

KHONG GUAN LIMITED
Co. Reg. No. 196000096G
(Incorporated in the Republic of Singapore)

Interested Person Transaction

The Board of Directors wishes to announce that the Company has on 28 April 2017 entered into a Sale and Purchase Agreement ('Agreement') with Khong Guan Group Pte Ltd 'KGG' for the sale of 1,560,000 ordinary shares of HK\$1/- each in Far East Biscuit Factory (Hong Kong) Limited ('FEB') for HK\$4,000,000 (S\$721,000) representing 10% of the issued share capital of FEB.

KGG is a major and controlling shareholder of the Company. Both KGG and FEB are companies owned and controlled by the Chew family. Our Chairman Mr Chew Soo Lin is a director of KGG and FEB. Mr Chew Soo Eng, Managing Director and Mr Daniel Chew Kian Boon, Executive Director are members of the Chew family. These three non-independent directors have declared their interest and abstained themselves from all board deliberations and discussions on the sale of shares in FEB.

The consideration was arrived at on a willing-buyer willing-seller basis and is payable in cash on signing the Agreement. Based on the Company's carrying value in FEB as at 31st January 2017 of S\$906,000, the sale will result in a loss of S\$185,000.

As the Company's sale of shares in FEB to KGG is an interested person transaction, the Audit Committee of the Company had reviewed the business of FEB, an investment holding company which operates biscuit factories through a subsidiary company and an associated company in China, and weighed the pros and cons of the transaction. FEB has experienced difficult business situation in recent years and is not expected to yield any return to the Company in the foreseeable future. The Audit Committee is of the opinion that the sale of 1,560,000 shares in FEB is in the best interest of the Group and is not detrimental to the interests of the minority shareholders of the Company.

The divestment will not have any material impact on the Company's net tangible assets and earnings per share for the current financial year. The relative figures as computed on the bases of the Group's latest announced financial results for the six months ended 31st January 2017 and in accordance with Rule 1006 are as follows:-

- (a) The net asset value of the assets to be disposed of is S\$906,000 representing 1.48% of the Group's net assets of S\$61,036,000 as at 31st January 2017.
- (b) The net profit attributable to the assets to be disposed of is S\$NIL representing NIL% of the Group's net profit of S\$174,000 as at 31st January 2017.
- (c) Aggregate value of the consideration received, compared with the issuer's market capitalization of S\$51,109,000 based on the total number of issued shares is 1.41% as at 28 April 2017.
- (d) Not applicable as there is no issuance of shares.

BY ORDER OF THE BOARD
Koe Eng Chuan
Company Secretary
28 April 2017