

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

**RESPONSE TO SGX-ST QUERY ON INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2016**

The Board of Directors (the "Board") of the Company refers to the query raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 11 April 2017.

SGX's Query :

Please provide the Board's confirmation as to whether:-

- (i) the Group can continue as a going concern and the bases for such opinion; and
- (ii) sufficient information has been disclosed by the Company to enable trading to continue in an orderly manner

Company's Response:

As at 31 December 2016, the Group had breached certain covenants on consolidated tangible net worth and debt to equity ratio, as stipulated under the bank facilities agreements. Consequently, bank loans aggregating to \$47,802,000 have been reclassified from non-current liabilities to current liabilities. Subsequent to year end, the Group obtained waivers and/or accommodation of the covenant breaches from the respective banks. The Group also negotiated with certain of its banks to revise certain bank covenants that will take effect from 2017. In addition, the Group has appointed a financial consultant to review its cash flows for the purpose of formulating a debt repayment plan with its bankers.

Management believes that the Group is able to continue operations and generate adequate cash flows to repay, with the financial support of the immediate and ultimate holding company, its debt obligations as and when they fall due within the next twelve months. The Group received an undertaking from the immediate and ultimate holding company to provide the Group with continuing financial support, as is necessary, at least for the next twelve months to enable the Group and Company to continue operations and meet its liabilities as and when they fall due.

The ability of the Group to carry on its business as a going concern is dependent on the following conditions:

- (i) the continuing availability of existing bank facilities and continuing support of the Group's bankers, which includes the agreement of a debt repayment plan to be formulated; and
- (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 there being no material adverse change in the economic and operating environment that the Group operates in.

Please refer also to our Company's announcement dated 10 April 2017 and to Note 2 to the Financial Statements.

At the time of this announcement, based on and having regard to the matters above, the Board is of the opinion there are reasonable grounds to believe that the Company can continue as a going concern.

The Board believes that sufficient information has been disclosed by the Company to enable trading to continue in an orderly manner.

ON BEHALF OF THE BOARD

Kuah Geok Lin
Chairman and Chief Executive Officer
13 April 2017