

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

**ALLOTMENT AND ISSUANCE OF 57,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF
HOE LEONG CORPORATION LTD. AT AN ISSUE PRICE OF S\$0.046 PER SHARE**

1. INTRODUCTION

- 1.1 The board of directors ("**Board**") of Hoe Leong Corporation Ltd. ("**Company**") is pleased to announce that it has on 4 March 2015 entered into a subscription agreement ("**Subscription Agreement**") with Mr. Khua Kian Keong ("**Investor**").
- 1.2 Pursuant to the Subscription Agreement, the Company has agreed to allot and issue, and the Investor has agreed to subscribe for, an aggregate of 57,000,000 new ordinary shares in the capital of the Company ("**Subscription Shares**"), at an issue price of S\$0.046 per Subscription Share ("**Issue Price**"), representing gross proceeds of approximately S\$2.62 million ("**Subscription**").
- 1.3 The Subscription Shares represent approximately 19.72 per cent. of the issued and paid-up share capital of the Company (excluding treasury shares¹) as at 25 April 2014, the date of the Company's previous Annual General Meeting ("**2014 AGM**") and approximately 11.27 per cent. of the enlarged issued and paid-up share capital of the Company (excluding treasury shares) immediately after completion of the Subscription.²

2. INFORMATION ON THE INVESTOR

- 2.1 The Investor, Mr. Khua Kian Keong, is the Chief Executive Officer of Vibrant Group Limited. He obtained his Bachelor of Science in Electrical Engineering and graduated cum laude from University of the Pacific, USA in 1987.
- The Investor is the immediate past president of the Singapore Metal and Machinery Association, a council member of the Singapore Chinese Chamber of Commerce and Industry, a council member and vice-chairman of the Trade and Industry Committee of Singapore-China Business Association, a board member and head of External Affairs at Singapore Thong Chai Medical Institute. The Investor served as a patron at Telok Blangah Citizens' Consultative Committee.
- 2.2 The Investor is not a person to whom the Company is prohibited from issuing shares in the capital of the Company ("**Shares**"), without the approval of the shareholders of the Company ("**Shareholders**"), as provided under Rule 812(1) of the Listing Manual of the SGX-ST. As at the date of this Announcement, the Company understands that the Investor does not hold any Shares.
- 2.3 The Investor was approached by Mr. Kuah Geok Lin, James, the Chairman of the Board and Chief Executive Officer of the Company. After negotiations, the Investor agreed to subscribe

¹ As at the date of the 2014 AGM, the Company had 360,000 treasury shares.

² The enlarged issued and paid-up share capital includes the shares issued by the Company pursuant to the rights issue which closed on 4 December 2014.

for, and the Company agreed to place, the Subscription Shares. No commission or other payment was or is to be made to Mr. Kuah for introducing the Investor to subscribe for the Subscription Shares.

- 2.4 The rationale for the placement of the Subscription Shares to the Investor is set out in paragraph 5 below.

3. GENERAL MANDATE

- 3.1 The Subscription Shares will be allotted and issued pursuant to the general mandate granted by Shareholders at the 2014 AGM ("**General Mandate**").
- 3.2 Under the General Mandate, the Board is authorised to issue new Shares, on the basis that the aggregate number of shares and instruments to be issued other than on a pro rata basis to existing Shareholders must not be more than 20 per cent. of the total number of issued Shares (excluding treasury shares) as at the time of the passing of the resolution approving the General Mandate ("**Relevant Time**"), after certain adjustments and subject to such calculations as may be prescribed by the SGX-ST.
- 3.3 The total number of Shares (excluding treasury shares) as at the Relevant Time was 289,023,271. To date, the Company has not issued any Shares under the General Mandate, and no event has occurred which would result in an adjustment in the number of Shares on which the General Mandate is based.

4. PRINCIPAL TERMS OF THE SUBSCRIPTIONS

4.1 Ranking and Additional Listing Application

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the existing Shares as at the date of the Subscription Agreement.

The Company will be making an application to the SGX-ST for the listing and quotation of the Subscription Shares on the Main Board of the SGX-ST, and will make the necessary announcements once the in-principle approval for the listing and quotation of the Subscription Shares has been obtained from the SGX-ST.

4.2 Issue Price

The Issue Price was agreed after arm's length negotiations between the Company and the Investor with reference to the prevailing market price of the Shares, and is approximately at par with the weighted average price of S\$0.046 for trades done on the SGX-ST on 3 March 2015 (being the preceding full market day) up to the time the Subscription Agreement was signed.

4.3 Condition Precedent

Completion of the Subscription Agreement is conditional upon the following conditions precedent:

- (a) the approval in-principle by the SGX-ST for the listing and quotation of the Subscription Shares on the Main Board of the SGX-ST having been obtained on terms acceptable to the Investor, and such approval remaining in full force and effect on the date of completion of the Subscription Agreement, and if such approval is subject to any conditions which are required to be fulfilled on or prior to such date of completion, such conditions being so fulfilled; and

- (b) such other consents and approvals required under any and all applicable laws for the Subscription being obtained and where such consent or approval is subject to conditions, such conditions being reasonably acceptable to the Subscriber, and to the extent any of the conditions are required to be fulfilled on or prior to such date of completion, such conditions being so fulfilled,

(collectively, the "**Conditions Precedent**").

The Company and the Investor have agreed that in the event that any of the Conditions Precedent is not fulfilled by 30 June 2015 or such other date as may be agreed between the Company and the Investor ("**Long-Stop Date**"), the Subscription Agreement shall cease and neither party shall have any claim against the other for costs, damages, compensation or otherwise.

4.4 **Completion**

Completion under the Subscription Agreement is expected to take place on the date falling three (3) business days after the last of the Conditions Precedent have been satisfied or waived, which shall, in any event, be a date not later than the Long-Stop Date.

5. **RATIONALE AND USE OF PROCEEDS**

- 5.1 The Subscription will allow the Company to raise gross proceeds of approximately S\$2.62 million, which will be used as working capital to enhance and strengthen the Company's existing business or fund the acquisition of assets or businesses as well as the disposal and/or restructuring of such assets or businesses.
- 5.2 Pending the deployment of the aggregate net proceeds of the Subscription for the purposes described above, the net proceeds may be deposited with banks or financial institutions, used for investment in the short-term money market, other debt instruments or for any other purpose as the Board may deem fit, on a short-term basis.
- 5.3 The Company will make periodic announcements on the utilisation of proceeds from the Subscription as and when the funds raised are materially disbursed and provide a status report of the use of funds raised in the Company's annual report.

6. **FINANCIAL EFFECTS OF THE SUBSCRIPTIONS**

- 6.1 For illustrative purposes only and based on the unaudited consolidated financial statements of the Company and its subsidiaries ("**Group**") for the financial year ended 31 December 2014, announced by the Company on 27 February 2015, the financial effect of the Subscription is set out below. The analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Subscription.
- 6.2 Based on the assumptions above and assuming that the Subscription has been effected at:
 - (a) the beginning of the financial year, the loss per Share after adjusting for the issuance of the Subscription Shares to the Investor will decrease from (7.38 cents) to (6.22 cents)⁽¹⁾; and
 - (b) at the end of the financial year, the consolidated net asset value per Share after adjusting for the issuance of the Subscription Shares to the Investor will decrease from 10.79 cents to 10.16 cents.

Note:

(1) *Based on the weighted average number of issued Shares in the Company during the financial year ended 31 December 2014 being 305,445,361.*

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or, to the best of the Company's knowledge, the substantial shareholder of the Company, has any interest, direct or indirect, in the Subscription (other than through their respective shareholdings in the Company).

BY ORDER OF THE BOARD
HOE LEONG CORPORATION LTD

Kuah Geok Lin
Chairman of the Board and Chief Executive Officer
4 March 2015