

ANNOUNCEMENT

UPDATE ON THE PROPOSED DIVESTMENT OF THE CONSUMER PRODUCTS UNIT

1. UPDATE

- 1.1 The Board of Directors ("**Board**") of Hong Leong Asia Ltd. ("**HLA**" or the "**Company**" and, together with its subsidiaries, the "**Group**") makes reference here to the announcements made by the Company on 30 October 2017, 22 January 2018, 13 April 2018, 22 May 2018 and 26 June 2018 (collectively, the "**Previous Announcements**") on the Restructuring Exercise (as defined in the Previous Announcements) undertaken by the Company's Consumer Products Unit ("**Xinfei**"). Unless otherwise defined herein, a capitalised term used in this announcement shall have the same meaning as defined in the announcement dated 26 June 2018.
- 1.2 The Board announces that the Company had submitted an application to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Waiver Application**"), on 26 June 2018, seeking a waiver of the requirement that it obtains shareholders' approval for the Group's divestment of its equity stakes in the Xinfei Companies pursuant to the New Restructuring Plan (the "**Proposed Divestment**"), under Rule 1014(2) of the Listing Manual ("**Listing Manual**") of the SGX-ST ("**Waiver**"). SGX-ST informed the Company, on 23 July 2018, that it had no objection to the Company's application for the Waiver, subject to the Company announcing the grant of the Waiver, the reasons for seeking the Waiver and the conditions imposed, as required under Rule 107 of the Listing Manual.

2. WAIVER APPLICATION

- 2.1 The Company had sought the Waiver for the following reasons:

(a) Disposal of loss-making assets

The Xinfei Companies have been loss-making since 2011. The net losses after tax, attributable to the Xinfei Companies, were S\$120.7 million and S\$128.5 million, for the years ended 31 December 2017 and 31 December 2016 ("**FY2017 and FY2016**"), respectively, based on the audited consolidated financial statements of the Group for these financial years.

Accordingly, the shareholders of the Company are unlikely to be overly concerned about the Proposed Divestment given that the Xinfei Companies have been unprofitable assets for some years.

(b) Rationale for the Proposed Divestment

- (i) Given that the Xinfei Companies have been loss-making since 2011, and that significant losses were incurred in FY2016 and FY2017, the Board believes that the Proposed Divestment, being a disposal of an under-performing and unprofitable asset, will allow the Group to reduce its exposure to the highly competitive China consumer products market.

(ii) As a result of the losses incurred by the Xinfei Companies, the borrowings of the Company have grown, significantly, from S\$143.0 million in 2011 to S\$375.1 million in 2017. The Board believes that the Proposed Divestment would allow the Company to stop consolidating further losses of the Xinfei Companies. This would be a positive development which would better position the Group for future development.

(c) No material change in the risk profile of the Group

The Board takes the view that there will not be any material change in the risk profile of the Group arising from the Proposed Divestment. The Proposed Divestment will not result in a material change to the nature of the Group's business as the Xinfei Companies have been loss-making for some time. The Group intends to continue to engage in its core businesses involving the manufacturing and distribution of industrial and diesel engines, building materials and industrial packaging.

Accordingly, it is reasonable to expect that the shareholders of the Company would not be overly concerned with the Proposed Divestment which would not materially affect the nature of the main businesses of the Group.

(d) Comparison of losses not meaningful

The Xinfei Companies were in a "net loss" position for FY2017. As such, it is neither meaningful nor appropriate to compare the net loss attributable to the Xinfei Companies against the net profits of the Group, to determine if the 20% threshold, under Rule 1006(b), is exceeded.

(e) Proposed Divestment is under the control of the Administrator

The New Restructuring Plan was proposed by KWM, the Administrator for the Restructuring Exercise. KWM also proposed a process of disposing the shares and the assets of the Xinfei Companies via open auction(s). Hence, due process is in place as the Group is not able to impose its views on how the Administrator should carry out the New Restructuring Plan. Furthermore, the voting of the New Restructuring Plan was presided over by the Court. When the New Restructuring Plan was approved, responsibility over the Xinfei Companies passed to the Administrator to implement and carry out the New Restructuring Plan. The New Restructuring Plan and the Judgment do not contemplate that the Proposed Divestment shall be subject to shareholders' approval. The Group would not be able to impose such a condition into the process, as control over the Xinfei Companies has already passed to the Administrator.

(f) Undertaking to vote by the controlling shareholder holding more than 50% of shares in the Company

The Company's controlling shareholder, Hong Leong Corporation Holdings Pte Ltd, which directly owns approximately 62.31% of the issued shares of the Company, has indicated to the Company that it will undertake to vote in favour of the Proposed Divestment if an extraordinary general meeting to approve the same is required to be held (the "**Voting Undertaking**").

As such, the result of any extraordinary general meeting of the Company, if called to approve the Proposed Divestment, would be a foregone conclusion.

3. UPDATE ON THE NEW RESTRUCTURING PLAN

AnHui Kang Jia Home Appliances Technology Co Ltd ("**Konka**"), a corporation in the People's Republic of China, has won the open auction for the equity stakes of the Xinfei Companies through the judicial auction process at a bid price of RMB 455 million on 29 June 2018. In

accordance with the requirements of the equity auction, Konka has made payment of the first instalment of RMB 250 million on 18 July 2018 and the Administrator has initiated the handover process of the management of the Xinfei Companies to Konka. The next steps to be pursued by the Administrator would involve formalising the equity transfer of the shares in the Xinfei Companies, as well as effecting the change of the directors and the Legal Representatives of the Xinfei Companies, which are expected to take place in August 2018.

HONG LEONG ASIA LTD.
BY ORDER OF THE BOARD

Ng Siew Ping, Jaslin
Yeo Swee Gim, Joanne
Company Secretaries

24 July 2018
Singapore