

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

**INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Pursuant to Rule 704(5) of the Listing Manual, the Board of Directors of Hoe Leong Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the independent auditors, KPMG LLP (the "**Auditors**"), have included an Emphasis of Matter with respect to the material uncertainty related to going concern in their report (the "Independent Auditor's Report") on the financial statements of the Group for the financial year ended 31 December 2017 (the "**Financial Statements**").

Extracts of the Emphasis of Matter in the Independent Auditors' Report and Note 2 to financial statement are attached to this announcement as "Appendix I & II".

The directors would like to refer shareholders to the attached Note 2 to the Financial Statements, which explains the ability of the Company to continue as going concern.

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

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and Chief Executive Officer
10 April 2018

APPENDIX I

EXTRACT OF THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITORS REPORT

Material uncertainty related to going concern

We draw attention to:

- Note 2 to the financial statements which states that the financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of \$47,869,000 for the year ended 31 December 2017 and, as of that date, the Group's current liabilities are in excess of its current assets by \$58,333,000 and is in a net liabilities position of \$28,887,000;
- The Company has embarked on a restructuring Scheme of Arrangement ("Scheme") in relation to its liabilities towards the Group's financial creditors and its controlling shareholder ("Scheme Creditors"). The implementation of the Scheme is conditional upon the fulfilment of a number of conditions, including but not limited to, the receipt of approval-in-principle from the SGX-ST in relation to the listing and quotations of the new ordinary shares to be issued to the Scheme Creditors ("the Scheme Shares"), and the approval of shareholders being obtained for, inter alia, the allotment and issue of Scheme Shares to the Scheme Creditors; and
- The ability of the Group to carry on its business as a going concern is 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. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise amounts at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter.

APPENDIX II

NOTE 2 TO THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Going concern

The financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of \$47,869,000 for the year ended 31 December 2017, and as of that date, the Group's current liabilities are in excess of its current assets by \$58,333,000 and is in a net liabilities position of \$28,887,000.

The Company has embarked on a restructuring plan in relation to its liabilities towards the Group's financial creditors and its controlling shareholder ("Scheme Creditors"). On 17 November 2017, the Company proposed a scheme of arrangement ("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 211 of the Singapore Companies 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 the Accounting and Corporate Regulatory Authority ("ACRA").

The implementation of the Scheme is conditional upon the fulfilment of a number of conditions, including but not limited to, the receipt of approval-in-principle from SGX-ST in relation to the listing and quotation of the new ordinary shares to be issued to the Scheme Creditors ("the Scheme Shares"), and the approval of shareholders being obtained for, inter alia, the allotment and issue of the Scheme Shares to the Scheme Creditors. Management believes that there is no significant difficulty in implementing the Scheme. Upon successful implementation of the Scheme, approximately \$53,898,000 of the loans of the Group will be converted from debt to equity by way of issuing new ordinary shares to the Scheme Creditors and an amount of \$20,678,000 representing secured bank loans as at year end will be restructured and repayable over revised repayment periods.

With the implementation of the Scheme, management believes that the Group is able to continue operations and generate adequate positive cash flows to repay its remaining debt obligations as and when they fall due within the next twelve months. Further, the Group and the Company will return to a net asset position after the issue of the Scheme Shares to the Scheme Creditors.

The ability of the Group to carry on its business as a going concern is 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.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.