

**ANNOUNCEMENT  
KLW HOLDINGS LIMITED**

**DISPOSAL AND LEASEBACK OF PROPERTY BY SUBSIDIARY ("Transaction")**

Further to our announcements dated 28 July 2004, 29 July 2004, 13 August 2004, 19 October 2004, 1 December 2004, 6 December 2004 and 8 December 2004, as well as the circular to shareholders dated 20 September 2004, pursuant to which a shareholders' resolution was passed (as announced on 8 October 2004), the Board of Directors of KLW Holdings Limited ("**Company**") wishes to announce that they have just discovered various computational mistakes relating to the financial effects of the Transaction.

On page 7 of our Circular, we had indicated that the net book value of both the Property and the Mechanical and Electrical as at 31 December 2003 was S\$12,857,831 with S\$481,174 attributable to the Mechanical and Electrical Equipment and S\$12,376,657 to the Property. It was then stated that "based on the net book value, the gain attributable to the disposal of the Property and the Mechanical and Electrical Equipment is approximately S\$2.8 million".

The correct net book value of both the Property and the Mechanical and Electrical as at 31 December 2003 should have been S\$19,091,109, with S\$481,174 attributable to the Mechanical and Electrical Equipment and S\$18,609,935 to the Property. Based on the correct net book value, there should be a loss of S\$3,424,443 resulting from the disposal.

Consequently, there are mistakes in the computation of the "Financial Effects" on page 8 of the Circular. The correct computation is set out in Appendix 1 herein.

Further, the Company had also announced on 6 and 8 December 2004 that a deed of undertaking was entered into between Mapletree and KLWS whereby a sum of S\$800,000 was paid by KLWS to Mapletree to be held by Mapletree as security for the completion of certain rectification works on the property ("**Rectification Works**"). For the purposes of ascertaining the security amount to be paid by KLWS to Mapletree, the costs of the Rectification Works had been estimated to be S\$840,750.

Based on the estimated costs of the Rectification Works at S\$840,750, the revised computation is also set out in Appendix 1 herein.

Notwithstanding the mistakes in computation, the rationale as set out in the Circular still remains valid. The Transaction is in line with the Company's intention to go asset-light and at the same time allows the Company to redeploy its resources more efficiently. At the same time, the Company intended to use and did in fact used the net proceeds from the Transaction to repay the outstanding amounts owed by the Group under a transferable loan facility granted by KBC Bank N.V. as agent bank on 30 April 2003. The repayment has resulted in the reduction in the Group's liability to pay interests on such amount of outstanding bank loans so repaid. With the sale of the property, the Group is also no longer liable to pay for property tax and rental to JTC for such period which the Group may not require as a result of its relocation of its manufacturing operations to Malaysia.

The Directors continue to believe that in the light of the rationale for the Transaction as set out in the Circular and the use of proceeds as explained above, as well as the current timing for the Transaction, the Transaction was in the best interests of the Company and its shareholders.

By Order of the Board  
Mr Lee Boon Teck  
Director  
KLW Holdings Limited  
21 December 2004

## Appendix 1

### 1. Net Tangible Assets ("NTA")

For illustration purposes only and assuming that the sale of the Property and Mechanical and Electrical Equipment and the Rectification Works had been completed on **31 December 2003**, the effect of the Proposed Transaction and the Rectification Works on the consolidated NTA of the Company, based on the audited consolidated balance sheet of the Company as at 31 December 2003 would have been as follows:-

	Before the proposed sale of Property and Mechanical and Electrical Equipment	Previously stated in the Circular (the mistaken computation)  After the proposed sale of Property and Mechanical and Electrical Equipment	(What it should have been)  After the proposed sale of Property and Mechanical and Electrical Equipment	Rectification  cost	After the proposed sale of Property and Mechanical and Electrical Equipment and completion of the Rectification Works
<b>NTA (\$'000)</b>	\$ 22,925	\$ 25,734	\$ 19,501	\$ (841)	\$ 18,660
<b>NTA per share (cents)</b>	11.63	13.06	9.89		9.47

For illustration purposes only and assuming that the sale of the Property and Mechanical and Electrical Equipment and the Rectification Works had been completed on **30 June 2004**, the effect of the Proposed Transaction and the Rectification Works on the consolidated NTA of the Company, based on the unaudited consolidated balance sheet of the Company as at **30 June 2004** would have been as follows:-

	Before the proposed sale of Property and Mechanical and Electrical Equipment	After the proposed sale of Property and Mechanical and Electrical Equipment	Rectification  cost	After the proposed sale of Property and Mechanical and Electrical Equipment and completion of the Rectification Works
<b>NTA (\$'000)</b>	\$ 21,134	\$ 17,973	\$ (841)	\$ 17,132
<b>NTA per share (cents)</b>	9.48	8.06		7.68

### 2. Earnings per Share

For illustration purposes only and assuming that the sale of the Property and Mechanical and Electrical Equipment and the Rectification Works had been completed on **1 January 2003**, the effect of the Proposed Transaction and the Rectification Works on the earnings

per share of the Company, based on the audited consolidated profit and loss accounts of the Company for the financial year ended 31 December 2003 would have been as follows:-

	Before the proposed sale of Property and Mechanical and Electrical Equipment	Previously stated in the Circular (the mistaken computation)  After the proposed sale of Property and Mechanical and Electrical Equipment	(What it should have been)  After the proposed sale of Property and Mechanical and Electrical Equipment	Rectification  cost	After the proposed sale of Property and Mechanical and Electrical Equipment and completion of the Rectification Works
Profit / (Loss) attributable to Shareholders (\$'000)	(5,949)	(4,179)	(10,412)	(841)	(11,253)
Avg Number of Shares ('000)	197,005	197,005	197,005		197,005
Earnings per share (cents)	(3.02)	(2.12)	(5.28)		(5.71)

For illustration purposes only and assuming that the sale of the Property and Mechanical and Electrical Equipment and the Rectification Works had been completed on **1 January 2004**, the effect of the Proposed Transaction and the Rectification Works on the earnings per share of the Company, based on the unaudited consolidated profit and loss accounts of the Company for the half-year financial period from 1 January 2004 and ending on **30 June 2004** would have been as follows:-

	Before the proposed sale of Property and Mechanical and Electrical Equipment	After the proposed sale of Property and Mechanical and Electrical Equipment	Rectification  cost	After the proposed sale of Property and Mechanical and Electrical Equipment and completion of Rectification Works
Profit / (Loss) attributable to Shareholders (\$'000)	(4,892)	(8,519)	(841)	(9,360)
Avg Number of Shares ('000)	223,005	223,005		223,005
Earnings per share (cents)	(2.19)	(3.82)		(4.19)

### 3. Gearing

For illustration purposes only and assuming that the sale of the Property and Mechanical and Electrical Equipment and the Rectification Works had been completed on **31 December 2003**, the Group's gearing ratio as at 31 December 2003 would be as follows :-

	Before the proposed sale of Property and Mechanical and Electrical Equipment	Previously stated in the Circular (the mistaken computation) After the proposed sale of Property and Mechanical and Electrical Equipment	(What it should have been) After the proposed sale of Property and Mechanical and Electrical Equipment	Rectification Cost ('000)	After the proposed sale of Property and Mechanical and Electrical Equipment and Rectification
<b>Gearing</b>	1.04	0.31	0.53	(S\$841,)	0.60

For illustration purposes only and assuming that the sale of the Property and Mechanical and Electrical Equipment and the Rectification Works had been completed on **30 June 2004**, the Group's gearing ratio as at 30 June 2004 would be as follows :-

	Before the proposed sale of Property and Mechanical and Electrical Equipment	After the proposed sale of Property and Mechanical and Electrical Equipment	Rectification Cost ('000)	After the proposed sale of Property and Mechanical and Electrical Equipment and Rectification
<b>Gearing</b>	1.03	0.47	(S\$841)	0.54