

HOE LEONG CORPORATION LTD.
("Company")
(Company registration number 199408433W)
(Incorporated in the Republic of Singapore)

HEADS OF AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL OF INTERESTS IN SEMUA SHIPPING SDN BHD AND SEMADO MARITIME SDN BHD

1. INTRODUCTION

The board of directors ("**Board**") refers to the following announcements of the Company:

- (a) announcements dated 5 May 2010 and 21 December 2012 in relation to the Company's direct and indirect (through its 80%-owned subsidiary, Ebony Ritz Sdn Bhd ("**Ebony**")) equity interests in Semua International Sdn Bhd ("**SISB**"); and
- (b) announcements dated 12 June 2013 and 9 October 2013 in relation to the originating summons taken out by Auspicious Journey Sdn Bhd ("**AJ**") and served on the Company and Ebony.

The Board wishes to announce that it has on 27 January 2015 entered into a binding heads of agreement (the "**HOA**") with Reachmont Logistics Sdn Bhd ("**RLSB**") and Asia Bioenergy Technologies Berhad ("**ABT**", and collectively, the "**HOA Parties**") in relation to, *inter alia*, a series of transactions for the eventual disposal of the Company's entire indirect equity interests in two (2) wholly-owned subsidiaries of SISB, namely Semua Shipping Sdn Bhd ("**SSSB**") and Semado Maritime Sdn Bhd ("**SMSB**") to ABT (the "**Proposed Disposal**").

The HOA sets out in broad terms the principal terms and conditions as well as the transaction structure under which, *inter alia*, the Proposed Disposal will be evaluated further by the HOA Parties. The transactions contemplated under the HOA (the "**Proposed Transactions**"), including the Proposed Disposal, are subject to, *inter alia*, the entry into of definitive agreements (the "**Definitive Agreements**") between, *inter alia*, the HOA Parties (or their respective nominees) in respect of the Proposed Transactions. Further details will be announced in the event that the Definitive Agreements are entered into by the Company.

2. SALIENT TERMS OF THE HOA

2.1 Proposed Transactions

The Proposed Transactions involve, *inter alia*, the following steps:

- (a) an internal restructuring of SISB whereby the entire issued and paid-up share capital of each of SSSB and SMSB shall be transferred to a newly incorporated company in Malaysia (the "**SPV**"), and the SPV shall be held by the Company, Ebony and Sumatec Resources Berhad ("**SRB**") in the same shareholding proportions as that in which the Company, Ebony and SRB presently hold SISB;
- (b) the Company, Ebony and SRB will enter into a shareholders' agreement in respect of SPV ("**SPV SHA**") on the same terms as that of the shareholders' agreement in respect of SISB;

- (c) together with the SPV, the HOA Parties (or their respective nominees) shall enter into the Definitive Agreements in respect of the sale and transfer of entire issued share capital of SPV for an indicative total consideration of RM168 million (approximately S\$62.69 million ¹) ("**Consideration**") which, subject to agreement, would be satisfied in the form of cash and/or issuance of securities in ABT; and
- (d) immediately prior to or on the date of completion of the Proposed Transactions ("**Completion**"), it is envisaged that RLSB shall purchase and SRB shall sell, SRB's 49% shareholding in the SPV on terms and conditions to be agreed between, *inter alia*, RLSB and SRB (but subject always to the terms and conditions SPV SHA and Definitive Agreements).

The HOA Parties envisage that Completion shall take place within three (3) months of the date of the HOA (or such other date as the HOA Parties may mutually agree) ("**Completion Date**").

2.2 Conditions Precedents

Completion is subject to, *inter alia*, following:

- (a) the passing of the resolutions by the board of directors of Ebony approving, *inter alia*, the entry into of the Definitive Agreements; and
- (b) the approval of all relevant parties, including shareholders of ABT, the Company and Ebony.

2.3 Exclusivity

The HOA Parties have agreed that for a period commencing on the date of the HOA and ending on the Completion Date, the HOA Parties shall neither (a) enter into any discussions or negotiations in any manner whatsoever with any other third party which will adversely affect the Proposed Transactions, nor (b) enter into any discussions or negotiations or give access or information to any third party with a view to such discussions or negotiations.

3. **RATIONALE FOR THE TRANSACTIONS**

The Company's strategic intent is to continue to execute on its planned diversification of the traditional industrial parts business by building up sustainable and high growth income streams through the provision of vessel-chartering services for the oil and gas industry.

As announced by the Company on 6 January 2010, the Company believed that the investment in the SISB and its subsidiaries (the "**Semua Group**") would provide an excellent and timely opportunity to further its ongoing objective of expanding its current scope of business and sourcing for alternative consistent sources of revenue to improve returns to the Company's shareholders.

However, due to below-expectations performance of the Semua Group, the Company believes that the Proposed Transactions would allow the Company to free up cash and strengthen its balance sheet, settle various liabilities and disputes with third parties [(including proceedings arising from the originating summons taken out by AJ against the Company and Ebony which are still pending settlement) as well as reconfigure and consolidate its operations and resource management of its vessels-chartering services within the Group (as

¹ For the purposes of this announcement, an exchange rate of S\$1 : RM2.68 shall be used.

defined below), in furtherance of the Company's ongoing objective of sourcing for alternative sustainable sources of revenue and improving returns to the Company's shareholders.

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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 Transactions, save in respect of such Director's/controller shareholder's shareholdings (if any) in the Company.

5. CAUTION

Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company as there is no certainty or assurance that: (a) the Definitive Agreements will be entered into; (b) the final terms of the Definitive Agreements with respect to the Proposed Transactions will not change from that in the HOA; and (c) the Proposed Transactions will materialise. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

6. DOCUMENTS FOR INSPECTION

- 6.1 A copy of the HOA is available for inspection at the Company's registered office at 6 Clementi Loop, Singapore 129814 during normal business hours for a period of three (3) months from the date of this announcement.
- 6.2 Further announcements will be made by the Company when the Definitive Agreements are entered into, or as and when appropriate.

BY ORDER OF THE BOARD
HOE LEONG CORPORATION LTD.

Kuah Geok Lin
Chairman and Chief Executive Officer
28 January 2015