



PROPOSED DISPOSAL OF PHRATRA SDN. BHD.

1. INTRODUCTION

The Board of Directors of Hwa Hong Corporation Limited (the “**Company**”) is pleased to announce that the Company has on 23 December 2013 entered into a sale and purchase agreement (the “**SPA**”) with Nam Heng Oil Mill Co. Sdn. Bhd. (“**Nam Heng**”) and Mr Guan Meng Kuan (“**Mr Guan**”) (collectively, the “**Purchasers**”) pursuant to which the Company has agreed to sell, and the Purchasers have agreed to purchase, an aggregate of 8,311,617 ordinary shares of RM1.00 each in the capital of Phratra Sdn. Bhd. (“**Phratra**”), representing 100% of the total number of issued shares in Phratra (the “**Sale Shares**”), for an aggregate consideration of Malaysian Ringgit Seventeen Million (RM17.0 million) (the “**Consideration**”), upon the terms and subject to the conditions of the SPA (the “**Proposed Disposal**”).

2. SALIENT TERMS OF THE PROPOSED DISPOSAL

- 2.1 **Sale Shares.** Pursuant to the SPA, the Company shall sell, and Nam Heng and Mr Guan shall purchase the Sale Shares in the proportion of 60% and 40% respectively, 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 2.3 below) and thereafter attaching thereto.
- 2.2 **Consideration.** The Consideration for the Proposed Disposal of RM17.0 million (equivalent to approximately S\$6.56 million¹) was arrived at after arm’s length negotiations on a willing seller-willing buyer basis and after taking into account, *inter alia*, offers and indicative offers for Phratra received by the Company from interested buyers and 2 valuations of the Property (as defined in paragraph 3.1 below) commissioned by the Company and conducted by PA International Property Consultants Sdn Bhd (the “**PA Valuation**”) and C H Williams Talhar & Wong Sdn Bhd (the “**CHW Valuation**”). Based on the PA Valuation and the CHW Valuation dated 20 August 2013 and 30 August 2013, respectively, the market value of the Property on an “as is” basis was determined to be RM10.52 million as at 19 August 2013 and RM7.78 million as at 30 August 2013, respectively.

Pursuant to the SPA, the Purchasers will pay an aggregate sum of RM8.5 million (equivalent to 50% of the Consideration) to the Company as a deposit on or before 27 December 2013. The balance of the Consideration of RM8.5 million (equivalent to 50% of the Consideration) shall be paid by the Purchasers to the Company on the Completion Date. The amount of the Consideration payable by Mr Guan shall be payable in Singapore Dollars based on the exchange rate (as determined in accordance with the SPA) on the business day prior to the date of the SPA. The amount of the Consideration payable by Nam Heng shall be payable in Malaysian Ringgit.

¹ Based on the exchange rate of S\$1.00 to RM2.59.

- 2.3 **Completion.** Under the SPA, completion of the Proposed Disposal is to take place on 17 February 2014 (or such other date as the parties may mutually agree in writing) (the “**Completion Date**”).

3. INFORMATION ON PHRATRA

- 3.1 **General Information.** Phratra is a private limited company incorporated in Malaysia and is a wholly-owned subsidiary of the Company. The principal activity of Phratra is that of property investment and development. Phratra owns fifty-one (51) pieces of freehold lands located along Jalan Kluang in Batu Pahat, Johor, Malaysia (the “**Property**”). The land area of the Property is approximately 13,897 square metres with gross floor area of approximately 5,205 square metres (or 55,964 square feet). The Property is zoned for industrial use and the factory buildings situated on the Property are currently vacant.
- 3.2 **Issued Share Capital.** As at the date of this Announcement, Phratra has an issued and paid up ordinary share capital of RM8,311,617 comprising 8,311,617 ordinary shares of RM1.00 each, all of which are held by the Company. As the Sale Shares represent the entire interest of the Company in Phratra, the Company will cease to have any interest in Phratra and Phratra will cease to be a subsidiary of the Company following completion of the Proposed Disposal.
- 3.3 **Certain Financial Information.** Based on the latest unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2013 (“**YTD Sep 2013**”), the net tangible assets (“**NTA**”) of Phratra as at 30 September 2013 is approximately S\$3.15 million and Phratra recorded net loss before tax, minority interests and extraordinary items of approximately S\$0.06 million for YTD Sep 2013.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Company believes that the Proposed Disposal will enable the Group to realise the value from its long term investment in Phratra and thereby allow the Company to make more efficient use of capital. In addition, the Property is currently vacant and Phratra is presently inactive.

5. USE OF PROCEEDS

The Company intends to utilise the net proceeds from the Proposed Disposal for general working capital and future investment purposes.

6. FINANCIAL EFFECTS

The Proposed Disposal is not expected to have any material impact on the earnings per share and NTA per share of the Group for the current financial year ending 31 December 2013.

7. INTERESTED PERSON TRANSACTION

- 7.1 **Proposed Disposal as an Interested Person Transaction.** Mr Guan, who is a Director of the Company, is regarded as an “interested person” of the Company under Chapter 9 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). In addition, Mr Guan and his

immediate family members (as defined in the Listing Manual) have aggregate interests of more than 30% in Nam Heng. As such, Nam Heng is regarded as an “associate” of Mr Guan and therefore an “interested person” of the Company under Chapter 9 of the Listing Manual. Accordingly, the Proposed Disposal constitutes an interested person transaction within the meaning of Chapter 9 of the Listing Manual.

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2012, the audited consolidated NTA of the Group was S\$197.05 million as at 31 December 2012 (“**Audited NTA**”).

Based on the Consideration, the value of the Proposed Disposal for purposes of Chapter 9 of the Listing Manual is approximately S\$6.56 million, which represents approximately 3.33% of the Group’s Audited NTA.

Mr Guan has abstained and will abstain from voting on the Proposed Disposal at meetings of the Board of Directors of the Company.

7.2 Audit and Risk Committee’s Statement. The Audit and Risk Committee of the Company has reviewed the terms of the Proposed Disposal and is of the view that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

7.3 Current Total Value of All Interested Person Transactions. Pursuant to Rule 917(5) of the Listing Manual, the current total values of all interested person transactions with (a) Mr Guan and Nam Heng and (b) all interested persons of the Company, for the period from 1 January 2013 to the date of this Announcement (prior to and including the Proposed Disposal), and the percentage of the Group’s Audited NTA represented by such values are as follows:

	Prior to the Proposed Disposal		Including the Proposed Disposal	
	Amount (\$ million)	Percentage of Audited NTA	Amount (\$ million)	Percentage of Audited NTA
Total value of all transactions with Mr Guan and Nam Heng	Nil	N.A.	6.56	3.33%
Total value of all interested persons of the Company	0.62	0.31%	7.18	3.64%

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

The relative figures for the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual, based on the latest unaudited consolidated financial statements of the Group for YTD Sep 2013, are set out below:

Rule 1006	Bases	Proposed Disposal (S\$ million)	Group (S\$ million)	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	3.15	200.2	1.57
(b)	Net profits ⁽¹⁾ attributable to the assets disposed of, compared with the Group's net profits ⁽¹⁾ .	(0.06)	7.15	(0.84)
(c)	Aggregate value of the consideration to be received, compared with the Company's market capitalisation ⁽²⁾ .	6.56	195.59	3.35

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 20 December 2013 (being the market day immediately preceding the date of the SPA) and the volume weighted average price of the shares transacted on the SGX-ST on 20 December 2013 of S\$0.2993 per share.

As the relative figures for the Proposed Disposal under Rule 1006 of the Listing Manual do not exceed 5%, the Proposed Disposal is not considered as a Discloseable Transaction under Rule 1010 of the Listing Manual.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein, 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 Disposal.

BY ORDER OF THE BOARD

Lee Soo Wei
Chief Financial Officer
23 December 2013