

HOE LEONG CORPORATION LTD.

(the "**Company**")

(Company registration number 199408433W)

(Incorporated in the Republic of Singapore)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2016**

In compliance with 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**") hereby announce that its 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 2016 (the "**Financial Statements**").

Extracts of the Emphasis of Matter in the Independent Auditor's 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.

To the best of the Directors' knowledge and belief, 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
10 April 2017

APPENDIX I

EXTRACT OF THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITOR'S 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 S\$46,908,000 for the year ended 31 December 2016 and, as of that date, the Group's current liabilities are in excess of its current assets by S\$47,907,000. Bank loans aggregating to \$47,802,000 have been reclassified from non-current liabilities to current liabilities due to breaches of certain bank covenants as at 31 December 2016;
- 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 from the Group's bankers; 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.

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. Our opinion is not modified in respect of this matter.

APPENDIX II

NOTE 2 TO AUDITED THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITOR'S REPORT

Going concern

The financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of \$46,908,000 for the year ended 31 December 2016, and as of that date, the Group's current liabilities are in excess of its current assets by \$47,907,000.

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 will be appointing a financial consultant to review its cash flows for the purpose of formulating a debt repayment plan with its bankers (Please see note 15).

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 from the Group's bankers; 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.

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.