

NEW HOONG FATT HOLDINGS BERHAD

SUBJECT: DISPOSAL OF EQUITY INTEREST HELD IN NEW KEAN TAT AUTO PARTS SDN BHD BY SUBSIDIARIES

Contents:-

1. INTRODUCTION

The Board of Directors of New Hoong Fatt Holdings Berhad (“NHFHB” or “the Company”), wishes to announce that its wholly-owned subsidiaries, namely, New Hoong Fatt Auto Supplies Sdn Bhd (Company No. 34846-T) (“NHFAS”) and New Hoong Fatt Industries Sdn Bhd (Company No. 494537-M) (“NHFI”) (NHFAS and NHFI shall be hereinafter collectively known as “the Vendors”) have, on 7 June 2011, entered into a conditional sale and purchase agreement (“SPA”) with Lim Kim Hock (NRIC No. 590928-10-6607) (“LKH”), Ng Wai Choon (NRIC No. 651001-10-7977) (“NWC”), Chang Khor Heung (NRIC No. 670603-06-5405) (“CKH”), Lim Kim Mui (NRIC No. 550520-10-6084) (“LKM”), Saw Lai Hong (NRIC No. 660918-10-5804) (“SLH”) and Saw Boon Leong (NRIC No. 710502-10-5539) (“SBL”) (LKH, NWC, CKH, LKM, SLH and SBL shall be hereinafter collectively known as “the Purchasers”) for the disposal of the entire 60% equity interest totaling 3,000,000 ordinary shares of RM1.00 each (“Shares”) held by them in New Kean Tat Auto Parts Sdn Bhd (Company No. 838360-K) (“NKT”) (“Proposed Disposal”).

Upon completion of the Proposed Disposal, NKT will cease to be a subsidiary of the NHFHB Group.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal involves the disposal of the entire 3,000,000 Shares by NHFAS (currently holding 2,999,999 Shares in NKT) and NHFI (currently holding 1 Share in NKT) at RM1.20 per Share, amounting to an aggregate consideration of RM3,600,000, to the following Purchasers:

Purchasers	Position	Existing Shareholding Percentage (%) in NKT
LKH	Managing Director & Shareholder	24
NWC	Executive Director & Shareholder	4
CKH	Executive Director & Shareholder	4
LKM	Shareholder	4
SLH	Shareholder	2
SBL	Shareholder	2

The Purchasers are considered related parties given that LKH (who is also a major shareholder of NKT), NWC and CKH are directors of NKT i.e. a subsidiary in the NHFHB’s Group. LKM, SLH and SBL are persons connected to LKH by virtue of LKM being his sibling and SLH and SBL being his siblings in-law.

Although the Proposed Disposal involves related parties as aforementioned, the Proposed Disposal is regarded as an exempted related party transaction pursuant to Paragraph 10.08(11)(o) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) given that there are no other interested relationships except for the Purchasers who are the current directors, major shareholder of NKT and persons connected to such director and major shareholder.

3. INFORMATION ON NKT

NKT is a private limited company incorporated in Malaysia on 12 November 2008 under the Companies Act, 1965 and having its registered address at 3rd Floor, Bangunan Fung Keong, 108 Jalan Tun H.S. Lee, 50000 Kuala Lumpur. As at the date of the SPA, its authorized share capital is RM5,000,000 divided into 5,000,000 Shares, of which 5,000,000 Shares have been issued and credited as fully paid-up.

NKT is principally engaged in the business of trading of motor vehicles parts within the local automotive repair shops or workshops.

NKT was a joint venture company set up by NHFAS, NHFI and the Purchasers vide a conditional shareholders' agreement executed between the parties on 18 November 2008 ("the Joint Venture"). An announcement to Bursa Securities in relation to the Joint Venture was made on 18 November 2008 and the Joint Venture was completed on 15 January 2009 when NKT became a 60% owned subsidiary of the NHFHB Group. The total original cost of investment in NKT was RM3,000,000.

Based on the audited financial statements of NKT for the financial year ended 31 December 2010, NKT's Profit After Tax was RM967,034 and its Net Tangible Assets was RM1.30 per Share.

4. INFORMATION ON THE PROPOSED DISPOSAL

4.1 Salient Terms of the SPA

(i) Purchase Price and Manner of Payment

Pursuant to the SPA, the Vendors agreed to sell and the Purchasers agreed to purchase 3,000,000 Shares in NKT ("Sale Shares"), comprising 60% of the total paid up share capital of NKT, free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto from the date of the completion of the SPA, at RM1.20 per Sale Share, for a total consideration of RM3,600,000 ("Purchase Price").

Each Purchaser shall purchase the following number of Sale Shares in NKT:

Purchasers	Number of Sale Shares in NKT to be acquired by the Purchasers
LKH	2,000,000
LKM	300,000
CKH	300,000
NWC	200,000
SBL	100,000
SLH	100,000
TOTAL	3,000,000

Upon the execution of the SPA, the Purchasers has paid to the Vendors a deposit of RM360,000 only, a sum equivalent to 10% of the Purchase Price ("Deposit"). The balance consideration of RM3,240,000, being 90% of the Purchase Price ("Balance Consideration") shall be paid within 14 days from the fulfillment of the conditions precedent stipulated in the SPA.

(ii) Conditions Precedent

The obligations of the Vendors to sell and the obligations of the Purchasers to acquire are conditional upon the following:

- a) the full release of NHFHB and NHFAS from all guarantees and indemnities given by them with respect to credit facilities granted to NKT (“Guaranteed Facilities”); and
- b) the entry by NHFAS and NKT into a supplemental letter to vary the terms and conditions of the Tenancy Agreement executed between them dated 15 March 2010

(collectively the “Conditions Precedent”).

The Conditions Precedent shall be fulfilled within 3 months from the date of the SPA. This period shall be extended for a further 1 month at no interest, in the event the Conditions Precedent cannot be fulfilled within the initial 3 month period. If the Conditions Precedent cannot be fulfilled within such extended period, then period for fulfilling the Conditions Precedent may be further extended for a further 2 months, subject to the payment in advance by the Purchasers of interest at the rate of 0.35% per month on the amount of Guaranteed Facilities utilised (the entire period for fulfilment of the Conditions Precedent shall be known as “the CP Fulfilment Period”).

(iii) Completion

Within 14 days from the fulfilment of all the Conditions Precedent, the Vendors shall provide and/or procure the provision to the Purchasers of the documents necessary for the transfer of the Sale Shares to the Purchasers against the receipt by the Vendors of the Balance Consideration.

(iv) Default and Termination

In the event the Conditions Precedent are not fulfilled within the CP Fulfilment Period, or the Purchasers fail to pay the Balance Consideration on or by the completion date, the Deposit shall be forfeited, whereupon the Vendors shall be entitled, to terminate the SPA.

In the event the Vendors should wilfully and without reasonable cause terminate the SPA during the CP Fulfilment Period, and provided the Purchasers are not in breach of any of the provisions in the SPA, the Purchasers shall be entitled either to the remedy of specific performance of the SPA against the Vendors; or to terminate the SPA and claim from the Vendors a sum equivalent to the Deposit as agreed liquidated damages together with a full refund, without interest, of the Deposit.

4.2 The basis of arriving at the Purchase Price

The Purchase Price was arrived at on a willing buyer and willing seller basis, after taking into consideration the Net Tangible Assets based on the audited financial statements of NKT as at 31 December 2010 and the Vendors’ initial investment into NKT.

4.3 Manner in which the Purchase Price will be satisfied

The Purchase Price shall be satisfied entirely by cash.

4.4 Liabilities to be assumed by the Purchasers

There is no liability to be assumed by the Purchasers arising from the Proposed Disposal save for those in the ordinary course of business of NKT.

5. RATIONALE FOR THE PROPOSED DISPOSAL

The reason for the Proposed Disposal is to re-align the business direction of the NHFHB Group in the local automotive industry.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Share capital, substantial shareholders' shareholding and net assets

The Proposed Disposal will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholding of NHFHB as it does not involve any issue of new shares in NHFHB.

Based on the audited financial statements of NKT as at 31 December 2010, the Proposed Disposal is not expected to have a material effect on the consolidated net assets per share of NHFHB.

6.2 Earnings

The Proposed Disposal is not expected to have a material effect on the earnings of NHFHB for the financial year ending 31 December 2011.

6.3 Gearing

The Proposed Disposal is not expected to have a material effect on the gearing of NHFHB.

6.4 Expected losses arising from the Proposed Disposal

The losses arising from the Proposed Disposal are estimated to be RM450,000.

7. UTILISATION OF PROCEEDS

The proceeds arising from the Proposed Disposal shall be utilised for working capital purposes.

8. APPROVALS REQUIRED

The Proposed Disposal is not subject to the approval of NHFHB's shareholders nor any relevant governmental authorities.

9. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Disposal is expected to be completed in the fourth quarter of calendar year 2011.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS AND PERSONS CONNECTED TO DIRECTORS AND MAJOR SHAREHOLDERS OF NHFHB

None of the directors and/or major shareholders and/or persons connected with a director or major shareholder of NHFHB has any interest, direct and indirect in the Proposed Disposal.

11. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of NHFHB is of the opinion that the Proposed Disposal is in the best interest of NHFHB and is fair, reasonable and on normal commercial terms which are not detrimental to the interests of NHFHB.

12. PERCENTAGE RATIO APPLICABLE TO THE TRANSACTION PURSUANT TO PARAGRAPH 10.02(g)

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is 4.83%.

13. DOCUMENTS FOR INSPECTION

The SPA is available for inspection at the Company's office at Lot 5043, 5 ½ Miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan for a period of 3 months from the date of this announcement during normal business hours from Mondays to Fridays (except public holidays).

This announcement is dated 8 June 2011.