



## KLW HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 199504141D)

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# PROPOSED DISPOSAL OF THE ENTIRE PAID-UP CAPITAL CONTRIBUTION IN KEY BAY FURNITURE CO., LTD BY KLW RESOURCES SDN BHD

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## 1. INTRODUCTION

The Board of Directors (the “**Board**”) of KLW Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to inform that on 9 July 2019, KLW Resources Sdn Bhd (the “**Seller**”), which is a wholly-owned subsidiary of the Company, has entered into a capital assignment agreement (the “**CAA**”) with BTJI Industrial Co., Limited (the “**Purchaser**”) in respect of the sale by the Seller of its entire paid-up capital contribution in Key Bay Furniture Co., Ltd (“**Key Bay**”) (the “**Assigned Capital Contribution**”), free from all encumbrances, for a total cash consideration of US\$7.02 million<sup>1</sup> (the “**Sale Consideration**”) (the “**Proposed Disposal**”), subject to the terms and conditions of the CAA.

The Proposed Disposal, if completed, will result in the Company ceasing to hold any interests in Key Bay.

## 2. INFORMATION ON KEY BAY AND THE PURCHASER

### 2.1 Key Bay

#### Key Bay

Key Bay is a single member limited liability company duly established and existing under the laws of the Socialist Republic of Vietnam and has, at the date of this announcement, a paid-up capital contribution of VND83,874,855,400<sup>1</sup>, accounting for the entire charter capital of Key Bay. Key Bay does not have business operations.

Based on the unaudited financial statements of KLW Resources Sdn Bhd for the financial year ended 31 March 2019, the (a) book value and the net tangible asset value (the “**NTA**”) of Key Bay amounted to approximately S\$5.24 million as at 31 March 2019; and (b) the net loss attributable to Key Bay was approximately S\$0.31 million as at 31 March 2019.

#### The Land and factory

Key Bay has leased from the Department of Natural Resources and Environment of Binh Duong Province two (2) adjoining plots of land (the “**Land**”), which are located at Khanh Binh Ward, Tan Uyen Town, Binh Duong Province, Vietnam, for a term up to 6 September 2063. The area of the Land is approximately 56,519 m<sup>2</sup>.

Key Bay is the sole owner of the factory located on the Land. The factory has been left vacant after the completion of construction in 2016. The factory has not commenced any operations or engaged in any business after the completion of construction, and therefore it does not contribute to the Group’s operational profits. The factory has a gross floor area of approximately 25,542 m<sup>2</sup>.

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<sup>1</sup> For the purpose of this announcement, all currency exchange rates throughout this announcement are US\$1 : S\$1.36 and US\$1 : VND23,315. Such exchange rates have been presented solely for information only and should not be construed as representations that the relevant amounts have been or could be converted at the rates indicated or at any other rate.



The Company has commissioned Roma Appraisals Limited (the “Valuer”), an independent valuer, to undertake a desktop valuation of the Land in its existing state including 7 factory buildings, 2 two-storey office and staff quarter buildings, canteen and other amenities.

The desktop valuation was carried out by the Valuer on an as-is basis. In arriving at the desktop valuation, the Valuer relied on the depreciated replacement cost valuation methodology.

Based on a desktop valuation report dated 10 June 2019 (the “Valuation Report”) issued by the Valuer, the market value of the Land in its existing state as at 30 April 2019 is US\$6.80 million (the “Valuation”).

Based on the unaudited financial statements of KLW Resources Sdn Bhd for the financial year ended 31 March 2019, the book value of the factory as at 31 March 2019 was approximately S\$5.89 million.

## 2.2 The Purchaser

The Purchaser, which is a company incorporated under the laws of Hong Kong, is an independent third party which is not related to any director or shareholder of the Company. Zhejiang Botai Furniture Co., Ltd., a company incorporated under the laws of the People’s Republic of China which is principally engaged in the manufacturing of furniture, holds 100% of the equity interest in the Purchaser.

The Purchaser was introduced to the Company by an independent third party broker engaged by the Company.

## 3. RATIONALE FOR THE PROPOSED DISPOSAL

Based on the current market conditions and business demand, the Proposed Disposal will enable the Group to realise the value of the vacant factory since the Group has unutilised or excess capacity at its existing manufacturing facilities in Malaysia and China. The Proposed Disposal is not expected to have material impact on the business operations of the Group since the factory has not been in operation since the completion of construction.

## 4. USE OF PROCEEDS AND GAIN ON PROPOSED DISPOSAL

The Group intends to use the proceeds from the Proposed Disposal for working capital needs for the Group’s door business.

Based on the unaudited financial statements of KLW Resources Sdn Bhd for the financial year ended 31 March 2019, the book value and the NTA of Key Bay was approximately S\$5.24 million as at 31 March 2019. The Proposed Disposal at the Sale Consideration is expected to give rise to a gain on disposal of approximately S\$2.10 million (after deducting expenses, taxation and others), and the Sale Consideration represents an excess of approximately S\$4.31 million over the book value of Key Bay.

## 5. KEY TERMS OF THE PROPOSED DISPOSAL

### 5.1 The Sale Consideration

The Sale Consideration of US\$7.02 million (equivalent to approximately S\$9.55 million) will be fully satisfied in cash by the Purchaser (or any third party designated by the Purchaser) to the Seller in two (2) instalments as follows:

- (a) an amount of approximately US\$5.68 million, being an amount equivalent to 95% of the Sale Consideration minus the Deposit (as defined below) of approximately US\$0.99 million, shall be payable on the Completion Date (as defined below); and



- (b) an amount of US\$0.35 million, being an amount equivalent to the remaining 5% of the Sale Consideration, shall be payable on the date six (6) months after the Completion Date (as defined below).

The Sale Consideration was arrived at on a willing buyer, willing seller basis after taking into consideration, *inter alia*, the Valuation and the realisation of a non-revenue generating asset.

## 5.2 The Deposit

An aggregate amount of approximately US\$0.99 million has been paid as deposit (the “**Deposit**”) pursuant to the Proposed Disposal.

If the Acquisition Approval (as defined below) is not issued by the Long Stop Date (as defined below), due to any reasons, the Seller shall immediately but no later than 10 Business Days<sup>2</sup> after the Long Stop Date (as defined below), return the Deposit to the Purchaser (without any interest). In such case, any covenants and obligations that the Seller or the Purchaser is required to perform or to comply with pursuant to the CAA, other than certain specified clauses in relation to confidentiality, will be released.

## 5.3 Conditions Precedent

Completion of the transfer of the Assigned Capital Contribution from the Seller to the Purchaser on the Completion Date (as defined below) pursuant to the terms of the CAA (the “**Completion**”) will not proceed unless and until certain conditions (collectively, the “**Conditions Precedent**”), including but not limited to the following, are fulfilled by the Seller or waived by the Purchaser in writing:

- (a) the Binh Duong Province Department of Planning and Investment has issued a decision (the “**Acquisition Approval**”) approving the proposed acquisition by the Purchaser of the Assigned Capital Contribution pursuant to Article 26 of the Law on Investment of Vietnam;
- (b) Key Bay has submitted (on behalf of the Seller) and completed the tax finalisation for the Proposed Disposal with the tax authorities of Binh Duong Province;
- (c) the Seller has entered into a written loan waiver agreement with Key Bay with respect to the loans provided by the Seller confirming that the Seller has waived all of its outstanding loans with Key Bay at a date, being five (5) Business Days after the date on which the Conditions Precedent have been satisfied (the “**Completion Date**”); and
- (d) the Seller having satisfied the requirements of the listing rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for approving the transactions contemplated in the CAA.

If the Conditions Precedent are not satisfied or waived by the Purchaser, in accordance with the CAA, within three (3) months after the date of the CAA (the “**Long Stop Date**”), then the CAA may be terminated by the Purchaser delivering a termination notice to the Seller. The parties may agree in writing to extend the Long Stop Date.

## 5.4 Purchaser may take possession

The Seller and the Purchaser have agreed that, on and as of the date of the CAA until the Completion Date or the Long Stop Date (whichever occurs first), the Purchaser may take

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<sup>2</sup> Under the CAA, the term “Business Day” means a day on which banks are open for domestic business in Vietnam, excluding Saturdays, Sundays and public holidays.



possession of the Land and factory for the purposes of renovation and other purposes, provided however that, *inter alia*, the Purchaser shall indemnify and hold Key Bay and the Seller harmless from any claim, damage, loss, liability, cost and/or expenses arising out of or in connection with the agreement for renovation and taking over the Land and factory.

## 5.5 Termination

The CAA may be terminated at any time before the Completion (a) by mutual agreement of the Seller and the Purchaser; (b) in the manner set forth in paragraphs 5.2 and 5.3 of this announcement; or (c) by either party if there is any material breach of obligations of the other party under the CAA.

## 5.6 Exclusivity

The Seller and the Purchasers have agreed to an exclusivity period commencing from the date of the CAA until the earlier of the Completion Date or the termination of the CAA.

## 6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal on the Group as set out below have been prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 31 March 2019 (the “**Unaudited FY2019 Results**”) and are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Disposal on the NTA per share and loss per share (the “**LPS**”) of the Group, nor do they reflect the actual future financial position of the Company or the Group after the completion of the Proposed Disposal. There will not be any change in the share capital of the Company as a result of the Proposed Disposal.

### 6.1 NTA Per Share

For illustrative purposes only and assuming that the Proposed Disposal had taken place on 31 March 2019, the *pro forma* financial effects on the NTA per share of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	74,067	76,167
Number of issued shares	5,380,556,316	5,380,556,316
NTA per shares (Singapore cents)	1.38	1.42

### 6.2 LPS

For illustrative purposes only and assuming that the Proposed Disposal had taken place on 1 April 2018, the *pro forma* financial effect on the LPS of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
(Loss)/profit attributable to equity holders of the Company (S\$'000)	(1,379)	721
Number of weighted average shares	5,380,556,316	5,380,556,316
LPS / EPS (Singapore cents)	(0.03)	0.01

## 7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

Based on the Unaudited FY2019 Results, the relative figures for the Proposed Disposal computed on the relevant bases set out in Rule 1006 of Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the “**Catalist Rules**”) 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. This basis is not applicable to an acquisition of assets.	7.1% <sup>(1)</sup>
(b)	The net loss attributable to the assets disposed of, compared with the Group's net loss.	(32.1%) <sup>(2)</sup>
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	44.4% <sup>(3)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue.	Not applicable <sup>(4)</sup>
(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 <sup>(5)</sup>

**Notes:**

- (1) The relative figure for Rule 1006(a) of the Catalist Rules was computed based on the net asset value of Key Bay of approximately S\$5.24 million as at 31 March 2019 divided by the Group's net asset value of approximately S\$74.07 million as at 31 March 2019 in the Unaudited FY2019 Results.
- (2) The relative figure for Rule 1006(b) of the Catalist Rules was computed based on the net loss attributable to Key Bay of approximately S\$0.31 million as at 31 March 2019 divided by the Group's net loss (before income tax, minority interests and extraordinary items) of S\$0.97 million as at 31 March 2019 in the Unaudited FY2019 Results.
- (3) The relative figure for Rule 1006(c) of Catalist Rules was computed based on the Sale Consideration of US\$7.02 million (equivalent to approximately S\$9.55 million) divided by the market capitalisation of approximately S\$21.52 million, which has been calculated on the basis of 5,380,556,316 shares of the Company (the "**Shares**") in issue multiplied by the weighted average price of such Shares transacted on the SGX-ST on 8 July 2019, being the market day preceding the date of the CAA (i.e. 9 July 2019) on which Shares were last traded on the SGX-ST, of S\$0.004.
- (4) This base is not applicable as no equity securities will be issued by the Company as consideration for the Proposed Disposal.
- (5) The base is only 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. The Company is not a mineral, oil and gas company.

As the relative figure computed based on Rule 1006(b) of the Catalist Rules is a negative figure, the Company, shall through its sponsor, consult with the SGX-ST in accordance with the Catalist Rules. The Company will update shareholders of the Company on the outcome of such consultation in due course.

## 8. FURTHER INFORMATION

### 8.1 Directors' Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.



## 8.2 Interests of Directors and Controlling Shareholders of the Company

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the CAA and the Valuation Report will be made available for inspection during normal business office hours at the registered office of the Company at No. 2 Kallang Avenue, CT Hub, #07-03, Singapore 339407 for a period of three (3) months commencing from the date of this announcement.

## 10. FURTHER ANNOUNCEMENTS

The Company will update Shareholders on any material developments and will make such announcements as and when appropriate.

## 11. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in dealing their Shares. The Proposed Disposal is subject to, *inter alia*, the Conditions Precedent. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed, or that no changes will be made to the terms therefore. The Company will make the necessary announcement(s) as and when there are material developments in relation to the Proposed Disposal and other matters contemplated in this announcement. Accordingly, Shareholders should exercise caution before making any decisions in respect of their dealings in the Shares. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company carefully. Shareholders who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

### By Order of the Board

KLW Holdings Limited  
Ms Wong Gloria  
10 July 2019

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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