

FHTK HOLDINGS LIMITED

1. INVESTOR LOANS

The Directors wish to announce that FHTK Holdings Ltd (the "Company") has entered into separate facility agreements (the "Facility Agreements") dated 11 January 2006 with five unrelated individual investors (the "Investors") for the grant of loans (the "Loans") to the Company. The aggregate amount of the Loans is S\$6.5 million. The Company will use the Loans to fund its working capital and to pay certain critical payments.

The Loans are repayable within 6 months after each drawdown date. Interest is payable at 12% per annum, or 14% per annum if the Conditions (as defined below under "Options") are not fulfilled.

The debt which the Company owes to each Investor under the Facility Agreements is secured by a charge over the shares which the Company owns in Fook Huat Tong Kee Pte Ltd ("FHTKPL"). FHTKPL is a wholly owned subsidiary of the Company.

The Company has also entered into separate subordination agreements (the "Subordination Agreements") dated 11 January 2006 with each Investor and FHTKPL. Pursuant to the Subordination Agreements, the Company has agreed not to demand or receive payment of any loan which it has made prior to the date of the Subordination Agreement to FHTKPL on or before the date on which the Loan is repaid or satisfied in full to each Investor.

Under each Facility Agreement, the Company has the discretion to repay the Loan in cash or by issue of new ordinary shares of S\$0.005 each in the capital of the Company at par, credited as fully paid-up. Subject to shareholders' approval to be obtained at a general meeting as described in section 3 below, the Company proposes to allot and issue any Rights Shares (as defined in section 3 below), which remain unsubscribed by shareholders of the Company or their renounces, at an issue price of S\$0.005 for each Rights Share under the Rights Issue, to (i) the Investors as repayment of the respective Loans; (ii) creditors of the Company as repayment of the debts owed by the Company; and (iii) any investor(s) who are unrelated to the Directors or substantial shareholders of the Company and proposes to invest in the Company.

To the best of the Company's knowledge, none of the Investors is related to any Director or substantial shareholder of the Company.

2. OPTIONS

In connection with the grant of the Loans, the Company has concurrently entered into separate option agreements (the "Option Agreements") with each Investor. Pursuant to the Option Agreements, each Investor is granted an option (the "Option") to subscribe for new ordinary shares of S\$0.005 each in the capital of the Company (the "Option Shares") at a subscription price of S\$0.005 for each Option Share. The aggregate number of the Option Shares is 26 million representing approximately 2.1% of the existing issued and paid-up share capital of the Company. The aggregate subscription price payable by the Investors for the Option Shares is S\$130,000.00.

Subject to the fulfillment of the Conditions (as defined below), each of the Options must be exercised within one year from the date of the Option Agreement and will lapse thereafter.

Completion of the Option Agreements is subject to the Company obtaining shareholders' approval for the grant of the Options at a general meeting to be convened, as well as approval from the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the Option Shares (the "Conditions"). If the Conditions are not fulfilled within six months from the date of the Option Agreement, the Option Agreement will terminate. In

such event, the interest payable by the Company under the Facility Agreements will be 14% per annum (instead of 12% per annum).

Messrs Ee Tai Ting and Manual Sanchez Ortega/Ramon Ferroggiaro, who collectively own approximately 13% of the issued and paid-up share capital of the Company (the "Relevant Shares"), have on the date of this announcement given separate undertakings (the "Undertakings") both dated 8 December 2005 to the Company that they shall vote, or procure the voting of, the respective Relevant Shares held by them in favour of the resolution to approve the grant of the Options at a general meeting to be convened.

3. PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

As part of the Company's fund raising efforts described above, the Company is proposing a renounceable non-underwritten rights issue (the "Proposed Rights Issue") of 4,923,852,668 new ordinary shares of S\$0.005 each in the capital of the Company (the "Rights Shares") at an issue price of S\$0.005 for each Rights Share, on the basis of four (4) Rights Share for every one (1) existing ordinary share of S\$0.005 each in the capital of the Company held as at a date to be determined by the Directors, fractional entitlements to be disregarded. The Proposed Rights Issue, if fully subscribed, will raise approximately S\$ 24,619,264.

The Proposed Rights Issue is subject to, *inter alia*, the following:

- (a) the receipt of the approval of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST;
- (b) the Proposed Rights Issue having been approved by the shareholders of the Company (the "Shareholders");
- (c) if applicable, the approval by a majority of the Shareholders who are independent of the Investors and any parties acting in concert with the Investors, present and voting at a general meeting held before the issue of the Rights Shares under the Proposed Rights Issue, of a poll of a resolution (the "Whitewash Resolution") to waive their rights to receive a mandatory take-over offer for the Company from the Investors and any parties acting in concert with them being obtained and having been obtained, not withdrawn or revoked;
- (d) if applicable, all other conditions imposed by the Securities Industry Council relating to the Whitewash Resolution having been satisfied; and
- (e) the lodgement of the Offer Information Statement in respect of the Proposed Rights Issue with the Monetary Authority of Singapore ("MAS").

The Company will seek shareholders' approval at the general meeting to be convened to authorize the Directors of the Company to allot and issue any Rights Shares which remain unsubscribed by Shareholders or their renounces at an issue price of S\$0.005 for each Rights Share under the Rights Issue to (i) the Investors as repayment of the respective Loans; (ii) creditors of the Company as repayment of the debts owed by the Company; and (iii) any investor(s) who are unrelated to the Directors or substantial shareholders of the Company and proposes to invest in the Company. If the Proposed Rights Issue is fully subscribed, the Investors and the creditors will be paid in cash instead using the proceeds from the Proposed Rights Issue.

An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares on the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

A circular containing, *inter alia*, the notice of the general meeting, the details of the Proposed Rights Issue, the Whitewash Resolution (if applicable) and the independent financial adviser's advice on the Whitewash Resolution (if applicable), will be despatched to Shareholders in due

course. The Offer Information Statement will be lodged with the MAS and despatched to entitled Shareholders following the general meeting in due course if the shareholders resolutions are passed at the general meeting.

Pursuant to the Undertakings, Messrs Ee Tai Ting and Manual Sanchez Ortega/Ramon Ferroggiaro have on the date of this announcement given separate undertakings to the Company that:

- (a) they shall vote, or procure the voting of, the respective Relevant Shares held by them in favour of the resolution to approve the Proposed Rights Issue and the Whitewash Resolution at a general meeting of the Company to be convened; and
- (b) if they are not subscribing for their Rights Shares, they shall renounce in full provisional allotment of their Rights Shares proportionately in favour of the Investors.

The Company proposes to use the proceeds from the Proposed Rights Issue to fund its working capital and to pay certain critical payments.

Further details of the Proposed Rights Issue will be announced in due course.

4. FINANCIAL EFFECTS

The financial impact of the Loans and the Proposed Rights Issue is set out below purely for illustrative purposes only.

	Based on unaudited financial statements as at 30 September 2005	After the Loans but before the Proposed Rights Issue	After Proposed Rights Issue and Option (assuming fully subscribed)
(a) Share Capital			
Authorised Share Capital	200,000,000	200,000,000	200,000,000
Issued Share Capital	6,154,816	6,154,816	30,904,080
Loans from Investors	0	6,500,000	0
(b) Net tangible asset ("<u>NTA</u>")			
NTA	55,958,000	55,958,000	80,707,263
No. of ordinary shares	1,230,963,167	1,230,963,167	6,180,815,835
NTA per share (in cents)	4.55	4.55	1.31
(c) Gearing			
Total borrowings	46,503,000	53,003,000	46,503,000

Shareholders' Equity	55,958,000	55,958,000	80,707,263
Gearing	0.83	0.95	0.58

Notes:

1. All figures are in Singapore dollars unless otherwise stated.

(d) Earnings per Share (“EPS”)

The net proceeds of the Proposed Rights Issue are meant to provide working capital and to pay certain critical payments. Hence, the Proposed Rights Issue is not expected to have a material impact on the current financial year.

Nevertheless, depending on the future earnings of the Group, the enlarged share capital of the Company after the issue of the Proposed Rights Issue may have a dilutive effect on the EPS.

5. POTENTIAL FUTURE INVESTMENTS

The Company and its independent financial advisor, nTan Corporate Advisory Pte Ltd will continue to identify potential investors who are interested to invest in the Company based on terms which are similar to those offered to the Investors as described in sections 1 and 2 above to raise the additional capital which the Company needs.

6. DIRECTORS’ INTERESTS

Save as described in this announcement, no Director of the Company has any interest in any of the transactions described above (other than in his capacity as a Director of the Company or Shareholder).

For more information about this announcement, please contact:

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By Order of the Board