

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

ENTRY INTO BINDING TERM SHEET

1. INTRODUCTION

The board of directors (the “**Board**”) of Hoe Leong Corporation Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the update announcement dated 2 September 2020 and wishes to announce that it has on 14 September 2020 entered into a binding term sheet (the “**Term Sheet**”) with Shing Heng Holding Pte Ltd (the “**Investor**”), pursuant to which the Company and the Investor agreed that subject to the definitive agreements relating to the Proposed Transactions (as defined below) (the “**Definitive Agreements**”) being executed by the parties thereto on terms to be mutually agreed, and the other terms and conditions to be set out therein, the Company and the Investor will undertake the following transactions:

- (a) the provision by the Investor of a S\$1 million bridging loan to the Company (the “**Loan**”);
- (b) the issue to the Investor of a S\$3 million convertible loan (the “**Convertible Loan**”) (the “**Proposed Issue of Convertible Loan**”); and
- (c) the grant by the Company to the Investor of S\$9 million in options (the “**Options**”) to subscribe for new ordinary shares of the Company (the “**Shares**”) (the “**Proposed Grant of Options**”),

collectively, the “**Proposed Transactions**”.

Assuming full conversion of the Convertible Loan and the full exercise of the Options, the Investor will hold approximately 54% of the enlarged share capital of the Company.

2. INFORMATION ON THE INVESTOR

As at the date of this announcement, the Investor is an investment holding company owned by Mr Lew Chee Beng and his spouse, Mdm Liyau Chit Moi @ Liaw Yong Mie. Mr Lew and Mdm Liaw have business interests in pawn-broking and operates six pawnshops in Singapore, including Soon Huat Goldsmith Pte Ltd which was founded in 1986. He also invests in commercial properties in Singapore. Mr Lew was awarded the Public Service Medal (Pingat Bakti Masyarakat) in August 2020 for rendering commendable public service in Singapore. Since 1983, he has held, and continues to hold several key leadership positions in various clan and community associations, and volunteers actively at these clan and community associations, including the Lew Foundation that was set up by him.

As at the date of this announcement, the Investor (a) does not hold any Shares; or (b) is not related to any of the directors of the Company (the “**Directors**”), substantial shareholders of the Company, or their respective associates. There is also no connection (including business relationship) between the Investor and the Directors or substantial shareholders of the Company, save that Mr Lew, his spouse and one of the Directors, Mr Liew Yoke Pheng, Joseph are directors of the Lew Foundation.

3. SALIENT TERMS OF THE TERM SHEET

3.1. Key terms of the Loan

Principal amount:	S\$1 million.
Maturity date:	18 months from the utilisation date.
Interest rate:	First 12 months: Nil. After 12 months: 3.5% per annum.
Mandatory Repayment	All outstanding amounts under the Loan shall be immediately repayable upon sale of the Malaysia Property (as defined below).
Use of proceeds:	Working capital needs of the Company and its subsidiaries.
Security:	Legal charge and assignment of the net proceeds (after full settlement of property bank loan and related expenses such as agent commission, legal fees, taxes and other professional fees, etc) in favour of the Investor arising from the sale of a freehold property in Malaysia (the " Malaysia Property "), or such equivalent appropriate instrument.
Governing law:	Singapore.

3.2. Conditions precedent

The Proposed Issue of Convertible Loan and the Proposed Grant of Options are conditional upon the Company having obtained:

- (a) Approval from the lenders of the Group in relation to its vessel loans (the "**Lenders**") that the loans shortfall (only for vessel loans and not offset against any other indebtedness) after applying the net proceeds from the sale of vessels shall be satisfied via the issue of new Shares (the "**Debt-to-Equity Conversion**").
- (b) Consent from the Lenders to freeze the shortfall in vessel loans on 31 December 2020 and waive all interests and related charges after 31 December 2020 if the Debt-to-Equity Conversion is not completed by 31 December 2020.
- (c) The grant (and not having revoked or repealed such grant) of the waiver of the obligation of the Investor and its concert parties to make a mandatory general offer under Rule 14 of the Singapore Code on Take-overs and Mergers for the Shares not held by the Investor following the conversion of the Convertible Loan and exercise of the Options, subject to any conditions that the Securities Industry Council of Singapore (the "**SIC**") may impose, provided that such conditions are reasonably acceptable to the Investor (the "**Whitewash Waiver**").
- (d) Shareholders' approval of, *inter alia*, the Proposed Issue of Convertible Loan, the Proposed Grant of Options, the Whitewash Waiver and the transfer of controlling interest (the "**Shareholders' Approval**") via an extraordinary general meeting (the "**EGM**") in compliance with the Listing Manual of the SGX-ST.

3.3. Key terms of the Proposed Issue of Convertible Loan

Principal amount:	S\$3 million.
Tenor:	1 year.
Interest rate:	Nil.
Disbursement date:	Within 7 working days from the date of the extraordinary general meeting to be held by the Company upon satisfaction of the conditions precedent.

<p>Use of proceeds:</p>	<p>Proceeds are to be used for:</p> <ul style="list-style-type: none"> (a) Subscription of new share capital in a new intermediate investment holding company (the “Newco”) as a directly-owned subsidiary to undertake a restructuring exercise to acquire 100% of the capital of the various companies¹ under the equipment business from the Company via a share swap. (b) Fund the working capital needs of Newco and its subsidiaries. (a) Ongoing operating and compliance costs in relation to the listed status of the Company on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). <p>For the avoidance of doubt, not more than S\$2 million shall be applied to settle pre-completion liabilities and the litigation claims and no dividends shall be paid from the net proceeds.</p>
<p>Security:</p>	<ul style="list-style-type: none"> (a) Pledge over shares in capital of Newco owned by the Company. (b) Pledge over shares (ordinary and preference) in the capital of Ho Leong Tractors Sdn. Bhd. owned by the Company. (c) Fixed and floating charge over all assets of Newco.
<p>Conversion conditions:</p>	<p>The Convertible Loan shall be called by the Company to be converted into 2,054,794,521 new Shares at an issue price of S\$0.00146 per Share after the occurrence of all of the below conditions (the “Conversion Conditions Precedent”):</p> <ul style="list-style-type: none"> (a) Submission of resumption of trading proposal to the SGX-ST and clearance of the resumption of trading proposal by the SGX-ST. (b) The legal suits involving the Company being satisfactorily resolved, on terms as agreed between the Investor and the Company. (c) The Debt-to-Equity Conversion having occurred. (d) Obtaining the consent of a lender of the Company to continue to extend the existing banking facilities on substantially similar terms and waiver of financial covenants (where appropriate). (e) Other lenders continuing to offer the existing banking facilities for working capital, trade lines and capex facilities extended to the Company’s overseas subsidiaries.
<p>Adjustments:</p>	<p>In the event of share splits, share consolidation, recapitalisations, stock dividend and the like, the conversion price and/or the number of conversion shares that remain unexercised shall be subject to appropriate and equitable adjustments to prevent dilution or enlargement of the benefits attributable to the Convertible Loan.</p>

¹ (i) Hoe Leong Crawler Parts Pte Ltd; (ii) Korea Crawler Track Ltd; (iii) Kunshan Kanto Buhin Manufacturing Co., Ltd; and (iv) Trackspares (Aust) Pty. Ltd. and its subsidiary Trackex Pty. Ltd.

Others:	Investor will be entitled to nominate (1) director in Newco after the disbursement of the Convertible Loan and for as long as the Convertible Loan remains outstanding.
Governing law:	Singapore.

3.4. Key terms of the Proposed Grant of Options

Principal amount:	S\$9 million.
Tenor:	1 year.
Number of Options:	6,164,383,562 each with the right to subscribe for a new ordinary Share.
Exercise Price:	S\$0.00146 per new Share.
Use of proceeds:	Working capital needs of the Company and its subsidiaries.
Adjustments:	In the event of share splits, share consolidation, recapitalisations, stock dividend and the like, the number of Options that remain unexercised shall be subject to appropriate and equitable adjustments to prevent dilution or enlargement of the benefits attributable to the Options.
Governing law:	Singapore.

3.5. Undertaking by Investor

Upon satisfaction of the Conversion Conditions Precedent, the Investor undertakes to (a) convert the Convertible Loan into new Shares in accordance with the terms of the relevant Definitive Agreement; and (b) exercise up to S\$1.5 million of Options.

3.6. Exclusivity

The Company shall grant the Investor an exclusive right for a period of six (6) weeks from the date of signing the Term Sheet (the “**Exclusivity Period**”) to negotiate the terms for the Definitive Agreements. During the Exclusivity Period, the Company undertakes not to engage in discussions of the Proposed Transactions with any third party, including the discussion on the sale of the equipment business of the Group.

4. RATIONALE FOR THE PROPOSED TRANSACTIONS

4.1. Since the Company’s shares have been suspended from trading on 2 September 2019, the Company has been actively taking steps to streamline its cost structure with a view to improving profitability for its equipment segment and have also engaged an adviser to assist the Group in its strategic review of the Group’s existing business and in the formulation of plans to improve the financial position and/or performance of the Group. The Company has also assessed various options and investment proposals.

4.2. Pursuant to the considerations above, the Company is of the view that the investment by the Investor through the Proposed Transactions is beneficial to the Company and the Group as the Proposed Transactions, if entered into, will allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern.

5. APPROVALS REQUIRED

The Proposed Transactions will be subject to several conditions precedent, including but not limited to the Whitewash Waiver being granted by the SIC and the Shareholders' Approval.

In the event that the Company proceeds with the Proposed Transactions, the Company will be seeking the Shareholders' Approval via an EGM to be held by the Company in compliance with the Listing Manual of the SGX-ST.

6. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the Directors and to the best of the knowledge of the Directors, none of the controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Transactions, other than through their respective directorships and shareholdings in the Company, if any.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Term Sheet, the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

8. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual of the SGX-ST, when there are material developments in respect of the Proposed Transactions.

9. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Transactions remain subject to, amongst others, the negotiation and execution of the Definitive Agreements. **There is no certainty or assurance that the Definitive Agreements will be entered into, that the conditions precedent for the Proposed Transactions can be fulfilled, that the terms and conditions of the Proposed Transactions will not differ from those set out in the Term Sheet, or that the Proposed Transactions will be undertaken at all.** Although the Company's Shares are under suspension, shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their shares or securities of the Company.

By Order of the Board

Mr Liew Yoke Pheng, Joseph
Executive Chairman and Chief Executive Officer
14 September 2020