

HONG FOK CORPORATION LIMITED

(Company Registration No.: 196700468N)

DISPOSAL OF SHARES OF WINFOONG INTERNATIONAL LIMITED

A. INTRODUCTION

The board of directors (the “**Board of Directors**”) of Hong Fok Corporation Limited (the “**Company**”) wishes to announce that a share transfer agreement dated 18 September 2015 (the “**Agreement**”) in relation to shares of Winfoong International Limited (“**Winfoong**”) was entered into by Hong Fok Corporation (Cayman) Limited (“**Vendor A**”), Hong Fok Corporation (H.K.) Limited (“**Vendor B**”) and First Strategy Investments Limited (“**Vendor C**”) as vendors (collectively, the “**Vendors**”), HK Guoxin Investment Group Limited as purchaser (the “**Purchaser**”), and the Company and Hong Fok Land International Limited as guarantors. Vendor A and Vendor B are wholly owned subsidiaries of the Company.

Pursuant to the Agreement, *inter alia*, Vendor A and Vendor B (collectively, the “**HFC Vendors**”) agreed to sell to the Purchaser an aggregate of 1,024,163,590 issued ordinary shares of HK\$0.050 par value each in the issued share capital of Winfoong (the “**Sale Shares**”) which comprise approximately 38.797% of Winfoong’s entire issued share capital of 2,639,802,084 shares as at the date of the Agreement. Further, pursuant to the Agreement, Vendor C agreed to sell to the Purchaser 628,746,775 issued ordinary shares of HK\$0.050 par value each in the issued share capital of Winfoong which comprise approximately 23.818% of Winfoong’s entire issued share capital as at the date of the Agreement.

B. INFORMATION ON WINFOONG, THE VENDORS AND THE PURCHASER

1. Information on Winfoong

Winfoong is a company incorporated and existing under the laws of Bermuda, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange-HK**”). Winfoong and its existing subsidiaries are principally engaged in property related businesses, the provision of horticultural services and securities trading business.

2. Information on the Vendors

As at the date of the Agreement, the HFC Vendors held an aggregate of 1,024,163,590 issued ordinary shares of Winfoong, of which 976,720,587 shares were held by Vendor A and 47,443,003 shares were held by Vendor B.

Vendor C is a wholly owned subsidiary of Hong Fok Land International Limited, an associated company of the Company. As at the date of the Agreement, Vendor C held 628,746,775 issued ordinary shares of Winfoong.

3. Information on the Purchaser

The Purchaser is a company duly incorporated and validly existing under the laws of Hong Kong with limited liability, and is in the business of investment holding.

4. **Source of Information**

The information in this announcement relating to Winfoong and the Purchaser is extracted from information and documents provided by Winfoong and the Purchaser respectively.

C. **THE AGREEMENT**

1. **The Transaction**

Pursuant to the Agreement, subject to compliance with the terms and conditions under the Agreement, the Vendors (in the capacity of legal and beneficial owners of the aggregate of 1,652,910,365 issued ordinary shares of Winfoong (the “**Target Shares**”) held by them respectively) agree to transfer the Target Shares to the Purchaser, and the Purchaser agrees to accept the Target Shares, together with all existing rights and subsequent incidental or attached rights of the Target Shares from the Completion Date (as defined below) (including all rights to declare, make or pay any dividends or other distributions on or after the Completion Date). The Target Shares shall be free of any share encumbrances.

2. **Consideration**

The transfer price per Sale Share shall be HK\$0.3618 and the total transfer price for the Sale Shares, payable by the Purchaser in cash to the HFC Vendors shall be HK\$370,542,386.86. The transfer price for the Sale Shares payable by the Purchaser to Vendor A and Vendor B respectively shall be HK\$353,377,508.37 and HK\$17,164,878.49.

The transfer price for the Sale Shares was determined between the Purchaser and the HFC Vendors on an arm’s length basis and on a willing-buyer and willing-seller basis. The principal factors that were considered by the parties in determining the transfer price for the Sale Shares included the net tangible asset value per share. For reference purposes, on 17 September 2015, the trading day before trading in the shares of Winfoong was suspended on 18 September 2015 at 9:39 a.m., the closing price of issued ordinary shares in the issued share capital of Winfoong was HK\$0.63 per share. The book value per share and the net tangible asset value per Sale Share as at 30 June 2015 was HK\$0.1066.

The respective portions of the transfer price for the Sale Shares were paid to the HFC Vendors on Completion Date.

It is intended that the respective portions of the transfer price for the Sale Shares which were received by the HFC Vendors will be used for the general working capital requirements of the HFC Vendors.

The excess of the proceeds over the book value is HK\$0.2552 per Sale Share. The net profit attributable to the sale of the Target Shares, being the net gain on disposal, is approximately S\$80.6 million to the Company and its subsidiaries (the “**Group**”), of which approximately S\$56.4 million is attributable to the owners of the Company.

3. **Conditions Precedent, Completion and Other Material Terms**

There are no conditions precedent for the completion of the sale of the Target Shares (the “**Transaction**”).

Completion took place on 18 September 2015 (the “**Completion Date**”). Following the completion, Winfoong has ceased to be an associated company of the Company, and the Group has ceased to have any interests in the shares of Winfoong.

The Company and the HFC Vendors as a party, and Vendor C and Hong Fok Land International Limited as the other party, shall assume several responsibilities under the Agreement and shall only assume liabilities in accordance with the ratio of their respective shareholding in Winfoong (directly and indirectly). However, the Company and the HFC Vendors shall assume several and joint liabilities under the Agreement.

Each of the Company and Hong Fok Land International Limited is a guarantor under the Agreement, and the Company and the HFC Vendors as a party and Vendor C and Hong Fok Land International Limited as the other party, shall each compensate up to the maximum accumulated amount of the indemnity liabilities, subject to the terms of the Agreement.

4. Rationale for the sale of the Sale Shares

The rationale for and benefits of the sale of the Sale Shares are, *inter alia*, as follows:

- (i) During the three years ended 31 December 2014, Winfoong and its subsidiaries (the “**Winfoong Group**”) generated stable but insignificant revenue from their principal activities, and were loss making;
- (ii) During the period of one year before the date of the Agreement, the liquidity of the shares of Winfoong was generally thin;
- (iii) The transfer price of HK\$0.3618 per Target Share represents a premium of approximately 22.6% over the closing price of HK\$0.295 per Target Share as quoted on the Stock Exchange-HK on 27 March 2015, being the last trading day immediately prior to the entering into of a memorandum of understanding dated 28 March 2015 by the vendors with an independent possible purchaser (the “**MOU**”);
- (iv) The transfer price of HK\$0.3618 per Target Share represents a premium of approximately 239.4% over the unaudited net assets per Target Share of approximately HK\$0.1066 as at 30 June 2015, calculated based on Winfoong’s unaudited consolidated net assets of approximately HK\$281,343,000 as at 30 June 2015 and 2,639,802,084 shares in issue as at the date of the Agreement;
- (v) The price-to-book ratio in respect of the Sale Shares is higher than the average of certain comparable companies listed on the Stock Exchange-HK that are principally engaged in property development and related businesses in Hong Kong with a market capitalization ranging from HK\$300 million to HK\$9,000 million; and
- (vi) Based on the estimated gain on the sale of the Sale Shares to be recorded by the Group upon completion of the sale of the Sale Shares, the sale of the Sale Shares is likely to have a positive financial effect on the Group.

5. Financial Effects of the sale of the Target Shares

For illustration purposes only, the financial effects of the sale of the Target Shares as set out below were prepared based on the audited consolidated accounts of the Company for the financial year ended 31 December 2014 and subject to the following main assumptions:

- (i) For the purpose of computing the consolidated earnings and consolidated earnings per share (“**EPS**”) of the Company after the sale of the Target Shares, it is assumed that the sale of the Target Shares was effected on 1 January 2014.

- (ii) For the purpose of calculating the consolidated net tangible assets per share (“NTA”) of the Company after the sale of the Target Shares, it is assumed that the sale of the Target Shares was completed on 31 December 2014.

The financial effects set out below are theoretical in nature and are therefore not necessarily reflective of the results of the Company and its subsidiaries or the related effect on the financial position that would have attained had the sale of the Target Shares taken place in accordance with the main assumptions set out herein.

(i) **Earnings**

	<u>FY2014</u>	<u>After the sale of the Target Shares</u>
Profit attributable to the owners of the Company (S\$'000)	48,090	101,474
Number of shares	630,020,501	630,020,501
EPS (cents)	7.63	16.11

(ii) **NTA**

	<u>As at 31/12/2014</u>	<u>After the sale of the Target Shares</u>
NTA (S\$'000)	1,321,566	1,378,960
Number of shares	630,020,501	630,020,501
NTA per share (cents)	209.77	218.88

6. Relative Figures

The relative figures for the sale of the Sale Shares using the applicable bases of comparison under Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST Listing Manual**”) based on the unaudited consolidated accounts of the Company for the period ended 30 June 2015 (announced on 14 August 2015) are as follows:

Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value	6.54%
Rule 1006(b)	The net profits attributable to the Sale Shares, compared with the Group’s net profits	Not meaningful
Rule 1006(c)	The aggregate value of the consideration for the Sale Shares, compared with the Company’s market capitalisation	13.02%
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable

The sale of the Sale Shares will constitute a “discloseable transaction” within the meaning of Chapter 10 of the SGX-ST Listing Manual, as computed on the above bases.

7. Information Under Rule 704(18) of the SGX-ST Listing Manual

The Company is of the opinion that Rule 704(18)(b) of the SGX-ST Listing Manual is not applicable as the accounts of the Winfoong Group is consolidated as a subsidiary whereby the related assets, liabilities and income statement have been included in the consolidated financial statements of the Company.

D. OTHER INFORMATION

1. Service Contracts

At the date of this announcement, no person is proposed to be appointed as a director of the Company in connection with the Agreement.

2. Interests of the Directors and Substantial Shareholders

As at the latest practicable date of 17 September 2015, the shareholdings of the directors and substantial shareholders of the Company, in the Company are as follows:

<u>Name of Directors</u>	<u>Direct/Beneficial Interest</u>		<u>Deemed Interest</u>	
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Cheong Pin Chuan	10,343,344	1.31	128,980,959	16.29
Cheong Sim Eng	93,778,060	11.85	40,923,435	5.17
Cheong Hooi Kheng	12,782,800	1.62	-	-
Chow Yew Hon	-	-	-	-
Lim Jun Xiong Steven	-	-	-	-
Chan Pengee, Adrian	-	-	-	-

Name of Substantial Shareholders

Hong Fok Land Holding Limited	161,445,120	20.40	-	-
Wellow Investment Limited	-	-	161,445,120 ^(a)	20.40
Hong Fok Land Investment Limited	-	-	161,445,120 ^(a)	20.40
Hong Fok Land Asia Limited	-	-	161,445,120 ^(a)	20.40
Hong Fok Land International Limited	-	-	161,445,120 ^(a)	20.40
Cheong Sim Eng	93,778,060	11.85	40,923,435 ^(b)	5.17
P.C. Cheong Pte Ltd	87,354,168	11.04	-	-
Cheong Pin Chuan	10,343,344	1.31	128,980,959 ^(c)	16.29
Cheong Kim Pong	90,749,181	11.47	33,429,195 ^(d)	4.22

Notes:

- (a) Each of the companies is deemed interested in the shares in the issued share capital of the Company (the “**Shares**”) held directly by Hong Fok Land Holding Limited (“**HF Land**”) as HF Land is a wholly owned subsidiary of Wellow Investment Limited, which is in turn a wholly owned subsidiary of Hong Fok Land Investment Limited, which is in turn a wholly owned subsidiary of Hong Fok Land Asia Limited,

which is in turn a wholly owned subsidiary of Hong Fok Land International Limited (incorporated in Bermuda).

- (b) This represents Cheong Sim Eng's deemed interest in the Shares held by his wife, Corporate Development Limited ("CDL") and Goodyear Realty Co. Pte. Ltd. ("Goodyear").
- (c) This represents Cheong Pin Chuan's deemed interest in the Shares held by his wife, P.C. Cheong Pte Ltd, CDL and Goodyear.
- (d) This represents Cheong Kim Pong's deemed interest in the Shares held by his wife and Goodyear.

As at the latest practicable date of 17 September 2015, the shareholdings of the directors of the Company who have interests in the shares of Winfoong are as follows:

<u>Name of Directors</u>	<u>Direct/Beneficial Interest</u>		<u>Deemed Interest</u>	
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Cheong Pin Chuan	-	-	3,736,700	0.14
Cheong Hooi Kheng	2,200,000	0.08	-	-

As at the latest practicable date of 17 September 2015, the shareholdings of the directors of the Company who have interests in the shares of Hong Fok Land International Limited are as follows:

<u>Name of Directors</u>	<u>Direct/Beneficial Interest</u>		<u>Deemed Interest</u>	
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Cheong Pin Chuan	-	-	3,397,700	0.23
Cheong Hooi Kheng	2,000,000	0.13	-	-

As at the latest practicable date of 17 September 2015, the directors of the Company who hold options granted by Winfoong pursuant to the employee share option scheme adopted by Winfoong on 25 June 2013 are as follows:

<u>Name of Directors</u>	<u>Number of Share Options</u>
Cheong Pin Chuan	26,000,000
Cheong Sim Eng	26,000,000
Cheong Hooi Kheng	26,000,000

As at the latest practicable date of 17 September 2015, the following directors of the Company are also directors of Winfoong and/or Hong Fok Land International Limited and/or the Vendors:

<u>Name of Directors</u>	<u>Office Held</u>
Cheong Pin Chuan	<ul style="list-style-type: none"> • Executive Director, Joint Chairman and Joint Managing Director of Winfoong • Director, Joint Chairman and Joint Managing Director of Hong Fok Land International Limited • Director of each of Vendor A, Vendor B and Vendor C

- Cheong Sim Eng
- Executive Director, Joint Chairman and Joint Managing Director of Winfoong
 - Director, Joint Chairman and Joint Managing Director of Hong Fok Land International Limited
 - Director of each of Vendor A, Vendor B and Vendor C
- Cheong Hooi Kheng
- Executive Director of Winfoong

Save as disclosed above, none of the directors or substantial shareholders of the Company have any interest, direct or indirect, in the Transaction.

3. Document Available for Inspection

A copy of the Agreement is available for inspection by the shareholders of the Company, at the registered office of the Company at 300 Beach Road #41-00 The Concourse, Singapore 199555 during normal business hours for a period of three (3) months from the date of this announcement.

4. Cessation of discussion announced on 28 August 2015

The Board of Directors refers to its previous announcement dated 28 August 2015 wherein the Company had announced the cessation of discussions with the possible purchaser in respect of the MOU in relation to shares of Winfoong, which the HFC Vendors had entered into on 28 March 2015. The Board of Directors wishes to clarify that the Purchaser is a different party from the possible purchaser which the HFC Vendors had previously entered into the MOU with. Negotiations on this Transaction took place this month.

5. Further announcements

The Board of Directors wishes to inform Shareholders and investors that Winfoong has requested for a trading halt in its shares on the Stock Exchange-HK upon the entry into of the Agreement and may make announcements in relation to the Agreement.

Accordingly, the Company will make further announcement(s) as and when necessary or appropriate. Shareholders and investors are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action which may be prejudicial to their interests. In the event of any doubt, Shareholders and investors are advised to consult their stockbrokers, bank managers, solicitors and other professional advisers.

BY ORDER OF THE BOARD

CHEONG HOOI KHENG
Director

Singapore
22 September 2015