

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of Hong Leong Asia Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the "**Rights Issue**") of up to 374,678,559 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S\$0.54 (the "**Issue Price**") for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company (the "**Shares**") held by Entitled Shareholders (as defined herein) as at a books closure date to be determined by the Directors (the "**Books Closure Date**").

The Rights Issue is subject to, *inter alia*, the approval of the shareholders of the Company (the "**Shareholders**"), which will be sought at an extraordinary general meeting ("**EGM**") of the Company to be convened.

The Company has appointed DBS Bank Ltd. as the manager of the Rights Issue (the "**Manager**").

2. PRINCIPAL TERMS OF THE RIGHTS ISSUE

The terms and conditions of the Rights Issue are subject to such changes as the Board may, after consultation with the Manager and in its absolute discretion, deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement (the "**Offer Information Statement**") in connection with the Rights Issue, to be lodged with the Monetary Authority of Singapore ("**Authority**") and to be despatched by the Company to the Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights Issue at the EGM. The principal terms and conditions of the Rights Issue are set out below.

2.1 Basis of Provisional Allotment

The Rights Issue is proposed to be made on a renounceable non-underwritten basis to all Shareholders who are eligible to participate in the Rights Issue (the "**Entitled Shareholders**"), on the basis of one (1) Rights Share for every one (1) existing Share held by the Entitled Shareholders as at the Books Closure Date.

2.2 Size of the Rights Issue

As at the date of this announcement, the Company has an issued and paid-up share capital of 373,908,559 Shares (the "**Existing Issued Share Capital**") and 770,000 outstanding share options (the "**Outstanding Share Options**") granted under the Hong Leong Asia Share Option Scheme 2000, which are exercisable into 770,000 new Shares. Save for the Outstanding Share Options, the Company does not have any other outstanding convertible securities as at the date of this announcement.

Based on the Existing Issued Share Capital:

- (a) assuming that (i) all of the Outstanding Share Options are exercised before the Books Closure Date; and (ii) the Rights Issue is fully subscribed for, 374,678,559 Rights Shares will be issued pursuant to the Rights Issue (the "**Maximum Scenario**"); and
- (b) assuming that (i) none of the Outstanding Share Options are exercised before the

Books Closure Date; (ii) none of the other Shareholders (other than the Undertaking Shareholder (as defined in paragraph 3.1 below)) or purchasers of the "nil-paid" rights during the "nil-paid" rights trading period subscribe and pay for any Rights Shares; and (iii) only the Undertaking Shareholder subscribes and pays for in full, the HLCH Entitlement (as defined in paragraph 3.1(d) below) and the HLCH Excess Application (as defined in paragraph 3.1(e) below) in accordance with the Irrevocable Undertaking (as defined in paragraph 3.1 below), 373,908,559 Rights Shares will be issued pursuant to the Rights Issue (the "**Minimum Scenario**").

2.3 Issue Price

The Issue Price of S\$0.54 for each Rights Share represents:

- (a) a discount of approximately 34.1% to the closing price of S\$0.82 per Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 14 August 2018 (being the last market day on which the Shares were traded on the SGX-ST immediately prior to the release of this announcement) (the "**Last Traded Price**"); and
- (b) a discount of approximately 20.6% to the theoretical ex-rights price ("**TERP**")¹ of approximately S\$0.680 per Share based on the Last Traded Price.

2.4 Ranking of the Rights Shares

The Rights Shares will be payable in full on acceptance and/or application and shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the record date for which falls on or after the date of issue of the Rights Shares.

For this purpose, "record date" means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may be notified by the Company) on which Shareholders must be registered with the Company, the Company's share registrar, M & C Services Private Limited (the "**Share Registrar**"), or The Central Depository (Pte) Limited ("**CDP**"), as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

2.5 Non-Underwritten Rights Issue

The Rights Issue will not be underwritten. The Company has decided to undertake the Rights Issue on a non-underwritten basis in view of the Irrevocable Undertaking and the savings in cost enjoyed by the Company in respect of underwriting fees.

On the basis that the Irrevocable Undertaking is fulfilled by the Undertaking Shareholder, the net proceeds from the Minimum Scenario will be sufficient to meet the Company's present funding requirements.

3. IRREVOCABLE UNDERTAKING

3.1 Terms of the Irrevocable Undertaking

As at the date of this announcement, Hong Leong Corporation Holdings Pte Ltd (the "**Undertaking Shareholder**") owns, directly and/or indirectly, 239,664,000 Shares representing approximately 64.10% of the Existing Issued Share Capital, and does not own any instruments convertible into, rights to subscribe for, or options in respect of, the Shares.

¹ TERP of each Share is calculated based on the following formula, assuming completion of the Rights Issue based on the Minimum Scenario:

$$\text{TERP} = \frac{\text{Market capitalisation of the Company based on the Last Traded Price} + \text{gross proceeds from the Rights Issue}}{\text{Number of Shares after completion of the Rights Issue}}$$

To demonstrate its confidence in the Rights Issue and its commitment and support to the Company, the Undertaking Shareholder has executed a deed of irrevocable undertaking dated 14 August 2018 (the "**Irrevocable Undertaking**") in favour of the Company, pursuant to which it has irrevocably undertaken to the Company, *inter alia*, that:

- (a) as at the Books Closure Date, it will own, directly and/or indirectly, no less than 239,664,000 Shares (the "**Undertaken Shares**");
- (b) it will not sell, transfer or otherwise dispose of the Undertaken Shares on or prior to the Books Closure Date;
- (c) it will vote, and procure that the relevant persons will vote, in respect of the Undertaken Shares, in favour of the resolutions to be proposed at the EGM to approve the Rights Issue;
- (d) it will, by way of acceptance, subscribe and pay for (or procure subscription and payment for) in full at the Issue Price, an aggregate of 239,664,000 Rights Shares (the aggregate value of which is approximately S\$129.4 million based on the Issue Price) to be provisionally allotted to it on the basis of the Undertaken Shares (the "**HLCH Entitlement**"); and
- (e) it will, by way of excess application, subscribe and pay for, at the Issue Price, all the Rights Shares which are not taken up by the other Shareholders who are eligible to participate in the Rights Issue or their renounees by way of acceptances and/or excess applications (subject to availability) (the "**HLCH Excess Application**").

On the basis of the Irrevocable Undertaking, the Rights Issue will be subscribed for in full.

The Irrevocable Undertaking is subject to:

- (i) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST and if such approval is granted subject to conditions, such conditions being acceptable to the Company and the Undertaking Shareholder, and such approval not having been withdrawn or revoked on or prior to the completion of the Rights Issue;
- (ii) the approval of the Shareholders at the EGM to be convened for the Rights Issue; and
- (iii) the lodgment of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights Issue with the Authority.

The Undertaking Shareholder will procure the delivery to the SGX-ST of a confirmation from a bank that the Undertaking Shareholder has sufficient financial resources to satisfy the full payment for the HLCH Entitlement and the HLCH Excess Application.

3.2 Resultant Shareholdings of the Undertaking Shareholder pursuant to the Irrevocable Undertaking

Pursuant to the Irrevocable Undertaking and immediately following the completion of the Rights Issue, the shareholding of the Undertaking Shareholder in the Company will be as follows:

- (a) assuming that the Undertaking Shareholder only subscribes and pays for in full the HLCH Entitlement under the Maximum Scenario, it will own, directly and/or indirectly, 479,328,000 Shares representing approximately 63.97% of the enlarged share capital of the Company of 749,357,118 Shares; and
- (b) assuming that the Undertaking Shareholder subscribes and pays for in full the HLCH Entitlement and the HLCH Excess Application under the Minimum Scenario, it will own, directly and/or indirectly, 613,572,559 Shares representing approximately 82.05% of the enlarged share capital of the Company of 747,817,118 Shares.

4. RATIONALE FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is undertaking the Rights Issue to raise funds to expand the capital base of the Group, provide additional resources for business expansion, and to enhance the financial flexibility of the Group to capitalise on potential growth opportunities.

The Rights Issue will also provide Shareholders with an opportunity to maintain their equity participation in the Company.

The Company intends to utilise the net proceeds from the Rights Issue (the "**Net Proceeds**") for the following purposes, details of the breakdown are set out below:

- (a) the partial repayment of a loan (the "**Acquisition Loan**"), a portion of which was used to finance the consideration of approximately S\$14.0 million for the acquisition of a 51% stake in a piece of land at Pulau Punggol Barat, Singapore with a 30-year lease (the "**Land**"). The Company announced the award of the tender on 27 July 2018;
- (b) to finance the construction of a fully mechanised integrated precast plant with state of art technology (the "**Plant**") on the Land for an aggregate amount of approximately S\$60.0 million;
- (c) the repayment of loans and other indebtedness of the Group (other than the Acquisition Loan) of up to S\$25.0 million; and
- (d) the balance for the general corporate purposes including general and working capital requirements of the Group or making strategic investments and/or acquisitions.

Assuming the Maximum Scenario, the Net Proceeds (after deducting estimated expenses of approximately S\$0.6 million) is expected to be approximately S\$201.7 million and the Company intends to use the Net Proceeds in the following manner:

Use of the Net Proceeds	Percentage of the Net Proceeds (%)
(a) Repayment of Acquisition Loan	6.9
(b) Construction of the Plant	29.8
(c) Repayment of other loans ²	12.4
(d) General corporate purposes or making strategic investments and/or acquisitions ²	50.9

Assuming the Minimum Scenario, the Net Proceeds (after deducting estimated expenses of approximately S\$0.6 million) is expected to be approximately S\$201.3 million and the Company intends to use the Net Proceeds in the following manner:

Use of the Net Proceeds	Percentage of the Net Proceeds (%)
(a) Repayment of Acquisition Loan	7.0
(b) Construction of the Plant	29.8
(c) Repayment of other loans ²	12.4
(d) General corporate purposes or making strategic investments and/or acquisitions ²	50.8

² Based on an amount of S\$25.0 million utilised for the repayment of other loans.

The above allocations are based on the Maximum Scenario and the Minimum Scenario only. In the event the Net Proceeds fall in between the Maximum Scenario and the Minimum Scenario, the Company will make the necessary announcements on the allocations when the final Net Proceeds have been determined. It is anticipated that the allocations would not deviate significantly from the above illustrations.

Pending the deployment of the Net Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities and/or used for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed, and whether such use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial results announcement(s) and in the Company's annual report(s), until such time the Net Proceeds have been fully utilised. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

Where the Net Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in its announcements and annual reports.

5. CONDITIONS FOR THE RIGHTS ISSUE

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

- (a) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST;
- (b) the approval of the Shareholders at the EGM to be convened for the Rights Issue; and
- (c) the lodgment, by the Company, of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights Issue, with the Authority.

The Company will be applying to the SGX-ST to seek its in-principle approval for the listing of and quotation for the Rights Shares on the SGX-ST.

6. ELIGIBILITY TO PARTICIPATE IN THE RIGHTS ISSUE

6.1 Eligibility to Participate

The Company will provisionally allot the Rights Shares to the Entitled Shareholders, comprising Entitled Depositors and Entitled Scripholders (each as defined herein), on the basis of their shareholdings as at the Books Closure Date. Entitled Shareholders will be entitled to participate in the Rights Issue and receive the Offer Information Statement together with the appropriate application forms and accompanying documents at their respective Singapore addresses as maintained with the records of the CDP or the Share Registrar, as the case may be.

6.2 Entitled Depositors

Entitled Depositors are Shareholders with Shares standing to the credit of their securities accounts (the "**Securities Account**") with CDP and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have provided CDP with addresses in Singapore for the service of notices and documents not later than 5.00 p.m. (Singapore time) on the date falling three (3) Market Days³ prior to the Books Closure Date (the "**Entitled**

³ "**Market Day**" means a day on which the SGX-ST is open for trading in securities.

Depositors").

Entitled Depositors will be provisionally allotted the Rights Shares on the basis of the number of Shares standing to the credit of their Securities Accounts as at 5.00 p.m. (Singapore time) on the Books Closure Date.

6.3 Entitled Scripholders

Entitled Scripholders are Shareholders whose (i) share certificates are not deposited with CDP, (ii) Shares are registered in their own names, and (iii) registered addresses with the Share Registrar are in Singapore as at the Books Closure Date or who have provided the Share Registrar with addresses in Singapore for the service of notices and documents not later than 5.00 p.m. (Singapore time) on the date falling three (3) Market Days prior to the Books Closure Date, and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date (the "**Entitled Scripholders**").

Entitled Scripholders will have to submit duly completed and stamped transfers in respect of Shares not registered in the name of CDP, together with all relevant documents of title, so as to be received up to 5.00 p.m. (Singapore time) on the Books Closure Date by the Share Registrar, in order to be registered to determine provisional allotments of Rights Shares.

6.4 CPF Investment Scheme

Shareholders who have previously purchased Shares using their Central Provident Fund ("**CPF**") account savings (the "**CPF Funds**") under the Central Provident Fund Investment Scheme ("**CPFIS**") may only use their CPF Funds for the payment of the Issue Price to subscribe for their provisional allotments of nil-paid Rights Shares and (if applicable) to apply for excess Rights Shares, subject to the applicable CPF rules and regulations. Such Shareholders who wish to accept provisional allotments of the Rights Shares and (if applicable) apply for excess Rights Shares using CPF Funds will need to instruct their respective approved CPF agent banks with whom they hold their CPF investment accounts, to accept the provisional allotments of the Rights Shares and (if applicable) apply for excess Rights Shares on their behalf in accordance with the terms and conditions in the Offer Information Statement. CPF Funds may not be used to purchase provisional allotments of nil-paid Rights Shares directly from the market.

6.5 Foreign Shareholders

The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various securities laws requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Offer Information Statement and its accompanying documents will NOT be despatched to Shareholders with registered addresses outside Singapore and who have not, at least three (3) Market Days prior to the Books Closure Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**") and accordingly, the Rights Shares will NOT be offered to Foreign Shareholders.

The Offer Information Statement and its accompanying documents will not be despatched, lodged, registered or filed in any jurisdiction other than Singapore. Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue. As Foreign Shareholders will not be entitled to participate in the Rights Issue, no provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance thereof or application for any excess Rights Shares therefor by any Foreign Shareholder will be valid.

The Offer Information Statement and its accompanying documents will also NOT be despatched to persons purchasing entitlements to Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore (the "**Foreign Purchasers**"). Foreign Purchasers may not accept any "nil-paid" rights credited

to their Securities Account unless the Company and its counsel are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Entitlements to Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders will, if practicable to do so and at the absolute discretion of the Company, be sold "nil-paid" on the SGX-ST, as soon as practicable, after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto. The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the depository register maintained by CDP as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall be dealt with as the Board may, in its absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager and/or CDP in connection therewith.

Where the provisional allotments of Rights Shares are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, CDP, the Share Registrar and/or their respective officers in connection therewith. If such provisional allotments of Rights Shares cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the new Shares represented by such provisional allotments will be allotted and issued to satisfy applications for excess Rights Shares or disposed of or dealt with in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, CDP, the Share Registrar and/or their respective officers in connection therewith.

SHAREHOLDERS WITH REGISTERED ADDRESSES OUTSIDE SINGAPORE WHO WISH TO PARTICIPATE IN THE RIGHTS ISSUE MAY PROVIDE AN ADDRESS IN SINGAPORE FOR THE SERVICE OF NOTICES AND DOCUMENTS BY NOTIFYING IN WRITING, AS THE CASE MAY BE, (I) THE CENTRAL DEPOSITORY (PTE) LIMITED AT 9 NORTH BUONA VISTA DRIVE, #01- 19/20 THE METROPOLIS TOWER 2, SINGAPORE 138588 OR (II) M & C SERVICES PRIVATE LIMITED AT 112 ROBINSON ROAD, #05-01, SINGAPORE 068902, IN EACH CASE, AT LEAST THREE (3) MARKET DAYS PRIOR TO THE BOOKS CLOSURE DATE.

6.6 Provisional Allotments and Excess Applications

Entitled Shareholders will be at liberty to accept in full or in part, decline or otherwise renounce or, in the case of Entitled Depositors only, trade (during the "nil-paid" rights trading period prescribed by the SGX-ST) their provisional allotments of the Rights Shares and will also be eligible to apply for Rights Shares in excess of their provisional allotments under the Rights Issue.

Entitlements which are not allotted or taken up for any reason (including any fractions of a Rights Share) will be aggregated and issued to satisfy applications, if any, for excess Rights Shares or otherwise disposed of or dealt with in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company.

In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, and the Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation

and/or sales of the provisional allotments of the Rights Shares and for the applications for excess Rights Shares, including each different mode of acceptance or application and payment, will be contained in the Offer Information Statement and the relevant application forms.

7. THE CIRCULAR AND THE OFFER INFORMATION STATEMENT

A circular containing, amongst others, the notice of the EGM and the terms and conditions of the Rights Issue will be despatched to Shareholders in due course. Thereafter, the Offer Information Statement will be despatched by the Company, together with the application form for the Rights Shares and excess Rights Shares or the provisional allotment letter, as the case may be, to the Entitled Shareholders following the EGM in due course.

8. ADJUSTMENTS TO SHARE OPTIONS

Adjustments may be made to the number and/or exercise price of the Outstanding Share Options as a result of the Rights Issue. The Company will in due course make the relevant announcement and notify holders of the Outstanding Share Options of such adjustments, if any.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The following substantial shareholders of the Company have shareholding interests in the Undertaking Shareholder:

- (a) Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**") and Hong Leong Enterprises Pte. Ltd. ("**HLE**") hold shares in the capital of the Undertaking Shareholder;
- (b) HLIH is also deemed to have an interest in the shares of the Undertaking Shareholder held by HLE; and
- (c) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed to have an interest in the shares of the Undertaking Shareholder held by HLIH and HLE.

The following Directors are also officers and/or shareholders of the following companies:

- (i) Mr Kwek Leng Peck is a director of the Undertaking Shareholder, HLIH and HLE;
- (ii) Mr Kwek Leng Peck has direct shareholding interests in HLIH; and
- (iii) Mr Philip Ting Sii Tien @ Yao Sik Tien is the Group General Manager of the Undertaking Shareholder.

Mr Ng Sey Ming, a Non-Executive Director, is a partner of Messrs Rajah & Tann Singapore LLP, the Singapore legal advisers to the Company in connection with the Rights Issue.

Save as disclosed in this announcement and save for their interests arising by way of their shareholdings in the Company and/or directorships in the Group, as the case may be, none of the Directors and substantial Shareholders has any interest, direct or indirect, in the Rights Issue.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in

this announcement misleading. Where information in this announcement 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 this announcement in its proper form and context.

11. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the Shares as there is no certainty or assurance that the Rights Issue will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors are also advised to read this announcement and any further announcements by the Company carefully, and where in doubt as to the action that they should take, they should consult their financial, tax, legal or other professional adviser(s) immediately.

BY ORDER OF THE BOARD
HONG LEONG ASIA LTD.

Ng Siew Ping, Jaslin
Yeo Swee Gim, Joanne
Company Secretaries

14 August 2018
Singapore