

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

- (A) THE INCORPORATION OF NEW SUBSIDIARIES AND INTERNAL GROUP RESTRUCTURING;**
 - (B) THE PROPOSED EXPANSION OF BUSINESS TO INCLUDE PROPERTY INVESTMENT AND PROPERTY DEVELOPMENT (THE “PROPOSED EXPANSION”); AND**
 - (C) THE PROPOSED ALTERATIONS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION.**
-

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:

- (i) the Company has incorporated two new wholly-owned subsidiaries (the “**Subsidiaries**”) to effect an internal Group restructuring;
- (ii) the Group proposes to expand its core business to include property investment and property development (the “**Proposed New Business**”); and
- (iii) the Company proposes to alter its Memorandum and Articles of Association (“**Memorandum and Articles**”).

2. INCORPORATION OF NEW SUBSIDIARIES AND INTERNAL GROUP RESTRUCTURING

2.1 New Subsidiaries and Proposed Internal Group Restructuring

The Company has incorporated the following Subsidiaries:

- (1) Name: Kian Ho Pte Ltd (“**KHPL**”)
Country of incorporation: Singapore
Principal activities: Stockists, distributors and retailers of bearings and seal products
Issued share capital: SGD1,000,000 comprising 1,000,000 ordinary shares
- (2) Name: Raffles Logistics Operations Pte Ltd (“**RLO**”)
Country of incorporation: Singapore
Principal activities: Logistics services
Issued share capital: SGD 20,000 comprising 20,000 ordinary shares

Following the incorporation of the Subsidiaries, the Group proposes to effect an internal Group restructuring as follows:

- (1) Transfer of the Company's existing bearings and seals business operations to KHPL with all assets and liabilities remaining with the Company except for the stocks to be transferred to KHPL;
- (2) RLO to be designated to handle logistics services; and
- (3) The Company will remain as an investment holding company following the completion of the proposed restructuring,

(collectively, the "**Proposed Internal Group Restructuring**").

2.2 Rationale for the Incorporation of the Subsidiaries

The rationale for the incorporation of the Subsidiaries is to effect the transfer of the Company's bearings and seals business operations as a going concern to KHPL. All assets and liabilities will remain at the Company except for the transfer of stocks at net book value to KHPL. This is in line with the Company's Proposed Internal Group Restructuring with the aim of improving core business focus and accountability within the Group. An appropriate announcement will be made in due course when the definitive agreements pursuant to the Proposed Internal Group Restructuring are entered into.

2.3 Material Conditions of the Proposed Internal Group Restructuring

Subject to the terms and conditions of any definitive agreements to be entered into, completion of the Proposed Internal Group Restructuring shall be conditional upon satisfaction of, amongst others, the following conditions:

- (1) The formal consent obtained from JTC Corporation ("**JTC**") for or in respect of the proposed subletting of certain properties leased by the Company to KHPL. The in-principle approval for the subletting of those properties obtained from JTC on 25 August 2014 subject to the meeting of certain conditions;
- (2) The transfer of stocks from the Company to KHPL to be regarded by the Inland Revenue Authority of Singapore as a transfer of business as a going concern within the meaning of the Goods and Services Tax (Excluded Transactions) Order (Cap. 117A, OR2) of Singapore, so that no goods and services tax is payable on the transfer; and
- (3) Approvals, where required, from relevant authorities and regulatory bodies relating to the transfer of the bearings and seals business operations from the Company to KHPL.

2.4 Financial Effects

The incorporation of the Subsidiaries was funded through internal resources and is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2014.

2.5 Interest of Directors and Substantial Shareholders

None of the directors or substantial shareholders of the Company (other than in their capacity as directors or shareholders of the Company ("**Shareholders**")) have any interests (direct or indirect) in the incorporation of the Subsidiaries.

3. THE PROPOSED EXPANSION

3.1 The Proposed New Business

The existing principal activities of the Group are stockists, distributors and retailers of bearings and seal products, and the collection of rental income from its investment properties in Singapore and China (the "**Current Core Business**").

Subject to the approval of the Shareholders for the Proposed Expansion being obtained at the Extraordinary General Meeting (the "**EGM**") to be convened, the Group intends to expand its core business to include the Proposed New Business as described below, as and when appropriate opportunities arise:

- (a) holding of property related assets as long-term investment for the collection of rent, capital growth potential and/or provision of property related services and facilities ("**Property Investment**"); and
- (b) property development activities including acquisition, development and/or sale of residential, hospitality, commercial (retail and office), industrial and any other types of properties (including mixed development properties) ("**Property Development**").

The Company does not plan to restrict the Proposed New Business to any specific geographical market as each project and investment will be evaluated and assessed by the Board on its merits. Nevertheless, in the initial stage of the Proposed New Business, the Group intends to focus on Singapore and the Asia Pacific region within which the Group is currently operating in ("**the Region**"). The Group may also explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the Proposed New Business as and when the opportunity arises. The Group also intends to seek out suitable land parcels through its contacts in the Region and would be undertaking feasibility studies prior to the undertaking of these potential development projects.

The Group has chosen to initially focus on the Region because the Group has been operating its Current Core Business in these places since 1973 and the head office of the Group is based in Singapore. As such, the Group is relatively familiar with the rules and regulations, business environment and potential opportunities in the Region.

In addition, Mr Teo Teng Beng ("**Mr Teo**"), the managing director and a director of Raffles United Pte Ltd ("**RU**"), which is in turn the controlling Shareholder, has had interests in the property investment and property development businesses in Singapore and certain parts of the Asia Pacific region for more than 30 years, and is familiar with the relevant laws and business environment in these places.

As at the date of this announcement, the Group has not identified any specific significant property related investments for the Proposed New Business. The Group will update the Shareholders at the opportune time when it has identified any specific significant investments.

3.2 Rationale for the Proposed Expansion

As mentioned in the offer announcement for the mandatory unconditional cash offer for the acquisition of shares in the Company by the controlling Shareholder, RU, on 4 June 2014, it is intended for RU to consider offering its experience and business contacts in property investment to the Company for future growth prospects in addition to carrying on its existing businesses. As the controlling Shareholder of the Company, RU intends to work with the Company to increase shareholder value of the Company.

The Proposed Expansion would enable the Group to extend its revenue base so that it is not dependent entirely on its bearings and seals business for its revenue. The Group is of the view that the Proposed Expansion will enable the Group to tap into the potential for Property Investments and Property Development in the Region for an additional revenue stream for the Group. The Proposed Expansion would allow the Group to have better profitability prospects and ensure long-term growth.

3.3 Approval of Shareholders

The Proposed Expansion will involve a new business area which is substantially different from the Group's Current Core Business.

It is envisaged that the Proposed Expansion will change the existing risk profile of the Group.

Accordingly, an EGM will be convened by the Company to seek Shareholders' approval for the Proposed Expansion, notice of which will be announced in due course. The EGM will allow Shareholders the opportunity to communicate their views on the Proposed New Business, and consider, if thought fit, to approve the Proposed Expansion.

Shareholders' approval of the Proposed Expansion will allow the Group, in its ordinary course of business, to enter into transactions relating to the Proposed New Business in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when such transactions arise. For the avoidance of doubt, once the Shareholders' approval for the Proposed Expansion has been obtained, the Company will only seek Shareholders' approval for:

- (a) projects involving acquisitions or disposals which are being proposed that are not in the ordinary course of business;
- (b) significant projects in countries outside the Region;
- (c) any acquisition which changes the risk profile of the Company and where any of the relative figures for that transaction as computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**") exceeds 20%; or

- (d) projects involving acquisitions or disposals which are classified as a very substantial acquisition or a reverse takeover under Chapter 10 of the Listing Manual. The Company undertakes that it will continue to consult with the SGX-ST where appropriate, and comply with the rules in Chapter 10 of the Listing Manual.

3.4 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 Expansion.

3.5 Cautionary Statement

Shareholders and potential investors should note that the completion of the Proposed Expansion is conditional upon, *inter alia*, the approval from the Company's Shareholders in respect of the Proposed Expansion 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.

3.6 Circular to Shareholders

A circular containing, *inter alia*, further details of the Proposed Expansion, together with a notice of the EGM in connection therewith, will be despatched to Shareholders in due course.

3.7 Announcements

Further announcements on the Proposed Expansion will be made in due course as and when appropriate.

4. ALTERATIONS OF MEMORANDUM AND ARTICLES

4.1 The Proposed Alterations of Memorandum and Articles

Poll Voting

On 2 May 2012, the Monetary Authority of Singapore issued the revised Code of Corporate Governance 2012 to encourage all listed companies to adopt voting by poll and provide public disclosure of the voting results. Poll voting allows shareholders to exercise their interests and rights, and enhances accountability and transparency.

In addition, the SGX-ST introduced new listing rules effective 1 August 2015 for:

- (a) Listed companies and trusts to be required to conduct voting by poll where shareholders are accorded rights proportionate to their shareholding and all votes are counted effective 1 August 2015. The new rule will enhance transparency of the voting process and encourage greater shareholder participation.
- (b) Listed companies and trusts to make prompt disclosure of the voting decisions and outcomes. This will improve the quality of information disseminated to all shareholders.

The enhanced disclosure is aligned with the expectations of the revised Code of Corporate Governance 2012.

The Memorandum and Articles are proposed to be altered to take into account and be consistent with the above change introduced.

Electronic Annual Report

The Memorandum and Articles are proposed to be altered to allow for electronic annual reports to be sent to Shareholders before every Shareholders' general meeting.

4.2 Approval of Shareholders

The proposed alterations to the Memorandum and Articles are subject to the approval of the Shareholders by way of a special resolution at an EGM to be convened, and are proposed to take effect on the date of passing of such special resolution to approve such alterations.

4.3 Circular to Shareholders

A circular containing, *inter alia*, further details of the proposed alterations to the Memorandum and Articles, together with a notice of the EGM in connection therewith, will be despatched to Shareholders in due course.

BY ORDER OF THE BOARD

Yeo Wee Kiong
Chairman
11 September 2014, Singapore