

Hoe Leong Corporation Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration Number 199408433W)

PROPOSED DISPOSAL OF ARKSTAR VOYAGER ENTRY INTO CONDITIONAL MEMORANDUM OF AGREEMENT

1. Introduction

- 1.1 The Board of Directors (the “**Board**”) of Hoe Leong Corporation Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Arkstar Voyager Pte. Ltd. (the “**Vendor**”), a wholly-owned indirect subsidiary of the Company, had, on 2 March 2020, entered into a conditional memorandum of agreement (the “**MOA**”) with First Oil and Gas Services W.L.L. (the “**Purchaser**”) in relation to, *inter alia*, the disposal of Arkstar Voyager (the “**Proposed Disposal**”).
- 1.2 The Proposed Disposal is classified as a “major transaction” under Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is conditional upon approval by shareholders of the Company (“**Shareholders**”) in general meeting pursuant to Rule 1014(2) of the Listing Manual.
- 1.3 Further details on the relative figures computed on the bases set out in Rule 1006 of the Listing Manual relating to the Proposed Disposal are set out in **Paragraph 8** of this announcement.

2. Information on the Purchaser

The information on the Purchaser provided below was provided to the Company by the Purchaser. In respect of such information, the Board has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The Board’s responsibility is limited to the proper extraction and reproduction herein in the context that is being disclosed in this announcement.

- 2.1 The Purchaser, First Oil and Gas Services W.L.L., is a company established in Qatar in 2013. The Purchaser is principally in the business of managing and chartering of offshore support vessels. The Purchaser is a subsidiary of Ali Bin Khalifa Al Hitmi & Co. Q.S.C., a company established in Qatar in 1963. The Ali Bin Khalifa Al Hitmi Group is one of the oldest and largest conglomerates in Qatar with businesses in property development, shipping, economic consulting, hospitality, engineering and manufacturing.

3. Information on Arkstar Voyager

3.1 Information on Arkstar Voyager

Name	: Arkstar Voyager
International Maritime Organisation Vessel Identification Number	: 9527582
Flag	: Singapore
Type of Vessel	: Steel Offshore Supply Vessel
Year Built	: 2009
Cargo Capacity of Vessel	: Deadweight Tonnage of 3,000 megatonnes
Encumbrances	: Arkstar Voyager has been mortgaged to United Overseas Bank Limited (“ UOB ”).

3.2 Financial Information on Arkstar Voyager

Based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2019 (“FY2019”):

- (a) the book value of Arkstar Voyager was approximately S\$4,152,000 as at 31 December 2019; and
- (b) the net losses attributable to Arkstar Voyager was approximately S\$5,609,000 as at 31 December 2019.

The gain on disposal after completion of the Proposed Disposal amounts to approximately S\$991,000.

3.3 Valuation

The Company commissioned M3 Marine Valuations Pte. Ltd. (the “**Independent Valuer**”) to conduct an independent valuation on the market value of Arkstar Voyager.

According to the valuation report issued by the Independent Valuer on 24 January 2020 (the “**Valuation Report**”):

- (a) Arkstar Voyager had a market value of US\$3,200,000 as at a valuation date of 31 December 2019 based on an “as is, where is” sale between a willing buyer and a willing seller in Singapore.
- (b) The Independent Valuer valued Arkstar Voyager using its valuation methodology comprising 4 steps – (i) developing a good understanding of the vessel; (ii) reviewing historical vessel valuation records; (iii) considering the vessel's current and future earning potential; and (iv) considering market conditions.

4. **Intended Use of Net Proceeds from the Proposed Disposal**

- 4.1 The Consideration (as defined below) represents an excess of approximately S\$991,000 over the book value of Arkstar Voyager as at 31 December 2019 of approximately S\$4,152,000.
- 4.2 The net proceeds from the Proposed Disposal, after deducting estimated costs and expenses incurred or to be incurred in connection with the Proposed Disposal, is approximately S\$5,143,000.
- 4.3 The aggregate amount of existing bank borrowings due to UOB by the Vendor is S\$5,804,179.29 as at 29 February 2020. The Company intends to utilise the entire net proceeds from the Proposed Disposal of approximately S\$5,143,000 towards partial repayment of the existing bank borrowings due to UOB by the Vendor.

5. **Rationale for the Proposed Disposal**

- 5.1 After restructuring the Group's financial liabilities pursuant to a “pre-packaged” scheme of arrangement which was approved by the High Court of Singapore on 22 January 2018 and approved by Shareholders at an extraordinary general meeting held on 27 April 2018, the Group has been actively serving its financial liabilities, including but not limited to the bank borrowings due to UOB.
- 5.2 Due to delays in receiving chartering fees from a customer of the Vendor in respect of Arkstar Voyager, the Vendor has insufficient funds to continue to operate Arkstar Voyager. These delays also led to the Vendor defaulting on the repayment of bank borrowings due to UOB. In addition, the Group's vessel chartering business is also experiencing low charter rates for its vessels including Arkstar Voyager, directly impacting the revenue of the Group's vessel chartering business which is mainly generated by the chartering of vessels. As Arkstar Voyager has recently completed its last charter contract on 31 January 2020 and is currently not chartered, the Board is

of the view that it is opportune time to dispose Arkstar Voyager as part of the Group's overall plan to divest its vessel chartering business and refocus on its equipment business. The Proposed Disposal will also allow the Group to reduce its financial liabilities including interest costs going forward.

- 5.3 For the reasons above, and taking into account the fact that the Consideration (as defined below) is at a premium over the market value of Arkstar Voyager based on the Valuation Report, the Board is of the view that the Proposed Disposal is in the best interests of the Company and its Shareholders.

6. Principal Terms of the MOA

According to the MOA:

- (a) The MOA shall be effective upon the following conditions being met:
- (i) payment of a deposit of US\$385,000 (the “**Deposit**”), representing 10% of the Consideration (as defined below), into an escrow account within 5 Qatar banking days after the MOA is signed by the Vendor and the Purchaser, and the escrow agreement is signed by the Vendor, the Purchaser and the escrow holder;
 - (ii) resolutions of the board of directors and shareholders of the Vendor being passed to authorise the execution, delivery and performance of the MOA, and a copy of each of the resolutions being delivered to the Purchaser within 14 days from the date of the MOA;
 - (iii) resolutions of the board of directors of the Purchaser being passed to authorise the execution, delivery and performance of the MOA, and a copy of the resolutions being delivered to the Vendor within 14 days from the date of the MOA;
 - (iv) UOB's approval for the Proposed Disposal as evidence by a written letter being obtained; and
 - (v) the Company obtaining such approvals, confirmations and/or waivers from the SGX-ST in connection with the MOA and the transactions contemplated therein as may be necessary, including but not limited to a waiver of Rule 1014 of the Listing Manual, and such approvals, confirmations and/or waivers not having been amended or revoked before the completion date. If the approvals, confirmations and/or waivers are subject to conditions, such conditions being fulfilled on or before the completion date.
- (b) If any of the conditions precedent set out in **Paragraph 6(a)** of this announcement is not fulfilled on or before the date falling 6 weeks from the date of the MOA or any further time extension to be mutually agreed between the Vendor and the Purchaser, and such non-fulfilment is not waived by the party who has the benefit of such condition precedent, the MOA shall *ipso facto* be null and void *ab initio*. In that event, the Vendor and the Purchaser shall be released and discharged from their respective obligations under the MOA, and no party shall have any claim against the other party for costs, damages, compensation or otherwise under the MOA;
- (c) If the Deposit has been paid and the MOA is nullified and void in accordance with **Paragraph 6(b)** of this announcement, the Deposit shall be returned to the Purchaser within 7 days from the date the MOA is nullified and void, and no party shall have any claim against the other party for costs, damages, compensation or otherwise under the MOA;
- (d) In exchange for payment of the Consideration (as defined below), the Vendor shall provide the Purchaser with, *inter alia*, a letter of undertaking from the mortgagee of Arkstar Voyager, UOB, in favour of the Purchaser irrevocably undertaking, for valuable consideration received, to discharge its mortgage on Arkstar Voyager not later than 1 Singapore working day after receipt from the escrow holder of the mortgage redemption amount due as at the date of delivery of Arkstar Voyager;

- (e) Save for the mortgage of Arkstar Voyager to UOB, the Vendor warrants that Arkstar Voyager, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever to the Vendor's knowledge, and is not subject to port state or other administrative detentions. The Vendor undertakes to indemnify the Purchaser against all consequences of the aforementioned claims made against Arkstar Voyager which have been incurred prior to the time of delivery.
- (f) The Purchaser shall have the option of cancelling the MOA if the Vendor fails to complete the Proposed Disposal by the date falling 8 weeks from the date of the MOA or any further time extension to be mutually agreed between the Vendor and the Purchaser.
- (g) The MOA shall be governed by and construed in accordance with the laws of Singapore and any and all disputes arising out of or in connection with the MOA shall be referred to and finally resolved by arbitration in Singapore administered by the Singapore Chamber of Maritime Arbitration in accordance with the Arbitration Rules of the Singapore Chamber of Maritime Arbitration for the time being in force at the commencement of the arbitration, before 1 arbitrator to be nominated by the Singapore Chamber of Maritime Arbitration upon application of any of the parties.

7. Consideration for the Proposed Disposal

- 7.1 The consideration to be paid by the Purchaser for Arkstar Voyager is US\$3,850,000 (equivalent to approximately S\$5,333,000 based on an exchange rate of S\$1 : US\$1.38530 as at 4 March 2020, being the date immediately preceding the date of this announcement) (the "**Consideration**").
- 7.2 The Consideration shall be paid in cash and shall be paid into an escrow account in the following manner:
 - (a) the Deposit, representing 10% of the Consideration, shall be paid into an escrow account within 5 Qatar banking days after the MOA is signed by the Vendor and the Purchaser, and the escrow agreement is signed by the Vendor, the Purchaser and the escrow holder; and
 - (b) the balance 90% of the Consideration (the "**Balance Consideration**") shall be paid into an escrow account within 5 Qatar banking days after the conditions precedent set out in **Paragraphs 6(a)(ii) to (v)** of this announcement have been fulfilled. The Balance Consideration shall be held by the escrow holder to the sole order of the Purchaser until the time for payment.
- 7.3 The Deposit amounting to US\$385,000 has been paid by the Purchaser into the escrow account as at the date of this announcement.
- 7.4 On delivery of Arkstar Voyager by the Vendor to the Purchaser:
 - (a) the Deposit held in the escrow account shall be released to the Vendor or the mortgagee of Arkstar Voyager, UOB; and
 - (b) the Balance Consideration shall be paid in full, free of bank charges, to the Vendor or the mortgagee of Arkstar Voyager, UOB.
- 7.5 The Consideration was arrived at arm's length and on a willing-buyer-willing-seller basis, after taking into account, *inter alia*, the following:
 - (a) the market value of US\$3,200,000 for Arkstar Voyager based on the Valuation Report; and
 - (b) the prevailing economic conditions.

8. Relative Figures computed on the bases set out in Rule 1006 of the Listing Manual for the Proposed Disposal

8.1 The relative figures computed on the bases set out in Rule 1006 of the Listing Manual for the Proposed Disposal are as follows:

Rule 1006(a) of the Listing Manual	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets. ⁽¹⁾	58.16% ⁽²⁾
Rule 1006(b) of the Listing Manual	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits. ⁽³⁾	33.23% ⁽⁴⁾
Rule 1006(c) of the Listing Manual	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	47.45% ⁽⁵⁾
Rule 1006(d) of the Listing Manual	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 ⁽⁶⁾
Rule 1006(e) of the Listing Manual	The aggregate volume or amount proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the SGX-ST may permit valuations to be used instead of volume or amount.	Not Applicable ⁽⁷⁾

Notes:

1. "Net assets" means total assets less total liabilities.
2. Based on the unaudited consolidated financial statements of the Group for FY2019, the net asset value of Arkstar Voyager was approximately S\$4,152,000 as at 31 December 2019 which represents approximately 58.16% of the Group's net asset value of approximately S\$7,139,000 as at 31 December 2019.
3. "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
4. Based on the unaudited consolidated financial statements of the Group for FY2019, the net losses attributable to Arkstar Voyager was approximately S\$5,609,000 as at 31 December 2019 which represents approximately 33.23% of the Group's net losses of approximately S\$16,881,000 as at 31 December 2019.
5. The Consideration is US\$3,850,000 (equivalent to approximately S\$5,333,000 based on an exchange rate of S\$1 : US\$1.38530 as at 4 March 2020, being the date immediately preceding the date of this announcement) which represents approximately 47.45% of the Company's market capitalisation of approximately S\$11,239,000 on 28 August 2019, being the last full market day on which trades were done prior to the trading halt and the suspension of the securities of the Company. The Company's market capitalisation was determined by multiplying the number of Shares in issue (5,619,432,579 Shares) by the weighted average price of such Shares transacted on 28 August 2019 (S\$0.002).
6. The Proposed Disposal is a disposal of assets not an acquisition of assets.
7. The Company is not a mineral, oil and gas company.

- 8.2 As the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the Proposed Disposal is classified as a “major transaction” under Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is conditional upon approval by Shareholders in general meeting pursuant to Rule 1014(2) of the Listing Manual.

9. Application for Waiver from Rule 1014(2) of the Listing Manual

- 9.1 The Company will be making an application to the SGX-ST (the “**Waiver Application**”) to seek a waiver from the SGX-ST of the requirement for the Proposed Disposal to be made conditional upon approval by Shareholders in general meeting pursuant to Rule 1014(2) of the Listing Manual.
- 9.2 The Company will make further announcements to update its Shareholders when there are material updates in relation to the Waiver Application as may be necessary or appropriate, including the outcomes of the Waiver Application.

10. Financial Effects of the Proposed Disposal

10.1 The financial effects of the Proposed Disposal on the net tangible assets (“NTA”) per ordinary share in the share capital of the Company (“Share”) and the losses per Share (“LPS”) of the Group have been prepared based on the unaudited consolidated financial statements of the Group for FY2019.

10.2 For the purpose of illustrating the financial effects of the Proposed Disposal, the financial effects have been prepared based on, *inter alia*, the following assumptions:

- (a) the financial effects on the NTA per Share of the Group are computed assuming that the Proposed Disposal was completed on 31 December 2019;
- (b) the financial effects on the LPS of the Group are computed assuming that the Proposed Disposal was completed on 1 January 2019; and
- (c) the costs and expenses incurred or to be incurred in connection with the Proposed Disposal shall be disregarded.

10.3 Financial Effects on the NTA per Share of the Group

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Consolidated NTA of the Group (S\$ '000)	7,139	8,130
Number of Shares in issue, excluding treasury shares and subsidiary holdings (‘000)	5,619,433	5,619,433
NTA per Share (Singapore cents)	0.13	0.14

10.4 Financial Effects on the LPS of the Group

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Net Losses for FY2019 (S\$ '000)	16,881	15,890
Weighted average number of Shares in issue, excluding treasury shares and subsidiary holdings (‘000)	5,619,433	5,619,433
LPS (Singapore cents)	0.30	0.28

10.5 The financial effects presented above are for illustrative purposes only and are not intended to reflect the actual future results and/or financial position of the Company and/or the Group upon completion of the Proposed Disposal. No representation is made as to the actual future results and/or financial position of the Company and/or the Group.

11. Service Contracts in connection with the Proposed Disposal

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and no service contracts in relation thereto is proposed to be entered into by the Company.

12. Interests of Directors and Substantial Shareholders

Save as disclosed in this announcement, none of the directors and substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company, if any.

13. Documents Available for Inspection

Copies of the MOA and the Valuation Report may be inspected at the registered office of the Company located at 6 Clementi Loop EAC Building Singapore 129814 during normal business hours for 3 months from the date of this announcement.

14. Cautionary Statement

- 14.1 Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed.**
- 14.2 Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.**

By Order of the Board of
Hoe Leong Corporation Ltd.

Liew Yoke Pheng, Joseph
Executive Chairman, Executive Director and Chief Executive Officer

5 March 2020