

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

RESPONSE TO SGX-ST QUERIES ON ARKSTAR VOYAGER PTE. LTD.

The Board of Directors (the "Board") of the Company refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX") regarding its announcement on 3 July 2019.

SGX's Query:

- a) Does the letter of demand constitute an event of default?

Company's Response:

UOB issued a letter to Arkstar Voyager Pte Ltd ("AVPL") stating that an event of default had allegedly occurred.

SGX's Query:

- b) Would UOB be allowed to accelerate the repayment?

Company's Response:

UOB has sent AVPL a letter purporting to accelerate the loan.

SGX's Query:

- c) Does the repayment of S\$5,659,426.79 represent the entire loan or an instalment? If it represents an instalment, please provide the total loan amount.

Company's Response:

The amount of S\$5,659,426.79 represents the loan principal and accrued interest up to 31 May 2019.

SGX's Query:

- d) Is the Company a guarantor for Arkstar Voyager Pte. Ltd.? If yes, to what amount?

Company's Response:

The Company provided corporate guarantee of up to S\$9.1 million in respect of AVPL. AVPL's vessel was pledged as collateral to the loan with a corporate guarantee provided by the Company. Under the terms and conditions of the Scheme of Arrangement, the net proceeds from the sale of the vessel will be used to settle the outstanding loans first and then if there is any shortfall, via cash or issuance of shares or a combination of both.

SGX's Query:

- e) Will the letter of demand have a material impact on the operations of the Company and Group?

Company's Response:

The vessel is back on hire and provides a positive contribution to Group's profits. Under a cash sweep mechanism, surplus funds from vessel operations above the reserve sum for operating expenses and contingencies would be used to pay down the outstanding loan owing to UOB. If the vessel was to be disposed off, there could be a reduction in Group profitability, but no immediate impact to the net liquidity position.

SGX's Query:

- f) Are there any cross default clauses and if yes, please clarify the maximum exposure amount.

Company's Response:

The banking facility agreements of the Group contain standard cross default clauses. The maximum exposure for the Group is S\$20.8 million as of 31 May 2019.

The Company has communicated with UOB and will continue to have further discussions with UOB. Currently, UOB owns 28.66% of the Company. UOB has not requested for the sales of the vessel or called the corporate guarantee.

The management believes that the Group is able to continue operations and generate positive operating cashflow.

The Board is of the view that this current action by UOB does not affect the ability of the Group to carry on its business as a going concern. The continued viability of the Group is dependent on the following conditions:

- (i) the continuing support of the Group's financial and trade creditors;
- (ii) 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; and
- (iii) there is no material adverse change in the economic and operating environment that the Group operates in.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and Chief Executive Office
5 July 2019