



Hua Kok International Ltd

ANNOUNCEMENT

Financial impacts of the transactions contemplated under the Strategic Subscription and New Business Agreement

On 31 August 2004, the Board of Directors announced the execution of a Strategic Subscription and New Business Agreement with Prosperity Steel (Asia) Co. Ltd ("Prosperity"). The said announcement had set out the salient terms of Prosperity's proposed investment in the Company and the material terms of the proposed restructuring (the Restructuring") of the Company.

By way of illustration, the appended Tables A and B set out the effects of Prosperity's proposed investment in the Company and the proposed Restructuring on the balance sheet of the Group based on the audited Balance Sheet of the Group as at 30 June 2004.

Tables A and B have been prepared on the assumptions that

- (i) the capital reduction exercise reducing the par value of the shares of the Company from S\$0.05 each to S\$0.001 each was effected on 30 June 2004,
- (ii) Prosperity's investment in the Company was completed on 30 June 2004,
- (iii) the proposed Restructuring was completed on 30 June 2004, with unsecured and secured creditors of the Company being issued shares in the Company at S\$0.052 and S\$0.041 per share respectively,
- (iv) no contingent liabilities of the Company have crystallised as at 30 June 2004.

In addition to the above assumptions, Table B has been prepared on the basis that Hua Kok Realty (Private) Limited ("HKR") has been de-consolidated from the Group as at 30 June 2004."

By order of the Board

Paul Lin
Chief Executive Officer

HUA KOK INTERNATIONAL LTD

Summary of the illustrative financial impacts of the transactions contemplated under the Strategic Subscription and New Business Agreement

Currency: S\$'000

	Table A			Table B		
	Group A/C @ 30 June 2004	Capital Reduction	Post Restructuring	Group A/C exclude HKR @ 30 June 2004	Capital Reduction	Post Restructuring
Current assets	18,763		24,763	22,233		28,233
Fixed assets	12,701		12,701	4,124		4,124
Other assets	1,206		1,206	1,004		1,004
Total assets	32,670		38,670	27,361		33,361
Current liabilities	46,731		31,148	28,528		12,945
Non-current liabilities	5,132		5,132	2,179		2,179
Total liabilities	51,863		36,280	30,707		15,124
Net Asset / (Liabilities)	(19,193)		2,390	(3,346)		18,237
Shareholders' Equity						
Share capital	15,434	309	2,058	15,434	309	2,058
Share premium	12,625		19,834	12,625		19,834
Accumulated Losses	(47,962)	(20,212)	(20,212)	(32,115)	(4,365)	(4,365)
Minority Interest	710	710	710	710	710	710
	(19,193)	(19,193)	2,390	(3,346)	(3,346)	18,237
Loss per Share (cents)	(8.42)		NM	(4.76)		NM
Net Assets Value per Share (cents)	(6.45)		0.12	(1.08)		0.89