

**ANNOUNCEMENT**

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**DE-CONSOLIDATION OF THE CONSUMER PRODUCTS UNIT**

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**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**") refers to the announcements made by the Company on 30 October 2017, 22 January 2018, 13 April 2018 and 22 May 2018 (collectively, the "**Previous Announcements**") in relation to the Restructuring Exercise (as defined in the Previous Announcements) undertaken by the Company's Consumer Products Unit ("**Xinfei**").
- 1.2 Following the second creditors' meeting held on 18 May 2018 (the "**Second Meeting**"), the Xinxiang Intermediate People's Court (the "**Court**") issued its judgment dated 21 May 2018 (the "**Judgment**") to, *inter alia*:
- (a) Approve the new restructuring plan presented by King & Wood Mallesons (Beijing) (as administrator for the Restructuring Exercise) ("**KWM**") ("**New Restructuring Plan**"); and
  - (b) Confirm the completion of the restructuring process of Xinfei.
- 1.3 Upon receipt of the Judgment, the Company sought professional advice on the legal and accounting implications of the Judgment. The effects of the Judgment on the Company are summarised as follows:
- (a) Responsibility has been passed to KWM to execute and carry out the New Restructuring Plan;
  - (b) Each of Henan Xinfei Household Appliance Co. Ltd., Henan Xinfei Refrigeration Appliances Co., Ltd. and Henan Xinfei Electric Co., Ltd. (collectively, the "**Xinfei Companies**") has effectively ceased to be a subsidiary of the Group with effect from the date of the Judgment; and
  - (c) As required by the Singapore Financial Reporting Standards (International) 10 Consolidated Financial Statements, the Xinfei Companies shall be de-consolidated from the Group.
- 1.4 The key terms of the New Restructuring Plan (as approved by the Court) are as follows:
- (a) The shareholders of the Xinfei Companies, namely Hong Leong Electric Pte Ltd and Henan Xinfei Electric Group Corporation, shall transfer their equity stakes in the Xinfei Companies to the qualified new investor(s) (the "**Qualified Investor**") at nil consideration.
- The Qualified Investor shall obtain the aforesaid equity stakes through judicial auction. The bid price will be paid to the Xinfei Companies and shall be applied by them to pay certain statutory debts of the Xinfei Companies and for working capital. In addition, the Qualified Investor shall keep investing in the Xinfei Companies and upgrade the employee and management team.
- The minimum bid price for the first round of bidding, which will close on 29 June 2018, is RMB 450 million while that for the second round of bidding is RMB 400 million. Within 20 days after the closing of the auction, the Qualified Investor shall be required to pay the first instalment of the consideration, in the amount of not less than RMB 250 million, with the balance of the consideration to be paid no later than the 90<sup>th</sup> day after the beginning of the auction; and

(b) The low-efficient assets, including certain receivables, inventory and other tangible and intangible assets shall be disposed of independently through auction or sale. After settling the expenses of the restructuring proceedings, debts incurred for the common good and other priority payments, the proceeds of the sale or auction will be applied to pay the creditors, in accordance to the New Restructuring Plan and the Enterprise Bankruptcy Law of the People's Republic of China.

1.5 The net tangible asset value of the Xinfei Companies, including other group assets and reserves related to Xinfei as at 31 March 2018, is a net liability position of approximately S\$51.2 million.

## **2. DE-CONSOLIDATION OF XINFEI**

2.1 The unaudited financial effects of the de-consolidation of the Xinfei Companies as subsidiaries of the Group (the "**De-Consolidation of Xinfei**") as set out below are purely for illustrative purposes only and are neither indicative nor do they represent any projection of the financial performance or position of the Group after the completion of the De-Consolidation of Xinfei.

The financial effects of the De-Consolidation of Xinfei are an estimated loss of approximately S\$43.5 million. The De-Consolidation of Xinfei involves de-recognition of the assets and liabilities of the Xinfei Companies and recognition of other related obligations. The Xinfei assets to be de-recognised include land and buildings and certain intangible assets.

2.2 The financial effects were computed based on the latest unaudited consolidated financial statements of the Group for the first quarter ended 31 March 2018 and on the assumptions that the Group will receive nil consideration for the Group's stake in the Xinfei Companies, will receive zero recovery rate for the Group's shareholders' loan and other advances previously granted to the Xinfei Companies, and will recognise other obligations related to the transaction.

Whilst the New Restructuring Plan projects a recovery rate ranging from 1.51% to 9.82% for the creditors under various liquidation scenarios for Xinfei, the Company has assumed a zero recovery rate as it is difficult to assess the final recovery rate at this point. Accordingly, any recovery in the future shall be treated as income.

2.3 The Group will continue to monitor and update the estimated financial effects of the De-Consolidation of Xinfei and will disclose the latest estimated financial effects in the unaudited consolidated financial statements of the Group for the half-year ending 30 June 2018.

2.4 The Board believes that the De-Consolidation of Xinfei and cessation of the Xinfei Companies as the Group's subsidiaries is a positive development for the Group.

**HONG LEONG ASIA LTD.**  
BY ORDER OF THE BOARD

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

26 June 2018  
Singapore