

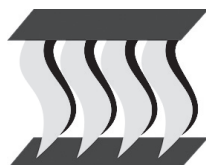
CIRCULAR DATED 12 APRIL 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of Hoe Leong Corporation Ltd. (the “**Company**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular. Approval in-principle by the SGX-ST is not to be taken as an indication of the merits of the Scheme, the Share Distribution, the Scheme Shares (all as defined herein), the Company and/or its subsidiaries.



HOE LEONG CORPORATION LTD.

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO

1. **THE PROPOSED ISSUE OF UP TO 58,247,211,237 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “SCHEME SHARES”) TO THE ENTITLED SCHEME CREDITORS (AS DEFINED HEREIN) PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME (AS DEFINED HEREIN);**
2. **THE PROPOSED ISSUE OF UP TO 19,122,401,915 SCHEME SHARES TO UNITED OVERSEAS BANK LIMITED (“UOB”), A SCHEME CREDITOR, PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME (THE “PROPOSED TRANSFER OF CONTROLLING INTEREST TO UOB”);**
3. **THE PROPOSED ISSUE OF UP TO 10,800,957,758 SCHEME SHARES TO DBS BANK LTD. (“DBS”), A SCHEME CREDITOR, PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME (THE “PROPOSED TRANSFER OF CONTROLLING INTEREST TO DBS”);**
4. **THE PROPOSED ISSUE OF UP TO 14,041,905,260 SCHEME SHARES TO HOE LEONG CO. (PTE.) LTD., A CONTROLLING SHAREHOLDER OF THE COMPANY AND A SCHEME CREDITOR, PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME AS AN INTERESTED PERSON TRANSACTION; AND**
5. **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM UOB AND ITS CONCERT PARTIES FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THEM FOLLOWING THE ALLOTMENT AND ISSUE OF SCHEME SHARES TO UOB PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME IN ACCORDANCE WITH RULE 14 OF THE SINGAPORE CODE ON TAKE-OVERS AND MERGERS (THE “PROPOSED UOB WHITEWASH RESOLUTION”).**

Independent Financial Adviser to the Independent Directors of Hoe Leong Corporation Ltd.



ZICO Capital Pte. Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201613589E)

IMPORTANT DATES AND TIMES

- | | | |
|--|---|---|
| Last date and time for lodgement of Proxy Form | : | 25 April 2018 at 11.00 a.m. |
| Date and time of Extraordinary General Meeting | : | 27 April 2018 at 11.00 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) |
| Place of Extraordinary General Meeting | : | No. 6 Clementi Loop,
Copenhagen Meeting Room, 4 th Floor,
Singapore 129814 |

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DEFINITIONS

“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“Act”	:	The Companies Act, Chapter 50 of Singapore, as amended, varied or supplemented from time to time
“ANZ”	:	Australia and New Zealand Banking Group
“Approved Claim(s) for Distribution”	:	Claim(s) of a Scheme Creditor as set out in its Final Proof of Debt to the extent admitted by the Scheme Manager or established by the Scheme Creditor dispute resolution proceedings in accordance with the Scheme
“Australia Valuer”	:	Australian Valuation & Advisory Group Pty Ltd
“Authority”	:	The Monetary Authority of Singapore
“Board of Directors”	:	The board of directors of the Company as at the date of this Circular
“Business Day”	:	A day (other than a Saturday, a Sunday or public holiday) on which banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“CIMB”	:	CIMB Bank Berhad, Singapore Branch
“Circular”	:	This circular to Shareholders dated 12 April 2018
“Claims”	:	Any claim(s) subsisting as at the Effective Date in respect of a liability of the Company to its Scheme Creditors whether as borrower and/or guarantor or otherwise, including, for the avoidance of doubt, any interest and default interest accruing on, or accretions arising in respect of such claims and any loss or damage suffered or incurred as a result of or in connection with any such claims, and a “Claim” shall be construed accordingly
“Code”	:	The Singapore Code on Takeovers and Mergers, as amended from time to time
“Commencement Date”	:	30 January 2018, which is the date on which the Scheme became effective and binding in accordance with the Act
“Company”	:	Hoe Leong Corporation Ltd.

DEFINITIONS

“Completion”	:	The date on which all of the Company’s liabilities and obligations in respect of all Remaining Debts are fully discharged in accordance with the provisions of the Scheme
“Court”	:	The High Court of the Republic of Singapore
“DBS”	:	DBS Bank Ltd.
“Directors”	:	The directors of the Company as at the date of this Circular
“Effective Date”	:	The date on which all conditions precedent of the Scheme are satisfied (or waived), such date to be no later than twelve (12) months after Commencement Date, unless extended or waived in accordance with the Scheme
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given in the Notice of EGM set out on page N-1 of this Circular
“EPS”	:	Earnings per Share
“Existing Share Capital”	:	The existing share capital of the Company as at the Latest Practicable Date, being 622,680,724 issued Shares excluding 470,000 treasury shares and nil subsidiary holdings
“Final Proof of Debt”	:	Proof of debt to be submitted by a Scheme Creditor for its Claim(s) as at the Effective Date
“Financial Consultant”	:	RSM Corporate Advisory Pte Ltd
“FY”	:	Financial year ended, or as the case may be, ending on 31 December
“General Offer”	:	A mandatory general offer made in accordance with Rule 14 of the Code and Section 139 of the SFA
“Group”	:	The Company and its subsidiaries
“HCP”	:	Hoe Leong Crawler Parts Pte Ltd., a wholly-owned subsidiary of the Company
“HLCPL”	:	Hoe Leong Co. (Pte.) Ltd.
“HLCPL Loan”	:	A loan granted by HLCPL to the Group amounting to approximately S\$14 million as at the Latest Practicable Date

DEFINITIONS

“IFA”	:	ZICO Capital Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the issue of Scheme Shares to HLCPL as an interested person transaction and the Proposed UOB Whitewash Resolution
“IFA Letter”	:	The letter dated 12 April 2018 from the IFA to the Independent Directors in respect of the issue of Scheme Shares to HLCPL as an interested person transaction and the Proposed UOB Whitewash Resolution as set out in Appendix B of this Circular
“Independent Directors”	:	The Directors who are considered independent for the purposes of making recommendations to the Independent Shareholders in relation to the proposed issue of Scheme Shares to HLCPL as an interested person transaction or the Proposed UOB Whitewash Resolution, as the case may be
“Independent Shareholders”	:	Shareholders who are considered independent for the purposes of the proposed issue of Scheme Shares to HLCPL as an interested person transaction or the Proposed UOB Whitewash Resolution, as the case may be
“Issue Price”	:	The issue price of the Scheme Shares under the Share Distribution, being the issue price calculated with reference to the volume weighted average share price traded in the immediate 22 trading days prior to the Share Distribution
“Korea Valuer”	:	Kyung-il Appraisal Co., Ltd.
“Latest Practicable Date”	:	6 April 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST as amended, varied or supplemented from time to time
“LPS”	:	Loss per Share
“Malaysia Valuer”	:	Rahim & Co International Sdn. Bhd.
“Maximum Issuance Scenario”	:	The shareholding scenario assuming the Issue Price for the Share Distribution is S\$0.001
“MBB”	:	Malayan Banking Berhad
“Minimum Issuance Scenario”	:	The shareholding scenario assuming the Issue Price for the Share Distribution is S\$0.05
“Notice of EGM”	:	The notice of EGM as set out on page N-1 of this Circular

DEFINITIONS

“NAV”	:	Net asset value
“Proposed UOB Whitewash Resolution”	:	The proposed resolution for the waiver of the rights of the Independent Shareholders from receiving a mandatory general offer from the UOB Group for all the Shares not already owned or controlled by the UOB Group following the allotment and issue of the Scheme Shares to UOB pursuant to the Share Distribution under the Scheme in accordance with Rule 14 of the Code
“Proposed Transfer of Controlling Interest to DBS”	:	The proposed allotment and issue of up to 10,800,957,758 Scheme Shares, representing 1,734.59% and 18.35% of the total issued share capital of the Company as at the Latest Practicable Date and on an enlarged basis immediately following the allotment and issue of all Scheme Shares, respectively, to DBS, constituting the transfer of a controlling interest in the Company to DBS within the ambit of Rule 803 of the Listing Manual
“Proposed Transfer of Controlling Interest to UOB”	:	The proposed allotment and issue of up to 19,122,401,915 Scheme Shares, representing 3,070.98% and 32.48% of the total issued share capital of the Company as at the Latest Practicable Date and on an enlarged basis immediately following the allotment and issue of all Scheme Shares, respectively, to UOB, constituting the transfer of a controlling interest in the Company to UOB within the ambit of Rule 803 of the Listing Manual
“Remaining Debts”	:	The value of debt calculated based on the Approved Claim(s) for Distribution less the value of the Restructured Debts. The Remaining Debts will be extinguished through the Share Distribution
“Restructured Debts”	:	The total debt of S\$20,678,432 comprising S\$14,208,432 of vessel loans owing by the Group to UOB, DBS, RHB and SIF, and S\$6,470,000 of spare parts loans owing by HCP to UOB to be restructured
“RHB”	:	RHB Bank Berhad
“Scheme”	:	The scheme of arrangement pursuant to Section 210 and Section 211I of the Act between the Company and the Scheme Creditors. The Scheme was sanctioned by an Order of Court dated 22 January 2018, the key terms of which are set out in Section 2.2 of this Circular
“Scheme Creditor”	:	Each of UOB, DBS, RHB, SIF, CIMB, ANZ, MBB and HLCPL, who are collectively referred to as the “Scheme Creditors”

DEFINITIONS

“Scheme Manager”	:	Chee Yoh Chuang or, failing him, Abuthahir Abdul Gafoor, all of RSM Corporate Advisory Pte Ltd
“Scheme Shares”	:	Up to 58,247,211,237 new Shares, representing 9,354.27% and 98.94% of the total issued share capital of the Company as at the Latest Practicable Date and on an enlarged basis immediately following the allotment and issue of all Scheme Shares, respectively, to be allotted and issued by the Company to Scheme Creditors at the Issue Price per Scheme Share under the Scheme
“Scheme Period”	:	The period of time between the Commencement Date and Termination Date
“Securities Account”	:	A securities account maintained by a Depositor with CDP, but does not include securities sub-accounts maintained with a Depository Agent
“Security”	:	Any mortgage, pledge, lien, charge, assignment, debenture, guarantee or other security on or against any property, right or entitlement or other security interest given by the Company and/or its subsidiaries over their assets
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, varied or supplemented from time to time
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Share Distribution”	:	The proposed allotment, issuance and distribution of the Scheme Shares at the Issue Price to the Scheme Creditors for the satisfaction of the Remaining Debts, in proportion to their Approved Claim for Distribution against the aggregate amount of all Approved Claims for Distribution
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholder” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP and to whose Securities Accounts such Shares are credited
“Shares”	:	Issued ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council
“SIF”	:	Sing Investments & Finance Limited

DEFINITIONS

“Substantial Shareholder”	:	A person who has an interest or interests in not less than 5.0% of the total votes attached to all the Shares in the Company
“Termination Date”	:	The date in which the Scheme is terminated pursuant to provisions of the Scheme
“UOB”	:	United Overseas Bank Limited
“UOB Group”	:	UOB and its concert parties
“UOB SIC Conditions”	:	Conditions imposed by SIC to which the whitewash waiver granted to the UOB Group is subject, details of which are set out in Section 6.4 of this Circular
“UOB Whitewash Waiver”	:	The whitewash waiver granted by the SIC of the obligations of the UOB Group to make a mandatory offer under Rule 14 of the Code for the remaining Shares not already owned or controlled by them in connection with the issuance of the Scheme Shares to UOB pursuant to the Share Distribution under the Scheme. The waiver granted by the SIC to the UOB Group is subject to the satisfaction of the UOB SIC Conditions, details of which are set out in Section 6.4 of this Circular
“A\$”	:	Australian dollar
“S\$”, “Singapore Dollars” and “cents”	:	Singapore dollars and cents, respectively
“KRW”	:	South Korean won
“RM”	:	Malaysian ringgit
“%” or “per cent”	:	Per centum or percentage

The terms **“Depositor”**, **“Depository”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The terms **“acting in concert”**, **“concert parties”** and **“associates”** shall have the same meanings ascribed to them in the “Definitions” section in the Code.

The term **“subsidiary”** and **“subsidiary holding”** shall have the same meanings ascribed to them in Section 5 and Section 21 of the Act respectively.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to **“persons”** shall, where applicable, include corporations.

DEFINITIONS

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.

Any discrepancies in figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA, the Listing Manual, the Code or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the SFA, the Listing Manual, the Code or such statutory modification thereof, as the case may be, unless the context requires otherwise.

Any reference in this Circular to a Rule or Chapter is a reference to the relevant rule or chapter in the Listing Manual as for the time being amended.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

LETTER TO SHAREHOLDERS

HOE LEONG CORPORATION LTD.

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

Board of Directors:–

Mr James Kuah Geok Lin (Chairman and Chief Executive Officer)
Mr Paul Kuah Geok Khim (Executive Director)
Mr Quah Yoke Hwee (Executive Director)
Mr Yeoh Seng Huat Geoffrey (Lead Independent Director)
Mr Ang Mong Seng (Independent Director)
Mr Hoon Ching Sing (Independent Director)

Registered Office:–

6 Clementi Loop
Singapore 129814

12 April 2018

To: The Shareholders of Hoe Leong Corporation Ltd.

Dear Sir/Madam,

1. INTRODUCTION

1.1 EGM

The Board is convening an EGM to be held on 27 April 2018 to seek Shareholders' approval for the following ordinary resolutions:

- (i) the proposed issue of up to 58,247,211,237 Scheme Shares to the entitled Scheme Creditors pursuant to the Share Distribution under the Scheme (Ordinary Resolution 1);
- (ii) the proposed issue of the Scheme Shares to UOB, a Scheme Creditor, pursuant to the Share Distribution under the Scheme (the **"Proposed Transfer of Controlling Interest to UOB"**) (Ordinary Resolution 2);
- (iii) the proposed issue of the Scheme Shares to DBS, a Scheme Creditor, pursuant to the Share Distribution under the Scheme (the **"Proposed Transfer of Controlling Interest to DBS"**) (Ordinary Resolution 3);
- (iv) the proposed issue of up to 14,041,905,260 Scheme Shares to HLCPL, a controlling shareholder of the Company and a Scheme Creditor, pursuant to the Share Distribution under the Scheme as Interested Person Transaction (Ordinary Resolution 4); and
- (v) the proposed whitewash resolution for the waiver by Independent Shareholders of their right to receive a mandatory general offer from UOB and its concert parties for all Shares not already owned or controlled by them following the allotment and issue of Scheme Shares to UOB pursuant to the Share Distribution under the Scheme in accordance with Rule 14 of the Code (the **"Proposed UOB Whitewash Resolution"**) (Ordinary Resolution 5).

(collectively, the **"Proposed Resolutions"**).

LETTER TO SHAREHOLDERS

1.2 Overview

The Company was incorporated on 18 November 1994 and was successfully admitted to the Official List of the SGX-ST Mainboard on 5 December 2005.

The principal business activities of the Group entail (i) trading and distribution of an extensive range of equipment parts for both heavy equipment and industrial machinery; and (ii) chartering of vessels. The Group had ceased its tanker owning/chartering business under Semua International Sdn Bhd and its subsidiaries ("**Semua Group**") in 2015.

In light of the losses suffered by the Group due to its tanker owning/chartering business, the general weak economic and market conditions experienced by the Group and the cash flow situation of the Company, the Company has embarked on a restructuring plan in relation to its liabilities towards the Group's financial creditors and its controlling shareholder, HLCPL.

On 17 November 2017, the Company, through the Scheme Manager, proposed the Scheme to the Scheme Creditors. The Scheme Creditors are UOB, DBS, RHB, SIF, CIMB, ANZ and MBB, the financial institution creditors of the Company and HLCPL, a controlling shareholder of the Company. On 8 December 2017, the Scheme Manager, having adjudicated the preliminary claims filed by the Scheme Creditors for the amount owing as at 30 November 2017 and reviewed the Scheme Creditors' votes via the ballot forms, declared that the requisite approvals have been obtained from the Scheme Creditors. On 5 January 2018, the Company filed an application to the Court to approve the Scheme under Section 211I of the Act. On 22 January 2018, the Company successfully obtained the sanction of the Court in respect of the Scheme, and on 30 January 2018, the Company lodged the Order of Court sanctioning the Scheme with ACRA.

The implementation of the Scheme is conditional upon the fulfilment of a number of conditions, including but not limited to, the approval of Shareholders being obtained for, *inter alia*, the allotment and issue of the Scheme Shares pursuant to the Share Distribution and the Proposed UOB Whitewash Resolution. For further details of the conditions, please refer to Section 2.2.3 below.

1.3 Purpose of Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Resolutions.

This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

1.4 Inter-conditionality

Shareholders should note that each of Ordinary Resolutions 1, 2, 3, 4 and 5 are inter-conditional (the "**Inter-conditional Resolutions**"). This means that if any one of the Inter-conditional Resolutions is not approved, the other Inter-conditional Resolutions will not be passed.

The Inter-conditional Resolutions have been structured to be inter-conditional in the abovementioned manner as the Inter-conditional Resolutions pertain to the different corporate actions which constitute the Scheme.

LETTER TO SHAREHOLDERS

2. THE PROPOSED ISSUE OF SCHEME SHARES TO THE SCHEME CREDITORS

2.1 Background

On 17 November 2017, the Company, through the Scheme Manager, proposed the Scheme to the Scheme Creditors. On 8 December 2017, the Scheme Manager, having adjudicated the preliminary claims filed by the Scheme Creditors for the amount owing as at 30 November 2017 and reviewed the Scheme Creditors' votes via the ballot forms, declared that the requisite approvals have been obtained from the Scheme Creditors. On 5 January 2018, the Company filed an application to the Court to approve the Scheme under Section 211I of the Act. On 22 January 2018, the Company successfully obtained the sanction of the Court in respect of the Scheme, and on 30 January 2018, the Company lodged the Order of Court sanctioning the Scheme with ACRA.

2.2 Key Terms of the Scheme and the Share Distribution

2.2.1 Scheme Overview

The Scheme comprises principally the following elements:–

- (a) restructuring of the Restructured Debts amounting to S\$20,678,432 comprising vessel loans and spare part loans to be repaid by the Group; and
- (b) subject to relevant approvals being granted by the SIC, SGX-ST and Independent Shareholders, extinguishing the Remaining Debts through the Share Distribution. This shall include the conversion of loans amounting to approximately S\$14 million granted to the Group by HLCPL, who is also a Scheme Creditor, into Scheme Shares.

2.2.2 Salient terms of the Restructured Debts

The salient terms of the Restructured Debts amounting to S\$20,678,432 (including but not limited to the repayment schedule) are as follows:

- (a) the amount of S\$14,208,432 will remain as vessel loans owing to UOB, DBS, SIF and RHB to be paid as follows:

Lender	Vessel	Amount of Restructured Debts	Monthly Repayment (before interest)	Repayment Period	Reserve Sum
UOB	Arkstar Voyager	S\$6,510,000	Year 1-2: S\$80,000 Year 3-4: S\$90,000 Year 5-6: S\$100,000	72 months	US\$1,422,000
DBS	Arkstar Unicorn & Arkstar Energy	S\$1,930,432	Year 1-4: S\$40,000	48 months	US\$866,000
SIF	Arkstar Eagle 1	S\$2,884,000	Year 1-2: S\$30,000 Year 3-7: S\$35,000	86 months	US\$682,000
RHB	Arkstar Eagle 3	S\$2,884,000	Year 1-2: S\$30,000 Year 3-7: S\$35,000	86 months	US\$682,000
Total	–	S\$14,208,432	–	–	US\$3,652,000

LETTER TO SHAREHOLDERS

Interest at 3.0% per annum or at the rate of each respective vessel lender's cost of funds plus 0.5%, whichever is higher, will be charged on the balance outstanding loan calculated on a monthly basis.

Cash sweeps will take place on a quarterly basis whereby the amount to be swept will be based on the cash balance of each respective vessel after setting aside each vessel's reserve sum for operational use. The cash sweep amounts, if any, will be used for partial repayment of the Restructured Debts.

The vessels will continue to be mortgaged to the vessel lenders and all assignments of charter earnings relating to the vessels will be maintained. Corporate guarantees already in place with respect to the vessel loans will also continue to be maintained.

- (b) the amount of S\$6,470,000 will remain as spare part loans owing to UOB to be repaid as follows:

Lender	Amount of Restructured Debts	Monthly Repayment (before interest)	Repayment Period	Reserve Sum
UOB	S\$6,470,000	Month 1-12: S\$40,000 Month 13-24: S\$60,000 Month 25-36: S\$80,000 Month 37-48: S\$100,000 Month 49-60: S\$120,000 Month 61-72: S\$140,000	72 months	S\$1,000,000

Interest at 3.0% per annum or UOB's cost of funds plus 0.5%, whichever is higher, will be charged on the balance outstanding loan calculated on a monthly basis.

Cash sweeps will take place on a quarterly basis whereby the amount to be swept will be based on the cash balance of the spare parts business after setting aside the reserve sum for operational use. The cash sweep amounts, if any, will be used for partial repayment of the Restructured Debts.

Corporate guarantee already in place with respect to the spare parts loans will continue to be maintained.

The Group intends to service the Restructured Debts through the earnings and cash flow to be generated from the vessels for the vessel loans and the spare parts business for the spare parts loans.

There are no other outstanding debts due to the Scheme Creditors after the Share Distribution, save for the Restructured Debts. Excluding the amount due to the Scheme Creditors (both Restructured Debts and Remaining Debts), the remaining liabilities of the Group as at 31 December 2017 based on the audited financial statements of the Group for FY2017 was approximately S\$25 million. These liabilities were not included in the Scheme as these were mainly operational liabilities as well as liabilities incurred outside of the Singapore jurisdiction which will be repaid from the Group's operational cash flows.

The determination of the amount and proportion of the Restructured Debts and the Remaining Debts to be extinguished through the Share Distribution were arrived at after numerous rounds of negotiation between the Company (assisted by the Financial Consultant) and the Scheme Creditors.

LETTER TO SHAREHOLDERS

2.2.3 Conditions Precedent

The Scheme is subject to the following conditions precedent being met:

- (a) the approval of the Scheme by a majority in number representing three-fourths in value of each class of Scheme Creditors casting their votes through the ballot forms;
- (b) the confirmation by the Court pursuant to Section 211I of the Act and a copy of the Order of the Court sanctioning the Scheme being lodged with ACRA pursuant to Section 211I(12) of the Act;
- (c) in the event that the issue of the Scheme Shares to UOB triggers an obligation for the UOB Group to make a mandatory general offer under Rule 14 of the Code for the remaining shares in the Company not already owned or controlled by the UOB Group, a whitewash waiver being granted by the SIC to the UOB Group from making a mandatory general offer, being obtained;
- (d) the receipt of approval-in-principle from the SGX-ST in relation to the dealing in, listing of and quotation for the Scheme Shares to be issued to the Scheme Creditors;
- (e) the approval of Shareholders being obtained for the allotment and issue of the Scheme Shares to the Scheme Creditors and other resolutions in connection thereto; and
- (f) as at the Commencement Date, there is no resolution being passed or order made for the winding up of the Company or its subsidiaries, no receiver, trustee, judicial manager or similar officer of the Company or its subsidiaries, their assets or any of them being appointed and no encumbrancer taking possession of their assets.

As at the Latest Practicable Date, conditions set out at sub-paragraphs (a), (b), (c), (d) and (f) above have been satisfied.

2.2.4 Moratorium and Interest

During the Scheme Period, no Scheme Creditor shall, whether directly or indirectly, take any steps to initiate, commence, procure, or continue any legal or other proceedings against the Company and its subsidiaries or any of their assets and properties in respect of the indebtedness of the Company and its subsidiaries in any jurisdiction including, but not limited to, court action (including winding up proceedings, judicial management and any analogous proceedings in any other jurisdiction), arbitration, the appointment of a receiver or receiver and manager, and/or the enforcement of any judgment, court order or arbitral award.

All claims for any interest (whether contractual, default, penalty or otherwise), costs, fees and expenses accruing after the cut-off date for submission of the Final Proof of Debt arising from, in connection with or relating to the Approved Claims for Distribution of the Scheme Creditors shall not be payable by the Company, save for the Restructured Debts. Upon Completion, all such claims for interest, costs, fees and expenses shall be waived by the Scheme Creditors and shall be deemed to be forever extinguished.

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2.2.5 Claims and Adjudication of the Final Proofs of Debts

Based on the adjudication of the Scheme Creditors' preliminary claims by the Scheme Manager, Chee Yoh Chuang (or failing him, Abuthahir Abdul Gafoor), care of RSM Corporate Advisory Pte. Ltd., the debts due and owing to entitled Scheme Creditors under the Scheme (including HLCPL) as admitted by the Company or which were proved as against the Company amounted to S\$76,954,745.75 as at 30 November 2017.

As interest on the outstanding debts (including the HLCPL Loan) will continue to accrue until the Share Distribution takes place, under the expected key timelines of the Scheme, the Scheme Creditors would be required to submit their final claims for the debt amount as at the Effective Date (i.e. the Final Proof of Debt) to the Scheme Manager for adjudication. The actual debt amount to be extinguished via the Share Distribution would depend on the final claim amount adjudicated and confirmed by the Scheme Manager (i.e. the Approved Claim(s) for Distribution).

For illustrative purposes only, the list of Scheme Creditors (including UOB and HLCPL) together with their respective estimated future claims as at 31 May 2018 (being the estimated Effective Date) is set out in Appendix A. The estimated future claims as at 31 May 2018 are S\$78,925,643.24. Assuming this is the final claim amount, the Restructured Debt amount would be S\$20,678,432.00 and the Remaining Debt amount would be S\$58,247,211.24.

The Remaining Debt amount of S\$58,247,211.24 and all future claim amounts by Scheme Creditors disclosed in this Circular are based on current estimates. Shareholders should note that the Company and the Scheme Manager are unable to determine the final claim amounts by Scheme Creditors as at the Latest Practicable Date due to changes in prevailing bank interest rates. Accordingly, the actual claim amounts (i.e. the Approved Claim(s) for Distribution) are subject to adjustments and may only be determinable on the Effective Date.

Save as disclosed in this Circular, the Company confirms that none of its Directors or Substantial Shareholders have, to the best of their knowledge, any connection (including business relationship) with any of the Scheme Creditors or their directors or substantial shareholders.

To the best of the Company's knowledge and belief, the Company confirms that there will be no change to the composition of the Board of Directors arising from the issue of the Scheme Shares.

2.2.6 Share Distribution

The Scheme Shares will be distributed to the Scheme Creditors for the satisfaction of the Remaining Debts to be determined based on the aggregate amount of all Approved Claims for Distribution less the Restructured Debts. The issue price per Scheme Share (the "**Issue Price**") will be calculated by reference to the volume weighted average share price traded in the immediate 22 trading days prior to the date of the Share Distribution.

As at the Latest Practicable Date, the Company has 622,680,724 issued Shares excluding 470,000 treasury shares and nil subsidiary holdings (the "**Existing Share Capital**").

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On the assumptions that:–

- (a) the Issue Price will range from S\$0.001 (being the lowest tradeable share price of S\$0.001) to S\$0.05 (being the highest traded share price of the Company in the last 12 months prior to the Latest Practicable Date (rounded to 2 decimal places)); and
- (b) the Remaining Debts will be equivalent to the estimated future claims as at 31 May 2018 (being the estimated Effective Date),

the number of Scheme Shares to be issued by the Company pursuant to the Share Distribution under the Scheme will be as follows:

Table 1. For illustrative purposes only, based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date).

Issue Price	Number of Scheme Shares to be issued assuming that the Effective Date shall be 31 May 2018	Percentage of the Scheme Shares as compared against the issued share capital of the Company as at the Latest Practicable Date	Percentage of the Scheme Shares as compared against the enlarged issued share capital of the Company on a fully diluted basis (immediately following the issue and allotment of the Scheme Shares)⁽¹⁾
S\$0.001	58,247,211,237	9,354.27%	98.94%
S\$0.05	1,164,944,224	187.09%	65.17%

Note:

- (1) Based on the assumption that the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.

The shareholding effects of the Share Distribution presented above are for illustrative purposes only and are not intended to reflect the Issue Price, the actual debt amount (i.e. the Approved Claim(s) for Distribution) and the number of Scheme Shares that will be issued under the Scheme.

The Scheme Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights and entitlements similar to existing Shares, except that the Scheme Shares will not rank for any dividends, rights, allotments or other distributions for the record date which falls on or before the date of the issue of the Scheme Shares.

The offer of the Scheme Shares is made pursuant to the exemption under Section 272B of the SFA. Accordingly, no prospectus or offer information statement will be issued by the Company in connection with the Share Distribution.

Under Rule 805 of the Listing Manual, except where an issuer had previously obtained a general share issue mandate at a general meeting as provided in Rule 806 of the Listing Manual, the issuer must obtain the prior approval of shareholders in general meeting for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer.

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2.2.7 Rule 804 and 812 of the Listing Manual

Under Rule 804 of the Listing Manual, except in the case of an issue made on a *pro rata* basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Listing Manual, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in a general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter.

In addition, Rules 812(1) and 812(2) provide that, save where specific shareholder approval for such a placement has been obtained, an issue must not be placed to any of the following persons:

- (i) an issuer's directors and substantial shareholders;
- (ii) immediate family members of the directors and substantial shareholders;
- (iii) substantial shareholders, related companies (as defined in Section 6 of the Act), associated companies and sister companies of the issuer's substantial shareholders;
- (iv) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10.0%; or
- (v) any person who, in the opinion of the SGX-ST, falls within category (i) to (iv) above.

Pursuant to the Scheme, the loans amounting to approximately S\$14 million granted to the Group by HLCPL (the "**HLCPL Loan**") shall be converted into Scheme Shares.

The number of Scheme Shares to be issued to HLCPL upon the conversion of the HLCPL Loan into Scheme Shares are as follows:

Table 1. For illustrative purposes only, based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date).

Issue Price	Estimated number of Scheme Shares to be issued to HLCPL	Percentage of HLCPL's shareholding in the enlarged share capital of the Company on a fully diluted basis (immediately following the issue and allotment of the Scheme Shares) ⁽¹⁾
S\$0.001	14,041,905,260	24.40%
S\$0.05	280,838,105	33.82%

Note:

- (1) Based on the assumption that the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.

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Table 2. For illustrative purposes only, based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date), the interests, direct and indirect, in absolute number and percentages of Shares, of HLCPL before and after the proposed issuance of the Scheme Shares are as follows:

	As at the Latest Practicable Date				Immediately following the issue and allotment of the Scheme Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	%	Number of Shares	%
HLCPL	(a) Assuming the Issue Price is S\$0.001							
	323,749,267	51.99	–	–	14,365,654,527	24.40 ⁽²⁾	–	–
	(b) Assuming the Issue Price is S\$0.05							
	323,749,267	51.99	–	–	604,587,372	33.82 ⁽³⁾	–	–

Notes:

- (1) Based on the Existing Share Capital.
- (2) Based on the assumptions that (i) the Issue Price is S\$0.001, the issued Share capital of the Company immediately upon the completion of the Share Issuance is 58,869,891,961 Shares excluding 470,000 treasury shares and nil subsidiary holdings, and (ii) the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.
- (3) Based on the assumptions that (i) the Issue Price is S\$0.05, the issued Share capital of the Company immediately upon the completion of the Share Issuance is 1,787,624,948 Shares excluding 470,000 treasury shares and nil subsidiary holdings, and (ii) the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.

As HLCPL is a controlling shareholder of the Company and each of James Kuah Geok Lin, Paul Kuah Geok Khim and Quah Yoke Hwee, being Directors of the Company, have an aggregate interest in at least 10.0% of the shares of HLCPL, the proposed issue of the Scheme Shares to HLCPL is subject to Shareholders' approval pursuant to Rules 804 and 812 of the Listing Manual.

Accordingly, the Scheme Shares will be issued and allotted pursuant to a specific mandate and will not be issued under the authority of the general share issue mandate of the Company. The Company will be seeking specific approval from Shareholders at the EGM for the issuance of the Scheme Shares in accordance with Rules 804, 805(1) and Rule 812 of the Listing Manual and Section 161 of the Act.

2.2.8 Details of the Scheme Creditors

Each of UOB, DBS, RHB, SIF, CIMB, ANZ and MBB are financial institution creditors of the Company.

HLCPL is a controlling shareholder of the Company. As at the Latest Practicable Date, HLCPL holds 323,749,267 Shares, representing 51.99% of the existing share capital of the Company. James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the shares of the Company held by HLCPL by virtue of Section 7(4) of the Act. James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are siblings. James Kuah Geok Lin is the Company's Chairman and Chief Executive Officer. Each of Paul Kuah Geok Khim and Quah Yoke Hwee

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are Executive Directors of the Company. Mdm Kuah Geok Khim is the operations manager of the Group. Their respective shareholdings in HLCPL as at the Latest Practicable Date are as follows:

Name of Shareholder of Hoe Leong Co. (Pte.) Ltd.	Percentages
James Kuah Geok Lin	28.53%
Paul Kuah Geok Khim	28.53%
Quah Yoke Hwee	28.53%
Mdm Kuah Geok Khim	14.40%
Total	100.00%

The list of Scheme Creditors (including UOB and HLCPL) together with their respective estimated future claims as at 31 May 2018 (being the estimated Effective Date) are set out in Appendix A.

Each of the Scheme Creditors will not hold the Scheme Shares on trust or as a nominee.

2.3 Rationale

Upon completion of the Scheme by performance in accordance with its terms, *inter alia*, all liabilities of the Company in relation to or in connection with the Remaining Debts shall be deemed satisfied.

Accordingly, after the completion of the Share Distribution, the Group's liabilities would be reduced by approximately S\$58 million.

The Scheme would allow for a restructuring of its debts and liabilities to enable the Group to strengthen and rebuild its balance sheet and cash flow situations as well as facilitate the possibility of a merger or acquisition of new profitable businesses by the Company going forward. The Board of Directors is of the view that following the reduction of its financial debt to a sustainable level, the Company will be a viable going concern. Further, the Scheme will better preserve the value of the Company for all stakeholders as compared to a liquidation scenario.

2.4 Business prospects

As announced by the Company in its full year audited financial statements for FY2017, the outlook for the Group's equipment manufacturing and distribution business is beginning to turn positive, as evidenced in the increase in turnover of the sector in FY2017. As for the vessel chartering business, with oil prices fluctuating above US\$60 per barrel, the market appears to be stabilising. Considering the above, the Group believes that that demand for its equipment parts will increase as more heavy equipment is put to use and will require spare parts. As the Group's financial position improves, it will resume the exploration of synergistic collaborations with industry partners to enhance its market presence worldwide. For its vessel chartering business, the Group's focus will continue to be on securing long term charters, and all of its offshore support vessels are fully deployed on such charters, with the exception of its mud-processing barge Arkstar Energy. The Group's long term strategy is to prudently source for opportunities to grow its vessel chartering business segment while maintaining its current lean cost structure.

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The Directors are of the view that the Company and the Group will be able to operate as a going concern upon the completion of the Scheme as (a) the Group's liabilities would be reduced by approximately S\$58 million; and (b) as disclosed in section 2.2.2 above, the Restructured Debts of approximately S\$20 million will be repayable over a longer term.

The Directors are of the view that the working capital available to the Group, upon the completion of the Scheme, is sufficient for the Group's present requirements and for at least 12 months from the date of the completion of the Scheme.

2.5 Approval in-principle

On 10 April 2018, the Company received the approval in-principle from the SGX-ST for the dealing in, listing of and quotation for up to 58,247,211,237 Scheme Shares on the Main Board of the SGX-ST, subject to the following conditions:–

- (a) the Company's compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the:
 - (i) issuance of up to 58,247,211,237 Scheme Shares;
 - (ii) Proposed Transfer of Controlling Interest to UOB and the Proposed Transfer of Controlling Interest to DBS; and
 - (iii) Proposed UOB Whitewash Resolution; and
- (c) Independent Shareholders' approval for the issuance of the Scheme Shares to HLCPL, being an interested person transaction.

The approval in-principle from the SGX-ST is not to be taken as an indication of the merits of the Scheme, the Share Distribution, the Scheme Shares, the Company and/or its subsidiaries.

2.6 Options and other convertible securities

Save for 881,000 share options granted under the Company's employee share option scheme outstanding as at the Latest Practicable Date, the Company has no existing warrants or other convertibles.

3. THE PROPOSED TRANSFER OF CONTROLLING INTEREST TO UOB

3.1 Shareholders' approval for the Proposed Transfer of Controlling Interest to UOB

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting. The controlling interest is defined as the interest of the controlling shareholder and the controlling shareholder is defined as a person who: (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the company; or (b) in fact exercises control over the company.

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Pursuant to the Scheme, the Company will allot and issue such number of Scheme Shares to UOB required to satisfy the aggregate Remaining Debt owing by the Group to UOB at the Issue Price.

The Issue Price will be calculated by reference to the volume weighted average share price traded in the immediate 22 trading days prior to the date of the Share Distribution. Assuming that the Issue Price will range from S\$0.001 (being the lowest tradeable share price of S\$0.001) to S\$0.05 (being the highest traded share price of the Company in the last 12 months prior to the Latest Practicable Date (rounded to 2 decimal places)) and the Effective Date shall be on 31 May 2018 (being the estimated Effective Date), the shareholding interest of UOB in the enlarged share capital of the Company immediately upon the Share Distribution are as follows:

Table 1. For illustrative purposes only, based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date).

Issue Price	Estimated number of Scheme Shares to be issued to UOB	Percentage of UOB shareholding in the enlarged share capital of the Company on a fully diluted basis (immediately following the issue and allotment of the Scheme Shares)⁽¹⁾
S\$0.001	19,122,401,915	32.48%
S\$0.05	382,448,038	21.39%

Note:

(1) Based on the assumption that the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.

Accordingly, the proposed allotment and issue of the Scheme Shares under the Share Distribution to UOB would result in a transfer of controlling interest to UOB within the ambit of Rule 803. Pursuant to Rule 803, Shareholders' approval for the proposed allotment and issue of Scheme Shares under the Share Distribution to UOB would be required.

4. THE PROPOSED TRANSFER OF CONTROLLING INTEREST TO DBS

4.1 Shareholders' approval for the Proposed Transfer of Controlling Interest to DBS

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting. The controlling interest is defined as the interest of the controlling shareholder and the controlling shareholder is defined as a person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the company; or (b) in fact exercises control over the company.

Pursuant to the Scheme, the Company will allot and issue such number of Scheme Shares to DBS required to satisfy the aggregate Remaining Debt owing by the Group to DBS at the Issue Price.

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The Issue Price will be calculated by reference to the volume weighted average share price traded in the immediate 22 trading days prior to the date of the Share Distribution. Assuming that the Issue Price will range from S\$0.001 (being the lowest tradeable share price of S\$0.001) to S\$0.05 (being the highest traded share price of the Company in the last 12 months prior to the Latest Practicable Date (rounded to 2 decimal places)) and the Effective Date shall be on 31 May 2018 (being the estimated Effective Date), the shareholding interest of DBS in the enlarged share capital of the Company immediately upon the Share Distribution are as follows:

Table 1. For illustrative purposes only, based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date).

Issue Price	Estimated number of Scheme Shares to be issued to DBS	Percentage of DBS shareholding in the enlarged share capital of the Company on a fully diluted basis (immediately following the issue and allotment of the Scheme Shares) ⁽¹⁾
S\$0.001	10,800,957,758	18.35%
S\$0.05	216,019,155	12.08%

Note:

(1) Based on the assumption that the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.

Accordingly, the proposed allotment and issue of the Scheme Shares under the Share Distribution to DBS may result in a transfer of controlling interest to DBS within the ambit of Rule 803. Pursuant to Rule 803, Shareholders' approval for the proposed allotment and issue of Scheme Shares under the Share Distribution to DBS would be required.

5. THE PROPOSED ISSUE OF THE SCHEME SHARES TO HOE LEONG CO. (PTE.) LTD., A CONTROLLING SHAREHOLDER OF THE COMPANY, PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME AS AN INTERESTED PERSON TRANSACTION

5.1 Proposed Issue of the Scheme Shares to HLCPL as an Interested Person Transaction

Pursuant to the Scheme, the loans amounting to approximately S\$14 million granted to the Group (i.e. the HLCPL Loan) shall be converted into Scheme Shares.

HLCPL is a controlling shareholder of the Company. As at the Latest Practicable Date, HLCPL holds 323,749,267 Shares, representing 51.99% of the existing share capital of the Company. James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the shares of the Company held by HLCPL by virtue of Section 7(4) of the Act. James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are siblings. James Kuah Geok Lin is the Company's Chairman and Chief Executive Officer. Each of Paul Kuah Geok Khim and Quah Yoke Hwee

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are Executive Directors of the Company. Mdm Kuah Geok Khim is the operations manager of the Group. Their respective shareholdings in HLCPL as at the Latest Practicable Date are as follows:

Name of Shareholder of Hoe Leong Co. (Pte.) Ltd.	Percentages
James Kuah Geok Lin	28.53%
Paul Kuah Geok Khim	28.53%
Quah Yoke Hwee	28.53%
Mdm Kuah Geok Khim	14.40%
Total	100.00%

Accordingly, HLCPL is considered an “interested person” within the meaning of Chapter 9 of the Listing Manual and the proposed issue of the Scheme Shares to HLCPL is an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual.

Pursuant to the Scheme, the HLPCL Loan shall be converted into Scheme Shares. The number of Scheme Shares to be issued to HLCPL upon the conversion of the HLCPL Loan into Scheme Shares are as follows:

Table 1. For illustrative purposes only, based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date).

Issue Price	Estimated number of Scheme Shares to be issued to HLCPL	Percentage of HLCPL's shareholding in the enlarged share capital of the Company on a fully diluted basis (immediately following the issue and allotment of the Scheme Shares)⁽¹⁾
S\$0.001	14,041,905,260	24.40%
S\$0.05	280,838,105	33.82%

Note:

- (1) Based on the assumption that the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.

Pursuant to the Scheme and the Share Distribution, the value of the interested person transaction entered into by HLCPL and the Company will amount to approximately S\$14 million. The latest net tangible liability value the Group for FY2017, based on the latest audited financial statements for FY2017 is approximately S\$28 million. Therefore, the relative figure of the proposed Share Distribution to HLCPL is a negative figure which is not meaningful for comparison.

The Issue Price will be calculated by reference to the volume weighted average share price traded in the immediate 22 trading days prior to the date of the Share Distribution. The Issue Price is a term of the Scheme which was proposed by the Company, through the Scheme Manager, to the Scheme Creditors. The Issue Price for the proposed issuance of the Scheme Shares to HLCPL is consistent with the Issue Price for the proposed issuance of the Scheme Shares to the Scheme Creditors (other than HLCPL).

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As the Group is in a net tangible liabilities position, the materiality of the proposed issue of the Scheme Shares to HLCPL as an interested person transaction cannot be meaningfully measured. Nevertheless, the Company is seeking the approval of Independent Shareholders under Rule 906(1) for the proposed issue of the Scheme Shares to HLCPL as an interested person transaction at the EGM.

Pursuant to Rule 921(4) of the Listing Manual, the Audit Committee has obtained an opinion from an independent financial adviser prior to forming its view on the proposed issue of the Scheme Shares to HLCPL as an interested person transaction. The Company has appointed an independent financial adviser to advise the Independent Directors as to whether the proposed issue of the Scheme Shares to HLCPL is on normal commercial terms and whether the proposed issue of the Scheme Shares to HLCPL is prejudicial to the interests of the Company and its minority shareholders.

The statement of the Audit Committee with regard to the issue of the Scheme Shares to HLCPL as an interested person transaction has been set out in Section 5.3 of the Circular.

The opinion of the IFA with regard to the issue of the Scheme Shares to HLCPL as an interested person transaction has been set out in Section 5.2 of the Circular.

Save for the proposed issue of the Scheme Shares to HLCPL, rental expense paid to Hoe Leong Plastic Industry (China) Ltd and the interest payable on the HLCPL Loan, the Group has not entered into any interested person transaction above S\$100,000 with HLCPL and/or any other party for the financial year ending 31 December 2018. The current total of all interested person transactions in FY2018 as at the Latest Practicable Date is approximately S\$0.2 million.

5.2 Opinion of the IFA with regard to the proposed issue of the Scheme Shares to HLCPL as an interested person transaction

Chapter 9 of the Listing Manual provides that, where Shareholders' approval is required for an interested person transaction, the Circular must include an opinion from an independent financial adviser as to whether such transaction is on normal commercial terms and is prejudicial to the interests of the Company and its minority Shareholders under Rule 921(4) of the Listing Manual. The opinion from an independent financial adviser is not required for an issue of shares pursuant to Chapter 8 of the Listing Manual if an opinion from the Audit Committee in the form required in Rule 917(4)(a) is disclosed.

The Audit Committee has obtained an opinion from an independent financial adviser pursuant to Rule 921(4) of the Listing Manual prior to forming its view on the proposed issue of the Scheme Shares to HLCPL as an interested person transaction. The statement of the Audit Committee with regard to the issue of the Scheme Shares to HLCPL as an interested person transaction has been set out in Section 5.3 of the Circular.

ZICO Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in respect of the proposed issue of the Scheme Shares to HLCPL as an interested person transaction.

The IFA Letter which is prepared pursuant to Rule 921(4) of the Listing Manual as well as for the use by the Independent Directors in respect of the proposed issue of the Scheme Shares to HLCPL as an interested person transaction dated 12 April 2018 is reproduced in Appendix B of this Circular. The following is an extract from Section 6 of the IFA Letter to

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the Independent Directors and should be read by Shareholders in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated:

“6. OUR OPINION

In arriving at our opinion in respect of the Selected Transactions, we have taken into consideration the factors which we consider to be relevant and to have a significant bearing on our assessment of the Selected Transactions. We have carefully considered factors which we deem essential and balance them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information which we have taken into account, be read in its entirety.

Based on our analysis, and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that (i) the Proposed IPT, from a financial perspective, is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders; and (ii) the financial terms of the Share Distribution under the Scheme, being the subject of the Proposed UOB Whitewash Resolution, are fair and reasonable and are not prejudicial to the interests of the Independent Shareholders.

Accordingly, we advise the Independent Directors to recommend that the Independent Shareholders vote in favour of the resolutions for the Proposed IPT and the Proposed UOB Whitewash Resolution.”

Shareholders are advised to read and consider the IFA Letter for the proposed issue of the Scheme Shares to HLCPL as an interested person transaction in its entirety as reproduced in Appendix B of this Circular and consider carefully the recommendations of the Independent Directors for the proposed issue of the Scheme Shares to HLCPL as an interested person transaction set out in Section 9.4 of this Circular.

5.3 Statement of the Audit Committee

Having considered, *inter alia*, the terms, rationale, benefits and financial effects of the Share Distribution under the Scheme including the proposed issue of the Scheme Shares to HLCPL, as well as the advice and opinion of the IFA as stated in the IFA Letter, the Audit Committee concurs with the opinion of the IFA and is of the view that the proposed issue of the Scheme Shares to HLCPL is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

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6. THE PROPOSED UOB WHITEWASH RESOLUTION

6.1 Rule 14 of the Code

Under Rule 14 of the Code, except with the SIC's consent, where any person acquires, whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of the Company, such person is required to make a mandatory general offer for all the remaining Shares in the Company which he/she/it does not already own or control.

6.2 Interests of UOB and its concert parties

As at the Latest Practicable Date, UOB and its concert parties (the **"UOB Group"**) does not hold any voting rights in the Company and does not hold any instruments convertible into, rights to subscribe for and options in respect of Shares.

UOB is a principal banker of the Group and a Scheme Creditor under the Scheme. Pursuant to the Scheme, the Company will allot and issue such number of Scheme Shares at the Issue Price to UOB required to satisfy the aggregate Remaining Debts owing by the Group to UOB.

The Issue Price will be calculated by reference to the volume weighted average share price traded in the immediate 22 trading days prior to the date of the Share Distribution. Assuming that the Issue Price will range from S\$0.001 (being the lowest tradeable share price of S\$0.001) to S\$0.05 (being the highest traded share price of the Company in the last 12 months prior to the Latest Practicable Date (rounded to 2 decimal places)) and the Effective Date shall be on 31 May 2018 (being the estimated Effective Date), the shareholding interest of the UOB Group in the enlarged share capital of the Company immediately upon the Share Distribution are as follows:

Table 1. For illustrative purposes only, based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date).

	Issue Price	Estimated number of Scheme Shares to be issued to UOB	Percentage of UOB Group shareholding in the enlarged share capital of the Company on a fully diluted basis (immediately following the issue and allotment of the Scheme Shares) ⁽¹⁾
Maximum Issuance Scenario	S\$0.001	19,122,401,915	32.48%
Minimum Issuance Scenario	S\$0.05	382,448,038	21.39%

Note:

- (1) Based on the assumption that the 881,000 outstanding share options granted to the Company's employees as at the Latest Practicable Date are not exercised as the share options are out of the money.

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Assuming that the Issue Price for the Share Distribution is S\$0.05, (i.e. the “**Minimum Issuance Scenario**”), the percentage of the UOB Group’s shareholding after the Share Distribution would be approximately 21.39%.

Assuming that the Issue Price for the Share Distribution is S\$0.001, (i.e. the “**Maximum Issuance Scenario**”), the percentage of the UOB Group’s shareholding after the Share Distribution would be approximately 32.48%. Assuming the Maximum Issuance Scenario and based on Rule 14 of the Code, the UOB Group would be required to make a mandatory general offer for the remaining shares in the Company not already owned or controlled by the UOB Group following the issue of the Scheme Shares by the Company to UOB.

As set out in section 2.2.3 above, it is a condition precedent to the Share Distribution under the Scheme that, in the event that the issue of the Scheme Shares to UOB triggers an obligation for the UOB Group to make a mandatory general offer, a whitewash waiver being granted by the SIC to the UOB Group from making a mandatory general offer, shall be obtained.

Accordingly, an application was made by the Company to the SIC for, *inter alia*, a waiver of the obligations of the UOB Group to make a mandatory general offer for the remaining Shares not already owned or controlled by the UOB Group under Rule 14 of the Code as a result of issuance of the Scheme Shares to UOB.

On 5 March 2018, the SIC granted the UOB Whitewash Waiver subject to the satisfaction of the UOB SIC Conditions set out in Section 6.4 of this Circular.

6.3 Potential Dilution

As a result of the issue of the Scheme Shares to UOB, the collective shareholding interests of Shareholders (other than the UOB Group) may be diluted.

Further details of the potential dilution are set out based on (a) the estimated future debts as at 31 May 2018 (being the estimated Effective Date); and (b) the assumption that the 881,000 outstanding share options granted to the Company’s employees as at the Latest Practicable Date are not exercised as the share options are out of the money, as follows:

Table 1. For illustrative purposes only assuming that all the Scheme Creditors are issued their Scheme Shares under the Scheme.

	Before Share Distribution ⁽¹⁾		After Share Distribution, assuming Maximum Issuance Scenario		After Share Distribution, assuming Minimum Issuance Scenario	
	No. of Shares held	% of Existing Share Capital	No. of Shares held	% of Enlarged Share Capital	No. of Shares held	% of Enlarged Share Capital
UOB	–	–	19,122,401,915	32.48%	382,448,038	21.39%
Other Shareholders (including the Scheme Creditors and excluding UOB)	622,680,724	100%	39,747,490,046	67.52%	1,405,176,910	78.61%

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Table 2. For illustrative purposes only assuming that UOB is the only Scheme Creditor who is issued Scheme Shares under the Scheme.

	Before Share Distribution ⁽¹⁾		After Share Distribution, assuming Maximum Issuance Scenario		After Share Distribution, assuming Minimum Issuance Scenario	
	No. of Shares held	% of Existing Share Capital	No. of Shares held	% of Enlarged Share Capital	No. of Shares held	% of Enlarged Share Capital
UOB	–	–	19,122,401,915	96.85%	382,448,038	38.05%
Other Shareholders	622,680,724	100%	622,680,724	3.15%	622,680,724	61.95%

Table 3. For illustrative purposes only assuming that all the Scheme Creditors other than UOB are issued Scheme Shares under the Scheme.

	Before Share Distribution ⁽¹⁾		After Share Distribution, assuming Maximum Issuance Scenario		After Share Distribution, assuming Minimum Issuance Scenario	
	No. of Shares held	% of Existing Share Capital	No. of Shares held	% of Enlarged Share Capital	No. of Shares held	% of Enlarged Share Capital
UOB	–	–	–	–	–	–
Other Shareholders (excluding the Scheme Creditors)	622,680,724	100%	622,680,724	1.57%	622,680,724	44.31%

Note:

(1) Based on the Existing Share Capital.

6.4 UOB Whitewash Waiver

On 5 March 2018, the SIC waived the obligation of the UOB Group to make a mandatory general offer under Rule 14 of the Code for the remaining Shares not already owned or controlled by the UOB Group which may arise as a result of the issue of the Scheme Shares to UOB pursuant to the Share Distribution under the Scheme, subject to the following conditions (the “**UOB SIC Conditions**”):

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Scheme Shares, a resolution (the “**Proposed UOB Whitewash Resolution**”) by way of a poll to waive their rights to receive a general offer from the UOB Group;
- (b) the Proposed UOB Whitewash Resolution is separate from other resolutions;
- (c) the UOB Group as well as parties not independent of them shall abstain from voting on the Proposed UOB Whitewash Resolution;

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- (d) UOB Group did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):
 - (i) during the period between the announcement of the Scheme and the date Independent Shareholders' approval is obtained for the Proposed UOB Whitewash Resolution; and
 - (ii) in the 6 months prior to the announcement of the Scheme but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Scheme,
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed UOB Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
 - (i) details of the issue of the Scheme Shares under the Share Distribution;
 - (ii) the dilution effect to existing Shareholders arising from the issue of the Scheme Shares to UOB under the Share Distribution;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of ordinary shares in the capital of the Company (if any) held by the UOB Group as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the UOB Group upon the issue of the Scheme Shares under the Share Distribution; and
 - (v) specific and prominent reference to the fact that Shareholders, by voting for the Proposed UOB Whitewash Resolution, are waiving their rights to a general offer from the UOB at the highest price paid by the UOB Group for the Shares in the past 6 months preceding the commencement of the offer;
- (g) the Circular states that the waiver granted by SIC to UOB from the requirement to make a general offer under Rule 14 is subject to the conditions stated at (a) to (f) above;
- (h) the Company obtains the SIC's approval in advance for those parts of the Circular that refer to the Proposed UOB Whitewash Resolution; and
- (i) to rely on the Proposed UOB Whitewash Resolution, the allotment and issue of the Scheme Shares by the Company to UOB pursuant to the Share Distribution under the Scheme must be completed within 3 months of the date of approval of the Proposed UOB Whitewash Resolution.

As at the Latest Practicable Date, save for the condition set out in (i) above, all the other UOB SIC Conditions set out above have been satisfied.

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6.5 Implications of the Proposed UOB Whitewash Resolution

Independent Shareholders should note that:–

- (a) their approval of the Proposed UOB Whitewash Resolution is a condition precedent to the allotment and issue of the Scheme Shares pursuant to the terms of the Scheme, and if Independent Shareholders do not vote in favour of the Proposed UOB Whitewash Resolution, the Share Distribution under the Scheme will not take place; and
- (b) by voting in favour of the Proposed UOB Whitewash Resolution, they are waiving their rights to a general offer from UOB at the highest price paid by the UOB Group for the Shares in the past 6 months preceding the commencement of the offer.

6.6 Opinion of the IFA with regard to the Proposed UOB Whitewash Resolution

Pursuant to the UOB SIC Conditions, an independent financial adviser must be appointed by the Company to advise its Independent Shareholders on the Proposed UOB Whitewash Resolution.

Accordingly, ZICO Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Shareholders in respect of the Proposed UOB Whitewash Resolution.

The IFA Letter in respect of the Proposed UOB Whitewash Resolution dated 12 April 2018 is reproduced in Appendix B of this Circular. The following is an extract from Section 6 of the IFA Letter and should be read by Shareholders in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated:

“6. OUR OPINION

In arriving at our opinion in respect of the Selected Transactions, we have taken into consideration the factors which we consider to be relevant and to have a significant bearing on our assessment of the Selected Transactions. We have carefully considered factors which we deem essential and balance them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information which we have taken into account, be read in its entirety.

Based on our analysis, and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that (i) the Proposed IPT, from a financial perspective, is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders; and (ii) the financial terms of the Share Distribution under the Scheme, being the subject of the Proposed UOB Whitewash Resolution, are fair and reasonable and are not prejudicial to the interests of the Independent Shareholders.

Accordingly, we advise the Independent Directors to recommend that the Independent Shareholders vote in favour of the resolutions for the Proposed IPT and the Proposed UOB Whitewash Resolution.”

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Shareholders are advised to read and consider the IFA Letter for the Proposed UOB Whitewash Resolution in its entirety as reproduced in Appendix B of this Circular and consider carefully the recommendations of the Independent Directors for the Proposed UOB Whitewash Resolution set out in Section 9.5 of this Circular.

7. FINANCIAL EFFECTS AND OTHER MATERIAL FINANCIAL INFORMATION

7.1 Financial effects

The financial effects of the Share Distribution set out below are purely for illustrative purposes only and do not reflect or represent the actual financial effects of the Share Distribution on the NAV per Share or EPS, or the actual financial position of the Group after completion of the Share Distribution.

The financial effects of the Share Distribution below have been prepared based on the audited consolidated financial statements of the Company for FY2017, and subject to the following assumptions:

- (a) the financial effects on the NTA per Share of the Group are computed assuming that the Share Distribution was completed on 31 December 2017;
- (b) the financial effects on the EPS (LPS) per Share of the Group are computed assuming that the Share Distribution was completed on 1 January 2017; and
- (c) based on the estimated future debts as at 31 May 2018 (being the estimated Effective Date).

	Before Share Distribution	After Share Distribution (assuming the Issue Price is S\$0.001)	After Share Distribution (assuming the Issue Price is S\$0.05)
Share capital (S\$'000)	69,490	127,737	127,737
Number of Shares	622,680,724	58,869,891,961	1,787,624,948
Weighted Average Number of Shares	622,680,724	58,869,891,961	1,787,624,948
NTA (S\$'000)	(27,704)	30,543	30,543
NTA per Share (Singapore cents)	(4.45)	0.05	1.71
EPS (LPS) (Singapore cents)	(7.69)	(0.08)	(2.68)
Gearing ⁽¹⁾ (times)	(3.06)	0.87	0.87

Note:

- (1) "Gearing" means the ratio of the Group's total borrowings to shareholders' fund. "Total borrowings" mean the amount of liabilities arising from all the borrowings from banks, other financial institutions and controlling shareholder (HLCPL). "Shareholders' funds" means the aggregate of the issued share capital, accumulated losses and other reserves of the Group.

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7.2 Other material financial information

7.2.1 Historical financial performance and condition of the Group

Review of financial performance

A summary of the Group's consolidated statement of comprehensive income for FY2015, FY2016 and FY2017 is set out below:

(SGD '000)	← Audited →		
	FY2017	FY2016	FY2015
Revenue	62,547	57,896	74,383
Gross profit	9,818	9,690	19,407
Profit/(Loss) before income tax	(46,997)	(47,333)	4,006
Profit/(Loss) for the year	(47,869)	(46,908)	3,706

FY2017 vs FY2016

Revenue increased by S\$4.7 million, from S\$57.9 million in FY2016 to S\$62.5 million in FY2017, mainly due to higher revenue derived from the Group's equipment segment ("**Equipment segment**") with increased sales of equipment parts which were partially offset by lower charter revenue from the Group's vessel chartering segment ("**Vessel Chartering segment**") arising from lower utilisation rate for the Group's fleet.

Gross profit increased by S\$0.1 million, from S\$9.7 million in FY2016 to S\$9.8 million in FY2017, due to higher gross profit of S\$0.7 million recorded for the Group's Equipment segment, which was partially offset by a decrease in gross profit of S\$0.6 million from the Group's Vessel Chartering segment.

Other income decreased by S\$1.0 million in FY2017 mainly due to a decrease in rental income. Distribution expenses increased by S\$0.1 million in FY2017 mainly due to an increase in packing and delivery expenses. Administrative expenses decreased by S\$0.2 million in FY2017 mainly due to a decrease in bank charges and director fees. Other expenses decreased by S\$2.2 million in FY2017 mainly due to lower repair and maintenance expenses and lower property related expenses. In FY2016, the impairment loss for property, plant and equipment and impairment loss for other receivables amounted to an aggregate of S\$38.5 million, and in FY2017, there were impairment loss for property, plant and equipment, and allowance for doubtful debt and trade receivable written off which amounted to an aggregate of S\$37.5 million. Finance costs increased by S\$1.0 million in FY2017 mainly due to higher interest on bank borrowings.

Due to the factors above, the Group reported a net loss of S\$47.9 million in FY2017 as compared to a net loss of S\$46.9 million in FY2016.

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FY2016 vs FY2015

Revenue decreased by S\$16.5 million, from S\$74.4 million in FY2015 to S\$57.9 million in FY2016. The decrease was mainly due to a decrease in revenue derived from the Group's Equipment segment with lower sales of equipment parts, coupled with lower charter revenue from the Group's Vessel Chartering segment arising from lower utilisation rate of the Group's fleet.

Gross profit decreased by S\$9.7 million, from S\$19.4 million in FY2015 to S\$9.7 million in FY2016, in line with the lower revenue recorded by both the Group's Equipment and Vessel Chartering segments.

Other income decreased by S\$2.4 million in FY2016 mainly due to a decrease in rental income and cost sharing of marketing expenses with key suppliers. Distribution expenses decreased by S\$1.0 million in FY2016 mainly due to a decrease in sales commission on the back of lower sales generated. Administrative expenses increased by S\$0.1 million in FY2016 mainly due to an increase in legal and professional fees. Other expenses increased by S\$37.8 million in FY2016, mainly due to the impairment of other receivables relating to Semua Group, impairment of property, plant and equipment, and higher repair and maintenance expenses. Finance costs increased by S\$0.8 million in FY2016 mainly due to higher interest on bank borrowings. Finance income decreased by S\$1.6 million in FY2016 mainly due to impairment loss on a loan to associate.

Due to the factors above, the Group reported a net loss of S\$46.9 million in FY2016 as compared to a net profit of S\$3.7 million in FY2015.

Review of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2017 is set out below:

(SGD '000)	(Audited) As at 31 December 2017
Non-current assets	30,278
Current assets	41,984
Total assets	72,262
Non-current liabilities	832
Current liabilities	100,317
Total liabilities	101,149
Total equity/Net liabilities	(28,887)
Equity attributable to owners of the Company	(27,704)
Non-controlling interests	(1,183)

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The Group's financial position as at 31 December 2017 comprised the following:

- (i) non-current assets comprised property, plant and equipment of S\$29.7 million and deferred tax assets of S\$0.5 million;
- (ii) current assets comprised inventories of S\$23.5 million, trade and other receivables of S\$16.0 million, and cash and cash equivalents of S\$2.5 million;
- (iii) non-current liabilities comprised mainly financial liabilities of S\$0.8 million; and
- (iv) current liabilities comprised trade and other payables of S\$28.5 million, financial liabilities of S\$67.8 million, loans from non-controlling shareholders of a subsidiary of S\$3.6 million and current tax payable of S\$0.4 million.

The Group was in a negative working capital position of S\$58.3 million as at 31 December 2017, mainly due to the Group's financial liabilities of S\$67.8 million.

As at 31 December 2017, the Group was in a net liabilities ("NL") position of S\$28.9 million, mainly due to its accumulated losses of S\$96.0 million.

The auditors of the Company, KPMG LLP, highlighted in the Company's annual report for FY2017 that the financial statements were prepared on a going concern basis notwithstanding that the Group had incurred a net loss of S\$47,869,000 for the year ended 31 December 2017, the Group's current liabilities were in excess of its current assets by S\$58,333,000 and was in a net liabilities position of \$28,887,000. The ability of the Group to carry on its business as a going concern was dependent on the following conditions:

- (i) the successful implementation of the Scheme;
- (ii) the continuing availability of bank facilities from the Group's bankers; and
- (iii) the ability of the Group to generate adequate cash flows and to repay its debt obligations as and when they fall due within the next twelve months.

7.2.2 Valuation of properties

The Group had commissioned independent professional valuers to carry out independent valuations of its real estate assets located in Australia, Korea and Malaysia (the "**Australia Property**", the "**Korea Property**" and the "**Malaysia Property**" respectively and collectively, the "**Properties**") for the purposes of preparation of its audited consolidated financial statements for FY2017. The respective valuers are Australian Valuation & Advisory Group Pty Ltd ("**Australia Valuer**"), Kyung-il Appraisal Co., Ltd. ("**Korea Valuer**") and Rahim & Co International Sdn. Bhd. ("**Malaysia Valuer**").

Independent valuations were conducted on the real estate assets of the Group only. The Directors and the management have confirmed that as at the Latest Practicable Date, to the best of their knowledge and belief, save for the adjustments relating to the revaluation of the Properties as disclosed in the IFA Letter, there are no material differences from the realisable value of the Group's assets and their respective book values as at 31 December 2017, which would result in a material impact on the financial position of the Group.

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A tabulation of the net book value (“NBV”) and independent valuation of the Properties is set out below:

(S\$ million)	NBV as at 31 December 2017	Independent valuation
Australia Property	2.0	2.2
Korea Property	4.7	4.7
Malaysia Property	0.7	4.2

The aggregate NBV of the Korea Property, Malaysia Property and Australia Property of approximately S\$7.4 million as at 31 December 2017, contributed to approximately 24.3% of non-current assets of the Group and approximately 10.2% of total assets of the Group as at 31 December 2017.

The profiles of the Australia Valuer, the Korea Valuer and the Malaysia Valuer are as follows:

- (a) Kyung-il Appraisal Co., Ltd was established in 1989 and specialises in real estate services in Korea. Kyung-il Appraisal Co., Ltd is a member of the Korea Association of Property Appraisers, an affiliated organisation of the Korean Ministry of Land, Infrastructure and Transport. Kyung-il Appraisal Co., Ltd’s business covers a broad spectrum of real estate services, from general agency services in the commercial, industrial, retail and residential sectors to specialised support services, such as facilities management, valuation and consultancy. Its valuation services include that of residential properties, commercial properties, leasehold offices, factories.
- (b) The valuers of Australian Valuation & Advisory Group Pty Ltd are members of the Australia Property Institute. Australian Valuation & Advisory Group Pty Ltd has been providing independent residential property valuations, commercial property valuations, specialised property valuations, property consultancy and general property advice in Perth, Australia, and the greater metropolitan area since 1997.
- (c) Rahim & Co International Sdn. Bhd. was founded in December 1976 and is one of the largest and most established estate consultancy firms in Malaysia. Rahim & Co International Sdn. Bhd. provides a comprehensive range of services encompassing all aspects of real estate, including valuation, estate agency, research, and property and facilities management.

Valuation of properties in Australia

The Australia Valuer has attributed a market value of A\$2.1 million (or approximately S\$2.2 million, based on the exchange rate of S\$1.00: A\$0.9683 as at 18 December 2017) to the freehold land and building located at 55 Greenwich Parade, Neerabup, Western Australia 6031 (the “**Australia Property**”) as at 18 December 2017. The Australia Valuer had adopted the direct sales comparison approach and the capitalisation of net income approach. The direct sales comparison approach takes into account comparable sale transactions as available in the market, while the capitalisation of net income approach takes into account the market rental for the property and capitalised it at an appropriate rate of return.

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Valuation of properties in Korea

The Korea Valuer has attributed a market value of KRW3.9 billion (or approximately S\$4.7 million, based on the exchange rate of S\$1.00: KRW813.3087 as at 7 March 2018) to the freehold land and building located at 707, Jisu-ro, Jisu-myeon, Jinju-si, Gyeongsangnam-do, the Republic of Korea, (the “**Korea Property**”) as at 7 March 2018. For the assessment of the land, the Korea Valuer had adopted the approach of assessing the officially announced prices of land with the same or similar value generating elements, adjusted for fluctuation rate in land prices, and with consideration of factors including location, status of adjacent land, accessibility, shape and size of lot, road and transportation. For the assessment of the building, the Korea Valuer adopted the cost approach, by depreciating the replacement cost, with consideration of structure, material, construction quality, maintenance status, usage, current status, supplementary installation and all other factors affecting costs.

Valuation of properties in Malaysia

The Malaysia Valuer has attributed a market value of RM12.5 million (or approximately S\$4.2 million, based on the exchange rate of S\$1.00 : RM2.9636 as at 27 March 2018) to the freehold land and building located at No. 16, Jalan Firma 2/1, Kawasan Perindustrian Tebrau I, 81100 Johor Bahru, Malaysia (the “**Malaysia Property**”) as at 27 March 2018. The Malaysia Valuer had adopted the cost approach which involves the valuation of land by comparison with evidence of values of comparable land and adding to it the current replacement cost of the building less depreciation. The current replacement cost takes into account the construction cost, financing charges, advertising charges, professional fees, other incidental expenses and developer’s profit.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
James Kuah Geok Lin ⁽²⁾	15,506,617	2.49	323,749,267	51.99	339,255,884	54.48
Paul Kuah Geok Khim ⁽²⁾	15,314,117	2.46	323,749,267	51.99	339,063,384	54.45
Quah Yoke Hwee ⁽²⁾	15,314,117	2.46	323,749,267	51.99	339,063,384	54.45
Yeoh Seng Huat Geoffrey	—	—	—	—	—	—
Ang Mong Seng	175,000	0.03	—	—	175,000	0.03
Hoon Ching Sing	—	—	—	—	—	—
Substantial Shareholders (other than Directors)						
HLCPL	323,749,267	51.99	—	—	323,749,267	51.99
Mdm Kuah Geok Khim ⁽²⁾	7,400,592	1.19	323,749,267	51.99	323,749,267	53.18
Khua Kian Keong ⁽³⁾	—	—	57,500,000	9.23	57,500,000	9.23

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Notes:

- (1) Based on the Existing Share Capital.
- (2) Messrs James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the shares of the Company held by HLCPL by virtue of Section 7(4) of the Act.
- (3) Mr Khua Kian Keong's interest in the 57,500,000 shares were held under the name of a nominee – DBS Nominees Singapore Pte Ltd.

Save as disclosed above and in this Circular, none of the Directors and the Substantial Shareholders have any interest, direct or indirect, in the Proposed Resolutions other than through their respective shareholdings in the Company.

9. DIRECTORS' RECOMMENDATIONS

9.1 **Resolution 1: The Proposed Issue of up to 58,247,211,237 Scheme Shares to the Entitled Scheme Creditors pursuant to the Share Distribution under the Scheme (as Ordinary Resolution)**

Having considered, *inter alia*, the rationale and the terms of the Share Distribution under the Scheme, Mr Ang Mong Seng, Mr Yeoh Seng Huat Geoffrey and Mr Hoon Ching Sing being the Independent Directors for the purpose of the Share Distribution, are of the opinion that the Share Distribution is beneficial to, and in the best interest of the Company. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

9.2 **Resolution 2: The Proposed Transfer of Controlling Interest to UOB (as Ordinary Resolution)**

Having considered, *inter alia*, the rationale and the terms of the Proposed Transfer of Controlling Interest to UOB, the Directors are of the opinion that the Proposed Transfer of Controlling Interest to UOB is beneficial to, and in the best interest of the Company. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

9.3 **Resolution 3: The Proposed Transfer of Controlling Interest to DBS (as Ordinary Resolution)**

Having considered, *inter alia*, the rationale and the terms of the Proposed Transfer of Controlling Interest to DBS, the Directors are of the opinion that the Proposed Transfer of Controlling Interest to DBS is beneficial to, and in the best interest of the Company. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

9.4 **Resolution 4: The Proposed Issue of up to 14,041,905,260 Scheme Shares to HLCPL, a controlling shareholder of the Company, as an Interested Person Transaction (as Ordinary Resolution)**

Having considered, *inter alia*, the rationale and the terms of the proposed issue of the Scheme Shares to HLCPL, and taking into account the advice of the IFA as set out in the IFA Letter for the proposed issue of the Scheme Shares to HLCPL in Appendix B of this Circular, Mr Ang Mong Seng, Mr Yeoh Seng Huat Geoffrey and Mr Hoon Ching Sing being the Independent Directors for the purpose of the proposed issue of the Scheme Shares to HLCPL, are of the opinion that the proposed issue of the Scheme Shares to HLCPL is beneficial to, and in the best

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interest of the Company. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

9.5 Resolution 5: The Proposed UOB Whitewash Resolution (as Ordinary Resolution)

Having considered, *inter alia*, the rationale and the terms of the Proposed UOB Whitewash Resolution, and taking into account the advice of the IFA as set out in the IFA Letter for the Proposed UOB Whitewash Resolution in Appendix B of this Circular, Mr James Kuah Geok Lin, Mr Paul Kuah Geok Khim, Mr Quah Yoke Hwee, Mr Ang Mong Seng, Mr Yeoh Seng Huat Geoffrey and Mr Hoon Ching Sing being the Independent Directors for the purpose of the Proposed UOB Whitewash Resolution, are of the opinion that the Proposed UOB Whitewash Resolution is beneficial to, and in the best interest of the Company. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

10. ABSTENTION FROM VOTING

10.1 HLCPL

Each of James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and HLCPL shall abstain and has undertaken that his/its associates shall abstain from voting on Ordinary Resolution 1 and Ordinary Resolution 4. Each of James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee, HLCPL and his/its associates shall not accept nominations to act as proxy, corporate representative or attorney, unless the Shareholders appointing each of one of them indicate clearly how votes are to be cast in respect of such Ordinary Resolutions.

10.2 UOB Group

As required under the waiver letter by the SIC dated 5 March 2018, the UOB Group shall abstain, and shall procure that parties not independent of them abstain, from voting on Ordinary Resolution 2 and Ordinary Resolution 5.

As at the Latest Practicable Date, the UOB Group does not hold any Shares and any instruments convertible into, rights to subscribe for and options in respect of Shares. The UOB Group will not acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular) until the date Independent Shareholders' approval is obtained for the Proposed UOB Whitewash Resolution.

The UOB Group shall not accept nominations to act as proxy, corporate representative or attorney, unless the Shareholders appointing them indicate clearly how votes are to be cast in respect of such Ordinary Resolutions.

11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1, will be held on 27 April at 11.00 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) (or any adjournment thereof) at No. 6 Clementi Loop, Copenhagen Meeting Room, 4th Floor, Singapore 129814 for the purpose of considering and, if thought fit, passing (with or without any modification) the ordinary resolutions set out in the notice of EGM.

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12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the office of the Company at No. 6 Clementi Loop, Singapore 129814, not less than 48 hours before the time appointed for the EGM. Completion and return of the Proxy Form by a Shareholder will not preclude him from attending and voting in person at the EGM in place of his proxy if he so wishes.

Depositors who wish to attend and vote at the EGM, and whose names are shown in the records of CDP as at a time not earlier than 72 hours before the time appointed for the EGM supplied by CDP to the Company, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any proxy form.

Depositors who are not individuals and Depositors who are unable to attend personally and wish to appoint a nominee to attend and vote on his behalf, will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the office of the Company at No. 6 Clementi Loop, Singapore 129814, not less than 48 hours before the time appointed for the EGM. Completion and return of the Proxy Form by a Depositor who is an individual will not preclude him from attending and voting in person at the EGM in place of his nominee if he so wishes.

13. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they are included in this Circular, and to act in such capacity in relation to this Circular.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 6 Clementi Loop, Singapore 129814 during normal business hours for 3 months from the date of this Circular:

- (a) the Constitution of the Company;
- (b) the Annual Report for FY2017; and
- (c) the valuation reports in respect of the Properties prepared by the Australia Valuer, the Korea Valuer and the Malaysia Valuer.

LETTER TO SHAREHOLDERS

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Share Distribution, the Proposed Transfer of Controlling Interest to UOB, the Proposed Transfer of Controlling Interest to DBS, the proposed issue of Scheme Shares to HLCPL and the Proposed UOB Whitewash Resolution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
HOE LEONG CORPORATION LTD.

Kuah Geok Lin
Chairman and Chief Executive Officer

APPENDIX A

List of Scheme Creditors and amount owing to Scheme Creditors

Scheme Creditor	Adjudicated Debt for voting as at 30 November 2017 (S\$)	Estimated Claims as at 31 May 2018 (being the estimated Effective Date) (unadjudicated) (S\$)	Amount payable in Cash (S\$)	Amount payable by way of Scheme Shares – Estimated Final Debt (S\$)
UOB	31,328,698.84	32,102,401.91	(12,980,000.00)	19,122,401.91
DBS	12,355,849.71	12,731,389.76	(1,930,432.00)	10,800,957.76
RHB	6,178,603.95	6,488,537.61	(2,884,000.00)	3,604,537.61
CIMB	5,170,852.47	5,379,653.10	–	5,379,653.10
SIF	4,333,412.60	4,381,463.89	(2,884,000.00)	1,497,463.89
ANZ	3,266,087.48	3,366,484.71	–	3,366,484.71
MBB	413,026.13	433,806.99	–	433,806.99
Total – Bank	63,046,531.19	64,883,737.98	(20,678,432.00)	44,205,305.98
HLCPL	13,908,214.56	14,041,905.26	–	14,041,905.26
Total – All	76,954,745.75	78,925,643.24	(20,678,432.00)	58,247,211.24

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LETTER FROM INDEPENDENT FINANCIAL ADVISER

12 April 2018

HOE LEONG CORPORATION LTD.

6 Clementi Loop
Singapore 129814

Attention: The Independent Directors (as defined herein)

- (I) **THE PROPOSED ISSUE OF SCHEME SHARES TO HOE LEONG CO. (PTE.) LTD., A CONTROLLING SHAREHOLDER OF THE COMPANY AND A SCHEME CREDITOR, PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME, AS AN INTERESTED PERSON TRANSACTION (THE “PROPOSED IPT”); AND**
- (II) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM UOB AND ITS CONCERT PARTIES FOLLOWING THE ALLOTMENT AND ISSUE OF SCHEME SHARES TO UOB PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME (THE “PROPOSED UOB WHITEWASH RESOLUTION”).**

(collectively, the **“Selected Transactions”**)

*Unless otherwise defined or the context otherwise requires, all terms used in this letter (“**IFA Letter**”) shall have the same meanings as defined in the circular to shareholders of the Company dated 12 April 2018 (the “**Circular**”).*

1. INTRODUCTION

On 17 November 2017, Hoe Leong Corporation Ltd. (the **“Company”**, and together with its subsidiaries, the **“Group”**), through the Scheme Manager, proposed a scheme of arrangement (**“Scheme”**) to restructure its liabilities to (i) financial institution creditors, namely United Overseas Bank Limited (**“UOB”**), DBS Bank Ltd. (**“DBS”**), RHB Bank Berhad (**“RHB”**), Sing Investments & Finance Limited (**“SIF”**), CIMB Bank Berhad, Singapore Branch (**“CIMB”**), Australia and New Zealand Banking Group (**“ANZ”**) and Malayan Banking Berhad (**“MBB”**); and (ii) Hoe Leong Co. (Pte.) Ltd. (**“HLCPL”**), a controlling shareholder of the Company. Each of the financial institution creditors and HLCPL shall hereinafter be referred to as a **“Scheme Creditor”** and collectively, the **“Scheme Creditors”**. The Scheme was proposed in view of the losses suffered by the Group’s tanker owning and chartering business, the general weak economic and market conditions as well as the cash flow situation of the Group.

On 8 December 2017, the Scheme Manager, having adjudicated the preliminary claims filed by the Scheme Creditors for the amount owing as at 30 November 2017 and reviewed the Scheme Creditors’ votes via the ballot forms, declared that the requisite approvals for the Scheme have been obtained from the Scheme Creditors. On 5 January 2018, the Company filed an application to the High Court of the Republic of Singapore (**“Court”**) to approve the Scheme under Section 211I of the Act. On 22 January 2018, the Company successfully obtained the sanction of the Court in respect of the Scheme (**“Order of the Court”**), and on 30 January 2018, the Company lodged the Order of the Court sanctioning the Scheme with the Accounting and Corporate Regulatory Authority of Singapore (**“ACRA”**).

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The Scheme comprises, *inter alia*, the following principal elements:

- (a) restructuring of debts amounting to S\$20,678,432 (**“Restructured Debts”**) to be repaid by the Group. Such Restructured Debts comprise (i) S\$14,208,432 of vessel loans owing by the Group to UOB, DBS, RHB and SIF; and (ii) S\$6,470,000 of spare parts loans owing by Hoe Leong Crawler Parts Pte Ltd. (a wholly-owned subsidiary of the Company), to UOB; and
- (b) extinguishing the Remaining Debts through the proposed allotment, issuance and distribution of new Shares (**“Scheme Shares”**) at the Issue Price (as defined herein) to the Scheme Creditors in proportion of their Approved Claim for Distribution, as against the aggregate amount of all Approved Claims for Distribution (**“Share Distribution”**).

The Remaining Debts shall be calculated based on the Approved Claim for Distribution (being the claims by a Scheme Creditor as set out in its final proof of debt to the extent admitted by the Scheme Manager or established by the Scheme Creditor dispute resolution proceedings in accordance with the Scheme) less the value of the Restructured Debts. Based on the adjudication of the Scheme Creditors’ preliminary claims by the Scheme Manager, the debts due and owing to entitled Scheme Creditors under the Scheme (including HLCPL) as admitted by the Company or which were proved as against the Company amounted to S\$76,954,745.75 as at 30 November 2017.

The Company and the Scheme Manager are unable to determine the value of the Remaining Debts as at the Latest Practicable Date as interest on the outstanding debts (including the HLCPL Loan) will continue to accrue until the Share Distribution takes place. Accordingly, the Approved Claim(s) for Distribution are subject to adjustments and may only be determinable on the Effective Date, being the date on which all conditions precedent of the Scheme are satisfied (or waived) and such date to be no later than twelve (12) months after 30 January 2018, unless extended or waived in accordance with the Scheme.

1.1 The Proposed Interested Person Transaction

Pursuant to the Scheme, the Company will allot and issue to HLCPL such number of Scheme Shares required to satisfy the outstanding amount of approximately S\$14.0 million (**“HLCPL Loan”**) owing by the Group to HLCPL.

HLCPL, which holds 323,749,267 Shares, representing 51.99% of the existing issued and paid-up share capital of the Company (excluding treasury shares) as at the Latest Practicable Date, is a controlling shareholder of the Company. James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are the shareholders of HLCPL. Accordingly, HLCPL is considered an “interested person” and the proposed allotment and issuance of Scheme Shares to HLCPL is an “interested person transaction”, within the meaning of Chapter 9 of the Listing Manual. James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are siblings. James Kuah Geok Lin is the Company’s Chairman and Chief Executive Officer. Each of Paul Kuah Geok Khim and Quah Yoke Hwee are Executive Directors of the Company. Mdm Kuah Geok Khim is the operations manager of the Group.

The latest net tangible liability (**“NTL”**) value of the Group, based on the latest audited financial statements for the financial year ended 31 December 2017 (**“FY2017”**) was approximately S\$28 million. As the Group is in a NTL position, the materiality of the proposed issue of Scheme Shares to HLCPL cannot be meaningfully determined.

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Nevertheless, the Company is seeking the approval of Shareholders independent of the Proposed IPT under Rule 906(1) for the proposed issue of Scheme Shares to HLCPL as an interested person transaction at the extraordinary general meeting (“**EGM**”) to be convened.

1.2 The Proposed UOB Whitewash Resolution

Pursuant to the Scheme, the Company will allot and issue such number of Scheme Shares to UOB at the Issue Price required to satisfy the outstanding debts owing by the Group to UOB.

As at the Latest Practicable Date, UOB and its concert parties (the “**UOB Group**”) do not hold any voting rights in the Company and do not hold any instruments convertible into, rights to subscribe for and options in respect of the Shares.

For illustration purposes, pursuant to the proposed allotment and issuance of such number of Scheme Shares to UOB under the Scheme, the percentage of shareholding held by the UOB Group in the capital of the Company based on the Existing Share Capital after the Share Distribution shall be:

- (i) approximately 21.39% assuming that the Issue Price (as defined herein) is S\$0.05 (being the highest traded share price of the Company in the 12 months prior and up to the Latest Practicable Date, rounded down to 2 decimal points) (the “**Minimum Issuance Scenario**”) and the Effective Date is 31 May 2018; and
- (ii) approximately 32.48% assuming that the Issue Price (as defined herein) is S\$0.001 (being the lowest tradeable share price on the SGX-ST) (the “**Maximum Issuance Scenario**”) and the Effective Date is 31 May 2018.

Assuming the Maximum Issuance Scenario, the UOB Group would be required to make a mandatory general offer for the remaining shares in the Company not already owned or controlled by the UOB Group following the allotment and issuance of the Scheme Shares by the Company to UOB pursuant to Rule 14 of the Singapore Code on Takeovers and Mergers (the “**Code**”).

On 5 March 2018, the Securities Industry Council (“**SIC**”) granted the UOB Group a whitewash waiver of the obligations for the UOB Group to make a mandatory general offer for the remaining shares in the Company not already owned or controlled by the UOB Group following the allotment and issuance of the Scheme Shares to UOB by the Company, pursuant to Rule 14 of the Code, subject to the conditions as set out in Section 6.4 of the Circular (“**UOB SIC Conditions**”) which include the passing of the Proposed UOB Whitewash Resolution by Shareholders who are independent of the UOB Group.

1.3 Appointment of ZICO Capital Pte. Ltd.

ZICO Capital Pte. Ltd. (“**ZICO Capital**”) has been appointed by the Company as the independent financial adviser (“**IFA**”) to advise the directors of the Company who are considered independent (the “**Independent Directors**”) in respect of the Selected Transactions, for the purpose of making their recommendations to the shareholders who are independent of the Selected Transactions (“**Independent Shareholders**”) in respect of the Selected Transactions.

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The directors (the “**Directors**” or the “**Board**”) and the management of the Company (“**Management**”) have confirmed that the Independent Directors in respect of the Proposed IPT are Yeoh Seng Huat Geoffrey, Ang Mong Seng and Hoon Ching Sing, and the Independent Directors in respect of the Proposed UOB Whitewash Resolution are James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee, Yeoh Seng Huat Geoffrey, Ang Mong Seng and Hoon Ching Sing.

This IFA Letter provides an opinion on whether (i) the Proposed IPT is on normal commercial terms and is prejudicial to the interests of the Company and its Independent Shareholders, pursuant to Rule 921(4) of the Listing Manual; and (ii) the financial terms of the Share Distribution under the Scheme (being the subject of the Proposed UOB Whitewash Resolution), are fair and reasonable and are not prejudicial to the interests of the Independent Shareholders. This IFA Letter forms part of the Circular to be despatched to Shareholders in relation to the Selected Transactions.

2. TERMS OF REFERENCE

Our terms of reference do not require us to evaluate or comment on the rationale for, as well as the legal and commercial risks and/or merits (if any) of the Scheme, the Share Distribution and the Selected Transactions, or on the future financial performance or prospects of the Group, and we have not made such evaluations or comments. Such evaluations or comments shall remain the sole responsibility of the Directors and the Management although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our recommendation as set out in this IFA Letter.

We are not and were not involved in nor responsible for, any aspect of the negotiations pertaining to the Scheme, the Share Distribution and the Selected Transactions, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Scheme, the Share Distribution and the Selected Transactions. We were also not requested, instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to any other proposals for transactions similar to or in lieu of the Scheme, the Share Distribution and the Selected Transactions. In this regard, we are not addressing the relative merits of the Scheme, the Share Distribution and the Selected Transactions as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future. Such comparison and consideration remain the responsibility of the Independent Directors.

In the course of our evaluation of the financial terms of the Scheme and the Share Distribution, we have held discussions with the Directors and the Management. We have also examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors and the Management, including information contained in the Circular. We have relied on, and assumed without independent verification, the accuracy and completeness of such information, whether written or verbal, and accordingly cannot and do not make any warranty or representation, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of, such information or representations.

We have relied upon the assurances from the Directors and the Management (including those who may have delegated detailed supervision of the Circular), who have accepted full responsibility for the accuracy and completeness of the information provided to us, that, to

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the best of their knowledge and belief, they have taken reasonable care to ensure that the facts stated and opinions expressed by them or the Company in the Circular are fair and accurate in all material aspects. The Directors and the Management have confirmed to us that, to the best of their knowledge and belief, there is no other information or fact, the omission of which would cause any statement in the Circular in respect of the Group, the Scheme, the Share Distribution, and the Selected Transactions to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information upon which we have relied, we have not independently verified such information but nevertheless have made such enquiry and judgement as we have deemed necessary and have found no reason to doubt the accuracy or reliability of the information upon which we have relied.

For the purposes of assessing the financial terms of the Share Distribution under the Scheme and reaching our conclusions on the Selected Transactions, we have not relied upon any financial projections or forecasts in respect of the Company or the Group. We will not be required to express, and we do not express, any view on the growth prospects, earnings potential or future financial performance or future financial position of the Company or the Group in connection with our opinion in this IFA Letter.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, the property, plant and equipment). However, the Group had commissioned independent professional valuers to carry out independent valuations of its real estate assets located in Australia, Korea and Malaysia (collectively, the **"Properties"**) for the purposes of preparation of its audited consolidated financial statements for the year ended 31 December 2017. The respective valuers are Australian Valuation & Advisory Group Pty Ltd (**"Australia Valuer"**), Kyung-il Appraisal Co., Ltd. (**"Korea Valuer"**) and Rahim & Co International Sdn. Bhd. (**"Malaysia Valuer"**). We have been furnished with the valuation reports prepared by the Australia Valuer, the Korea Valuer and the Malaysia Valuer (collectively, the **"Valuation Reports"**), and have placed sole reliance on the Valuation Reports for the valuation and related information on the said properties. We were not involved in the preparation of, and assume no responsibility for, the Valuation Reports. We have not made any independent verification of the contents thereof. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our recommendations are based upon market, economic, industry and other conditions prevailing, as well as information made available to us, as at the Latest Practicable Date. Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our recommendations in light of any subsequent developments after the Latest Practicable Date that may affect our recommendations contained therein. Shareholders should take note of any announcements relevant to their consideration of the Selected Transactions, which may be released after the Latest Practicable Date.

In rendering our advice and providing our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder. We recommend that any Shareholder who may require specific advice in relation to his investment objective(s) or portfolio(s) should consult his legal, financial, tax or other professional advisers immediately.

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The Company has been advised by its own legal advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement, and have not provided any advice (financial or otherwise) whatsoever, in the preparation, review and verification of the Circular (other than this IFA Letter) and our responsibility is as set out above in relation to this IFA Letter. Accordingly, we take no responsibility for, and express no views, whether expressed or implied, on the contents of the Circular (except for this IFA Letter).

We have prepared this IFA Letter for the use by the Independent Directors in connection with their consideration of the Selected Transactions, and any recommendations made by the Independent Directors in respect of the Selected Transactions shall remain their sole responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any purposes (other than for the consideration of the Selected Transactions) at any time and in any manner without the prior written consent of ZICO Capital. Our opinion in relation to the Selected Transactions should be considered in the context of the entirety of this IFA Letter and the Circular.

3. INFORMATION ON THE COMPANY AND THE GROUP

The Company was incorporated in Singapore on 18 November 1994, and was admitted to the Official List of the SGX-ST Mainboard on 5 December 2005.

The principal business activities of the Group entail (i) trading and distribution of an extensive range of equipment parts for both heavy equipment and industrial machinery; and (ii) chartering of vessels. The Group had ceased its tanker owning/chartering business under Semua International Sdn Bhd and its subsidiaries ("**Semua Group**") in 2015.

Please refer to paragraph 5.2 of this IFA Letter for the financial performance of the Group for the past three completed financial years ended 31 December 2017 and the financial position of the Group as at 31 December 2017.

4. SALIENT TERMS OF THE SCHEME

As set out in Section 2.2 of the Circular, the Scheme principally comprises the restructuring of the Restructured Debts, and the extinguishing of the Remaining Debts through the Share Distribution at the Issue Price.

The issue price of the Scheme Shares is to be calculated with reference to the volume weighted average price ("**VWAP**") of the Shares traded in the immediate 22 trading days prior to the date of the Share Distribution to the Scheme Creditors ("**Issue Price**").

The Scheme is subject to, *inter alia*, the following conditions precedent being met:

- (a) the approval of the Scheme by a majority in number representing three-fourths in value of each class of Scheme Creditors casting their votes through the ballot forms;
- (b) the confirmation by the Court pursuant to Section 211I of the Act and a copy of the Order of the Court sanctioning the Scheme being lodged with ACRA pursuant to Section 211I(12) of the Act;
- (c) in the event that the issue of the Scheme Shares to UOB triggers an obligation for the UOB Group to make a mandatory general offer under Rule 14 of the Code for the remaining shares in the Company not already owned or controlled by the UOB Group,

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a whitewash waiver being granted by the SIC to the UOB Group from making a mandatory general offer, being obtained;

- (d) the receipt of approval-in-principle from the SGX-ST in relation to the dealing in, listing of and quotation for the Scheme Shares to be issued to the Scheme Creditors; and
- (e) the approval of Shareholders being obtained for the allotment and issue of the Scheme Shares to the Scheme Creditors and other resolutions in connection thereto.

As at the Latest Practicable Date, conditions (a), (b), (c) and (d) above have been satisfied. The Company is seeking the approval of the Independent Shareholders in order to satisfy condition (e) above, at the EGM.

5. EVALUATION OF THE SELECTED TRANSACTIONS

In our evaluation and assessment of the Proposed IPT and the Proposed UOB Whitewash Resolution, we have given due consideration to, *inter alia*, the following pertinent factors:

- (a) the rationale for the Scheme;
- (b) the historical financial performance and position of the Group;
- (c) the assessment of the Issue Price for the Scheme Shares;
- (d) dilution impact arising from the Share Distribution under the Scheme;
- (e) other relevant considerations in relation to the Proposed IPT and the Proposed UOB Whitewash Resolution.

Our analyses of the Issue Price in this IFA Letter have been based on an assumed range of S\$0.001, being the lowest tradeable share price on the SGX-ST ("**Assumed Minimum Issue Price**") to S\$0.051, being the highest traded share price of the Company in the 12 months prior and up to the Latest Practicable Date ("**Assumed Maximum Issue Price**"). Shareholders should note that the actual Issue Price can only be determined with reference to the VWAP of the Shares traded in the immediate 22 trading days prior to the date of the Share Distribution to the Scheme Creditors, and may be different from our assumed range of Issue Price.

5.1. Rationale for the Scheme

The rationale for the Scheme can be found in Section 2.3 of the Circular and have been extracted and set out in italics below. Shareholders are advised to read Section 2.3 of the Circular carefully.

"Upon completion of the Scheme by performance in accordance with its terms, inter alia, all liabilities of the Company in relation to or in connection with the Remaining Debts shall be deemed satisfied.

Accordingly, after the completion of the Share Distribution, the Group's liabilities would be reduced by approximately S\$58 million.

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The Scheme would allow for a restructuring of its debts and liabilities to enable the Group to strengthen and rebuild its balance sheet and cash flow situations as well as facilitate the possibility of a merger or acquisition of new profitable businesses by the Company going forward. The Board of Directors is of the view that following the reduction of its financial debt to a sustainable level, the Company will be a viable going concern. Further, the Scheme will better preserve the value of the Company for all stakeholders as compared to a liquidation scenario."

5.2. Historical financial performance and position of the Group

Review of financial performance

A summary of the Group's consolidated statement of comprehensive income for the financial years ended 31 December ("FY") 2015, 2016 and 2017 is set out below:

(S\$'000)	← Audited →		
	FY2017	FY2016	FY2015
Revenue	62,547	57,896	74,383
Gross profit	9,818	9,690	19,407
Profit/(Loss) before income tax	(46,997)	(47,333)	4,006
Profit/(Loss) for the year	(47,869)	(46,908)	3,706

FY2017 vs FY2016

Revenue increased by S\$4.7 million, from S\$57.9 million in FY2016 to S\$62.5 million in FY2017, mainly due to higher revenue derived from the Group's Equipment segment with increased sales of equipment parts which were partially offset by lower charter revenue from the Group's Vessel Chartering segment arising from lower utilisation rate for the Group's fleet.

Gross profit increased by S\$0.1 million, from S\$9.7 million in FY2016 to S\$9.8 million in FY2017, due to higher gross profit of S\$0.7 million recorded for the Group's Equipment segment, which was partially offset by a decrease in gross profit of S\$0.6 million from the Group's Vessel Chartering segment.

Other income decreased by S\$1.0 million in FY2017 mainly due to a decrease in rental income. Distribution expenses increased by S\$0.1 million in FY2017 mainly due to an increase in packing and delivery expenses. Administrative expenses decreased by S\$0.2 million in FY2017 mainly due to a decrease in bank charges and director fees. Other expenses decreased by S\$2.2 million in FY2017 mainly due to lower repair and maintenance expenses and lower property related expenses. In FY2016, the impairment loss for property, plant and equipment and impairment loss for other receivables amounted to an aggregate of S\$38.5 million, and in FY2017, there were impairment loss for property, plant and equipment, and allowance for doubtful debt and trade receivable written off which amounted to an aggregate of S\$37.5 million. Finance costs increased by S\$1.0 million in FY2017 mainly due to higher interest on bank borrowings.

Due to the factors above, the Group reported a net loss of S\$47.9 million in FY2017 as compared to a net loss of S\$46.9 million in FY2016.

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FY2016 vs FY2015

Revenue decreased by S\$16.5 million, from S\$74.4 million in FY2015 to S\$57.9 million in FY2016. The decrease was mainly due to a decrease in revenue derived from the Group's Equipment segment with lower sales of equipment parts, coupled with lower charter revenue from the Group's Vessel Chartering segment arising from lower utilisation rate of the Group's fleet.

Gross profit decreased by S\$9.7 million, from S\$19.4 million in FY2015 to S\$9.7 million in FY2016, in line with the lower revenue recorded by both the Group's Equipment and Vessel Chartering segments.

Other income decreased by S\$2.4 million in FY2016 mainly due to a decrease in rental income and cost sharing of marketing expenses with key suppliers. Distribution expenses decreased by S\$1.0 million in FY2016 mainly due to a decrease in sales commission on the back of lower sales generated. Administrative expenses increased by S\$0.1 million in FY2016 mainly due to an increase in legal and professional fees. Other expenses increased by S\$37.8 million in FY2016, mainly due to the impairment of other receivables relating to Semua Group, impairment of property, plant and equipment, and higher repair and maintenance expenses. Finance costs increased by S\$0.8 million in FY2016 mainly due to higher interest on bank borrowings. Finance income decreased by S\$1.6 million in FY2016 mainly due to impairment loss on a loan to associate.

Due to the factors above, the Group reported a net loss of S\$46.9 million in FY2016 as compared to a net profit of S\$3.7 million in FY2015.

Review of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2017 is set out below:

(S\$'000)	(Audited) As at 31 December 2017
Non-current assets	30,278
Current assets	41,984
Total assets	72,262
Non-current liabilities	832
Current liabilities	100,317
Total liabilities	101,149
Total equity/Net liabilities	(28,887)
Equity attributable to owners of the Company	(27,704)
Non-controlling interests	(1,183)

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The Group's financial position as at 31 December 2017 comprised the following:

- (i) non-current assets comprised property, plant and equipment of S\$29.7 million and deferred tax assets of S\$0.5 million;
- (ii) current assets comprised inventories of S\$23.5 million, trade and other receivables of S\$16.0 million, and cash and cash equivalents of S\$2.5 million;
- (iii) non-current liabilities comprised mainly financial liabilities of S\$0.8 million; and
- (iv) current liabilities comprised trade and other payables of S\$28.5 million, financial liabilities of S\$67.8 million, loans from non-controlling shareholders of a subsidiary of S\$3.6 million and current tax payable of S\$0.4 million.

The Group was in a negative working capital position of S\$58.3 million as at 31 December 2017, mainly due to the Group's financial liabilities of S\$67.8 million.

As at 31 December 2017, the Group was in a net liabilities ("NL") position of S\$28.9 million, mainly due to its accumulated losses of S\$96.0 million.

The auditors of the Company, KPMG LLP, highlighted in the Company's annual report for FY2017 that the financial statements were prepared on a going concern basis notwithstanding that the Group had incurred a net loss of S\$47,869,000 for the year ended 31 December 2017, the Group's current liabilities were in excess of its current assets by S\$58,333,000 and was in a net liabilities position of \$28,887,000. The ability of the Group to carry on its business as a going concern was dependent on the following conditions:

- (i) the successful implementation of the Scheme;
- (ii) the continuing availability of bank facilities from the Group's bankers; and
- (iii) the ability of the Group to generate adequate cash flows and to repay its debt obligations as and when they fall due within the next twelve months.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. KPMG LLP's opinion is not modified in respect of the matter. The ability of the Company to continue as a going concern is thus dependent on the implementation of the Scheme. Please refer to paragraph 5.5.2 of this IFA Letter for details on the financial effects of the Share Distribution on the Group's financial performance and financial position.

Outlook for the Group's business

We have extracted the commentary below from the Company's annual report for FY2017:

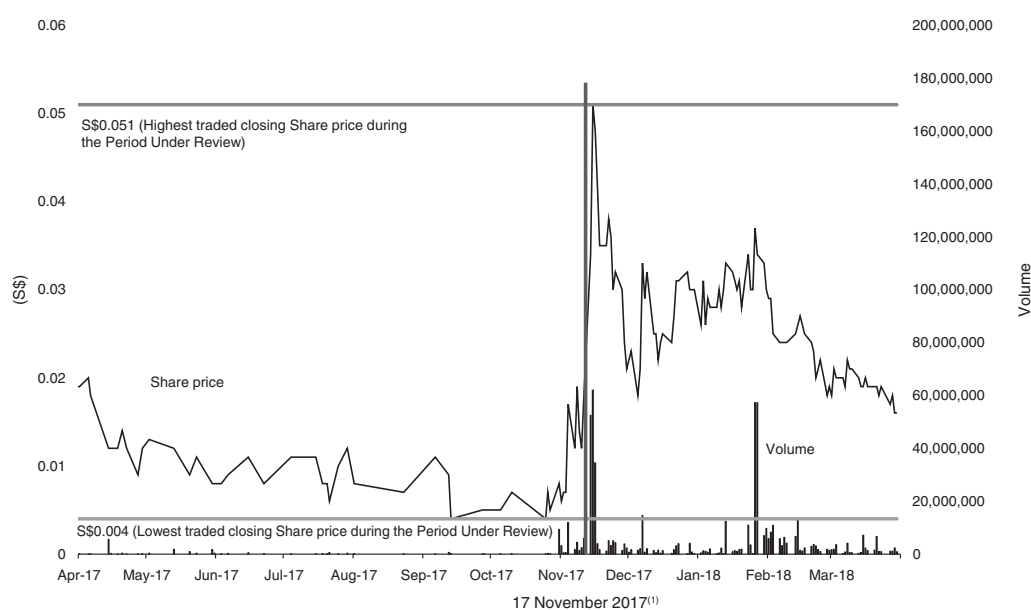
"Despite today's changing and challenging global macroeconomic environment, the outlook of the equipment manufacturing and distribution business is beginning to turn positive, as seen by the increase in turnover for the segment in FY2017. For the vessel chartering business, the oil and gas market appears to be stabilising with oil prices fluctuating above US\$60 per barrel. As the oil and gas industry slowly improves with more stable oil prices, the Group's believes that so will the vessel chartering business."

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5.3. Assessment of the Issue Price for the Scheme Shares

5.3.1. Historical trading performance and trading liquidity of the Shares

The daily closing prices and trading volume of the Shares for the 12-month period commencing from 7 April 2017 to the Latest Practicable Date (“**Period Under Review**”) is set out in the chart below:



Source: Bloomberg

Note:

- (1) Date on which the Company announced that it has proposed to enter into the Scheme with financial institution creditors and HLCPL.

We note that during the Period Under Review, the highest and lowest traded closing Share prices were S\$0.051 and S\$0.004 respectively. The closing market price of the Shares was S\$0.016 as at the Latest Practicable Date.

A summary of the salient announcements made by the Company during the Period Under Review is set out below:

	Date	Event
1	10 April 2017	The Company announced that there were material differences between the Group’s audited and unaudited financial statements for FY2016. The adjustments made to the Group and Company’s statement of financial position following the finalisation of the audit relate to the reclassification of financial liabilities from non-current liabilities to current liabilities, and intercompany transaction. The Company also announced that its auditors, KPMG LLP, have included an Emphasis of Matter with respect to the material uncertainty related to going concern in their report on the financial statements of the Group for FY2016.

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	Date	Event
2	12 April 2017	The Company released its annual report for FY2016.
3	13 April 2017	The Company responded to SGX-ST on its queries, in that the Board is of the opinion there are reasonable grounds to believe that the Company can continue as a going concern, and that the Board believes that sufficient information has been disclosed by the Company to enable trading to continue in an orderly manner.
4	12 May 2017	The Company announced its unaudited interim financial results for the three months financial period ended 31 March 2017 ("3M2017") which reported loss attributable to owners of the Company of S\$5.8 million in 3M2017 as compared to a loss of S\$1.4 million for the three months financial period ended 31 March 2016. The Company appointed an advisory firm to assist in a restructuring of the Group's financial liabilities, and the majority of the Group's financial indebtedness has been classified as current liabilities, pending the outcome of the proposed restructuring. The going concern basis of the Group is dependent on the outcome of the proposed restructuring.
5	2 June 2017	The Company announced that the SGX-ST has notified the Company that pursuant to Listing Rule 1311(2), the Company would continue to be placed on the watch-list with effect from 5 June 2017 after the SGX-ST has conducted its half yearly review under the revised minimum trading price ("MTP") rules announced on 2 December 2016. The Company was placed on the watch-List under the MTP entry criterion on 3 March 2016.
6	11 August 2017	The Company announced its unaudited interim financial results for the six months financial period ended 30 June 2017 ("6M2017") which reported loss attributable to owners of the Company of S\$11.1 million in 6M2017 as compared to a loss of S\$5.5 million for the six months financial period ended 30 June 2016. The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations as and when they fall due is dependent on (a) the ability to achieve a successful financial restructuring of the Group and Company; (b) the profitability of future operations of the Company and its subsidiaries; (c) the controlling shareholders and key management personnel of the Group remaining substantially unchanged; (d) the ability to secure financial support as and when required; and (e) the continuing support of bank and other creditors, suppliers and other parties.

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	Date	Event
7	10 November 2017	The Company announced its unaudited interim financial results for the nine months financial period ended 30 September 2017 (“9M2017”) which reported loss attributable to owners of the Company of S\$12.9 million in 9M2017, as compared to a loss of S\$44.4 million for the nine months financial period ended 30 September 2016. The Company has received positive responses from the majority of the bankers for a restructuring proposal.
8	17 November 2017	The Company announced that on 16 November 2017, the Company had been served with a writ of summons issued by the Court, taken out by the solicitors of MBB, in relation to a sum of S\$394,700.91 allegedly owed by the Company to MBB as of 31 October 2017 (“Suit”). The Company is seeking legal advice and has entered an appearance in the Suit. The Company announced that it has proposed to enter into the Scheme with its bank creditors and the controlling shareholder, HLCPL, pursuant to Sections 210 and 211I of the Act. The Company also intends to make an application to the Courts for a moratorium to restrain legal proceedings against the Company. The Company announced the appointment of the Scheme Manager.
9	23 November 2017	The Company announced the overview of the Scheme and its applications to the Court for moratoria (“Moratoria Applications”), <i>inter alia</i>, that sought orders that all creditors be restrained from taking enforcement action against the Company and HLCPL, Arkstar Offshore Pte. Ltd., Arkstar Voyager Pte. Ltd., Arkstar Eagle 3 Pte. Ltd., Arkstar Energy Pte. Ltd., Arkstar Ship Management Pte. Ltd. and Arkstar Unicorn Pte. Ltd. (“Relevant Subsidiaries”), being the subsidiaries of the Company, for a period from the date of the order to be made until 31 July 2018.
10	29 November 2017	The Company announced that the Court directed that the hearing of the Moratoria Applications of its Relevant Subsidiaries in Court be fixed at 10.00 a.m. on 7 December 2017 in Chamber 6A of the Court.

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	Date	Event
11	4 December 2017	The Company announced that Sumatec Resources Bhd (“Sumatec”) had on 20 November 2017, filed a Notice of Appeal to the Court of Appeal in respect of part of the decision of the Judge of the Court on a lawsuit between Ebony Ritz Sdn Bhd (“Ebony”) and Sumatec. The Notice of Appeal relates namely to, (i) the Summary Judgment Order; and (ii) the order that Sumatec’s Compromise defence be struck out as disclosing no reasonable defence or as being frivolous or vexatious. Ebony is an 80%-owned subsidiary of the Company and is a plaintiff against Sumatec, the defendant, in the lawsuit which commenced on 24 May 2016. The lawsuit relates to (i) a claim for RM27,017,162.68 under an option and financial representation agreement dated 5 May 2010 entered into between Ebony, Auspicious Journey Sdn Bhd and Sumatec, and (ii) a claim for RM10,000,000 under a guarantee dated 5 May 2010 entered into between Ebony and Sumatec, in connection with Ebony’s acquisition of a 49% equity interest in Semua International Sdn Bhd and its four wholly-owned subsidiaries.
12	5 December 2017	The Company announced that in relation to the Scheme, it had extended the deadline for the submission of the ballot form by the Scheme Creditors to 5.00 p.m. on 7 December 2017.
13	7 December 2017	The Company announced that on 7 December 2017, the Court, amongst others, granted the Moratoria Applications. It was also announced that the Scheme Manager has received the ballot forms and proofs of debt from all the Scheme Creditors, and that it will proceed to adjudicate the proofs of debt submitted by the Scheme Creditors and that it will complete the adjudication of the proofs of debt no later than one (1) week after 7 December 2017.
14	11 December 2017	The Company announced that the Scheme Manager has completed the adjudication process in relation to the Scheme and that the Scheme has been approved by the requisite majority in number representing three-fourths in value of each class of Scheme Creditors casting their votes through the ballot forms. It was also announced that the Company will make an application for Court sanction of the Scheme by 8 January 2018, and that the hearing for Court sanction of the Scheme has been fixed on 22 January 2018 at 3.30 pm in Chamber 5F of the Court.
15	5 January 2018	The Company announced that it had filed an application for the proposed Scheme to be approved by the Court, and that the hearing of the application will be held on 22 January 2018 at 3.30 p.m. in Chamber 5F of the Supreme Court.

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	Date	Event
16	22 January 2018	The Company announced, <i>inter alia</i> , that the Court has, on 22 January 2018, approved the Scheme and granted the Order of the Court.
17	2 February 2018	The Company was queried by the SGX about its unusual volume movements in its Shares.
18	2 February 2018	The Company responded to SGX's queries that, <i>inter alia</i> , it was not aware of any information not previously announced concerning the Company, its subsidiaries or its associated companies which, if known, might explain the unusual volume movements in trading activity, and the Company is not aware of any possible explanation for the unusual volume movements in trading activity.
19	1 March 2018	The Company announced its unaudited interim financial results for FY2017 which reported loss attributable to owners of the Company of S\$47.9 million in FY2017 as compared to a loss of S\$46.9 million for FY2016. The Company further announced that the Company is currently in the process of obtaining whitewash waivers from SIC and in-principle approval from SGX before convening an EGM to obtain shareholders' approval for the issuance of shares under the Scheme. The ability of the Company to continue as going concern is dependent on the implementation of the Scheme.
20	1 March 2018	The Company announced that Yeoh Seng Huat, Geoffrey replaced Hoon Ching Sing as the Company's Lead Independent Director with effect from 1 March 2018.
21	6 March 2018	The Company announced that the SIC had on 5 March 2018 granted the UOB Group Whitewash Waiver, subject to the UOB SIC Conditions.
22	22 March 2018	The Company announced that, <i>inter alia</i> , Ebony has, pursuant to mediation at the Singapore Mediation Centre on 19 March 2018, entered into a conditional settlement agreement with Sumatec and Mr Chan Yok Peng (Sumatec's former managing director) (" Settlement Agreement ") in relation to the full and final settlement of the litigation between the parties. Subjected to the conditions of the Settlement Agreement, Sumatec shall pay Ebony the sum of RM7 million in cash and Sumatec shall issue to Ebony redeemable convertible preference shares in Sumatec in the value equivalent to RM20 million by no later than 30 October 2018.

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We have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

	Highest Price⁽¹⁾	Lowest Price⁽¹⁾	VWAP⁽²⁾	Premium/ (Discount) of Assumed Maximum Issue Price over VWAP	Premium/ (Discount) of Assumed Minimum Issue Price over VWAP	Average daily trading volume⁽³⁾	Average daily trading volume as a percentage of free float⁽⁴⁾
	(\$)	(\$)	(\$)	(%)	(%)	('000)	(%)
Last 12 months	0.051	0.004	0.032	59.4	(96.9)	2,461	1.3
Last 6 months	0.051	0.004	0.033	54.5	(97.0)	4,798	2.6
Last 3 months	0.037	0.016	0.031	64.5	(96.8)	5,200	2.8
Last 1 month	0.022	0.016	0.020	155.0	(95.0)	1,818	1.0
Latest Practicable Date	0.016 ⁽⁵⁾	0.015 ⁽⁵⁾	0.015 ⁽⁶⁾	229.3	(93.3)	874	0.5

Source: Bloomberg

Notes:

- (1) The highest price refers to the highest daily closing price during the relevant period. The lowest price refers to the lowest daily closing price during the relevant period.
- (2) The VWAP refers to the volume-weighted average price of the Shares over the relevant period.
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded divided by the number of days on which the SGX-ST is open for trading, during the relevant period.
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors, the chief executive officer and the substantial shareholders of the Company and their associates. For the purpose of computing the average daily trading volume as a percentage of free float for the various periods, we have used the free float of approximately 185,867,014 Shares based on the Company's annual report for FY2017, which represent approximately 29.85% of the 622,680,724 (excluding treasury shares) Shares in issue.
- (5) The highest price refers to the highest traded price during the day. The lowest price refers to the lowest traded price during the day. There were no Shares traded on the Latest Practicable Date. We have used the highest and lowest traded prices on 5 April 2018, the day prior to the Latest Practicable Date.
- (6) VWAP of the Shares on 5 April 2018, the day prior to the Latest Practicable Date.

Based on the above, we note the following:

- (a) the Assumed Maximum Issue Price of S\$0.051 represents a premium of 59.4%, 54.5%, 64.5% and 155.0% respectively over the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods up to the Latest Practicable Date;
- (b) the Assumed Maximum Issue Price of S\$0.051 represents a premium of 229.3% over the VWAP of the Shares as at the Latest Practicable Date;
- (c) the Assumed Minimum Issue Price of S\$0.001 represents a discount of 96.9%, 97.0%, 96.8% and 95.0% respectively over the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods up to the Latest Practicable Date;
- (d) the Assumed Minimum Issue Price of S\$0.001 represents a discount of 93.5% to the VWAP of the Shares as at the Latest Practicable Date; and

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- (e) the average daily trading volume of the Shares represented 1.3%, 2.6%, 2.8% and 1.0% of the free float of the Company for the 12-month, 6-month, 3-month and 1-month periods to the Latest Practicable Date respectively. The average daily trading volume of the Shares represented 0.5% of the Company's free float as at the Latest Practicable Date.

If the actual Issue Price is higher than the Assumed Maximum Issue Price, the premia over the VWAP of the Shares for the aforesaid periods will be higher than those illustrated above.

5.3.2. NL and NTL per Share

We have assessed the Issue Price using the net tangible assets ("**NTA**") approach, which shows the extent to which the value of each Share is backed by its NTA. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities and intangible assets of the group.

The Group was in NL (net of non-controlling interests) position of S\$27.7 million as at 31 December 2017. As there were no intangible assets recorded on the Group's consolidated statement of financial position as at 31 December 2017, the Group's NTL position was the same as its NL position. Based on the Company's issued Shares of 622,680,724 (excluding treasury shares), the NTL per Share of the Group as at 31 December 2017 was S\$0.044.

The Assumed Maximum Issue Price represents a premium of S\$0.095 to the NTL per Share of the Group as at 31 December 2017.

The Assumed Minimum Issue Price represents a premium of S\$0.045 to the NTL per Share of the Group as at 31 December 2017.

If the actual Issue Price is higher than the Assumed Maximum Issue Price, the premia over the NL or NTL per Share of the Group as at 31 December 2017 will be higher than those illustrated above.

5.3.3. Revalued net liabilities ("**RNL**") and revalued net tangible liabilities ("**RNTL**") per Share

Independent valuations were conducted on the real estate assets of the Group only. The aggregate net book value ("**NBV**") of the Properties of approximately S\$7.4 million as at 31 December 2017, contributed to approximately 24.3% of non-current assets of the Group and approximately 10.2% of total assets of the Group as at 31 December 2017.

Valuation of properties in Australia

The Australia Valuer has attributed a market value of A\$2.1 million (or approximately S\$2.2 million, based on the exchange rate of S\$1.00: A\$0.9683 as at 18 December 2017) to the freehold land and building located at 55 Greenwich Parade, Neerabup, Western Australia 6031 (the "**Australia Property**") as at 18 December 2017. The Australia Valuer had adopted the direct sales comparison approach and the capitalisation of net income approach. The direct sales comparison approach takes into account comparable sale transactions as available in the market, while the capitalisation of net income approach takes into account the market rental for the property and capitalised it at an appropriate rate of return.

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Valuation of properties in Korea

The Korea Valuer has attributed a market value of KRW3.9 billion (or approximately S\$4.7 million, based on the exchange rate of S\$1.00: KRW813.3087 as at 7 March 2018) to the freehold land and building located at 707, Jisu-ro, Jisu-myeon, Jinju-si, Gyeongsangnam-do, the Republic of Korea, (the “**Korea Property**”) as at 7 March 2018. For the assessment of the land, the Korea Valuer had adopted the approach of assessing the officially announced prices of land with the same or similar value generating elements, adjusted for fluctuation rate in land prices, and with consideration of factors including location, status of adjacent land, accessibility, shape and size of lot, road and transportation. For the assessment of the building, the Korea Valuer adopted the cost approach, by depreciating the replacement cost, with consideration of structure, material, construction quality, maintenance status, usage, current status, supplementary installation and all other factors affecting costs.

Valuation of properties in Malaysia

The Malaysia Valuer has attributed a market value of RM12.5 million (or approximately S\$4.2 million, based on the exchange rate of S\$1.00 : RM2.9636 as at 27 March 2018) to the freehold land and building located at No. 16, Jalan Firma 2/1, Kawasan Perindustrian Tebrau I, 81100 Johor Bahru, Malaysia (the “**Malaysia Property**”) as at 27 March 2018. The Malaysia Valuer had adopted the cost approach which involves the valuation of land by comparison with evidence of values of comparable land and adding to it the current replacement cost of the building less depreciation. The current replacement cost takes into account the construction cost, financing charges, advertising charges, professional fees, other incidental expenses and developer’s profit.

Please refer to Section 7.2.2 of the Circular for information on the profiles of the Australia Valuer, the Korea Valuer and the Malaysia Valuer.

A tabulation of the NBV and independent valuation of the Properties is set out below:

(S\$ million)	NBV as at 31 December 2017	Independent valuation
Australia Property	2.0	2.2
Korea Property	4.7	4.7
Malaysia Property	0.7	4.2

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Computation of RNL and RNTL

We set out below the computation of the RNL and RNTL of the Group as at 31 December 2017, taking into account the valuations of the Australia Property by the Australia Valuer, the Korea Property by the Korea Valuer, and the Malaysia Property by the Malaysia Valuer.

	(S\$'000)
NL or NTL of the Group (net of non-controlling interests) as at 31 December 2017	(27,704)
Add: Revaluation surplus ⁽¹⁾ in respect of the Australia Property	198
Add: Revaluation surplus ⁽¹⁾ in respect of the Korea Property	13
Add: Revaluation surplus ⁽¹⁾ in respect of the Malaysia Property	3,549
Less: Transaction fees assuming sale of the Australia Property ⁽²⁾	(108)
Less: Transaction fees assuming sale of the Korea Property ⁽³⁾	(43)
Less: Transaction fees and tax impact assuming sale of the Malaysia Property ⁽⁴⁾	(388)
RNL or RNTL of the Group (net of non-controlling interests) as at 31 December 2017	(24,483)

Notes

- (1) Revaluation surplus refers to the difference between each of the value of the Properties as attributed by the respective Australia Valuer, Korea Valuer and Malaysia Valuer, and its respective net book value as at 31 December 2017.
- (2) The Management has informed us that the transaction fees in connection with an assumed sale of the Australia Property would be approximately S\$108,000 (based on an estimated property agent fee of approximately 5% of the market value), and that there would not be any capital gains tax incurred arising from the assumed sale.
- (3) The Management has informed us that the transaction fees in connection with an assumed sale of the Korea Property would be approximately S\$43,000 (based on an estimated property agent fee of approximately 0.9% of the market value), and that there would not be any capital gains tax incurred arising from the assumed sale.
- (4) The Management has informed us that the transaction fees in connection with an assumed sale of the Malaysia Property would be approximately S\$211,000 (based on an estimated property agent fee of approximately 5% of the market value), and that there would be a form of capital gains tax (real property gains tax (RPGT)) of approximately S\$177,000 incurred.

Based on the RNL or RNTL (net of non-controlling interests) of the Group of approximately S\$24.5 million as at 31 December 2017 and the Company's issued Shares of 622,680,724 (excluding treasury shares), the RNL or RNTL per Share of the Group was S\$0.039.

The Assumed Maximum Issue Price represents a premium of S\$0.090 to the RNL or RNTL per Share of the Group as at 31 December 2017.

The Assumed Minimum Issue Price represents a premium of S\$0.040 to the RNL or RNTL per Share of the Group as at 31 December 2017.

If the actual Issue Price is higher than the Assumed Maximum Issue Price, the premia over the RNL and RNTL per Share of the Group as at 31 December 2017 will be higher than those illustrated above.

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Save for the adjustments relating to the revaluation of the Properties, as disclosed above, we have also considered whether there are any tangible assets which should be valued at an amount that is materially different from that which were recorded in the statement of financial position of the Group as at 31 December 2017, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact its financial position as at 31 December 2017. In this regard, the Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, save for the adjustments relating to the revaluation of the Properties as disclosed above:

- (a) there are no material fluctuations or changes to the Group's business operations since 31 December 2017 and up to the Latest Practicable Date, which would result in a material impact on the overall financial performance of the Group;
- (b) there are no material differences from the realisable value of the Group's assets and their respective book values as at 31 December 2017, which would result in a material impact on the financial position of the Group;
- (c) there are no liabilities which values would be materially different from those recorded in the audited statement of financial position of the Group as at 31 December 2017;
- (d) there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the financial position of the Group;
- (e) save for the announcements made by the Company, there are no litigation, claims or proceedings pending or threatened against the Group or any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Group;
- (f) there are no intangible assets which ought to be disclosed in the audited financial statements as at 31 December 2017 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible asset would have had a material impact on the overall financial position of the Group; and
- (g) there are no material acquisitions and disposals of assets by the Group since 1 January 2018 and up to the Latest Practicable Date. As at the Latest Practicable Date, the Group does not have any plans for any impending material acquisitions or disposals of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

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5.4. Dilution impact arising from the Share Distribution

The following tabulation of the dilution impact of the Share Distribution is based on the estimated Remaining Debts as at 31 May 2018 (envisaged to be the Effective Date) and an assumed Issue Price of S\$0.001 (being the lowest tradeable share price on the SGX-ST), S\$0.016 (being the closing market price of the Shares as at 5 April 2018, the day prior to the Latest Practicable Date) and S\$0.05 (being the highest traded price of the Shares in the 12 months prior and up to the Latest Practicable Date, rounded down to 2 decimal places). Shareholders are advised to refer to Section 2.2.6 of the Circular for details of the dilution impact, including the assumptions made.

Assumed Issue Price	Number of Scheme Shares to be issued	Scheme Shares to be issued to HLCPL as a percentage of the enlarged issued share capital of the Company (immediately following the Share Distribution)	Scheme Shares to be issued to UOB as a percentage of the enlarged issued share capital of the Company (immediately following the Share Distribution)	Scheme Shares to be issued to Scheme Creditors other than HCLPL and UOB as a percentage of the enlarged issued share capital of the Company (immediately following the Share Distribution)	Scheme Shares as a percentage of the enlarged issued share capital of the Company (immediately following the Share Distribution)
S\$0.001	58,247,211,237	23.85%	32.48%	42.61%	98.94%
S\$0.016	3,640,450,702	20.59%	28.03%	36.77%	85.39%
S\$0.05	1,164,944,224	15.71%	21.39%	28.06%	65.17%

The shareholding effects of the Share Distribution presented above (i) are for illustrative purposes only and are not intended to reflect the actual Issue Price, the actual debt amount (i.e. the Approved Claim(s) for Distribution) and the actual number of Scheme Shares that will be issued under the Scheme; and (ii) have not taken into account any new Shares arising from the exercise of the 881,000 outstanding share options granted under the Company's employee share option scheme as at the Latest Practicable Date as these options are out of the money. Shareholders should note that the actual dilution impact arising from the Share Distribution may be lower than the above illustration if the actual Issue Price is higher than S\$0.05.

5.5. Other relevant considerations

5.5.1. The Issue Price for the Scheme Shares to be issued to HLCPL and UOB is the same as that for the Scheme Shares to be issued to the other Scheme Creditors

We note that the Scheme Shares will be issued to HLCPL and UOB at the same Issue Price as the Scheme Shares to the other Scheme Creditors who are unrelated to HLCPL and UOB. There is equality of treatment amongst all the Scheme Creditors and the terms of the Scheme have been approved by the Scheme Creditors (including HLCPL and UOB) in December 2017.

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5.5.2. Financial effects of the Share Distribution

Details of the financial effects of the Share Distribution, based on the audited consolidated financial statements of the Group for FY2017 are set out in Section 7 of the Circular. The financial effects of the Share Distribution are for illustrative purposes only and do not reflect or represent the actual financial effects of the Share Distribution on the NAV per Share or EPS, or the actual financial performance or financial position of the Group after completion of the Share Distribution. Shareholders are advised to refer to Section 7 of the Circular for details of the financial effects, including the various assumptions made.

In summary, the financial effects of the Share Distribution are as follows:

- (a) the share capital of the Company will be strengthened from the issuance of the Scheme Shares pursuant to the Share Distribution under the Scheme;
- (b) the NTL per Share of 4.45 Singapore cents as at 31 December 2017 would turn around to (i) NTA per Share of 0.05 Singapore cents (assuming an Issue Price of S\$0.001); and (ii) NTA per Share of 1.71 Singapore cents (assuming an Issue Price of S\$0.05);
- (c) the loss per Share would decrease from 7.69 Singapore cents to 0.08 Singapore cents (assuming an Issue Price of S\$0.001), and from 7.69 Singapore cents to 2.68 Singapore cents (assuming an Issue Price of S\$0.05); and
- (d) the gearing would improve from (3.06) times as at 31 December 2017 to (i) 0.87 time (assuming an Issue Price of S\$0.001); and (ii) 0.87 time (assuming an Issue Price of S\$0.05).

5.5.3. Inter-conditionality of the Proposed IPT and the Proposed UOB Whitewash Resolution

Shareholders should note that each of ordinary resolutions 1, 2, 3, 4 and 5 which are in relation to the Share Distribution, the proposed issue of Scheme Shares to UOB and DBS, the Proposed IPT and the Proposed UOB Whitewash Resolution respectively, are inter-conditional resolutions (the “**Inter-conditional Resolutions**”).

This means that if the resolutions in relation to the Proposed IPT and Proposed UOB Whitewash Resolution are not passed, the resolution in connection to the Share Distribution would not be duly passed.

5.5.4. Implications of not passing the Inter-conditional Resolutions

Shareholders should note that if ordinary resolutions 1, 4 and 5, in relation to the Share Distribution, the Proposed IPT and the Proposed UOB Whitewash Resolution respectively, are not passed, the Group’s ability to continue as a going concern will be adversely affected. Shareholders may lose all of their investments in the Company in the event that the Company is liquidated due to its net liabilities position.

Barring unforeseen circumstances, Shareholders may be able to recoup part of their investment amount should the Company continue to operate as a going concern upon the successful implementation of the Scheme.

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5.5.5. Absence of alternative debt restructuring proposals

As at the Latest Practicable Date, only the Scheme has been approved by Scheme Creditors and sanctioned by the Court. The Company may or may not be able to secure a separate debt restructuring proposal that will be approved by creditors and/or sanctioned by the Court if the Scheme is not carried out.

5.5.6. Implications of the Proposed UOB Whitewash Resolution

By voting in favour of the Proposed UOB Whitewash Resolution, the Independent Shareholders are waiving their rights to a general offer from UOB at the highest price paid by the UOB Group for the Shares in the past six months preceding the commencement of the offer.

5.5.7. Residual value of the Group in the event of winding-up or liquidation

In view of the NL position of the Group based on the audited financial statements of the Group as at 31 December 2017, it appears unlikely that Shareholders would be able to realise any value from their Shares in the event of a winding-up or liquidation of the Group in the absence of a successful debt restructuring exercise.

5.5.8. Abstention from voting

As set out in Section 10 of the Circular, we note that:

- (a) Each of James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee and HLCPL shall abstain and has undertaken that his/its associates shall abstain from voting on ordinary resolution 1 and ordinary resolution 4, in relation to the Share Distribution and the Proposed IPT respectively. Each of James Kuah Geok Lin, Paul Kuah Geok Khim, Quah Yoke Hwee, HLCPL and his/its associates shall not accept nominations to act as proxy, corporate representative or attorney, unless the Shareholders appointing each of one of them indicate clearly how votes are to be cast in respect of such ordinary resolutions; and
- (b) As required under the waiver letter by the SIC dated 5 March 2018, the UOB Group shall abstain, and shall procure that parties not independent of them abstain from voting on ordinary resolution 2 and ordinary resolution 5. The UOB Group shall not accept nominations to act as proxy, corporate representative or attorney, unless the Shareholders appointing them indicate clearly how votes are to be cast in respect of such ordinary resolutions.

As at the Latest Practicable Date, the UOB Group does not hold any Shares and any instruments convertible into, rights to subscribe for and options in respect of Shares. The UOB Group will not acquire any Shares or instruments convertible into and options in respect of Shares (other than the Scheme Shares to be issued to UOB) until the date Independent Shareholders' approval is obtained for the Proposed UOB Whitewash Resolution.

APPENDIX B

6. OUR OPINION

In arriving at our opinion in respect of the Selected Transactions, we have taken into consideration the factors which we consider to be relevant and to have a significant bearing on our assessment of the Selected Transactions. We have carefully considered factors which we deem essential and balance them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information which we have taken into account, be read in its entirety.

Based on our analysis, and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that (i) the Proposed IPT, from a financial perspective, is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders; and (ii) the financial terms of the Share Distribution under the Scheme, being the subject of the Proposed UOB Whitewash Resolution, are fair and reasonable and are not prejudicial to the interests of the Independent Shareholders.

Accordingly, we advise the Independent Directors to recommend that the Independent Shareholders vote in favour of the resolutions for the Proposed IPT and the Proposed UOB Whitewash Resolution.

We have prepared this IFA Letter pursuant to Rule 921(4) of the Listing Manual and for the use by the Independent Directors in their consideration of the Proposed IPT. This IFA Letter is also addressed to the Independent Directors for their use in their consideration of the Proposed UOB Whitewash Resolution. We wish to highlight that any recommendations made by them to the Independent Shareholders in respect of the Proposed IPT and Proposed UOB Whitewash Resolution shall remain their sole responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any purposes (other than for the consideration of the Proposed IPT and the Proposed UOB Whitewash Resolution) at any time and in any manner without the prior written consent of ZICO Capital.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
ZICO Capital Pte. Ltd.

Alex Tan
Chief Executive Officer

Karen Soh
Managing Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

HOE LEONG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 1994984333W)

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 12 April 2018 issued by Hoe Leong Corporation Ltd. to its shareholders (the “Circular”).

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Hoe Leong Corporation Ltd. (the “**Company**”) will be held on 27 April 2018 at 11.00 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) (or any adjournment thereof) at No. 6 Clementi Loop, Copenhagen Meeting Room, 4th Floor, Singapore 129814 for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions:—

ORDINARY RESOLUTION 1: THE PROPOSED ISSUE OF UP TO 58,247,211,237 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “SCHEME SHARES”) TO THE ENTITLED SCHEME CREDITORS PURSUANT TO THE SHARE DISTRIBUTION UNDER THE SCHEME

That subject to and contingent upon the passing of Ordinary Resolutions 2, 3, 4 and 5:

- (i) the Directors are hereby authorised to allot and issue up to 58,247,211,237 Scheme Shares at the Issue Price, subject to and in accordance with the terms and conditions of the Share Distribution, to the Scheme Creditors, credited as fully paid-up, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, pursuant to the Share Distribution under the Scheme; and
- (ii) the Directors are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Ordinary Resolution 1.

ORDINARY RESOLUTION 2: THE PROPOSED TRANSFER OF CONTROLLING INTEREST TO UOB

That subject to and contingent upon the passing of Ordinary Resolutions 1, 3, 4 and 5:

- (i) the Directors are hereby authorised to allot and issue up to 19,122,401,915 Scheme Shares at the Issue Price, subject to and in accordance with the terms and conditions of the Share Distribution, to UOB, credited as fully paid-up, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, constituting the transfer of a controlling interest in the Company to UOB within the ambit of Rule 803 of the Listing Manual; and
- (ii) the Directors are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Ordinary Resolution 2.

ORDINARY RESOLUTION 3: THE PROPOSED TRANSFER OF CONTROLLING INTEREST TO DBS

That subject to and contingent upon the passing of Ordinary Resolutions 1, 2, 4 and 5:

- (i) the Directors are hereby authorised to allot and issue up to 10,800,957,758 Scheme Shares at the Issue Price, subject to and in accordance with the terms and conditions of the Share Distribution, to DBS, credited as fully paid-up, free from all liens, charges and other

NOTICE OF EXTRAORDINARY GENERAL MEETING

encumbrances and ranking *pari passu* in all respects with the then existing Shares, constituting the transfer of a controlling interest in the Company to DBS within the ambit of Rule 803 of the Listing Manual; and

- (ii) the Directors are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Ordinary Resolution 3.

ORDINARY RESOLUTION 4: THE PROPOSED ISSUE OF UP TO 14,041,905,260 SCHEME SHARES TO HOE LEONG CO. (PTE.) LTD., A CONTROLLING SHAREHOLDER OF THE COMPANY, AS AN INTERESTED PERSON TRANSACTION

That subject to and contingent upon the passing of Ordinary Resolutions 1, 2, 3 and 5:

- (i) the Directors are hereby authorised to allot and issue up to 14,041,905,260 Scheme Shares at the Issue Price, subject to and in accordance with the terms and conditions of the Share Distribution, to Hoe Leong Co. (Pte.) Ltd., credited as fully paid-up, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, constituting an interested person transaction between the Company and Hoe Leong Co. (Pte.) Ltd.; and
- (ii) the Directors are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Ordinary Resolution 4.

ORDINARY RESOLUTION 5: THE PROPOSED UOB WHITEWASH RESOLUTION

That subject to and contingent upon the passing of Ordinary Resolutions 1, 2, 3 and 4:

Subject to the satisfaction of all the conditions set out in the Securities Industry Council's letter dated 5 March 2018, Shareholders (other than the UOB Group and parties not independent of them) do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the UOB Group for all the issued Shares not already owned or controlled by them following the allotment and issue of Scheme Shares to UOB pursuant to the Share Distribution under the Scheme in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and Chief Executive Officer

12 April 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:—

- (i) A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) A member of the Company which is a corporation is entitled to appoint its authorised representative or not more than two proxies to vote on its behalf.
- (iii) The instrument appointing a proxy must be deposited at the office of the Company at No. 6 Clementi Loop, Singapore 129814, not later than 48 hours before the time appointed for holding the Extraordinary General Meeting or any postponement or adjournment thereof. Completion and return of the Proxy Form by a member will not prevent him from attending and voting at the Extraordinary General Meeting if he so wishes. In such event, the relevant Proxy Form will be deemed to be revoked.
- (iv) The instrument appointing a proxy must be signed by the appointer or his attorney duly authorised in writing. Where the instruction appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

HOE LEONG CORPORATION LTD.

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

IMPORTANT:

1. For investors who have used their CPF monies to buy the Company's shares, this Circular to Shareholders dated 12 April 2018 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, _____ *NRIC/Passport No. _____
of _____
being *a member/members of HOE LEONG CORPORATION LTD. (the "Company"), hereby appoint:—

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy	
			Number of Shares	%

*and/or

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or failing *him/them, the Chairman of the Extraordinary General Meeting as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at No. 6 Clementi Loop, Copenhagen Meeting Room, 4th Floor, Singapore 129814 on 27 April 2018 at 11.00 a.m. (or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) and at any adjournment thereof.

Note: Please indicate with an "x" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out hereunder. In the absence of specific directions or in the event of any item arising at the Extraordinary General Meeting not summarised below, the *proxy/proxies may vote or abstain from voting as *he/they may think fit.

Ordinary Resolutions	For	Against
To approve proposed issue of up to 58,247,211,237 Scheme Shares to the Entitled Scheme Creditors pursuant to the Share Distribution under the Scheme (<i>Ordinary Resolution 1</i>)		
To approve the Proposed Transfer of Controlling Interest to UOB (<i>Ordinary Resolution 2</i>)		
To approve the Proposed Transfer of Controlling Interest to DBS (<i>Ordinary Resolution 3</i>)		
To approve the proposed issue of up to 14,041,905,260 Scheme Shares to Hoe Leong Co. (Pte.) Ltd, a controlling shareholder of the Company, as an interested person transaction (<i>Ordinary Resolution 4</i>)		
To approve the Proposed UOB Whitewash Resolution (<i>Ordinary Resolution 5</i>)		

Dated this _____ day of _____ 2018

Total number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

*Signature(s) of Member(s)/
Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF



IMPORTANT NOTES TO PROXY FORM:--

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50, of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the above Extraordinary General Meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's office at No.6 Clementi Loop, Singapore 129814 not less than 48 hours before the time appointed for the Extraordinary General Meeting.
4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50, of Singapore.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

