

Hoe Leong Corporation Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration Number 199408433W)

INTERESTED PERSON TRANSACTION
– RENEWAL OF TENANCY AGREEMENT WITH HOE LEONG PLASTIC INDUSTRY (CHINA) LTD

1. Introduction

The Board of Directors (the “**Board**”) of Hoe Leong Corporation Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Kunshan Kanto Buhin Manufacturing Co., Ltd (“**KKBM**”) has on 1 January 2021 renewed its tenancy agreement (the “**Tenancy Agreement**”) with an interested person, Hoe Leong Plastic Industry (China) Co., Ltd (“**HL Plastic**”).

2. Details of the Interested Person

HL Plastic is a wholly-owned subsidiary of Hoe Leong Co. (Pte.) Ltd. Hoe Leong Co. (Pte.) Ltd. is a controlling shareholder of the Company pursuant to its direct interest in 28.29% of the issued and paid-up share capital of the Company.

Accordingly, HL Plastic is an associate of the controlling shareholder of the Company and is therefore an interested person as defined under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”) and the Tenancy Agreement would constitute an Interested Person Transaction (“**IPT**”) under Chapter 9 of the Listing Manual.

3. Details of the Tenancy Agreement

The Premise:	No. 988 Kunjia Road in the People’s Republic of China.
Total Lease Area:	Factory space for production purposes of 5,539 square metres and other facilities for ancillary purposes.
Rental:	RMB174,000 (Equivalent to approximately S\$35,000) per month, including rental of facilities for ancillary purposes and maintenance fee amounting to RMB19,000 (equivalent to approximately S\$4,000) per month.
Lease period:	1 January 2021 to 31 December 2021.
Value at risk:	RMB2,088,000 (Equivalent to approximately S\$424,000).
Market rental rate*:	RMB28.50 (Equivalent to approximately S\$5.79) per square metre for factory space for production purposes.

Based on the valuation report dated 22 December 2020 issued by Jiangsu GuoHeng Appraisal & Consultant Co., Ltd, an independent valuer appointed by the Company (the “Valuation Report**”).*

4. Rationale for entering into the Tenancy Agreement and Benefit to KKBM

The purpose of entering into the Tenancy Agreement is to lease the Factory Building from HL Plastic to manufacture the Group's core products (i.e. equipment parts for both heavy equipment and industrial machinery). Accordingly, entering into the Tenancy Agreement is of benefit to and in the commercial interests of the Group.

5. Application of Rules 905 and 916(1) of the Listing Manual

The aggregate value of the rental for the Factory Building payable for the duration of the renewed lease is RMB2,088,000 (equivalent to S\$424,000) representing approximately 5.9% of the Group's latest audited net tangible assets as at 31 December 2019 of S\$7,139,000 (the "**Audited NTA**"). The rental is arrived based on negotiation between the parties to the Tenancy Agreement. As the aggregate value of the rental amount for the Factory Building have exceeded 3% of the Audited NTA, the Company is therefore required to make an immediate disclosure as required under Rule 905 of the Listing Manual.

Pursuant to Rule 916(1) of the Listing Manual, a listed issuer is not required to comply with Rule 906 of the Listing Manual to obtain shareholders' approval with respect to entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.

The renewed lease for the Factory Building is for a period not exceeding 3 years and terms of the Tenancy Agreement are supported by the Valuation Report. The monthly rental per square metre of the factory space for production purposes pursuant to the Tenancy Agreement is approximately RMB28.00 (Equivalent to S\$5.69) and is below the market rental rate for the Factory Building indicated in the Valuation Report of approximately RMB28.50 (Equivalent to approximately S\$5.79) per square metre.

The independent valuer is not able to provide market rates for rental of facilities for ancillary purposes and maintenance fee due to the lack of market information on rental rates of ancillary facilities which form a minor component of the overall rental and that maintenance fee differs according to various factors, such as condition of property and type of maintenance work required. The rental rates of ancillary facilities and maintenance fee have remained unchanged since 2019.

The Audit Committee of the Company is of the view that the rental of facilities for ancillary purposes and maintenance fee are minor components of the rental of Factory Building, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Accordingly, the Tenancy Agreement and the lease thereunder will not require shareholders' approval as it is exempted under Rule 916(1) of the Listing Manual.

6. Total Interested Person Transactions for the financial year ending 31 December 2021

Save as disclosed above, there was no interested person transaction value of which is S\$100,000 and above entered into by the Group between 1 January 2021 and the date of this announcement.

The total value of all IPTs for the financial year ended 31 December 2020 (“FY2020”) is estimated to be as follows:

Name of interested person and nature of transaction	Nature of relationship	Aggregate value of all IPTs during FY2020 (excluding transactions less than S\$100,000)	
		Excluding IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S\$'000	Conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S\$'000
Hoe Leong Plastic Industry (China) Co., Ltd: Rental expense	Associate of controlling shareholder	305	-

7. Interest of Directors and Substantial Shareholders

Save as disclosed in this announcement and other than through their respective shareholdings in the Company, none of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Tenancy Agreement.

By Order of the Board

Liew Yoke Pheng Joseph
Executive Chairman and Chief Executive Officer
5 January 2021