

**DISPOSAL OF PROPERTY**

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The Board of Directors (the “**Board**”) of Hoe Leong Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Ho Leong Tractors Sdn. Bhd. (“**HLT**”) has granted an option (the “**Option**”) to Seng Li Marketing Sdn. Bhd. (the “**Buyer**”), an automobile parts and accessories dealer incorporated in Malaysia, to purchase HLT’s Property (as described below) in Malaysia (the “**Proposed Disposal**”) for an aggregate consideration of RM10.8 million (Ringgit Malaysia Ten Million Eight Hundred Thousand) (equivalent to approximately S\$3.4 million) (the “**Purchase Price**”). The Buyer has exercised the Option on 13 July 2022.

**1. Introduction**

The Property is the freehold land of gross land area measuring approximately 6,980 square metres, together with one (1) unit of single-storey detached factory with an annexed double-storey office building, one (1) unit of double-storey detached factory with an annexed double-storey office building and other ancillary buildings erected thereon located at No. 16 Jalan Firma 2/1, Kawasan Perindustrian Tebrau 1, 81100 Johor Bahru, Malaysia (the “**Property**”). The Property is currently tenanted to Ho Leong Precision Stamping Sdn. Bhd. on a month-to-month basis.

**2. Purchase Price**

The Purchase Price was arrived at on a willing-buyer, willing-seller basis, taking into consideration, inter alia, the valuation of the Property based on the Valuation Reports (see paragraph 4), and relevant enquiries and references by the Group in relation to the current market prices of freehold properties of similar size in the vicinity.

The Purchase Price is payable as follows:

- (a) prior to grant of the Option, the Buyer shall deposit RM 216,000 (“**Earnest Deposit**”) representing 2% of the Purchase Price with the Buyer’s solicitors as stakeholders;
- (b) upon acceptance of the Option, the Buyer shall pay RM 324,000 (“**Option Fee**”) representing 3% of the Purchase Price to the Buyer’s solicitors as stakeholders;
- (c) upon the Buyer’s acceptance of the Option, the Earnest Deposit and Option Fee shall be released to HLT’s solicitors;
- (d) upon signing of the sale and purchase agreement (“**SPA**”) in respect of the Proposed Disposal, the Buyer shall pay RM 324,000 representing 3% of the Purchase Price to the Buyer’s solicitors as stakeholders. This amount shall be payable to the Director General of Inland Revenue Malaysia in accordance with the Real Property Gains Tax Act of Malaysia at the relevant time. The Buyer shall also pay RM 216,000 representing 2% of the Purchase Price to the Buyer’s solicitors as stakeholders;

- (e) within 3 months from the date of the SPA ("**Completion Period**"), the balance Purchase Price of RM 9,720,000 ("**Balance Purchase Price**") shall be paid by the Buyer to HLT.

As at the date of this announcement, HLT has received the Earnest Deposit and Option Fee. In the event the Buyer is unable to pay the Balance Purchase Price within the Completion Period, there shall be an automatic extension of one (1) month commencing on the day immediately following the expiry of the Completion Period ("**Extended Completion Period**"), subject to payment of interest at 1% per annum calculated on a daily basis on the outstanding balance until full settlement thereof. In the event the outstanding balance cannot be settled within the Extended Completion Period, such other date shall be mutually agreed upon by the Parties and the interest rate of 8% per annum calculated on a daily basis on the outstanding balance, until full settlement thereof, shall be imposed.

### 3. Principal Terms of the Option

Option is granted for the Buyer to purchase the Property on an as is where is basis and with legal possession. The Buyer shall take over the existing tenancy.

The SPA is to be signed by the Parties no later than 12 August 2022, or such later date as may be mutually agreed upon. In the event the SPA is not signed within the aforesaid deadline: (a) the Earnest Deposit and the Option Fee shall be forfeited by the Buyer; and (b) the Option shall be terminated.

### 4. Valuation of the Property

Based on a valuation as at 31 December 2021 and an update valuation as at 24 June 2022 commissioned by HLT (the "**Valuation Reports**"), the aggregate fair value of the Property (which approximates its open market value) is RM10.5 million (equivalent to approximately S\$3.3 million).

The cost approach of valuation was adopted in arriving at the fair value of the subject property. The cost approach involves the valuation of land by comparison with evidence of values of comparable land and adding to it the current replacement cost of building less depreciation, if necessary. The current replacement cost involves the construction cost, financing charges, advertising charges, professional fees, other incidental expenses and developer's profit.

As at 31 December 2021, the net book value of the Property was S\$0.6 million. The estimated gain on disposal of the Property, after deducting fees payable to property agent and legal counsels, real property gain tax and other related costs, is S\$2.5 million.

### 5. Rationale and use of proceeds

The Property is not used by the Group for its operations and part of the Property is rented to a related party, Ho Leong Precision Stamping Sdn Bhd ("**HLPS**"). Substantial shareholder of the Company, Kuah Geok Lin, has a 51% equity stake in HLPS. The Board is of the view that the Proposed Disposal would enable the Group to realise the fair value of the Property and further reduce its gearing and that would be in the best interests of the Group given the current uncertain global economic climate.

The estimated net proceed from the Proposed Disposal, after deducting fees payable to property agent and legal counsels, real property gain tax and other related costs, is S\$3.1 million. S\$1.8 million of the net proceeds will be used to repay a term loan that is secured by the Property. The balance of the net proceed (i.e. S\$1.3 million) will be used for the Group's working capital purposes.

## 6. Relative Figures Computed Pursuant to Rule 1006 of the Listing Manual

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and based on the consolidated accounts of the Group for the financial year ended 31 December 2021 ("**FY2021**"), being the latest announced consolidated accounts, are set out below:

Rule 1006 of the Listing Manual	Bases	Relative figures
(a)	Net asset value of assets to be disposed of compared with the Group's net asset value <sup>(1)</sup>	4.3% <sup>(2)</sup>
(b)	Net profits attributable to the assets to be disposed, compared with the Group's net profits <sup>(3)</sup>	2.8% <sup>(4)</sup>
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	12.4% <sup>(5)</sup>
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

- (1) "Net asset" means total assets less total liabilities.
- (2) The net asset value of the Property was S\$0.6 million as at 31 December 2021. The Group's net asset value as at 31 December 2021 was S\$14.0 million.
- (3) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (4) Based on consolidated accounts of the Group for FY2021, the net profit attributable to the Property was S\$50,000 and the Group's net profits for FY2021 was S\$1.8 million.
- (5) The Company's market capitalization on 12 July 2022, being the last market day preceding the date of exercise of the Option, is S\$27.5 million and was computed by multiplying the Company's 13,750,157,828 issued ordinary shares (excluding treasury shares) by the weighted average price of S\$0.002 per share on 12 July 2022.

As the relative figures computed under Rule 1006 (c) of the Listing Manual exceeds 5.0% but not 20.0%, the Proposed Disposal constitutes a “Discloseable Transaction” as defined under Chapter 10 of the Listing Manual and approval from the Company’s shareholders is not required.

## 7. Financial Effects of the Proposed Disposal

For illustrative purposes only, the financial effects of the Proposed Disposal are based on the Group’s financial statements for the financial year ended 31 December 2021 (“FY2021”), being the most recently completed financial year.

### 7.1 Net tangible assets (“NTA”) per share

Effects on NTA assuming that the Proposed Disposal was completed on 31 December 2021:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$’000) <sup>(1)</sup>	14,041	16,508
Number of issued shares (‘000)	6,271,035	6,271,035
NTA per share (cents)	0.22	0.26

Note:

(1) NTA refers to total assets less total liabilities and intangible assets, net of non-controlling interests.

### 7.2 Earnings per share (“EPS”)

Effects on EPS assuming that the Proposed Disposal was completed on 1 January 2021:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to owners (S\$’000)	2,068	4,486 <sup>(1)</sup>
Weighted average number of issued shares (‘000)	5,962,194	5,962,194
EPS (cents)	0.03	0.08

Note:

(1) The financial effects are determined based on the estimated gain on disposal amounting to S\$2.5 million (after deducting fees payable to property agent and legal counsels, real property gain tax and other related costs) and deducting profit of S\$50,000 attributable to the Property in FY2021.

## **8. Interests of Directors and Controlling Shareholders; Service Contracts**

None of the Directors (other than in his capacity as Director or shareholder of the Company, as the case may be) of the Company has any interest, direct or indirect in the Proposed Disposal. To the best of the knowledge of the Board, save as disclosed in this Announcement, there are no substantial shareholders in the Company who have any interest, direct or indirect, in relation to the Proposed Disposal.

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## **9. Documents for Inspection**

Copies of the Valuation Reports and Option will be made available for inspection during normal business hours at the registered office of the Company (6 Clementi Loop Singapore 129814) for a period of three (3) months from the date of this announcement.

## **10. Further Announcements**

There is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will be completed or that no changes will be made to the respective terms thereof. The Company will make further announcements in relation the Proposed Disposal as and when there are material developments.

BY ORDER OF THE BOARD

Liew Yoke Pheng Joseph  
Executive Chairman and CEO  
13 July 2022