**
NTA	S$24,378,604	S$22,735,550
No. of shares	2,440,278,158	2,440,278,158
NTA per share (Singapore cents)	1.00	0.93

(c) Earnings per Share ("**EPS**")

	For financial year ended 31 March 2014	
	Before the Acquisition	**After the Acquisition**
Net profit attributable to shareholders	S$171,655	S$(1,471,398)[(1)]
Weighted average number of shares used	1,273,187,561	1,273,187,561
Basic EPS (Singapore cents)	0.013	(0.116)

Note:
(1) The figure above was derived from the latest unaudited Management Accounts of Mega Sun as at 31 August 2014.

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

4.1 None of the Directors' (in so far as the Directors are aware) and none of the controlling Shareholders, has any interest, direct or indirect in the Proposed Acquisition.

	Number of Shares			
	Direct Interest		**Deemed Interest**	
	Number of Shares	%	Number of Shares	%
Directors				
Lee Boon Teck	980,428,000	18.2	3,414,000[(1)]	0.1
Teo Hin Guan	4,160,000	0.08	-	-
Substantial Shareholders				
Lee Boon Teck	980,428,000	18.2	3,414,000[(1)]	0.1
Prince Abdul Qawi	-	-	500,000,000[(2)]	9.3

Notes:
(1) Lee Boon Teck's deemed interest comprises 3,414,000 shares of the Company held in the name of DBS Nominees Pte. Ltd.
(2) Prince Abdul Qawi's deemed interest comprises 500,000,000 shares of the Company held in the name of UOB Kay Hian Pte. Ltd.

4.2 There will be no new director appointed pursuant to the Proposed Acquisition.

5. SERVICE AGREEMENT(S)

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

6. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at the Company's registered office at 19 Senoko Loop, Singapore 758169 for a period of three (3) months commencing from the date of this announcement.

7. FOLLOW UP ANNOUNCEMENT/ FURTHER INFORMATION

The Company will make the necessary follow-up announcement(s) as and when required and/or material developments arise in respect of the Acquisition.

In the meantime, the Board wishes to advise Shareholders to exercise caution in their dealings in Shares and to refrain from taking any action in relation thereto, until they have sought their own financial and legal advice where appropriate.

FOR AND ON BEHALF OF THE BOARD

Lee Boon Teck
Managing Director
KLW Holdings Limited

27 October 2014

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*This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. ("**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 document, including the correctness of any of the statements or opinions made or reports contained in this announcement. The details of the contact person for the Sponsor is:

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