

# HOE LEONG CORPORATION LTD.

(the “Company”)

(Company Registration Number 199408433W)

(Incorporated in the Republic of Singapore)

---

## PROPOSED DISPOSAL OF THE GROUP’S VESSELS, ARKSTAR EAGLE 1 AND ARKSTAR EAGLE 3

---

### 1. INTRODUCTION

Hoe Leong Corporation Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following:

- (a) Markstar Marine Sdn Bhd (“**Vendor 1**”), a wholly-owned subsidiary of the Company, had on 7 October 2019 entered into a conditional memorandum of agreement (“**MOA 1**”) with Allianz Offshore Shipmanagement Ltd, an independent third party (the “**Purchaser**”), for the disposal of Arkstar Eagle 1, a vessel owned by Vendor 1, for a consideration of US\$850,000 (equivalent to approximately S\$1,171,000 based on the exchange rate of S\$1 : US\$1.37796 as at 7 October 2019, being the date immediately preceding the date of this announcement); and
- (b) Arkstar Eagle 3 Pte. Ltd. (“**Vendor 2**”) a wholly-owned subsidiary of the Company, had on 7 October 2019 entered into a conditional memorandum of agreement (“**MOA 2**”) with the Purchaser, for the disposal of Arkstar Eagle 3, a vessel owned by Vendor 2, for a consideration of US\$850,000 (equivalent to approximately S\$1,171,000 based on the exchange rate of S\$1 : US\$1.37796 as at 7 October 2019, being the date immediately preceding the date of this announcement),

(collectively, the “**Proposed Disposal**”).

MOA 1 and MOA 2 shall be collectively referred to as the “**MOAs**”. Vendor 1 and Vendor 2 shall be collectively referred to as the “**Vendors**”. Arkstar Eagle 1 and Arkstar Eagle 3 shall be collectively referred to as the “**Vessels**”.

The Proposed Disposal is a “major transaction” as defined under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Listing Manual**”).

Accordingly, the Proposed Disposal is conditional upon the approval of shareholders of the Company (“**Shareholders**”) pursuant to Rule 1014 of the Listing Manual.

### 2. INFORMATION RELATING TO THE PROPOSED DISPOSAL

#### 2.1 Information on the Vessels

Arkstar Eagle 1 is owned by Vendor 1 and Arkstar Eagle 3 is owned by Vendor 2. Both Vendor 1 and Vendor 2 are wholly-owned subsidiaries of the Company.

The Company has appointed VesselsValue Ltd. (the “**Valuer**”), an independent valuer, to perform a valuation on the Vessels for the purposes of the Proposed Disposal. Based on the market valuation certificates dated 19 September 2019 (the “**Valuation Certificates**”) issued by the Valuer, (a) Arkstar Eagle 1 has a market value of US\$0.58 million (equivalent to approximately S\$799,000 based on the exchange rate of S\$1 : US\$1.37796 as at 7 October 2019, being the date immediately preceding the date of this announcement); and (b) Arkstar Eagle 3 has a market value of US\$0.59 million (equivalent to approximately S\$813,000 based on the exchange rate of S\$1 : US\$1.37796 as at 7 October 2019 being the date immediately preceding the date of this announcement).

The valuation for the Vessels had been carried out based on an estimation of the Vessels' market value using the following factors: (i) type; (ii) features; (iii) age; (iv) cargo capacity; and (v) freight earnings.

Based on the unaudited consolidated financial statements of the Group for the financial period ended 30 June 2019, (a) Arkstar Eagle 1 has a net book value of S\$2,754,375; and (b) Arkstar Eagle 3 has a net book value of S\$2,703,328. The aggregate net book value of the Vessels are S\$5,457,703. The net tangible asset value and net book value of each Vessel are the same.

Arkstar Eagle 1 has been mortgaged to Sing Investments & Finance Limited ("**SIF**") and Arkstar Eagle 3 has been mortgaged to RHB Bank Berhad ("**RHB**") (the "**Vessel Loans**"). As at the date of this announcement, the amount due and owing to SIF and RHB is S\$2,434,000 and S\$2,434,000 respectively.

## 2.2 Salient terms of the Proposed Disposal

The Proposed Disposal is conditional upon the following conditions precedent:

- (i) the accounts receivables of US\$159,937.33 due and owing from the Purchaser to Vendor 1 and the accounts receivables of US\$305,395.52 due and owing from the Purchaser to Vendor 2 are to be paid to the Vendors, along with the Consideration (as defined below);
- (ii) the remaining bunker costs on board the Vessels should be invoiced by the Vendors to the Purchaser on the day the Consideration is paid by the Purchaser to the escrow account;
- (iii) RHB's and SIF's approval on the sale of the Vessels from the Vendors to the Purchaser as evidenced by written letter; and
- (iv) the Company obtaining such approval(s), confirmation(s) and/or waiver(s) from the SGX-ST in connection with the MOAs and the transactions contemplated therein as may be necessary, including but not limited to a waiver of Rule 1014 of the Listing Manual (which requires the Company to obtain Shareholders' approval for the Proposed Disposal), and such approval(s), confirmation(s), and/or waiver(s) not having been amended or revoked before the closing date. If the approval(s), confirmation(s) and/or waiver(s) are subject to conditions, such conditions being fulfilled on or before the closing date.

Pursuant to the terms of the MOAs, the proposed completion date of the Proposed Disposal shall be fixed by mutual agreement of the parties. Should the Proposed Disposal fail to be completed within 90 days of the date of signing of the MOAs, the Purchaser shall have the option to terminate the MOAs.

## 3. CONSIDERATION

Based on the MOAs, the consideration for the proposed disposal of Arkstar Eagle 1 is US\$850,000 and the consideration for the proposed disposal of Arkstar Eagle 3 is US\$850,000. Accordingly, the aggregate consideration for the Proposed Disposal is US\$1,700,000 (equivalent to approximately S\$2,343,000 based on the exchange rate of S\$1 : US\$1.37796 as at 7 October 2019, being the date immediately preceding the date of this announcement) (the "**Consideration**"). The Consideration shall be satisfied in full by the Purchaser in cash. The Consideration was arrived at after arms' length negotiations between the Company and the Purchaser and based on a willing-buyer willing-seller basis, having taken into account the market value of the Vessels, based on the Valuation Certificates.

Pursuant to the terms of the MOAs, the Purchaser shall lodge the entire Consideration and the remaining bunker costs on board the Vessels that have been invoiced by the Vendors to the Purchaser in an escrow account with an escrow holder within five (5) business days after the date of the MOAs. The Consideration in escrow shall be released to the Vendors in accordance with the joint written instructions of the parties to each MOA pursuant to the terms of the escrow agreement.

The Consideration represents a deficit of approximately S\$3,145,000 over the book value of the Vessels. The net loss on disposal of the Vessels is S\$3,145,000.

#### 4. RATIONALE AND USE OF PROCEEDS

The Company is of the view that the Proposed Disposal is in the best interests of the Company and its Shareholders.

After the restructuring of the Group's liabilities pursuant to the scheme of arrangement which was approved by the Shareholders on 27 April 2018, the Group had been actively servicing its debts, including but not limited to the Vessel Loans. However, there was a delay in receipt of charter revenue from the customer of Arkstar Voyager Pte. Ltd, a wholly-owned subsidiary of the Company, which led to a default of bank loan repayment to United Overseas Bank Limited ("**UOB**").

On 29 August 2019, the Company had received a statutory demand ("**Statutory Demand**") under Section 254(2)(a) of the Companies Act, Cap. 50 of Singapore from Allen & Gledhill LLP, acting on behalf of UOB, seeking payment of the sum of S\$5,702,404.19 within 21 days from the date of receipt of the Statutory Demand. In light of the Statutory Demand, the Board of Directors of the Company had recommended that the trading of the shares in the capital of the Company ("**Shares**") be suspended with effect from 2 September 2019 as the Company was unable to reasonably assess its financial position. The Company had also on 2 October 2019 received an originating summons filed by UOB to place the Company under judicial management pursuant to Section 227B of the Companies Act. The pre-trial conference for the hearing of the judicial management has been adjourned to 24 October 2019 on the basis that both UOB and the Company are seeking to resolve matters consensually.

In addition to the above, the Vessels' class licenses have just expired and the Vessels are due for drydocking. The drydocking expenses for each vessel are estimated to be S\$620,000. The Vendors which owned the Vessels have limited funds. Moreover, the vessel chartering business continues to be impacted by subdued charter rates and, accordingly, affecting the revenue generated by chartering the vessels after drydocking.

In view of the above, and taking into account that the Consideration is at a premium over the market value of the Vessels based on the Valuation Certificates, the Proposed Disposal is undertaken as part of the Group's plan to trim off the vessel chartering business and to re-focus on its core business in the equipment segment. The Proposed Disposal is part of the restructuring plan which is currently in discussion with UOB.

The Group estimates that there will be net proceeds of approximately S\$2,314,000 being the Consideration less estimated expenses of approximately S\$29,000 ("**Net Proceeds**").

The Group intends to utilise the Net Proceeds as follows:

Use of Net Proceeds	Amount
Discharging the Company's obligations and liabilities in respect of the Vessel Loans	S\$2,314,000

The shortfall of the Net Proceeds against the Vessel Loans will be settled partially in cash and partially in Shares, the details of which to be decided at a later date among SIF, RHB and the Company.

## 5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal and based on latest unaudited consolidated financial statements of the Group for the financial period ended 30 June 2019 are as follows:

Listing Rule		Relative Figures
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	23.82% <sup>(1)</sup>
1006(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits	Not applicable <sup>(2)</sup>
1006(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	20.84% <sup>(3)</sup>
1006(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 <sup>(4)</sup>
1006(e)	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 <sup>(5)</sup>

### Notes:

- (1) Under Rule 1002(3)(a), "net assets" means total assets less total liabilities. The aggregate net asset value of the Vessels is S\$5,457,703 as at 30 June 2019, compared with the Group's net asset value of S\$22,911,099 as at 30 June 2019.
- (2) Not applicable to the disposed assets as the assets are vessels and there is no net profit attributable to the Vessels.
- (3) Based on the proposed Consideration for the Vessels and the market capitalisation of the Company of approximately S\$11,239,000 as at 29 August 2019 (being the last trading day immediately preceding the date of the MOAs). The trading of Shares has been halted since 29 August 2019 and suspended since 2 September 2019. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue excluding treasury shares, being 5,619,432,579 ordinary shares, and the volume weighted average price of S\$0.002 per share on 29 August 2019.
- (4) The Proposed Disposal is not an acquisition of assets.
- (5) The Company is not a mineral, oil or gas company.

As the relative figures computed pursuant to Rule 1006(a) and Rule 1006(c) in respect of the Proposed Disposal are more than 20%, the Proposed Disposal constitutes a "major transaction" as defined under Chapter 10 of the Listing Manual. Pursuant to Rule 1014(2) of the Listing Manual, the Proposed Disposal is conditional upon the approval of Shareholders at a general meeting.

## 6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial figures set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Proposed Disposal. No representation is made as to the actual financial position and/or results of the Group after the completion of the Proposed Disposal.

The following financial effects of the Proposed Disposal are computed based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2018 and the following bases and assumptions:

- (a) the financial effect on the net tangible asset (“**NTA**”) per Share is computed based on the assumption that the Proposed Disposal was completed on 31 December 2018; and
- (b) the financial effect on the earnings per Share (“**EPS**”) is computed based on the assumption that the Proposed Disposal was completed on 1 January 2018.

NTA per Share

	<b>Before Proposed Disposal</b>	<b>After Proposed Disposal</b>
Group consolidated NTA (S\$'000)	24,067	20,477
Number of issued Shares ('000)	5,619,433	5,619,433
NTA per Share (cents)	0.43	0.36

EPS

	<b>Before Proposed Disposal</b>	<b>After Proposed Disposal</b>
Profit attributable to equity holders of the Company(S\$'000)	8,993	3,378
Weighted average number of issued Shares ('000)	3,867,147	3,867,147
EPS (cents)	0.23	0.09

**7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or Controlling Shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholdings in the Company, if any).

**8. SERVICE AGREEMENTS**

No new directors are proposed to be appointed to the Board of Directors of the Company in connection with the Proposed Disposal. Accordingly, no service agreements will be entered into with any new Director of the Company in connection with the Proposed Disposal.

**9. DOCUMENTS FOR INSPECTION**

Copies of the MOAs and the Valuation Certificates are available for inspection at the registered office of the Company at 6 Clementi Loop, Singapore 129814, during normal business hours for three (3) months from the date of this announcement.

**10. FURTHER ANNOUNCEMENTS**

The Company will make subsequent announcements to update Shareholders when there are material updates as may be necessary or appropriate.

## **11. CAUTION IN TRADING**

Shareholders and potential investors of the Company should note that the Proposed Disposal is subject to the fulfilment of certain conditions precedent.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. In particular, Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

### **BY ORDER OF THE BOARD**

Kuah Geok Lin  
Chairman and Chief Executive Officer  
8 October 2019