

KIM TECK CHEONG CONSOLIDATED BERHAD (“KTC CONSOLIDATED” OR “THE COMPANY”)

- SHARE SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION BY KTC CONSOLIDATED OF 4,000,000 ORDINARY SHARES OF RM1.00 EACH IN TRANS PAINT SDN BHD (“TPSB”) (“TPSB SHARES”) REPRESENTING 100% EQUITY INTEREST IN TPSB (“PROPOSED ACQUISITION”)

1. Introduction

We refer to the Company’s announcement on 29 February 2016 and 4 March 2016 in relation to the memorandum of understanding (“MOU”) entered into by KTC Consolidated with Yung Kong Company Berhad on the same date (“Announcement”).

The Board of Directors of KTC Consolidated wishes to announce that the Company had on 7 September 2016 entered into a share sale and purchase agreement with Yung Kong Company Berhad (“the Vendor”) to acquire 100% equity interest in TPSB which is the sole registered and beneficial owner of a property i.e. warehousing facility located in Kuching, Sarawak (“the Agreement”) for a purchase consideration of RM2,535,482 to be funded via the initial public offering proceeds.

2. Rationale

TPSB is an investment holding company that holds the Property (as defined below), as such the Proposed Acquisition is in line with the Company’s future plans to acquire a warehouse in Kuching as disclosed in the prospectus dated 28 October 2015.

The Proposed Acquisition will increase KTC Consolidated and its subsidiaries’ (“the Group”) warehousing capacity in Kuching, Sarawak, to cater for its existing businesses and future expansion.

3. Details of the Proposed Acquisition

3.1 Information on TPSB

TPSB was incorporated in Malaysia on 19 May 1994 with limited liability and having its registered address at Wisma Hii Yii Ngiiik, 1st Floor, Lot 7573, Jalan Kwong Lee Bank, 93450 Kuching, Sarawak, Malaysia with an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which RM4,000,000 comprising 4,000,000 ordinary shares of RM1.00 each have been issued and fully paid up.

TPSB is an investment holding company.

TPSB is the registered proprietor of a parcel of land situated at Demak Laut Industrial Park, Kuching containing an area of approximately 12,140 square metres, more or less, and described as Lot 726, Block 8, Muara Tebas Land District (“the Property”).

3.2 Information on Property

The title registration number of the Property is 01-LCPLS-014-008-00726, district of Muara Tebas Land, State of Sarawak and the postal address of the Property is Lot 726, Block 8, Muara Tebas Land District, Demak Laut Industrial Park, Jalan Bako, 93050 Kuching, Sarawak.

The age of the buildings comprised within the Property is approximately 8 years based on the issuance date of occupation permit of the Property on 29 February 2008. The terms of tenure of the Property is 60 years expiring on 14 June 2065.

The land area of the Property is approximately 12,140 square metres together with a double storey office which is currently vacant annexed with a single storey warehouse (“Warehouse 1”) and a detached single storey warehouse (“Warehouse 2”).

The land area of the Property is approximately 12,140 square metres and the built-up area is as follows:-

	Built-up area square metres
- Ground floor of the double storey office	297.29
- First floor of the double storey office	260.87
- Warehouse No.1	1,672.13
- Warehouse No.2	1,950.72
	<u>4,181.01</u>

The net carrying amount of the Property is RM4,978,307 based on the audited accounts of TPSB for the financial year ended 31 December 2015 (“Audited Accounts”).

The Property is charged to Public Bank Berhad (Company No. 6463-H) (“PBB”) for RM3,900,000 on 20 July 2015.

The Vendor agrees to cause TPSB to let and the Company agrees to rent the Property for a term commencing on 1st June 2016 to the date on which the sale and purchase transaction of the sale and purchase of the Four Million (4,000,000) ordinary shares of Ringgit Malaysia One (RM1.00) each of TPSB (“Sale Shares”) is completed in accordance with the Agreement (“Completion Date”) at a monthly rental of Ringgit Malaysia Twenty Nine Thousand (RM29,000) only payable on or before the 7th day of each calendar month.

3.3 Salient Terms of the Agreement

3.3.1 Conditions Precedent

- (1) The Agreement is conditional upon the fulfilment of the following conditions precedent within six months from the date of the Agreement (“Conditional Period”):-
 - (a) the confirmation by the Company of the satisfactory outcome of the legal and financial due diligence to be conducted by the Company or its duly appointed agents and/or representative on TPSB in accordance with the Agreement;
 - (b) receipt of all corporate approvals and sanctions, including without limitation approval by the Vendor and the Company, for the sale and purchase of the Sale Shares;
 - (c) receipt of all governmental approvals, including but not limited to, Securities Commission of Malaysia, as and to the extent required, for the Company to acquire the Sale Shares and to exercise its right and perform its obligations under the Agreement;
 - (d) the approvals of the existing lenders of TPSB or any third party where such approvals are required as a result of the change in control of TPSB; and
 - (e) the release and/or discharge of the Vendor and Hii Ngo Sing (WN.KP.420407-13-5005) and Francis Hii Lu Seng (WN.KP.620607-13-5145) as guarantors for the overdraft facility of RM100,000 and fixed loan facility of RM3,800,000 granted by PBB to TPSB (“Banking Facilities”) and the provision of any such security by the Company and/or any other person for the continuation of, repayment and payment of the Banking Facilities and/or the procurement of the Company and/or any other person as may required by PBB to be the guarantors in lieu of the Vendor and Hii Ngo Sing and Francis Hii Lu Seng. For the purpose aforesaid, all relevant documents shall be duly stamped and perfected.
- (2) The conditions precedent are to be fulfilled on or before the expiry of the Conditional Period. In the event that the conditions precedent are not fulfilled or waived by the Company (to the extent permitted by laws) on or before the expiry of the Conditional Period, then:-
 - (a) the Agreement shall lapse and be null and void and of no effect whatsoever and none of the parties shall have any rights or claims against the others save and except for any antecedent breach;
 - (b) the documents to be deposited by the Vendor with the Vendor’s solicitor upon execution of the Agreement (“Stake Documents”) shall be returned to the Vendor forthwith by the Company or the Company’s solicitors; and
 - (c) the price of Ringgit Malaysia Two Million Five Hundred Thirty Five Thousand Four Hundred Eighty Two (RM2,535,482) only (“Purchase

Price”) and all monies paid by the Company shall be refunded by the Vendor to the Company free of interest within fourteen (14) business days from the date of written notice from the Company.

- (3) Upon the conditions precedent having been fulfilled or waived by the Company (as the case may be), the Agreement shall become unconditional and shall be completed in the manner therein agreed. The date that the last of the conditions precedent has been fulfilled is referred to as “the Unconditional Date”. The parties shall immediately notify their respective solicitors in writing of the achievement of the Unconditional Date.

3.3.2 Completion

Subject to the provisions of the Agreement, the sale and purchase of the Sale Shares shall be completed at the office of the Vendor’s solicitors where and when:-

- (a) the Vendor’s solicitors shall have delivered to the Company’s solicitors the Stake Documents and such other documents as may be necessary to effectively vest in the Company the legal and beneficial interest in the Sale Shares;
- (b) the Vendor shall have cause a meeting of the Board of Directors of TPSB to be convened to carry into effect the resolutions in accordance with the Agreement; and
- (c) the Company shall have paid the Purchase Price.

The Vendor shall handover the management of TPSB to the Company in a proper manner on the Completion Date.

3.4 Particulars of the Vendor

Yung Kong Company Berhad (Company No.: 103194-T), a company incorporated in Malaysia on 3 March 1965 with its registered address at Wisma Hii Yii Ngiik, 3rd Floor, Lot 7573, Jalan Kwong Lee Bank, 93450 Kuching, Sarawak. The existing issued and paid-up capital is RM25,558,518 divided into 25,558,518 ordinary shares of RM1.00 each.

The principal activities of the Vendor is selling hardware and building materials, securities trading, investment holding in shares and realty.

The Directors and Shareholders of the Vendor is annexed herewith and marked “Appendix A”.

4. Basis of Determining and Justification for the Purchase Price

- (1) The parties hereby agree that the Purchase Price for the Sale Shares of Ringgit Malaysia Two Million Five Hundred Thirty Five Thousand Four Hundred Eighty Two (RM2,535,482) only was arrived at on a “willing buyer-willing seller” basis and shall be based on the following:-

- (a) The net assets value of RM1,313,789 based on the Audited Accounts; and

- (b) The revaluation surplus of the Property amounting to RM1,221,693 was derived based on the following:

	RM
The agreed price of RM6,200,000 after taking into consideration the market value of the Property of RM6,920,000 based on the valuation report by Henry Butcher Malaysia (Sarawak) Sdn. Bhd. dated 30 th July 2015.	6,200,000
Less: Net carrying amount of the Property based on the Audited Accounts	(4,978,307)
Revaluation surplus	<u>1,221,693</u>

The valuation report was issued by Henry Butcher Malaysia (Sarawak) Sdn Bhd on 30 July 2015. The method of valuation of the Property is "Depreciated Replacement Cost Method".

- (2) The Company shall pay the Purchase Price in the following manner:-
- (a) A sum of Ringgit Malaysia Fifty Thousand (RM50,000) only (hereinafter referred to as "the Initial Deposit") has been paid by the Company to the Vendor prior to the execution of the Agreement, the receipt of which by the Vendor hereby expressly acknowledges;
- (b) A sum of Ringgit Malaysia Two Hundred Fifty Thousand (RM250,000) only (hereinafter referred to as "the Second Payment") to the Vendor's solicitors as stakeholder upon the execution of the Agreement and the parties hereby authorise the Vendor's solicitors to utilise the same in the following manner:-
- (i) To retain a sum equivalent to three per centum (3%) of the Purchase Price out of the Second Payment amounting to RM76,064.46 (hereinafter referred to as "the RPGT Retention Sum") to remit the same for the purpose of the payment of any Real Property Gains Tax to the Director General of Inland Revenue Board (hereinafter referred to as "the DGIR") within sixty (60) days from the date of the Agreement; and
- (ii) Thereafter to release the balance thereof to the Vendor; and
- (3) A sum of Ringgit Malaysia Two Million Two Hundred Thirty Five Thousand Four Hundred Eighty Two (RM2,235,482) only (hereinafter referred to as "the Balance Sum") to be paid to the Vendor's solicitors as stakeholder within six (6) months from the date of the Agreement and the parties hereby authorise the Vendor's solicitors to release the Balance Sum to the Vendor within seven (7) business days from the date of the Form 32A are duly stamped where the stamp duty is duly paid PROVIDED ALWAYS THAT the Vendor shall have fully observed and performed the terms and conditions stated therein. All payments made to the Vendor's solicitors shall be deemed as payments made to the Vendor.

5. Risks

The Company does not expect any material risk arising from the Proposed Acquisition other than normal operational risk associated with the Proposed Acquisition which the group would take appropriate measures to minimise them.

6. Source of Funding

The Proposed Acquisition shall be funded by the proceeds raised from the initial public offering in conjunction with the listing of KTC Consolidated on the ACE Market of Bursa Malaysia Securities Berhad on 25 November 2015 which was earmarked to acquire a warehouse in Kuching as part of the Group's expansion plans.

7. Liabilities to be Assumed

Save for the liabilities in the financial statement of TPSB, there are no other liabilities, contingent liabilities or guarantees to be assumed by the Company pursuant to the Proposed Acquisition.

8. Highest Percentage Ratio

Based on the Company's proforma consolidated financial statements for the financial year ended 30 June 2015, the highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 2.7%.

9. Financial Effects

9.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of KTC Consolidated as there will be no new issue of KTC Consolidated shares pursuant to the Proposed Acquisition.

9.2 Net Assets and Earnings Per Share

The Proposed Acquisition will not have any material effect on the net assets and earnings per share of KTC Consolidated for the financial year ending 30 June 2017.

9.3 Gearing

The Proposed Acquisition will not have any material effect on the gearing of KTC Consolidated for the financial year ending 30 June 2017.

10. Directors' and Substantial Shareholders' Interest

None of the directors, substantial shareholders of the Company and persons connected to them have any interest, direct and/or indirect, in the Proposed Acquisition.

11. Statement by Directors

The Board of Directors of the Company, having taken into consideration all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Group.

12. Approvals Required

The Proposed Acquisition does not require approval of the Company's shareholders and/or any regulatory authorities.

13. Estimated Timeframe for Completion

Barring any unforeseen circumstances, the Board of Directors of KTC Consolidated expects the Proposed Acquisition to be completed in the first quarter of 2017.

14. Document available for inspection

The Agreement is available for inspection at the Company's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur during normal office hours from Mondays to Fridays (except on public holidays) for a period of three months from the date of this announcement.

This announcement is dated 8 September 2016.