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**PROPOSED DIVESTMENT OF TENET INSURANCE COMPANY LTD**


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**1. INTRODUCTION**

The Board of Directors of Hwa Hong Corporation Limited (the “**Company**”) is pleased to announce that further to the Company’s announcement on 11 December 2009 on the memorandum of understanding relating to the potential divestment of Tenet Insurance Company Ltd (“**Tenet**”), the Company and its wholly-owned subsidiary, Hwa Hong Capital (Pte) Limited (“**HH Capital**”), (collectively, the “**Vendors**”) have on 8 March 2010 entered into a conditional sale and purchase agreement (the “**SPA**”) with Sampo Japan Insurance Inc. (the “**Purchaser**”) pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, (i) 44,650,000 issued ordinary shares (the “**Ordinary Shares**”) and (ii) 10,000 issued redeemable non-cumulative preference shares (the “**Preference Shares**”) in the capital of Tenet, representing the entire issued share capital of Tenet (collectively, the “**Sale Shares**”), for an aggregate cash consideration of S\$95.0 million (the “**Consideration**”) (subject to adjustment (if any) as described below), upon the terms of and subject to the conditions of the SPA (the “**Proposed Divestment**”).

**2. SALIENT TERMS OF THE PROPOSED DIVESTMENT**

2.1 **Sale Shares.** Pursuant to the SPA, the Vendors shall sell, and the Purchaser shall purchase, the Sale Shares free from all charges, liens and other encumbrances and together with all rights, benefits and entitlements attaching thereto as at the Completion Date (as defined in paragraph 2.7 below) and thereafter attaching thereto including any dividends accruing or accrued thereto in respect of the financial year ended 31 December 2009.

2.2 **Consideration.** The Consideration of S\$95.0 million payable by the Purchaser for the Sale Shares is subject to adjustment (if any) based on the net tangible assets (“**NTA**”) of Tenet as at the Completion Date as described in paragraph 2.4 below. The Consideration was arrived at after arm’s length negotiations on a willing seller-willing buyer basis and after taking into consideration, *inter alia*, the latest audited net tangible assets (“**NTA**”) and net profit after tax of Tenet. The Consideration values Tenet at an implied price-to-NTA ratio of approximately 1.6 times based on the latest audited NTA of Tenet as at 31 December 2009 of approximately S\$59.4 million. The Consideration shall be payable to the Vendors in the following proportion (the “**Specified Proportion**”):

<b>Vendor</b>	<b>Sale Shares</b>	<b>Amount of Consideration</b>	<b>Percentage of Consideration</b>
The Company	7,000,000 Ordinary Shares	S\$14,892,049	15.68%
	10,000 Preference Shares	S\$10,000	0.01%
HH Capital	37,650,000 Ordinary Shares	S\$80,097,951	84.31%
<b>Total:</b>		<b>S\$95,000,000</b>	<b>100%</b>

Pursuant to the SPA, the Purchaser has, today, paid an aggregate sum of S\$4,750,000 (equivalent to 5% of the Consideration) as a deposit (the “**Deposit**”) to the Vendors’ solicitors as stakeholder (the “**Stakeholder**”) upon signing of the SPA. Subject to the terms of the stakeholding letter dated 8 March 2010 between the Stakeholder, the Vendors and the Purchaser (the “**Stakeholding Letter**”), the Deposit shall be released by the Stakeholder to the Vendors (in the Specified Proportion) on the Completion Date. The balance of the Consideration of S\$90,250,000 (equivalent to 95% of the Consideration), shall be paid by the Purchaser to the Vendors in the Specified Proportion on the Completion Date.

2.3 **Post-Completion Review/Audit.** Pursuant to the SPA, the Purchaser shall procure that as soon as practicable following the completion of the Proposed Divestment (the “**Completion**”) but no later than thirty (30) days from the Completion Date, (i) Tenet shall draw up a balance sheet of Tenet as at the Completion Date (the “**Completion Accounts**”) and (ii) Ernst & Young LLP (or such other independent auditors jointly appointed by the Vendors and the Purchaser (collectively, the “**Parties**”) (the “**Auditors**”) shall carry out a review or, if requested in writing by the Purchaser, an audit, of the Completion Accounts, for purposes of determining the NTA of Tenet as at the Completion Date (the “**Completion NTA**”). The Completion Accounts shall be drawn up and the Completion NTA shall be determined in accordance with the provisions of the SPA.

2.4 **Adjustments to Consideration.** In the event that the Completion NTA as determined by the Auditors:

- (a) exceeds S\$59.0 million (the “**Benchmark NTA**”), the Purchaser shall pay to the Vendors in the Specified Proportion the amount representing the difference between the Completion NTA and the Benchmark NTA, in addition to the Consideration; and
- (b) is less than the Benchmark NTA, the Vendors shall repay in the Specified Proportion to the Purchaser the amount representing the difference between the Completion NTA and the Benchmark NTA,

(the difference between the Completion NTA and the Benchmark NTA shall be referred to as the “**Adjustment Sum**”). The Adjustment Sum shall be payable by the Purchaser to the Vendors or (as the case may be) by the Vendors to the Purchaser within fourteen (14) business days from the date on which the preparation and review or audit of the Completion Accounts is completed.

2.5 **Conditions Precedent.** Completion of the Proposed Divestment is conditional upon the following conditions (the “**Conditions**”) having been fulfilled:

- (a) the approval in writing of the Monetary Authority of Singapore (the “**MAS**”) obtained by the Purchaser on 1 March 2010 for the acquisition of the Sale Shares and the entry into the SPA with the Vendors remaining in full force and effect and not withdrawn or revoked;
- (b) the approval in writing of the MAS for (i) the appointment of the directors of Tenet nominated by the Purchaser upon Completion as contemplated under the SPA provided that such directors are fit and proper persons and (ii) the amendment of Tenet’s articles of association to allow the Preference Shares to be transferable by the Company, being obtained by Tenet (as procured by the Vendors and subject to reasonable assistance being rendered by the Purchaser in respect of the proposed appointment of directors), and such approval remaining in full force and effect and not withdrawn or revoked and the compliance by the Parties and Tenet (the compliance of which the Vendors shall procure) with any conditions attached to such approval;

- (c) the sale of the Sale Shares by the Company having been approved by the shareholders of the Company (the “**Shareholders**”) in general meeting in accordance with the requirements of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), and such approval remaining in full force and effect and not being revoked;
- (d) the approval in writing of the Financial Services Authority in Japan (the “**FSA**”) for the acquisition of the Sale Shares being obtained by the Purchaser and such approval remaining in full force and effect and not withdrawn or revoked (the “**FSA Approval**”); and
- (e) the representations and warranties given by the Vendors as set out in the SPA remaining true in all material respects and not misleading in any material respect at Completion, as if repeated at Completion. For the purposes of this Condition, the reference to materiality shall mean a reference to any damage or liability amounting to 35% of the Consideration (excluding the Adjustment Sum).

The Parties shall use their reasonable endeavours to procure the fulfillment of the relevant Conditions as may be applicable to them respectively (the “**Conditions Undertaking**”). The Vendors shall use their best efforts to procure, that (i) an extraordinary general meeting (“**EGM**”) to seek Shareholders’ approval for the sale of the Sale Shares be held within two (2) months from the date of the SPA and (ii) Tenet shall submit an application to the MAS as referred to in paragraph 2.5(b) above no later than fourteen (14) days from the date of the SPA. The Purchaser shall no later than fourteen (14) days from the date of the SPA, submit an application to the FSA to apply for the FSA Approval.

If any of the Conditions is not fulfilled or, where permitted by the applicable laws of Singapore, waived by the Purchaser on or before 30 June 2010 or such other date as the Parties may agree in writing, the SPA shall *ipso facto* cease and determine and none of the Parties shall have any claim against the others for costs, damages, compensation or otherwise, save as specifically provided for in the SPA.

## 2.6 **Deposit.**

- (a) In the event that Completion does not occur by reason of any termination prior to Completion:
  - (i) pursuant to the Vendors’ right under the SPA to terminate the SPA where the Purchaser is the defaulting party; or
  - (ii) as a result of the non-fulfilment of the Conditions where only the Purchaser (but not any of the Vendors) is in breach of the Conditions Undertaking,

the Deposit together with interest thereon shall be released by the Stakeholder to the Vendors (in addition and without prejudice to all other rights or remedies available to the Vendors, including the right to claim damages) in the Specified Proportion subject to the terms of the Stakeholding Letter; or

- (b) In the event that Completion does not occur by reason of any termination prior to Completion:
  - (i) pursuant to the Purchaser’s right in the SPA to terminate the SPA where any of the Vendors is the defaulting party; or
  - (ii) as a result of the non-fulfilment of the Conditions where any of the Vendors (but not the Purchaser) is in breach of the Conditions Undertaking; or

- (iii) as a result of the non-fulfillment of the Conditions where none of the Parties are in breach of the Conditions Undertaking,

the Deposit together with interest thereon (in addition and without prejudice to all other rights or remedies available to the Purchaser, including the right to claim damages) shall be released by the Stakeholder to the Purchaser, subject to the terms of the Stakeholding Letter.

- 2.7 **Completion.** Under the SPA and subject to its terms and conditions, Completion is to take place on 31 May 2010 or such other date as the parties may mutually agree in writing, being a date not later than 30 June 2010 (the “**Completion Date**”).

### 3. INFORMATION ON TENET

- 3.1 **General Information.** Tenet is a Singapore-incorporated company and is principally engaged in the business of general insurance. Under its business insurance division, Tenet offers a comprehensive portfolio of services to commercial enterprises including property and pecuniary insurance, statutory classes of insurance, liability insurance, employee benefits insurance and marine insurance and under its personal insurance division, Tenet offers protection packages for individuals and families including travel, personal accident, home, domestic maid, motor and hospitalisation insurance.

- 3.2 **Issued Share Capital.** As at the date of this Announcement, Tenet has:

- (a) an issued and paid up ordinary share capital of S\$44,650,0000 comprising 44,650,000 Ordinary Shares, of which 7,000,000 Ordinary Shares are held by the Company and 37,650,000 Ordinary Shares are held by HH Capital; and
- (b) an issued and paid up preference share capital of S\$10,000 comprising 10,000 Preference Shares, which are held by the Company.

As the Sale Shares represent the entire interest of the Vendors in Tenet, immediately upon Completion, the Vendors will cease to have any interest in Tenet and Tenet will cease to be a subsidiary of the Company.

- 3.3 **Financial Information.** The following table sets out certain financial information on Tenet based on the audited financial statements of Tenet for the financial year ended 31 December 2008 (“**FY2008**”) and the audited financial statements of Tenet for the financial year ended 31 December 2009 (“**FY2009**”):

	<b>For FY2008 (S\$'000)</b>	<b>For FY2009 (S\$'000)</b>
Profit/ (loss) before taxation, minority interests and extraordinary items	(5,983)	10,736
Profit/ (loss) after taxation, minority interests and extraordinary items	(4,344)	9,474
Audited NTA as at end of relevant period	52,284	59,358

#### **4. INFORMATION ON THE PURCHASER**

The following is based on information provided by the Purchaser.

The Purchaser is an insurance company incorporated and licensed as a registered insurer in Japan. As a significant industry player in Japan, the Purchaser provides a comprehensive range of insurance solutions, whose core lines of business include non-life insurance (in Japan and internationally), defined contribution pension management, mutual funds, investment advisory and healthcare. The Purchaser is listed on several exchanges including the Tokyo Stock Exchange.

#### **5. RATIONALE FOR THE PROPOSED DIVESTMENT**

The Company believes that the Consideration under the Proposed Divestment is compelling and represents an attractive opportunity for the Company to unlock the value of its investment in Tenet. Accordingly, the Company believes that the Proposed Divestment will enhance its shareholder value and enable it to focus its resources on its other core businesses of property investment and development and investments.

Assuming an aggregate cash consideration of S\$95.0 million for the entire shareholding interests in Tenet, net of estimated transaction expenses of approximately S\$1.4 million and based on the audited NTA of Tenet of approximately S\$59.4 million as at 31 December 2009, the gain on disposal to the Company and its subsidiaries (the “**Group**”) under the Proposed Divestment is expected to be approximately S\$34.2 million. The estimated transaction expenses include professional fees, regulatory fees and other related expenses.

#### **6. USE OF PROCEEDS**

The Company intends to distribute up to S\$33 million of the net proceeds from the Proposed Divestment as a special dividend to its Shareholders. In addition, the Company is currently exploring the options available to it in relation to the utilization of the balance of the said net proceeds which include a further distribution to its Shareholders, reinvestment in its other existing core businesses, reduction of its consolidated gearing and/or utilization for working capital purposes. The Company will provide further information to its Shareholders in relation to the utilization of the remaining proceeds from the Proposed Divestment in due course.

#### **7. FINANCIAL EFFECTS**

For illustrative purposes only, the proforma financial effects of the Proposed Divestment on the NTA per ordinary share in the capital of the Company (“**Share**”) and earnings per Share (“**EPS**”), based on the audited consolidated financial statements of the Group for FY2009 and assuming no adjustments to the Consideration of S\$95.0 million and a gain on the Proposed Divestment to the Group of approximately S\$34.2 million (net of estimated transaction expenses of approximately S\$1.4 million) and assuming that the gain on disposal is not subject to tax, are set out below. The financial effects presented below do not reflect a projection of the actual future financial performance or position of the Group after the Proposed Divestment.

- 7.1 **NTA per Share.** Assuming that the Proposed Divestment had been completed on 31 December 2009, the impact of the Proposed Divestment on the NTA of the Group would be as follows:

	<b>As at 31 December 2009</b>	
	<b>Before the Proposed Divestment</b>	<b>After the Proposed Divestment</b>
Consolidated NTA (S\$'000)	280,715	314,927
Number of Shares ('000)	653,504	653,504
NTA per Share (cents)	42.96	48.19

- 7.2 **EPS.** Assuming that the Proposed Divestment had been completed on 1 January 2009, the impact of the Proposed Divestment on the EPS of the Group for FY2009 would be as follows:

	<b>FY2009</b>	
	<b>Before the Proposed Divestment</b>	<b>After the Proposed Divestment</b>
Net profit attributable to equity holders of the Company (S\$'000)	48,392	73,569
Weighted average number of Shares used in the computation of basic EPS ('000)	653,504	653,504
Basic EPS (cents) <sup>(1)</sup>	7.41	11.26

**Note:**

- (1) Basic EPS is computed based on the weighted average number of Shares for FY2009, and does not include any potential future returns from reinvestment by the Vendors of the net proceeds from the Proposed Divestment.

**8. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL**

The relative figures for the Proposed Divestment computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the respective latest audited consolidated financial statements of the Group and the audited financial statements of Tenet for FY2009 are set out below.

**Rule 1006(a)**

Net asset value of the assets to be disposed of (S\$'000)	59,358
Net asset value of the Group (S\$'000)	280,715
Size of relative figure	21.145%

**Rule 1006(b)**

Net profits <sup>(1)</sup> attributable to the assets to be disposed of (S\$'000)	10,736
Net profits <sup>(1)</sup> of the Group (S\$'000)	53,685
Size of relative figure	19.998%

**Rule 1006(c)**

Aggregate amount of consideration for the Proposed Divestment (assuming no adjustment) (S\$'000)	95,000
Market capitalisation <sup>(2)</sup> of the Company as at 5 March 2010 (being the last trading day immediately preceding the date of the SPA) (S\$'000)	372,563
Size of relative figure	25.499%

**Rule 1006(d)**

Number of equity securities to be issued by the Company as consideration for the acquisition compared with the number of equity securities previously in issue	Not Applicable
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**Notes:**

- (1) Net profit is defined as profit before tax, minority interests and extraordinary items.
- (2) The market capitalisation of the Company is based on 653,504,000 Shares in issue as at 5 March 2010 (being the last trading day immediately preceding the date of the SPA) and the volume weighted average price of the Shares transacted on the SGX-ST on 5 March 2010 of S\$0.57 per Share.

The relative figures for the Proposed Divestment under Rules 1006(a) and (c) of the Listing Manual exceed 20%. Accordingly, the Proposed Divestment constitutes a "Major Transaction" under Rule 1014 of the Listing Manual and the Company is required to seek Shareholders' approval for the Proposed Divestment under Chapter 10 of the Listing Manual. As mentioned in paragraph 2.5 above, Shareholders' approval for the Proposed Divestment is a condition precedent to Completion.

**9. CIRCULAR TO SHAREHOLDERS**

The Company will be seeking Shareholders' approval for the Proposed Divestment at an EGM to be convened. A circular to Shareholders containing, *inter alia*, further information on the Proposed Divestment and the recommendations of the Directors of the Company and the notice to convene the EGM will be despatched by the Company to Shareholders in due course.

**10. VOTING UNDERTAKINGS**

The Company has obtained undertakings from Ong Holdings (Private) Limited (“**Ong Holdings**”) and Ong Chay Tong & Sons (Private) Limited to vote and (in the case of Ong Holdings) to procure its wholly-owned subsidiaries to vote, in respect of their respective shareholdings in the Company amounting to an aggregate of approximately 26.8% of the total number of issued Shares, in favour of the proposed resolution to approve the Proposed Divestment at the EGM.

**11. CAUTION**

Shareholders and investors should note that the Proposed Divestment is subject to the fulfillment of the Conditions in accordance with the SPA and the Consideration is subject to adjustment (if any) in accordance with the SPA. Shareholders and investors are therefore advised to exercise caution in their dealings in the Shares.

**12. DIRECTORS’ SERVICE CONTRACTS**

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

**13. INTEREST(S) OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors of the Company, and to the best of the Directors’ knowledge, none of the controlling shareholders of the Company, has any interest, direct or indirect, in the Proposed Divestment.

**14. APPOINTMENT OF FINANCIAL ADVISER**

CIMB Bank Berhad, Singapore Branch has been appointed as financial adviser to the Company with respect to the Proposed Divestment.

**15. DOCUMENTS FOR INSPECTION**

A copy of the SPA is available for inspection by Shareholders at the registered office of the Company at 38 South Bridge Road, Singapore 058672 during normal business hours for a period of three (3) months from the date of this Announcement.

By Order of the Board

Ong Bee Leem  
Company Secretary

8 March 2010