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**ANNOUNCEMENT OF MEMORANDUM OF UNDERSTANDING IN RELATION TO THE  
POTENTIAL DIVESTMENT OF TENET INSURANCE COMPANY LTD**

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**ANNOUNCEMENT****1. INTRODUCTION**

The Board of Directors of Hwa Hong Corporation Limited (the “**Company**”) wishes to inform shareholders of the Company (“**Shareholders**”) that the Company has on 11 December 2009 entered into a non-binding memorandum of understanding (the “**Non-Binding MOU**”) with a certain purchaser (the “**Purchaser**”) in relation to the proposed divestment of the entire shareholding interests of the Company and its wholly-owned subsidiary, Hwa Hong Capital (Pte) Limited (“**HH Capital**”), in Tenet Insurance Company Ltd (“**Tenet**”) to the Purchaser or its nominee (the “**Proposed Divestment**”). Tenet is principally engaged in the business of general insurance.

The Non-Binding MOU sets out in broad terms the principal terms and conditions under which the Proposed Divestment will be evaluated further by the Purchaser and the Company and, subject to such evaluation, proceeded with. The Proposed Divestment is subject to further satisfactory due diligence investigations on Tenet, negotiations and the entry of a mutually satisfactory and definitive sale and purchase agreement between the Company and the Purchaser or its nominee for the Proposed Divestment (the “**S&P Agreement**”). Further details of the Proposed Divestment will be announced in the event that the S&P Agreement is signed.

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

**2. TERMS OF THE NON-BINDING MOU**

2.1 **Sale Shares.** The Proposed Divestment will comprise the sale of:

- (a) 44,650,000 issued ordinary shares in the capital of Tenet, representing 100% of the total number of issued ordinary shares in Tenet, of which 7,000,000 ordinary issued shares are held by the Company and 37,650,000 ordinary issued shares are held by HH Capital; and
- (b) 10,000 issued redeemable non-cumulative preference shares, representing 100% of the total number of issued preference shares,

(collectively, hereinafter referred to as the “**Sale Shares**”).

2.2 **Consideration.** The consideration payable by the Purchaser or its nominee for the Sale Shares is proposed to be an aggregate cash consideration of S\$95 million (the “**Consideration**”), subject to adjustment (if any) based on the net tangible assets (“**NTA**”) of Tenet as at the date of completion of the Proposed Divestment as provided in the Non-Binding MOU. The Consideration was arrived at after arm’s length negotiations and after taking into consideration, *inter alia*, the latest audited NTA of Tenet and the quality of its franchise.

- 2.3 **Conditions Precedent.** The entry into the S&P Agreement shall be conditional upon, *inter alia*, the approval in writing of the Monetary Authority of Singapore being obtained by the Purchaser for the Proposed Divestment and the entry into the S&P Agreement with the Company and all other matters contemplated under the S&P Agreement and such approval not having been withdrawn or revoked and if such approvals are granted or obtained subject to any conditions, such conditions being acceptable to both the Company and the Purchaser and the compliance by the said parties with any conditions attached to such approval.

If the S&P Agreement is entered into, the Proposed Divestment will constitute a major transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)(the “**Listing Manual**”). In such event, completion of the Proposed Divestment shall be conditional upon, *inter alia*, the sale of the Sale Shares upon the terms and conditions of the S&P Agreement having been approved by the Shareholders in general meeting in accordance with the requirements of the SGX-ST, and such approval remaining in full force and effect and not being revoked.

### 3. RATIONALE FOR THE PROPOSED DIVESTMENT

Assuming an aggregate cash consideration of S\$95 million for the entire shareholding interests in Tenet and based on the audited net asset value of Tenet of approximately S\$52 million as at 31 December 2008, the gain on disposal to the Company and its subsidiaries (the “**Group**”) under the Proposed Divestment is expected to be approximately S\$43 million.

Premised on the above, the Proposed Divestment would enable the Company to divest its entire interest in Tenet at an attractive cash consideration and realise its investment in Tenet at a substantial gain.

In addition, the Company believes that the Proposed Divestment may be beneficial to the future development and prospects of Tenet.

### 4. 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 the financial year ended 31 December 2008 (“**FY2008**”), the indicative terms in the Non-Binding MOU and assuming a consideration of S\$95 million and a gain on disposal to the Group of approximately S\$43 million, are set out below:

- 4.1 **NTA per Share.** Assuming that the Proposed Divestment had been completed on 31 December 2008, the impact of the Proposed Divestment on the NTA of the Group would be as follows:

	<b>As at 31 December 2008</b>	
	<b>Before the Proposed Divestment</b>	<b>After the Proposed Divestment</b>
Consolidated NTA (S\$'000)	317,749	360,780
Number of Shares ('000)	653,504	653,504
NTA per Share (cents)	48.62	55.21

- 4.2 **EPS.** Assuming that the Proposed Divestment had been completed on 1 January 2008, the impact of the Proposed Divestment on the EPS of the Group would be as follows:

	<b>FY2008</b>	
	<b>Before the Proposed Divestment</b>	<b>After the Proposed Divestment</b>
Net profit attributable to equity holders of the Company (S\$'000)	48,981	89,994
Weighted average number of Shares used in the computation of basic EPS ('000)	653,504	653,504
Basic EPS (cents) <sup>(1)</sup>	7.49	13.77

**Note:**

- (1) Basic EPS is computed based on the weighted average number of Shares for FY2008.

**5. 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, based on the respective latest unaudited consolidated financial statements of the Group and Tenet for the nine-month period ended 30 September 2009 are set out below.

**Rule 1006(a)**

Net asset value of the assets to be disposed of (S\$'000)	59,052
Net asset value of the Group (S\$'000)	350,769
Size of relative figure	16.83%

**Rule 1006(b)**

Net profits <sup>(1)</sup> attributable to the assets to be disposed of (S\$'000)	3,028
Net profits <sup>(1)</sup> of the Group (S\$'000)	39,090
Size of relative figure	7.75%

**Rule 1006(c)**

Indicative aggregate amount of consideration for the Proposed Divestment (S\$'000)	95,000
Market capitalisation <sup>(2)</sup> of the Company as at 10 December 2009 (being the last trading day immediately preceding the date of the Non-Binding MOU) (S\$'000)	287,542
Size of relative figure	33.04%

**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 10 December 2009 (being the last trading day immediately preceding the date of the Non-Binding MOU) and the volume weighted average price of the Shares transacted on the SGX-ST on 10 December 2009 of S\$0.44 per Share.

**6. USE OF PROCEEDS**

The Company has yet to determine the use of the proceeds from the Proposed Divestment at this juncture, and such proceeds may be distributed to Shareholders as dividend, utilised for working capital and/or invested in other assets or investments which may provide better returns to the Company and/or any other purpose. The Company will determine and announce the intended use of the said proceeds at an appropriate time in the future.

**7. CAUTION**

Shareholders should note that the Non-Binding MOU is intended to be an expression of intent and is subject to negotiation, execution and delivery of the S&P Agreement in respect of the understanding summarised in the Non-Binding MOU. The Non-Binding MOU is not intended to be legally binding (save for certain obligations such as confidentiality and non-solicitation obligations).

**The Board would like to caution that there is no assurance that any transaction will materialise from the Non-Binding MOU or that the S&P Agreement will be entered into. Shareholders and investors are therefore advised to exercise caution in their dealings in the Shares.**

The Company will make further announcements concerning the Proposed Divestment and such other information as may be required under the listing rules of the SGX-ST.

**8. 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.

BY ORDER OF THE BOARD

Ong Bee Leem  
Company Secretary

11 December 2009