

CIRCULAR DATED 7 SEPTEMBER 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.

Unless otherwise stated, capitalised terms on this cover are defined in this Circular under the section entitled **“DEFINITIONS”**.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular together with the Notice of Extraordinary General Meeting (**“EGM”**) and the accompanying Proxy Form to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made, reports contained or opinions expressed in this Circular. In-principle approval has been granted by the SGX-ST to the Company for the listing of and quotation for the Rights Shares on the SGX-ST, subject to certain conditions. Official quotation of the Rights Shares on the SGX-ST will commence after all conditions imposed by the SGX-ST are satisfied. The in-principle approval granted by the SGX-ST for the admission of, listing of and quotation for the Rights Shares is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries.

This Circular does not constitute, and is not intended to be, an offer to sell or a solicitation of an offer to buy shares nor shall there be any sale of any shares in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Circular is issued to Shareholders solely for the purpose of providing Shareholders with the information pertaining to, and seeking Shareholders' approval for, the Rights Issue at the EGM. Shareholders are authorised to use this Circular solely for the purpose of considering the approvals sought. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur. The distribution of this Circular and/or the issue of the Rights Shares into jurisdictions other than Singapore may be prohibited or restricted by law. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.



HONG LEONG ASIA LTD.

(Company Registration Number: 196300306G)
(Incorporated in Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 374,678,559 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.54 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING ORDINARY SHARE IN THE CAPITAL OF THE COMPANY HELD BY ENTITLED SHAREHOLDERS AS AT A BOOKS CLOSURE DATE TO BE DETERMINED

Manager for the Rights Issue



IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	21 September 2018 at 3.00 p.m.
Date and time of Extraordinary General Meeting	:	24 September 2018 at 3.00 p.m.
Place of Extraordinary General Meeting	:	M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires:

- “Acquisition Loan”** : Has the meaning ascribed to it under Section 2.4.2(a) of this Circular
- “Announcement”** : The announcement released by the Company on 14 August 2018 in relation to the Rights Issue
- “ARE”** : Application and acceptance form for Rights Shares and Excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares under the Rights Issue
- “ARS”** : Application and acceptance form for Rights Shares to be issued to Purchasers
- “ATM”** : Automated teller machine
- “Authority”** : Monetary Authority of Singapore
- “Board”** : The board of Directors of the Company as at the date of this Circular
- “Books Closure Date”** : The time and date to be determined by the Directors and announced by the Company in due course, at and on which the Register of Members and Share Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares to Entitled Shareholders under the Rights Issue and, in the case of Entitled Depositors, at and on which their provisional allotments under the Rights Issue will be determined
- “Business Day”** : A day on which the banks in Singapore are open for business (excluding Saturdays, Sundays and gazetted public holidays)
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 7 September 2018
- “Closing Date”** : The time and date to be determined by the Directors and announced by the Company in due course, being the last time and date for acceptance of and/or excess application and payment for (and in the case of Entitled Scripholders, renunciation and payment for), the Rights Shares under the Rights Issue
- “Code”** : The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time

DEFINITIONS

“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
“Company” or “HLA”	:	Hong Leong Asia Ltd.
“Constitution”	:	The constitution of the Company, as amended, modified or supplemented from time to time
“CPF”	:	Central Provident Fund
“CPF Funds”	:	CPF account savings
“CPFIS”	:	Central Provident Fund Investment Scheme
“Directors”	:	The directors of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company to be convened and held on 24 September 2018, notice of which is given in the Notice of EGM set out on pages 47 to 49 of this Circular (or any adjournment thereof)
“Enlarged Issued Share Capital”	:	The enlarged issued and paid-up share capital of the Company immediately after the completion of the Rights Issue
“Entitled Depositors”	:	Shareholders with Shares entered against their names in the Depository Register maintained by CDP as at the Books Closure Date and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
“Entitled Scripholders”	:	Shareholders whose share certificates have not been deposited with CDP and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents
“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“EPS”	:	Earnings per Share

DEFINITIONS

- “Excess Rights Shares”** : The provisional allotments of Rights Shares which are available for application by Entitled Shareholders, subject to the terms and conditions in the ARE, the Offer Information Statement and (if applicable) the Constitution of the Company, comprising Rights Shares not validly taken up by the Entitled Shareholders, the original allottee(s) or their respective renouncer(s) or Purchasers, together with any Rights Shares that are otherwise not allotted for whatever reason in accordance with the terms and conditions contained in the ARE, the Offer Information Statement and (if applicable) the Constitution of the Company
- “Existing Issued Share Capital”** : The existing issued and paid-up share capital of the Company comprising 373,908,559 Shares as at the Latest Practicable Date
- “Foreign Purchasers”** : Persons purchasing the provisional allotments of Rights Shares under the Rights Issue through the book-entry (scripless) settlement system whose registered addresses with CDP are outside Singapore
- “Foreign Shareholders”** : Shareholders purchasing the provisional allotments of Rights Shares under the Rights Issue traded on the SGX-ST through the book-entry (scripless) settlement system and whose registered addresses with CDP are outside Singapore and who had not, at least three (3) Market Days prior to the Books Closure Date, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents
- “FY”** : Financial year ended 31 December
- “Group”** : The Company and its subsidiaries collectively
- “HLCH Entitlement”** : Has the meaning ascribed to it under Section 2.5.1(d) of this Circular
- “HLCH Excess Application”** : Has the meaning ascribed to it under Section 2.5.1(e) of this Circular
- “HLE”** : Hong Leong Enterprises Pte. Ltd.
- “HLIH”** : Hong Leong Investment Holdings Pte. Ltd.
- “Independent Directors”** : The Directors who are considered independent of the Ordinary Resolution, namely, Mr Ernest Colin Lee, Ms Kwong Ka Lo @ Caroline Kwong, Mr Ng Sey Ming and Mr Tan Chian Khong

DEFINITIONS

“Irrevocable Undertaking”	:	The irrevocable deed of undertaking executed on 14 August 2018 by the Undertaking Shareholder in favour of the Company
“Issue Price”	:	The issue price of the Rights Shares, being S\$0.54 for each Rights Share
“Land”	:	Has the meaning ascribed to it under Section 2.4.2(a) of this Circular
“Last Traded Price”	:	Has the meaning ascribed to it under Section 2.2 of this Circular
“Latest Practicable Date”	:	31 August 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
“Manager”	:	DBS Bank Ltd.
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maximum Financial Outlay”	:	Has the meaning ascribed to it under Section 2.5.1 of this Circular
“Maximum Scenario”	:	The scenario whereby based on the Existing Issued Share Capital and assuming that (i) all of the Outstanding Share Options are exercised before the Books Closure Date; and (ii) the Rights Issue is fully subscribed for, up to 374,678,559 Rights Shares will be issued pursuant to the Rights Issue
“Minimum Scenario”	:	The scenario whereby based on the Existing Issued Share Capital and assuming that (i) none of the Outstanding Share Options are exercised before the Books Closure Date; (ii) none of the other Shareholders (other than the Undertaking Shareholder) or purchasers of the “nil-paid” rights during the “nil-paid” rights trading period subscribe and pay for any Rights Shares; and (iii) only the Undertaking Shareholder subscribes and pays for in full, the HLCH Entitlement and the HLCH Excess Application in accordance with the Irrevocable Undertaking, 373,908,559 Rights Shares will be issued pursuant to the Rights Issue
“NAV”	:	Net asset value
“Net Proceeds”	:	The estimated net proceeds from the Rights Issue, after deducting estimated expenses of approximately S\$0.6 million

DEFINITIONS

“Notice of EGM”	:	The notice of EGM which is on pages 47 to 49 of this Circular
“NTA”	:	Net tangible assets
“Offer Information Statement”	:	The offer information statement to be issued by the Company in respect of the Rights Issue, together with the PAL, the ARE or the ARS (as the case may be) and all other accompanying documents issued by the Company, including, where the context admits, any supplementary or replacement document which may be issued by the Company and lodged with the Authority in connection with the Rights Issue
“Outstanding Share Options”	:	The 770,000 outstanding share options granted under the Hong Leong Asia Share Option Scheme 2000 as at the Latest Practicable Date, which are exercisable into 770,000 new Shares
“PAL”	:	The provisional allotment letter to be issued to the Entitled Scripholders, setting out the provisional allotment of Rights Shares of such Entitled Scripholder under the Rights Issue
“Participating Banks”	:	The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Depositors and persons purchasing the “nil-paid” rights through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and/or applications for Excess Rights Shares, as the case may be, to be made under the Rights Issue, and each of them a “Participating Bank”
“Plant”	:	Has the meaning ascribed to it under Section 2.4.2(b) of this Circular
“Proxy Form”	:	The proxy form in respect of the EGM attached to the Notice of EGM
“Purchasers”	:	Persons purchasing the provisional allotments of Rights Shares under the Rights Issue through the book-entry (scripless) settlement system
“Record Date”	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or the Securities Account of Shareholders must be credited with Shares, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
“Register of Members”	:	The register of members of the Company

DEFINITIONS

“Rights Issue”	:	The proposed renounceable non-underwritten rights issue of up to 374,678,559 Rights Shares at the Issue Price, on the basis of one (1) Rights Share for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date
“Rights Shares”	:	Up to 374,678,559 new Shares to be allotted and issued by the Company pursuant to the Rights Issue, each a “Rights Share”
“Scheme Committee”	:	A committee, comprising Directors, appointed by the Board pursuant to the rules of the Hong Leong Asia Share Option Scheme 2000 to administer the scheme
“Securities Account”	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	M & C Services Private Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company or, where CDP is the registered holder, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Singapore”	:	Republic of Singapore
“SRS”	:	Supplementary Retirement Scheme
“SRS Investors”	:	Investors who had purchased the Shares using their SRS accounts
“Substantial Shareholder”	:	A person who has an interest or interests in one (1) or more voting Shares in the Company, and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares in the Company
“Undertaken Shares”	:	Has the meaning ascribed to it under Section 2.5.1(a) of this Circular
“Undertaking Shareholder” or “HLCH”	:	Hong Leong Corporation Holdings Pte Ltd

DEFINITIONS

“1H”	:	The half year ended 30 June
“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“%” or “per cent.”	:	Per centum or percentage

The term **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

The term **“concert parties”** shall have the meaning ascribed to it in the Code.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. A **“person”** shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the Securities and Futures Act or the Listing Manual or such statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the Securities and Futures Act or the Listing Manual or such statutory modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in figures included in this Circular between the amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

HONG LEONG ASIA LTD.

(Company Registration Number: 196300306G)

(Incorporated in Singapore)

Directors

Kwek Leng Peck (*Executive Chairman*)

Philip Ting Sii Tien @ Yao Sik Tien (*Executive Director
and Chief Executive Officer*)

Ernest Colin Lee (*Non-Executive and Lead Independent Director*)

Kwong Ka Lo @ Caroline Kwong (*Non-Executive and
Independent Director*)

Ng Sey Ming (*Non-Executive and Independent Director*)

Tan Chian Khong (*Non-Executive and Independent Director*)

Registered Office

16 Raffles Quay #26-00

Hong Leong Building

Singapore 048581

7 September 2018

To: The Shareholders of Hong Leong Asia Ltd.

Dear Sir/Madam

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

1. INTRODUCTION

1.1 Extraordinary General Meeting

The Directors are convening an EGM to be held on 24 September 2018 to seek Shareholders' approval for the Rights Issue. The Notice of EGM is set out on pages 47 to 49 of this Circular.

1.2 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information relating to, and explain the rationale for, the Rights Issue and to seek Shareholders' approval in relation thereto at the forthcoming EGM.

The SGX-ST assumes no responsibility for the contents of this Circular including the correctness of any of the statements or opinions made or reports contained in this Circular.

LETTER TO SHAREHOLDERS

2. THE RIGHTS ISSUE

2.1 Overview

On 14 August 2018, the Company announced that it was proposing to undertake the Rights Issue, subject to, *inter alia*, the following:

- (a) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST;
- (b) the approval of the Shareholders at the EGM to be convened for the Rights Issue; and
- (c) the lodgment, by the Company, of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights Issue, with the Authority.

On 5 September 2018, the Company announced that the SGX-ST had granted its in-principle approval for the listing of and quotation for the Rights Shares on the SGX-ST, subject to the following:

- (i) compliance with the SGX-ST's listing requirements;
- (ii) Shareholders' approval for the Rights Issue;
- (iii) a written undertaking from the Company that it will comply with Rules 704(30), 815 and 1207(20) of the Listing Manual in relation to the use of the proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (iv) a written undertaking from the Company that it will comply with Rule 877(10) of the Listing Manual with regard to the allotment of any excess Rights Shares; and
- (v) a written confirmation from financial institution(s) as required under Rule 877(9) of the Listing Manual that the Undertaking Shareholder who has given the Irrevocable Undertaking has sufficient financial resources to fulfil its obligations under the Irrevocable Undertaking.

The Company has provided the written undertakings and confirmations referred to in sub-paragraphs (iii), (iv) and (v) above to the SGX-ST.

The in-principle approval granted by the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

LETTER TO SHAREHOLDERS

2.2 Principal Terms of the Rights Issue

The principal terms of the Rights Issue and the Rights Shares are summarised below:

Basis of provisional allotment : One (1) Rights Share for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date.

In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots, and the Directors and Substantial Shareholders (including HLCH and its concert parties) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

Number of Rights Shares : Up to 374,678,559 Rights Shares to be issued

Issue Price : S\$0.54 for each Rights Share, payable in full on acceptance and/or application.

The Issue Price of S\$0.54 for each Rights Share represents:

- (a) a discount of approximately 34.1% to the closing price of S\$0.82 per Share on the SGX-ST on 14 August 2018 (being the last market day on which the Shares were traded on the SGX-ST immediately prior to the release of the Announcement) (the “**Last Traded Price**”); and
- (b) a discount of approximately 20.6% to the theoretical ex-rights price (“**TERP**”)¹ of approximately S\$0.68 per Share based on the Last Traded Price.

¹ TERP of each Share is calculated based on the following formula, assuming completion of the Rights Issue based on the Minimum Scenario:

$$\text{TERP} = \frac{\text{Market capitalisation of the Company based on the Last Traded Price} + \text{gross proceeds from the Rights Issue}}{\text{Number of Shares after completion of the Rights Issue}}$$

LETTER TO SHAREHOLDERS

- Status of the Rights Shares** : The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issuance, rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls on or after the date of issue of the Rights Shares.
- Eligibility to Participate in the Rights Issue** : Please refer to Section 2.3 of this Circular.
- Listing of the Rights Shares** : On 5 September 2018, the SGX-ST had granted its in-principle approval for the listing of and quotation for the Rights Shares on the SGX-ST, subject to certain conditions which are set out in Section 2.1 of this Circular. The in-principle approval granted by the SGX-ST for the listing of and quotation for the Rights Shares is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries.
- Trading of the Rights Shares** : Upon the listing of and quotation for the Rights Shares on the SGX-ST, the Rights Shares will be traded on the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Shares will comprise 100 Shares.
- Non-underwritten** : The Rights Issue is not underwritten. The Company has received the Irrevocable Undertaking from the Undertaking Shareholder that it will, *inter alia*, irrevocably subscribe and pay for (or procure subscription and payment for) the HLCH Entitlement and procure subscription and payment for the HLCH Excess Application. The details of the Irrevocable Undertaking are set out in Section 2.5 of this Circular. In view of the Irrevocable Undertaking and the savings in underwriting costs which the Company will enjoy, the Company has decided to proceed with the Rights Issue on a non-underwritten basis. The Rights Issue will not be withdrawn after commencement of the ex-rights trading of the Shares pursuant to Rule 820(1) of the Listing Manual.

LETTER TO SHAREHOLDERS

On the basis that the Irrevocable Undertaking is fulfilled by the Undertaking Shareholder, the Net Proceeds from the Minimum Scenario will be sufficient to meet the Company's present funding requirements.

Acceptance, excess application and payment procedures

: Entitled Shareholders will be at liberty to accept, decline or otherwise renounce (in full or in part) or in the case of Entitled Depositors, trade their provisional allotments of the Rights Shares on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

The basis of allotting any excess Rights Shares will be determined at the absolute discretion of the Directors. In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, and the Directors and Substantial Shareholders (including HLCH and its concert parties) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares. The Company will also not make any allotment and issuance of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The procedures for acceptance, payment and excess application by Entitled Depositors and the procedures for acceptance, payment, splitting, renunciation and excess application by Entitled Scripholders will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the Rights Issue being approved by Shareholders at the EGM.

Governing Law

: Laws of Singapore

The terms and conditions of the Rights Issue are subject to such changes as the Board may, after consultation with the Manager and in its absolute discretion, deem fit. As and when there are any changes to the terms and conditions of the Rights Issue, the Company will announce such changes on the SGXNET. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be lodged with the Authority in connection with the Rights Issue and to be despatched by the Company to the Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights Issue at the EGM.

LETTER TO SHAREHOLDERS

2.3 Eligibility of Shareholders to Participate in the Rights Issue

(a) Entitled Shareholders

Entitled Shareholders are entitled to participate in the Rights Issue and to receive the Offer Information Statement, together with:

- (i) for the Entitled Depositors: the ARE, being the application and acceptance form for Rights Shares and Excess Rights Shares in respect of their provisional allotments of Rights Shares under the Rights Issue; or
- (ii) for the Entitled Scripholders: the PAL, being the provisional allotment letter in respect of their provisional allotments of Rights Shares under the Rights Issue,

and other accompanying documents at their respective Singapore addresses as maintained with the records of CDP or the Share Registrar, as the case may be.

Entitled Depositors who do not receive the Offer Information Statement and the AREs may obtain them from CDP or the Share Registrar during the period up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PALs may obtain them from the Share Registrar during the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares on the basis of their shareholdings as at the Books Closure Date. Entitled Shareholders are at liberty to accept (in full or in part), decline, renounce or in the case of Entitled Depositors only, trade their provisional allotments of Rights Shares on the SGX-ST during the rights trading period prescribed by the SGX-ST and are eligible to apply for Excess Rights Shares in excess of their provisional allotments under the Rights Issue. For the avoidance of doubt, only Entitled Shareholders (and not the Purchasers or the renounees) shall be entitled to apply for Excess Rights Shares in excess of their provisional allotments.

All dealings in, and transactions of, the provisional allotments of Rights Shares through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs which are issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or to effect any change in address must reach CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138588, not later than 5.00 p.m. (Singapore time) on a date being three (3) Market Days prior to the Books Closure Date.

Entitled Scripholders should note that all correspondences and notices will be sent to their last registered addresses with the Company. Entitled Scripholders are reminded that any request to the Company to update their records or to effect any change in address must reach Hong Leong Asia Ltd. c/o the Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not later than 5.00 p.m. (Singapore time) on a date being three (3) Market Days prior to the Books Closure Date. Entitled Scripholders may open Securities Accounts with CDP if they have not already done so and deposit their share certificates with CDP prior to the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights

LETTER TO SHAREHOLDERS

Shares. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the 12th Market Day from the date of lodgment of the share certificates with CDP or such later date subject to the completion of the lodgment process.

In the allotment of any Excess Rights Shares, preference will be given to the rounding of odd lots, and the Directors and Substantial Shareholders (including HLCH and its concert parties) who have control or influence in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares. The Company will also not make any allotment and issuance of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The procedures for, and the terms and conditions applicable to, the acceptances, splitting, renunciation and/or sales of the provisional allotments of Rights Shares and the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be contained in the Offer Information Statement and in the PAL, the ARE and the ARS (as the case may be).

(b) **CPF Investment Scheme**

Shareholders who have previously purchased Shares using their CPF Funds under the CPFIS may only use their CPF Funds for the payment of the Issue Price to subscribe for their provisional allotments of “nil-paid” Rights Shares and (if applicable) to apply for Excess Rights Shares, subject to the applicable CPF rules and regulations. Such Shareholders who wish to accept provisional allotments of the Rights Shares and (if applicable) apply for Excess Rights Shares using CPF Funds will need to instruct their respective approved CPF agent banks with whom they hold their CPF investment accounts, to accept the provisional allotments of the Rights Shares and (if applicable) apply for Excess Rights Shares on their behalf in accordance with the terms and conditions in the Offer Information Statement. CPF Funds may not be used to purchase provisional allotments of “nil-paid” Rights Shares directly from the market.

(c) **Foreign Shareholders**

The Offer Information Statement and its accompanying documents relating to the Rights Issue will not be lodged, registered or filed in any jurisdiction other than in Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or unless relevant securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Rights Shares will **NOT** be offered to and the Offer Information Statement and its accompanying documents will **NOT** be despatched to Foreign Shareholders or to any jurisdictions outside Singapore.

Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue. No provisional allotment of the Rights Shares has been made or will be made to Foreign Shareholders and no purported acceptance thereof or application therefor by any Foreign Shareholder will be valid.

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The Offer Information Statement and its accompanying documents will also **NOT** be despatched to the Foreign Purchasers. Foreign Purchasers who wish to accept the provisional allotments of the Rights Shares credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. Further, any renouncee of an Entitled Scripholder, whose address as stated in the PAL is outside Singapore, will not be entitled to accept the provisional allotment of the Rights Shares renounced to him. The Company further reserves the right to reject any acceptances of the Rights Shares and (if applicable) any application for Excess Rights Shares where it believes, or has reason to believe, that such acceptance or application may violate the applicable legislation of any jurisdiction.

The Company reserves the right to treat as invalid any ARE, ARS or PAL which (i) appears to the Company or its agents to have been executed in a jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction, (ii) provides an address outside Singapore for the receipt of the share certificate(s) of the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore, or (iii) purports to exclude any deemed representation or warranty.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotment of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the relevant expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date and sent to them by means of a crossed cheque at their own risk by ordinary post, or in such other manner as they may have agreed with CDP for payment of any cash distributions. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, the Manager, CDP, the Share Registrar and/or their respective officers in connection therewith.

Where the provisional allotments of Rights Shares are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, the Manager, CDP, the Share Registrar and/or their respective officers in connection therewith.

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If such provisional allotments of Rights Shares cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be aggregated and allotted to satisfy applications for Excess Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, the Manager, CDP, the Share Registrar and/or their respective officers in connection therewith.

Shareholders should note that the special arrangements described above would apply only to Foreign Shareholders.

Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulation or legal requirements in those territories.

The Offer Information Statement and/or its accompanying documents are not intended for distribution outside of Singapore.

2.4 Rationale for the Rights Issue and Use of Proceeds

2.4.1 Rationale for the Rights Issue

As previously disclosed by the Company in its annual report for FY2017, the Group is exploring strategic options and potential alliance opportunities, alongside cost control discipline and ongoing organisational restructuring initiatives.

As part of the Company's efforts to equip its business units with the necessary strengths to develop and grow in the near future, the Company is undertaking the Rights Issue to raise funds to expand the capital base of the Group, provide additional resources for business expansion (in particular, the construction of a new precast plant as described below, to enable the Group's precast division under the Building Materials Unit to continue to be a significant player in Singapore), and to enhance the financial flexibility of the Group to capitalise on potential growth opportunities.

The Rights Issue will also provide Shareholders with an opportunity to maintain their equity participation in the Company.

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2.4.2 Use of Net Proceeds

The Company intends to utilise the Net Proceeds for the following purposes, details of the breakdown are set out below:

- (a) the partial repayment of a loan (the “**Acquisition Loan**”), a portion of which was used to finance the consideration of approximately S\$14.0 million for the acquisition of a 51% stake in a piece of land at Pulau Punggol Barat, Singapore with a 30-year lease (the “**Land**”). The Company announced the award of the tender on 27 July 2018;
- (b) to finance the construction of a fully mechanised integrated precast plant with state of art technology (the “**Plant**”) on the Land for an aggregate amount of approximately S\$60.0 million;
- (c) the repayment of loans and other indebtedness of the Group (other than the Acquisition Loan) of up to S\$25.0 million; and
- (d) the balance for the general corporate purposes including general and working capital requirements of the Group or making strategic investments and/or acquisitions. In this regard, as at the Latest Practicable Date, the Group has not identified any specific target which the Company intends to acquire using the Net Proceeds.

Assuming the Maximum Scenario, the Net Proceeds (after deducting estimated expenses of approximately S\$0.6 million) are expected to be approximately S\$201.7 million and the Company intends to use the Net Proceeds in the following manner:

Use of the Net Proceeds	Percentage of the Net Proceeds (%)
(a) Repayment of Acquisition Loan	6.9
(b) Construction of the Plant	29.8
(c) Repayment of other loans ²	12.4
(d) General corporate purposes or making strategic investments and/or acquisitions ²	50.9

Assuming the Minimum Scenario, the Net Proceeds (after deducting estimated expenses of approximately S\$0.6 million) are expected to be approximately S\$201.3 million and the Company intends to use the Net Proceeds in the following manner:

Use of the Net Proceeds	Percentage of the Net Proceeds (%)
(a) Repayment of Acquisition Loan	7.0
(b) Construction of the Plant	29.8
(c) Repayment of other loans ²	12.4
(d) General corporate purposes or making strategic investments and/or acquisitions ²	50.8

² Based on an amount of S\$25.0 million utilised for the repayment of other loans.

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The above allocations are based on the Maximum Scenario and the Minimum Scenario only. In the event the Net Proceeds fall in between the Maximum Scenario and the Minimum Scenario, the Company will make the necessary announcements on the allocations once the final Net Proceeds have been determined. It is anticipated that the allocations would not deviate significantly from the above illustrations.

Pending the deployment of the Net Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities and/or used for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

The Directors are of the opinion that as at the Latest Practicable Date, taking into consideration the Company's internal resources and present bank facilities and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed, and whether such use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial results announcement(s) and in the Company's annual report(s), until such time the Net Proceeds have been fully utilised. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

Where the Net Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in its announcements and annual reports.

2.5 Irrevocable Undertaking

2.5.1 Terms of the Irrevocable Undertaking

As at the Latest Practicable Date, the Undertaking Shareholder owns and/or has shareholding interests in 239,664,000 Shares representing approximately 64.10% of the Existing Issued Share Capital, and does not own any instruments convertible into, rights to subscribe for, or options in respect of, Shares.

To demonstrate its confidence in the Rights Issue and its commitment and support to the Company, the Undertaking Shareholder has executed the Irrevocable Undertaking in favour of the Company, pursuant to which it has irrevocably undertaken to the Company, *inter alia*, that:

- (a) as at the Books Closure Date, it will own, directly and/or indirectly, no less than 239,664,000 Shares (the "**Undertaken Shares**");
- (b) it will not sell, transfer or otherwise dispose of the Undertaken Shares on or prior to the Books Closure Date;
- (c) it will vote, and procure that the relevant persons will vote, in respect of the Undertaken Shares, in favour of the resolutions to be proposed at the EGM to approve the Rights Issue;

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- (d) it will, by way of acceptance, subscribe and pay for (or procure subscription and payment for) in full at the Issue Price, an aggregate of 239,664,000 Rights Shares (the aggregate value of which is approximately S\$129.4 million based on the Issue Price) to be provisionally allotted to it on the basis of the Undertaken Shares (the “**HLCH Entitlement**”); and
- (e) it will, by way of excess application, subscribe and pay for, at the Issue Price, all the Rights Shares which are not taken up by the other Shareholders who are eligible to participate in the Rights Issue or their renounees by way of acceptances and/or excess applications (subject to availability) (the “**HLCH Excess Application**”).

On the basis of the Irrevocable Undertaking, the Rights Issue will be subscribed for in full.

The Irrevocable Undertaking is subject to:

- (i) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST (which was granted on 5 September 2018) and if such approval is granted subject to conditions, such conditions being acceptable to the Company and the Undertaking Shareholder, and such approval not having been withdrawn or revoked on or prior to the completion of the Rights Issue;
- (ii) the approval of the Shareholders at the EGM to be convened for the Rights Issue; and
- (iii) the lodgment of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights Issue with the Authority.

Assuming that the Undertaking Shareholder subscribes and pays for in full the HLCH Entitlement and the HLCH Excess Application under the Minimum Scenario but assuming that all the Outstanding Share Options are exercised before the Books Closure Date, the Undertaking Shareholder will subscribe and pay for up to 374,678,559 Rights Shares at an aggregate Issue Price of S\$202,326,421.86 (the “**Maximum Financial Outlay**”).

As at the Latest Practicable Date, the Undertaking Shareholder has procured the delivery to the SGX-ST of a confirmation from a bank that the Undertaking Shareholder has sufficient financial resources to satisfy the Maximum Financial Outlay.

No commission or fee will be payable by the Company to the Undertaking Shareholder in consideration of the Irrevocable Undertaking.

2.5.2 Resultant Shareholdings of the Undertaking Shareholder pursuant to the Irrevocable Undertaking

Pursuant to the Irrevocable Undertaking and immediately following the completion of the Rights Issue, the shareholding of the Undertaking Shareholder in the Company will be as follows:

- (a) under the Maximum Scenario, assuming, *inter alia*, that all of the Outstanding Share Options are exercised before the Books Closure Date and the Undertaking Shareholder only subscribes and pays for in full the HLCH Entitlement, it will own, directly and/or indirectly, 479,328,000 Shares representing approximately 63.97% of the enlarged share capital of the Company of 749,357,118 Shares; and

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- (b) under the Minimum Scenario, assuming, *inter alia*, that none of the Outstanding Share Options are exercised before the Books Closure Date and the Undertaking Shareholder subscribes and pays for in full the HLCH Entitlement and the HLCH Excess Application, it will own, directly and/or indirectly, 613,572,559 Shares representing approximately 82.05% of the enlarged share capital of the Company of 747,817,118 Shares.

2.6 Financial Effects of the Rights Issue

The financial effects of the Rights Issue set out below are purely for illustrative purposes only and are not necessarily indicative of or a projection of the actual future financial performance or financial position of the Company and/or the Group after completion of the Rights Issue.

The financial effects of the Rights Issue have been computed based on the latest announced audited consolidated financial statements of the Group for FY2017 and the latest announced unaudited consolidated financial statements of the Group for 1H2018 as well as the following assumptions:

- (a) there is no income from the Net Proceeds;
- (b) the estimated expenses incurred in relation to the Rights Issue are approximately S\$0.6 million;
- (c) the financial effects on the share capital, NTA, NAV and gearing are computed based on the assumption that the Rights Issue was completed on 31 December 2017 or 30 June 2018 (as the case may be);
- (d) the financial effects on the earnings and EPS are computed based on the assumption that the Rights Issue was completed on 1 January 2017 or 1 January 2018 (as the case may be);
- (e) under the Maximum Scenario, the financial effects on the share capital, NTA, NAV and gearing are computed based on the assumption that 770,000 Outstanding Share Options were exercised as at 31 December 2017 or 30 June 2018 (as the case may be), at the exercise price per Outstanding Share Option; and
- (f) under the Maximum Scenario, the financial effects on the earnings and EPS are computed based on the assumption that 770,000 Outstanding Share Options were exercised as at 1 January 2017 or 1 January 2018 (as the case may be), at the exercise price per Outstanding Share Option.

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2.6.1 Share Capital

	Maximum Scenario		Minimum Scenario	
	Number of Shares	Share Capital S\$'000	Number of Shares	Share Capital S\$'000
As at 31 December 2017				
Issued Share Capital	373,908,559	266,830	373,908,559	266,830
Add: Exercise of Outstanding Share Options	770,000	1,716	–	–
Add: Rights Shares to be Issued	374,678,559	202,326	373,908,559	201,911
Less: Estimated Expenses	–	(600)	–	(600)
Issued Share Capital upon Completion of the Rights Issue	749,357,118	470,272	747,817,118	468,141

	Maximum Scenario		Minimum Scenario	
	Number of Shares	Share Capital S\$'000	Number of Shares	Share Capital S\$'000
As at 30 June 2018				
Issued Share Capital	373,908,559	266,830	373,908,559	266,830
Add: Exercise of Outstanding Share Options	770,000	1,716	–	–
Add: Rights Shares to be Issued	374,678,559	202,326	373,908,559	201,911
Less: Estimated Expenses	–	(600)	–	(600)
Issued Share Capital upon Completion of the Rights Issue	749,357,118	470,272	747,817,118	468,141

2.6.2 Net Tangible Assets

	Maximum Scenario		Minimum Scenario	
	Before the Rights Issue	After the Rights Issue	Before the Rights Issue	After the Rights Issue
As at 31 December 2017				
NTA (S\$'000)	566,567	768,293	564,851	766,162
Number of Shares	374,678,559	749,357,118	373,908,559	747,817,118
NTA per Share (cents)	151.21	102.53	151.07	102.45
As at 30 June 2018				
NTA (S\$'000)	523,252	724,978	521,536	722,847
Number of Shares	374,678,559	749,357,118	373,908,559	747,817,118
NTA per Share (cents)	139.65	96.75	139.48	96.66

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2.6.3 Net Asset Value

	Maximum Scenario		Minimum Scenario	
	Before the Rights Issue	After the Rights Issue	Before the Rights Issue	After the Rights Issue
As at 31 December 2017				
NAV (S\$'000)	618,860	820,586	617,144	818,455
Number of Shares	374,678,559	749,357,118	373,908,559	747,817,118
NAV per Share (cents)	165.17	109.51	165.05	109.45
	Maximum Scenario		Minimum Scenario	
	Before the Rights Issue	After the Rights Issue	Before the Rights Issue	After the Rights Issue
As at 30 June 2018				
NAV (S\$'000)	531,442	733,168	529,726	731,037
Number of Shares	374,678,559	749,357,118	373,908,559	747,817,118
NAV per Share (cents)	141.84	97.84	141.67	97.76

2.6.4 Earnings per Share

	Maximum Scenario		Minimum Scenario	
	Before the Rights Issue	After the Rights Issue	Before the Rights Issue	After the Rights Issue
FY2017				
Loss after tax attributable to shareholders (S\$'000)	(66,451)	(66,451)	(66,451)	(66,451)
Number of Shares	374,678,559	749,357,118	373,908,559	747,817,118
EPS (cents)	(17.74)	(8.87)	(17.77)	(8.89)
	Maximum Scenario		Minimum Scenario	
	Before the Rights Issue	After the Rights Issue	Before the Rights Issue	After the Rights Issue
1H2018				
Loss after tax attributable to shareholders (S\$'000)	(38,422)	(38,422)	(38,422)	(38,422)
Number of Shares	374,678,559	749,357,118	373,908,559	747,817,118
EPS (cents)	(10.25)	(5.13)	(10.28)	(5.14)

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2.6.5 Gearing

	Maximum Scenario		Minimum Scenario	
	Before the Rights Issue	After the Rights Issue	Before the Rights Issue	After the Rights Issue
As at 31 December 2017				
Net (cash)/borrowings ⁽¹⁾ (S\$'000)	(484,576)	(686,302)	(482,860)	(684,171)
Total equity (S\$'000)	2,148,505	2,350,231	2,146,789	2,348,100
Gearing ⁽²⁾ (times)	(0.23)	(0.29)	(0.22)	(0.29)
	Maximum Scenario		Minimum Scenario	
	Before the Rights Issue	After the Rights Issue	Before the Rights Issue	After the Rights Issue
As at 30 June 2018				
Net (cash)/borrowings ⁽¹⁾ (S\$'000)	(574,532)	(776,258)	(572,816)	(774,127)
Total equity (S\$'000)	2,068,669	2,270,395	2,066,953	2,268,264
Gearing ⁽²⁾ (times)	(0.28)	(0.34)	(0.28)	(0.34)

Notes:

(1) Net borrowings mean total borrowings less cash and bank balances (including restricted cash in bank). Net cash means cash and bank balances are more than total borrowings.

(2) Gearing refers to the ratio of "Net (cash)/borrowings" to "Total equity".

3. ADJUSTMENTS TO OUTSTANDING SHARE OPTIONS

Pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000, adjustments may be made to the number and/or exercise price of the Outstanding Share Options as a result of the Rights Issue, in such manner as the Scheme Committee may determine to be appropriate and where necessary, upon the written confirmation by the auditors of the Company or other qualified financial consultants appointed by the Scheme Committee, that in their opinion, such adjustment is fair and reasonable. Notwithstanding the foregoing, no such adjustment will be made unless the Scheme Committee after considering all relevant circumstances, considers it equitable to do so.

The Company will in due course make the relevant announcement and notify holders of the Outstanding Share Options of such adjustments, if any.

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4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 Directors' Interests

As at the Latest Practicable Date, the Directors' interests in the Shares and the Outstanding Share Options based on information in the Register of Directors' Shareholdings maintained by the Company pursuant to Section 164 of the Companies Act are as follows:

	Direct Interest		Deemed Interest		Number of Outstanding Share Options
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	
Kwek Leng Peck	1,913,300	0.51	–	–	300,000
Philip Ting Sii Tien @ Yao Sik Tien	280,000	0.07	–	–	200,000
Ernest Colin Lee	40,000	0.01	–	–	–
Kwong Ka Lo @ Caroline Kwong	–	–	–	–	–
Ng Sey Ming	–	–	–	–	–
Tan Chian Khong	–	–	–	–	–

Note:

(1) Based on 373,908,559 issued Shares as at the Latest Practicable Date.

The following Directors are also officers and/or shareholders of the following companies:

- (a) Mr Kwek Leng Peck is a director of the Undertaking Shareholder, HLE and HLIH;
- (b) Mr Kwek Leng Peck has direct shareholding interests in HLIH; and
- (c) Mr Philip Ting Sii Tien @ Yao Sik Tien is the Group General Manager of the Undertaking Shareholder.

Mr Ng Sey Ming, a Non-Executive Director, is a partner of Messrs Rajah & Tann Singapore LLP, which are the Singapore legal advisers to the Company in connection with the Rights Issue.

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4.2 Substantial Shareholders' Interests

As at the Latest Practicable Date, the interests of the substantial Shareholders in the Shares based on information in the Register of Substantial Shareholders maintained by the Company pursuant to Section 88 of the Companies Act are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
HLCH	233,000,000	62.31	6,664,000 ⁽²⁾	1.78
HLE	–	–	239,664,000 ⁽³⁾	64.10
HLIH	–	–	239,932,000 ⁽⁴⁾	64.17
Davos Investment Holdings Private Limited	–	–	239,932,000 ⁽⁵⁾	64.17
Kwek Holdings Pte Ltd	–	–	239,932,000 ⁽⁵⁾	64.17

Notes:

- (1) Based on 373,908,559 issued Shares as at the Latest Practicable Date.
- (2) HLCH is deemed under Section 4 of the Securities and Futures Act to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. ("**Starich**").
- (3) HLE is deemed under Section 4 of the Securities and Futures Act to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.
- (4) HLIH is deemed under Section 4 of the Securities and Futures Act to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.
- (5) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the Securities and Futures Act to have interests in the Shares referred to in Note (4) above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

The following substantial Shareholders of the Company have shareholding interests in the Undertaking Shareholder:

- (a) HLIH and HLE hold shares in the capital of the Undertaking Shareholder;
- (b) HLIH is also deemed to have an interest in the shares of the Undertaking Shareholder held by HLE; and
- (c) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed to have an interest in the shares of the Undertaking Shareholder held by HLIH and HLE.

Please refer to Section 4.1 above for further details of the respective relationships between the substantial Shareholders of the Company and the Directors.

In view of the above, Mr Kwek Leng Peck and Mr Philip Ting Sii Tien @ Yao Sik Tien (a) have abstained from making any recommendations on the Rights Issue; and (b) will decline to accept any appointment as proxy for any Shareholder to vote in respect of the Ordinary Resolution relating thereto at the EGM, unless specific instructions have been given in the proxy form on how the vote is to be cast for the Ordinary Resolution at the EGM.

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Save as disclosed in this Circular and save for their interests arising by way of their shareholdings in the Company and/or directorships in the Group, as the case may be, none of the Directors or substantial Shareholders has any interest, direct or indirect, in the Rights Issue.

5. FINANCIAL INFORMATION ON THE GROUP

The financial statements of the Group (the consolidated income statements, consolidated balance sheets, working capital position and consolidated cash flow statements of the Group) for the last three (3) financial years, being FY2015, FY2016 and FY2017, and 1H2018 as well as the review thereof are set out in Appendix A of this Circular.

6. BOOKS CLOSURE DATE

Subject to Shareholders' approval of the Rights Issue at the EGM, the Books Closure Date for the purpose of determining the Entitled Shareholders' entitlements under the Rights Issue will be announced at a later date.

7. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched by the Company to Entitled Shareholders subject to, *inter alia*, the approval of Shareholders of the Rights Issue being obtained at the EGM. Acceptances and applications under the Rights Issue can only be made on the following (all of which will form part of the Offer Information Statement):

- (a) the PAL, in the case of Entitled Scripholders;
- (b) the ARE or through the ATMs of the Participating Banks, in the case of Entitled Depositors; and
- (c) the ARS or through the ATMs of the Participating Banks, in the case of persons purchasing provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore.

8. DIRECTORS' RECOMMENDATION

The Independent Directors, having considered, among others, the terms of and rationale for the Rights Issue, are of the view that the Rights Issue is in the interests of the Company and accordingly, recommend that the Shareholders vote in favour of the Ordinary Resolution relating thereto set out in the Notice of EGM.

9. EXTRAORDINARY GENERAL MEETING

The EGM will be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Monday, 24 September 2018 at 3.00 p.m. for the purpose of considering, and, if thought fit, passing, with or without any modifications, the Ordinary Resolution set out in the Notice of EGM on pages 47 to 49 of this Circular.

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10. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend, speak and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Share Registrar at 112 Robinson Road, #05-01, Singapore 068902, not less than 72 hours before the time appointed for the EGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he subsequently wishes to do so. In such an event, the Proxy Form shall be deemed to be revoked.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register at least 72 hours before the EGM.

In the event that Shareholders and other investors are in doubt about the actions they should take, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional adviser(s).

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

12. MANAGER'S RESPONSIBILITY STATEMENT

To the best of the Manager's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue and the Group, and the Manager is not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Manager has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

13. CONSENT FROM THE MANAGER

The Manager has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, and all references thereto, in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders at the office of the Company at 16 Raffles Quay, #26-00, Hong Leong Building, Singapore 048581 during normal business hours from the date of this Circular up to and including the time and date of the EGM:

- (a) the Announcement;
- (b) the annual report of the Company for FY2017;
- (c) the audited financial statements of the Group for FY2015, FY2016 and FY2017;
- (d) the unaudited financial statements of the Group for 1H2018;
- (e) the Constitution; and
- (f) the Irrevocable Undertaking.

Yours faithfully
For and on behalf of
The Board of Directors of
HONG LEONG ASIA LTD.

KWEK LENG PECK
Executive Chairman

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

Certain financial information extracted from the audited consolidated financial statements of the Group for FY2015, FY2016 and FY2017 as well as the unaudited consolidated financial statements of the Group for 1H2018 is set out below. The financial information should be read in conjunction with the audited consolidated financial statements of the Group for FY2015, FY2016 and FY2017 as well as the unaudited consolidated financial statements of the Group for 1H2018 (copies of which are available for inspection as mentioned in Section 14 of this Circular).

1. Consolidated Income Statements

The audited consolidated income statements of the Group for FY2015, FY2016 and FY2017 are set out below:

	FY2015 S\$'000 (Audited)	FY2016 S\$'000 (Audited)	FY2017 S\$'000 (Audited)
Revenue	4,082,728	3,724,759	4,026,670
Cost of sales	(3,229,428)	(2,959,812)	(3,209,259)
Gross profit	853,300	764,947	817,411
Other income	36,293	32,955	133,443
Selling and distribution expenses	(423,200)	(360,165)	(356,279)
Research and development expenses	(123,108)	(132,894)	(135,152)
General and administrative expenses	(201,992)	(193,250)	(216,252)
Finance costs	(43,387)	(34,740)	(41,552)
Other expenses	(18,338)	(17,409)	(30,902)
Profit from operations	79,568	59,444	170,717
Share of results of associates and joint ventures, net of tax	1,673	1,907	1,566
Profit before income tax	81,241	61,351	172,283
Income tax expense	(72,191)	(38,522)	(46,197)
Profit for the year	9,050	22,829	126,086
Attributable to:			
Owners of the Company	(60,731)	(71,246)	(66,451)
Non-controlling interests	69,781	94,075	192,537
	9,050	22,829	126,086

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	FY2015 S\$'000 (Audited)	FY2016 S\$'000 (Audited)	FY2017 S\$'000 (Audited)
Profit for the year	9,050	22,829	126,086
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	1,918	(70,481)	(36,238)
Net fair value changes of available-for-sale financial assets	(349)	16	613
Exchange differences on monetary items forming part of net investment in foreign entities	–	(4,416)	(3,367)
Realisation of foreign currency translation reserves upon liquidation/disposal of foreign operation	(64)	–	(835)
Other comprehensive income for the year, net of income tax	1,505	(74,881)	(39,827)
Total comprehensive income for the year	10,555	(52,052)	86,259
Attributable to:			
Owners of the Company	(72,469)	(97,694)	(79,136)
Non-controlling interests	83,024	45,642	165,395
Total comprehensive income for the year	10,555	(52,052)	86,259

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The unaudited consolidated income statements of the Group for 1H2017 and 1H2018 are set out below:

	1H2017 S\$'000 (Unaudited)	1H2018 S\$'000 (Unaudited)
Continuing operations		
Revenue	1,978,272	2,016,064
Cost of sales	(1,619,577)	(1,640,414)
Gross profit	358,695	375,650
Other income	22,745	22,379
Selling and distribution expenses	(119,552)	(122,496)
Research and development expenses	(49,410)	(58,427)
General and administrative expenses	(79,747)	(80,121)
Finance costs	(15,727)	(17,416)
Other expenses	(695)	(2,330)
Profit from continuing operations	116,309	117,239
Share of results of associates and joint ventures, net of tax	(634)	2,166
Profit before income tax from continuing operations	115,675	119,405
Income tax expense	(26,898)	(28,036)
Profit from continuing operations, net of tax	88,777	91,369
Discontinued operation		
Loss from discontinued operation, net of tax	(48,219)	(56,136)
Profit for the period	40,558	35,233
Attributable to:		
Owners of the Company		
Profit from continuing operations, net of tax	15,592	15,328
Loss from discontinued operation, net of tax	(43,423)	(53,750)
	(27,831)	(38,422)
Non-controlling interests		
Profit from continuing operations, net of tax	73,185	76,041
Loss from discontinued operation, net of tax	(4,796)	(2,386)
	68,389	73,655

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	1H2017 S\$'000 (Unaudited)	1H2018 S\$'000 (Unaudited)
Profit for the period	40,558	35,233
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	(47,464)	17,938
Net fair value changes of financial assets	164	10,573
Realisation of reserves upon de-consolidation of subsidiaries	–	(10,480)
Exchange differences on monetary items forming part of net investment in foreign entities	(5,525)	2,911
Other comprehensive income for the period, net of income tax	(52,825)	20,942
Total comprehensive income for the period	(12,267)	56,175
Attributable to:		
Owners of the Company	(45,193)	(77,604)
Non-controlling interests	32,926	133,779
Total comprehensive income for the period	(12,267)	56,175

Discontinued operation

As reported in the Company's announcement on 26 June 2018, Henan Xinfei Household Appliance Co. Ltd., Henan Xinfei Refrigeration Appliances Co., Ltd. and Henan Xinfei Electric Co., Ltd. (collectively, the "**Xinfei Companies**") had ceased to be subsidiaries of the Group with effect from 21 May 2018. On 6 August 2018, the Company further announced the completion of the equity transfer of the shares in each of the Xinfei Companies.

As required by the Singapore Financial Reporting Standards (International) 10 Consolidated Financial Statements, the Xinfei Companies were de-consolidated from the Group. The de-consolidation involved de-recognition of the assets and liabilities of the Xinfei Companies and recognition of other related obligations. The financial effect of the de-consolidation was a loss of S\$32.3 million which was recognised in the second quarter of 2018.

The operating performance of the Xinfei Companies, together with the net loss on de-consolidation of S\$32.3 million, have been presented separately under "discontinued operation" in the income statement. As a result, loss from discontinued operation was S\$56.1 million in 1H2018. Comparative figures for 1H2017 have been restated to conform to the current period's presentation.

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

A review of the operations, business and financial performance of the Group is set out below:

The main business units of the Group are the Diesel Engines Unit (“**Yuchai**”) and the Building Materials Unit (“**BMU**”). The other business units in the Group are the Industrial Packaging Unit (“**Rex**”) and the Air-conditioning Systems Unit (“**Airwell**”).

As reported in the Company’s announcement on 26 June 2018, the Group’s Consumer Products Unit (“**Xinfei**”) was de-consolidated with effect from 21 May 2018. The operating performance of Xinfei, together with the net loss on de-consolidation, have been presented separately under the “discontinued operation” in the income statement for 1H2018 and 1H2017.

1H2018 vs 1H2017

Revenue for the Group was S\$2.016 billion, an increase of S\$37.8 million or 1.9%, from S\$1.978 billion in 1H2017. The increase was mainly due to higher revenue recorded by Yuchai and BMU in 1H2018.

- Yuchai’s revenue increased by S\$13.7 million or 0.8% as compared to 1H2017. Yuchai sold 210,788 engines in 1H2018, comparable with 210,648 units sold in 1H2017. The increase in unit sales was mainly due to increase in engine demand by the truck and off-road segments. However, sales of bus engines and agriculture application decreased.
- BMU’s revenue increased by S\$27.7 million or 15.3% as compared to 1H2017. In Singapore, the increase was due to higher sales volume from both the ready-mixed concrete division and the precast division, despite continued price pressure. In Malaysia, the increase was mainly due to the increase in domestic demand for cement. However, price competition and lower average selling prices for both cement and ready-mixed concrete affected performance.

The Group’s gross profit was S\$375.7 million in 1H2018, an increase of S\$17.0 million or 4.7%, from S\$358.7 million in 1H2017. The gross profit margin was 18.6% as compared to 18.1% in 1H2017, a slight increase of 0.5%.

Other income was S\$22.4 million in 1H2018, a decrease of S\$0.3 million from S\$22.7 million in 1H2017. For 1H2018, other income mainly comprised interest income. For 1H2017, other income mainly comprised interest income, net foreign exchange gain and gain on disposal of property, plant and equipment.

Selling and distribution (“**S&D**”) expenses were S\$122.5 million in 1H2018, an increase of S\$2.9 million or 2.5% as compared to S\$119.6 million in 1H2017. The increase was mainly due to higher freight charges and staff costs, partially offset by lower warranty expenses. As a percentage of sales, S&D expenses were 6.1% for 1H2018 as compared to 6.0% in 1H2017, an increase of 0.1%.

Research and development (“**R&D**”) expenses were S\$58.4 million in 1H2018, an increase of S\$9.0 million or 18.2% as compared to S\$49.4 million in 1H2017. The increase was mainly due to higher R&D spending by Yuchai. As a percentage of sales, R&D expenses were 2.9% in 1H2018 as compared to 2.5% in 1H2017, an increase of 0.4%.

General and administrative (“**G&A**”) expenses were S\$80.1 million in 1H2018, an increase of S\$0.4 million or 0.5% as compared to S\$79.7 million in 1H2017. As a percentage of sales, G&A expenses were 4.0% in 1H2018, consistent with 1H2017.

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Finance costs were S\$17.4 million in 1H2018, an increase of S\$1.7 million or 10.7% as compared to S\$15.7 million in 1H2017. The increase in finance costs was mainly due to higher borrowings in Yuchai.

Other expenses were S\$2.3 million in 1H2018, an increase of S\$1.6 million from S\$0.7 million in 1H2017. In 1H2018, other expenses were mainly due to net foreign exchange loss. In 1H2017, other expenses were mainly due to net fair value loss on derivatives.

Profit from continuing operations after tax was S\$91.4 million in 1H2018 as compared to S\$88.8 million in 1H2017.

FY2017 vs FY2016

Revenue for the Group was S\$4.027 billion in FY2017, an increase of S\$301.9 million or 8.1%, from S\$3.725 billion in FY2016. The increase in revenue was mainly due to revenue growth recorded by Yuchai which was partially offset by the revenue decline of BMU and Xinfei.

- Yuchai's revenue increased by S\$479.6 million or 17.0% as compared to FY2016. Yuchai sold 367,097 engines in FY2017, an increase of 14.6% or 46,673 units as compared to 320,424 units sold in FY2016. The increase in engine sales was mainly due to the rebound in the sales of truck and off-road engines, while bus engines sales softened. The statistics from China Association of Automotive Manufacturers reported a growth of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 16.9% for 2017 as compared to 2016.
- BMU's revenue decreased by S\$83.9 million or 18.1% as compared to FY2016. In Singapore, the decrease was due to lower sales from the precast division and price competition. The construction industry in Singapore started declining since the third quarter of 2016 and continued through 2017. In Malaysia, the decrease in revenue was mainly due to lower demand for cement in the domestic market and price competition.
- Xinfei's revenue decreased by S\$94.1 million or 25.4% as compared to FY2016. Total unit sales were 1.20 million units for FY2017, a decrease of 20.0% as compared to 1.50 million units for FY2016. This was mainly due to cessation of production activities under the restructuring exercise undertaken by Xinfei ("**Restructuring Exercise**"). In addition, the fridge and freezer market in China remained to be highly competitive and affected by excess capacity. China Market Monitor reported that the fridge and freezers unit sales declined by 11.4% and 13.6%, respectively for FY2017 as compared to FY2016.

The Group's gross profit was S\$817.4 million in FY2017, an increase of S\$52.5 million or 6.9%, from S\$764.9 million in FY2016. The gross profit margin was 20.3% as compared to 20.5% in FY2016, a slight decrease of 0.2%.

Other income was S\$133.4 million in FY2017, an increase of S\$100.4 million from S\$33.0 million in FY2016. The increase was mainly due to asset disposal gains from HL Global Enterprises Limited ("**HLGE**") of S\$66.3 million, gain on disposal of intangible asset of S\$23.5 million and higher interest income in FY2017. HLGE is a subsidiary of China Yuchai International Limited. The asset disposal gains comprised a gain of S\$44.1 million from the disposal of a HLGE's subsidiary which owns and operates a service apartment hotel in Shanghai, and a gain of S\$22.2 million from the disposal of a joint venture which owns and

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operates a hotel in Qingdao. The gain on disposal of intangible asset was related to a sale of engineering design services for a heavy-duty engine platform for a joint venture by Yuchai.

S&D expenses were S\$356.3 million in FY2017, a decrease of S\$3.9 million or 1.1% as compared to S\$360.2 million in FY2016. As a percentage of sales, S&D expenses were 8.8% for FY2017 as compared to 9.7% in FY2016, a reduction of 0.9%.

R&D expenses were S\$135.2 million in FY2017, an increase of S\$2.3 million or 1.7% as compared to S\$132.9 million in FY2016. The increase was mainly due to higher R&D spending by Yuchai. As a percentage of sales, R&D expenses were 3.4% in FY2017 as compared to 3.6% in FY2016, a reduction of 0.2%.

G&A expenses were S\$216.3 million in FY2017, an increase of S\$23.0 million or 11.9% as compared to S\$193.3 million in FY2016. The increase was mainly due to higher staff costs in Yuchai arising from retrenchment exercise and impairment of an intangible asset in Yuchai. As a percentage of sales, G&A expenses were 5.4% in FY2017 as compared to 5.2% in FY2016, an increase of 0.2%.

Finance costs were S\$41.6 million in FY2017, an increase of S\$6.9 million or 19.6% as compared to S\$34.7 million in FY2016. This was due mainly to higher finance costs for borrowings and bills discounting incurred by Yuchai and higher bank interest expenses incurred by the Company due to increased bank borrowings arising from higher working capital requirement.

Other expenses were S\$30.9 million in FY2017, an increase of S\$13.5 million from S\$17.4 million in FY2016. In FY2017, other expenses were mainly due to impairment for plant and equipment and intangible assets, and provisions for receivables and inventories related to Xinfei's Restructuring Exercise which amounted to S\$27.6 million. In FY2016, other expenses were mainly due to a plant shut-down by Xinfei.

As a result, profit after tax was S\$126.1 million in FY2017 as compared to S\$22.8 million in FY2016. The Group recorded a loss attributable to the owners of the Company of S\$66.5 million in FY2017, as compared to loss of S\$71.2 million in FY2016. The loss for FY2017 included impairments relating to Xinfei's Restructuring Exercise which amounted to S\$24.9 million.

FY2016 vs FY2015

Revenue for the Group was S\$3.725 billion in FY2016, a decrease of S\$358.0 million or 8.8%, from S\$4.083 billion in FY2015. The decrease in revenue was mainly due to slowing economic growth in China which affected Yuchai and Xinfei. In addition, revenue for BMU also decreased as the market competition intensified in Singapore and Malaysia in a weaker construction sector especially in the private sector projects.

- Yuchai's revenue declined by S\$166.4 million or 5.6% as compared to FY2015. Yuchai sold 320,424 engines in FY2016, a decline of 12.1% or 44,143 units less than the 364,567 units sold in FY2015. The decline in sales unit was mainly due to decline in the sale of engines in the bus segments and the off-road applications. The bus segment was affected by the switch to electric bus and off-road segment was affected by the transition of the emission standards from Tier 2 to Tier 3, which was aggravated by the different implementation dates for engine makers and applications sellers.

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- BMU's revenue decreased by S\$117.1 million or 20.2% as compared to FY2015. The decrease was due to lower sales from both the ready-mixed concrete division and the precast division in Singapore. In addition, revenue in Malaysia was affected by price competition.
- Xinfei's revenue declined by S\$54.5 million or 12.8% as compared to FY2015. This was due to the weakening demand for fridges and freezers in an intense price competition environment. Total unit sales were 1.50 million units for FY2016, a slight decline of 0.8% as compared to 1.51 million units for FY2015.

The Group's gross profit was S\$764.9 million in FY2016, a decrease of S\$88.4 million or 10.4%, from S\$853.3 million in FY2015. The gross profit margin was 20.5% as compared to 20.9% in FY2015, a slight decrease of 0.4% point. The competitive environment resulted in lower gross profit margin for Xinfei and BMU, which was offset by the higher gross profit margin of Yuchai.

Other income was S\$33.0 million in FY2016, a decrease of S\$3.3 million from S\$36.3 million in FY2015. The decrease was mainly due to fair value gain on derivatives in FY2015 offset by higher interest income in FY2016.

S&D expenses were S\$360.2 million in FY2016, a decrease of S\$63.0 million or 14.9% as compared to S\$423.2 million in FY2015. It was mainly due to lower sales incentives and promotions by Xinfei, lower outward freight incurred by BMU and Yuchai. In addition, lower provision for receivables and staff costs were incurred. As a percentage of sales, S&D expenses were 9.7% for FY2016 as compared to 10.4% in FY2015, an improvement of 0.7% point.

R&D expenses were S\$132.9 million in FY2016, an increase of S\$9.8 million or 7.9% as compared to S\$123.1 million in FY2015. The increase was mainly due to R&D spending by Yuchai as it continued to invest in R&D of new and existing engine products and R&D to introduce new engine models for both the on-road and off-road markets compliant with increasingly stringent emission standards. As a percentage of sales, R&D expenses were 3.6% in FY2016 as compared to 3.0% in FY2015, an increase of 0.6% point. It was mainly due to higher R&D expenses incurred by Yuchai.

G&A expenses were S\$193.3 million in FY2016, a decrease of S\$8.7 million or 4.3% as compared to S\$202.0 million in FY2015. The decrease was mainly due to lower staff costs. As a percentage of sales, G&A expenses were 5.2% of revenue in FY2016 as compared to 4.9% in FY2015, an increase of 0.3% point.

Finance costs were S\$34.7 million in FY2016, a decrease of S\$8.7 million or 19.9% as compared to S\$43.4 million in FY2015. This was due mainly to lower bank borrowings by Yuchai.

Other expenses were S\$17.4 million in FY2016, a decrease of S\$0.9 million from S\$18.3 million in FY2015. The decrease was mainly due to lower foreign exchange loss in FY2016 and a loss on disposal of a subsidiary in FY2015. This was offset by expenses due to a plant shut-down of Xinfei in FY2016.

Profit after tax was S\$22.8 million in FY2016 as compared to S\$9.1 million in FY2015. The profit after tax for FY2016 was affected by certain non-cash items such as impairments and provision for receivables and inventories amounting to S\$19.0 million, as compared to

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S\$39.4 million in FY2015. In addition, the profit after tax for FY2015 was further affected by reversals of deferred tax assets of S\$27.5 million. These non-cash items had contributed to higher loss attributable to the owners of the Company by S\$16.0 million and S\$39.3 million for FY2016 and FY2015, respectively.

2. Consolidated Balance Sheets

The audited consolidated balance sheets of the Group as at 31 December 2015, 31 December 2016, 31 December 2017 and the unaudited consolidated balance sheet of the Group as at 30 June 2018 are set out below:

	As at 31 December			As at 30 June
	2015 S\$'000 (Audited)	2016 S\$'000 (Audited)	2017 S\$'000 (Audited)	2018 S\$'000 (Unaudited)
Non-current assets				
Property, plant and equipment	1,219,741	1,111,296	1,005,664	923,339
Land use rights	141,129	133,640	128,882	109,996
Intangible assets	84,789	68,177	52,293	8,190
Interests in associates	53,210	48,339	47,043	45,319
Interests in joint ventures	57,282	36,646	40,153	43,037
Investment property	1,602	1,516	1,522	1,533
Other investments	1,425	1,434	5,202	4,263
Non-current receivables	10,205	6,645	8,375	2,037
Deferred tax assets	75,987	62,363	65,345	67,666
Long-term deposits	12,924	–	14,336	18,558
	1,658,294	1,470,056	1,368,815	1,223,938
Current assets				
Inventories	524,799	464,979	631,817	483,094
Development properties	4,870	4,858	4,881	4,123
Other investments	2,592	2,543	5,061	5,061
Trade and other receivables	1,919,677	1,780,587	1,714,744	1,885,786
Cash and short-term deposits	1,013,189	1,033,698	1,363,934	1,428,535
Derivatives	3,340	–	–	–
Assets of disposal group classified as held for sale	–	18,397	–	–
	3,468,467	3,305,062	3,720,437	3,806,599
Total assets	5,126,761	4,775,118	5,089,252	5,030,537
Current liabilities				
Trade and other payables	1,681,031	1,731,728	1,816,925	1,879,881
Provisions	70,063	69,659	73,188	48,569
Loans and borrowings	921,533	537,888	677,709	596,565
Current tax payable	13,554	10,817	12,749	11,584
Derivatives	–	29	–	–
	2,686,181	2,350,121	2,580,571	2,536,599

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	As at 31 December			As at 30 June
	2015 S\$'000 (Audited)	2016 S\$'000 (Audited)	2017 S\$'000 (Audited)	2018 S\$'000 (Unaudited)
Net current assets	782,286	954,941	1,139,866	1,270,000
Non-current liabilities				
Loans and borrowings	62,373	167,010	217,701	277,712
Deferred tax liabilities	54,136	43,369	41,497	32,929
Deferred grants	75,153	68,585	70,674	76,904
Other non-current payables	24,844	28,420	32,019	39,438
Retirement benefit obligations	256	259	1	2
	216,762	307,643	361,892	426,985
Total liabilities	2,902,943	2,657,764	2,942,463	2,963,584
Net assets	2,223,818	2,117,354	2,146,789	2,066,953
Equity attributable to owners of the Company				
Share capital	266,830	266,830	266,830	266,830
Reserves	508,068	426,921	350,314	262,896
Reserve of disposal group classified as held for sale	–	4,685	–	–
	774,898	698,436	617,144	529,726
Non-controlling interests	1,448,920	1,418,918	1,529,645	1,537,227
Total equity	2,223,818	2,117,354	2,146,789	2,066,953
Total equity and liabilities	5,126,761	4,775,118	5,089,252	5,030,537

As at 30 June 2018 vs 31 December 2017

The decrease in non-current assets was mainly due to lower property, plant and equipment, land use rights and intangible assets resulting from the de-consolidation of the Xinfei Companies during the second quarter of 2018.

The increase in current assets was mainly due to higher trade and other receivables and cash and short-term deposits at 30 June 2018. This was partially offset by lower inventories holding at 30 June 2018.

The decrease in current liabilities was mainly due to reduction in short-term loans and borrowings at 30 June 2018.

The increase in non-current liabilities was mainly due to higher long-term loans and borrowings by the Company at 30 June 2018.

As at 31 December 2017 vs 31 December 2016

The decrease in non-current assets was mainly due to lower property, plant and equipment arising from impairment of certain plant and equipment and translation of these assets as Renminbi (“RMB”) weakened against the Singapore Dollar (“SGD”) at 31 December 2017.

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The functional currency for Yuchai's main operating unit in China and Xinfei is RMB whilst the Group reports in SGD. In addition, it was due to impairment of certain intangible assets in Yuchai.

The increase in current assets was mainly due to higher cash and short-term deposits and inventories holding at 31 December 2017. This was partially offset by lower trade and other receivables at 31 December 2017 and the disposal of interest in Copthorne Hotel Qingdao Co., Ltd ("**CHQ**") (previously classified as assets held for sale) during 2017.

The increase in current liabilities was mainly due to increase in short-term loans and borrowings of the Company and Yuchai arising from higher working capital requirement and higher payables at 31 December 2017.

The increase in non-current liabilities was mainly due to higher long-term loans and borrowings by the Company at 31 December 2017.

As at 31 December 2016 vs 31 December 2015

The decrease in non-current assets was mainly due to lower property, plant and equipment arising from translation of these assets as RMB weakened against the SGD in FY2016. This is because the functional currency for Yuchai's main operating unit in China and Xinfei is RMB whilst the Group reports in SGD. In addition, it was due to impairment of intangible assets and plant and equipment, as well as reduction in interest in joint venture, CHQ. CHQ was reclassified to assets held for sale in view of the proposed disposal of CHQ.

The decrease in current assets was mainly due to lower trade and other receivables and lower inventories holding at year-end. This was partially offset by higher cash and short-term deposits and reclassification of interest held in CHQ to assets held for sale from non-current assets.

The decrease in current liabilities was mainly due to reduction of short-term loans and borrowings of Yuchai, as Yuchai repaid its medium term bond and ultra short term bond in the second quarter of 2016. This was partially offset by increase in payables.

The increase in non-current liabilities was mainly due to higher loans and borrowings by the Company.

3. Working Capital

The working capital of the Group as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018 are set out below:

	As at 31 December 2015 S\$'000 (Audited)	As at 31 December 2016 S\$'000 (Audited)	As at 31 December 2017 S\$'000 (Audited)	As at 30 June 2018 S\$'000 (Unaudited)
Total current assets	3,468,467	3,305,062	3,720,437	3,806,599
Total current liabilities	2,686,181	2,350,121	2,580,571	2,536,599
Working capital	782,286	954,941	1,139,866	1,270,000

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

A review of the working capital of the Group is set out below:

As at 30 June 2018 vs 31 December 2017

Working capital increased by S\$130.1 million from S\$1.139 billion as at 31 December 2017 to S\$1.270 billion as at 30 June 2018. This was due to an increase in current assets of S\$86.1 million and a decrease in current liabilities of S\$44.0 million.

Current assets increased by S\$86.1 million due to an increase in trade receivables of S\$171.0 million and an increase in short term deposits of S\$64.6 million, partially offset by a decrease in inventories of S\$148.7 million.

Current liabilities decreased by S\$44.0 million due to a decrease in short term borrowings of S\$81.1 million and decrease in provisions of S\$24.6 million, partially offset by an increase in trade and other payables of S\$63.0 million.

As at 31 December 2017 vs 31 December 2016

Working capital increased by S\$184.9 million from S\$0.955 billion as at 31 December 2016 to S\$1.139 billion as at 31 December 2017. This is due to an increase in current assets of S\$415.4 million, partially offset by an increase in current liabilities of S\$230.5 million.

Current assets increased by S\$415.4 million due to an increase in short term deposits of S\$330.2 million and an increase in inventories of S\$166.8 million, partially offset by a decrease in trade receivables of S\$65.8 million and a decrease in assets held for sale of S\$18.4 million in relation to the disposal of interest in CHQ.

Current liabilities increased by S\$230.5 million due to an increase in short term borrowings of S\$139.8 million, and an increase in trade and other payables of S\$85.2 million.

As at 31 December 2016 vs 31 December 2015

Working capital increased by S\$172.7 million from S\$782.3 million as at 31 December 2015 to S\$954.9 million as at 31 December 2016. This is due to a decrease in current liabilities of S\$336.0 million, partially offset by a decrease in current assets of S\$163.4 million.

Current liabilities decreased by S\$336.0 million due to a decrease in loans and borrowings of S\$383.6 million in relation to Yuchai's repayment of its medium term and ultra short term bond. This was partially offset by an increase in trade and other payables of S\$50.7 million.

Current assets decreased by S\$163.4 million due to a decrease in trade and other receivables of S\$139.1 million and a decrease in inventories of S\$59.8 million. This was partially offset by an increase in short term deposits of S\$20.5 million and an increase of S\$18.4 million due to interest held in CHQ reclassified from non-current asset to assets held for sale.

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

4. Consolidated Statements of Cash Flow

The consolidated cash flow statements of the Group for FY2015, FY2016 and FY2017 are set out below:

	FY2015 S\$'000 (Audited)	FY2016 S\$'000 (Audited)	FY2017 S\$'000 (Audited)
Operating activities			
Profit before income tax	81,241	61,351	172,283
Adjustments for:			
Share of results of associates and joint ventures, net of income tax	(1,673)	(1,907)	(1,566)
Cost of share-based payments	2,344	1,107	876
Depreciation and amortisation	144,690	136,373	129,777
Allowance recognised for inventory obsolescence, net	12,557	390	8,230
Impairment losses recognised for trade and other receivables	10,626	842	10,029
Impairment losses on property, plant and equipment and intangible assets	16,201	17,758	21,554
Write-back of allowance for anticipated losses on development properties	(650)	–	–
Property, plant and equipment written off	1,245	339	1,246
Finance costs	43,387	34,740	41,552
Dividend income from other investments	(44)	(240)	(560)
Interest income	(14,069)	(16,071)	(24,532)
Loss/(Gain) on disposal of:			
– subsidiaries	2,981	–	(44,107)
– joint venture (assets held for sale)	(76)	–	(22,213)
– property, plant and equipment	3,190	3,292	(2,266)
– land use rights	(548)	–	–
– intangible assets	–	–	(23,521)
Fair value loss/(gain) on investments	2,375	51	(2,602)
Fair value (gain)/loss on derivatives	(3,689)	95	–
Goodwill arising from acquisition of subsidiaries, written off	–	234	–
Provisions for warranties and other costs, net	84,652	86,954	86,781
Operating cash flows before changes in working capital	384,740	325,308	350,961
Changes in working capital:			
Inventories and development properties	45,588	41,842	(181,320)
Trade and other receivables	181,352	73,134	12,717
Trade and other payables	(73,743)	139,518	140,380
Grant received from government	10,902	2,812	10,225
Provisions utilised	(95,770)	(85,257)	(82,456)
Cash flows from operations	453,069	497,357	250,507
Income taxes paid	(45,091)	(40,419)	(46,604)
Net cash flows generated from operating activities	407,978	456,938	203,903

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

	FY2015 S\$'000 (Audited)	FY2016 S\$'000 (Audited)	FY2017 S\$'000 (Audited)
Investing activities			
Additional investment in associates and joint ventures	(566)	(260)	(15,322)
Dividends received from:			
– associates and joint ventures	6,290	7,141	1,613
– other investments	44	240	560
Interest received	17,814	17,656	27,232
Net placement of deposits with banks	(30,924)	(3,749)	(29,201)
Purchase of:			
– property, plant and equipment	(131,687)	(88,431)	(77,314)
– intangible assets	(1,285)	(257)	(1,438)
– other investments	–	–	(3,139)
Proceeds from disposal of:			
– subsidiaries, net of cash disposed	37,286	–	69,727
– associate	–	–	374
– joint ventures	385	–	–
– property, plant and equipment	17,212	558	6,326
– land use rights	983	–	–
– intangible assets	–	–	10,206
– joint venture (assets held-for-sale)	–	–	37,288
– other investments	1	–	–
Repayment of loan from joint venture	–	–	2,858
Net cash flows (used in)/generated from investing activities	(84,447)	(67,102)	29,770
Financing activities			
Acquisition of non-controlling interests in subsidiaries	(24,056)	(1,886)	(1,695)
Dividends paid to:			
– non-controlling interests of subsidiaries	(74,747)	(54,028)	(56,774)
– shareholders of the Company	(11,217)	(3,739)	(3,739)
Interest paid	(43,242)	(41,435)	(43,085)
Proceeds from borrowings	810,131	545,639	564,035
Proceeds from issuance of bonds	87,106	–	–
Capital contribution by non-controlling interests of subsidiaries	4,122	3,685	4,508
Repayments of borrowings	(860,440)	(799,619)	(369,573)
Repayment of obligation under finance leases	(1,770)	(2,002)	(1,645)
Net cash flows (used in)/from financing activities	(114,113)	(353,385)	92,032
Net increase in cash and cash equivalents	209,418	36,451	325,705
Cash and cash equivalents at the beginning of the financial year	740,542	938,620	945,171
Effect of exchange rate changes on balances held in foreign currencies	(11,340)	(29,900)	(8,772)
Cash and cash equivalents at the end of the financial year	938,620	945,171	1,262,104

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

The consolidated cash flow statement of 1H2018 is set out below:

	1H2018 S\$'000 (Unaudited)
Operating activities	
Profit before income tax from continuing operations	119,405
Loss before income tax from discontinued operation	(56,136)
Adjustments for:	
Share of results of associates and joint ventures, net of income tax	(2,166)
Depreciation and amortisation	56,670
Allowance recognised for inventory obsolescence, net	1,145
Impairment losses written back for trade and other receivables	(1,222)
Property, plant and equipment written off	343
Finance costs	17,606
Dividend income from other investments	(243)
Interest income	(16,942)
Loss on de-consolidation of subsidiaries	32,277
Gain on disposal of property, plant and equipment	(53)
Fair value gain on investments	(1)
Provisions for warranties and other costs, net	27,427
Operating cash flows before changes in working capital	178,110
Changes in working capital:	
Inventories and development properties	117,813
Trade and other receivables	(228,460)
Trade and other payables	64,148
Grant received from government	7,091
Provisions utilised	(25,942)
Cash flows from operations	112,760
Income taxes paid	(31,574)
Net cash flows generated from operating activities	81,186
Investing activities	
Additional investment in joint ventures	(1,006)
Dividends received from associates and joint ventures	2,954
Dividends received from other investments	243
Interest received	16,512
Net release of deposits with banks	5,856
Purchase of:	
– property, plant and equipment	(41,048)
– intangible assets	(305)
– other investments	(1,146)
Net cashflow on de-consolidation of subsidiaries	(5,201)
Proceeds from disposal of property, plant and equipment	899
Net cash flows used in investing activities	(22,242)

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

	1H2018 S\$'000 (Unaudited)
Financing activities	
Dividends paid to non-controlling interests of subsidiaries	(30,280)
Interest paid	(19,681)
Proceeds from borrowings	363,123
Repayments of borrowings	(305,379)
Repayment of obligation under finance leases	(485)
Net cash flows from financing activities	7,298
Net increase in cash and cash equivalents	
Cash and cash equivalents at the beginning of the financial period	1,262,104
Effect of exchange rate changes on balances held in foreign currencies	7,558
Cash and cash equivalents at the end of the financial period	1,335,904

A review of the cash flow position of the Group is set out below:

Review of cash flow for 1H2018

The Group had cash and cash equivalents of S\$1.336 billion as at 30 June 2018 compared with S\$1.262 billion as at 31 December 2017. The net increase in cash and cash equivalents during the period was S\$66.2 million.

During 1H2018, the Group generated cash from operating activities of S\$81.2 million. The cash generated was derived from operating profit, lower inventories holding and higher trade and other payables. This was partially offset by lower net collection from trade receivables.

The Group had net cash outflow from investing activities of S\$22.2 million. It was mainly due to purchase of property, plant and equipment of S\$41.0 million, partially offset by interest received.

The Group had net cash inflow from financing activities of S\$7.3 million. It was mainly due to net borrowings of S\$57.7 million, partially offset by dividend payment of S\$30.3 million and interest payment of S\$19.7 million.

Review of cash flow for FY2017

The Group had cash and cash equivalents of S\$1.262 billion as at 31 December 2017 compared with S\$945.2 million as at 31 December 2016. The net increase in cash and cash equivalents during the year was S\$325.7 million.

During FY2017, the Group generated cash from operating activities of S\$203.9 million. The cash generated was derived from operating profit. It was used partially to finance the increase in inventories holding, which was offset by higher trade and other payables at year-end.

The Group had net cash inflow from investing activities of S\$29.8 million. It was mainly due to proceeds from disposal of assets of S\$123.9 million, partially offset by the purchase of property, plant and equipment of S\$77.3 million.

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

The Group had net cash inflow from financing activities of S\$92.0 million. It was mainly due to net borrowings of S\$194.5 million, partially offset by dividend payment of S\$60.5 million and interest payment of S\$43.1 million.

Review of cash flow for FY2016

The Group had cash and cash equivalents of S\$945.2 million as at 31 December 2016 compared with S\$938.6 million as at 31 December 2015. The net increase in cash and cash equivalents during the year was S\$36.5 million.

During FY2016, the Group generated cash from operating activities of S\$456.9 million. This was mainly due to lower trade and bills receivables, inventories holding and higher trade and other payables at year-end.

The Group had net cash outflow from investing activities of S\$67.1 million. It was mainly due to the purchase of property, plant and equipment, offset by interest received.

The Group had net cash outflow from financing activities of S\$353.4 million. It was mainly due to net repayment of borrowings of S\$254.0 million, dividend payment of S\$57.8 million and interest payment of S\$41.4 million.

Review of cash flow for FY2015

During FY2015, the Group generated cash from operating activities of S\$408.0 million. This was mainly due to lower trade and bills receivables and inventories holding, which was partially offset by lower trade and other payables.

The Group had net cash outflow from investing activities of S\$84.4 million. This was mainly due to the purchase of property, plant and equipment amounting to S\$131.7 million, which was partially offset by proceeds from disposal of property, plant and equipment and investments.

The Group had net cash outflow from financing activities of S\$114.1 million which was mainly due to net repayment of borrowings of S\$50.3 million, dividend payment of S\$86.0 million, interest payment of S\$43.2 million and acquisition of non-controlling interest of S\$24.1 million, offset by proceeds from issuance of bonds of S\$87.1 million.

NOTICE OF EXTRAORDINARY GENERAL MEETING

HONG LEONG ASIA LTD.

(Company Registration Number: 196300306G)

(Incorporated in Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of Hong Leong Asia Ltd. (the “**Company**”) will be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Monday, 24 September 2018 at 3.00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTION – PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

THAT the renounceable non-underwritten rights issue (the “**Rights Issue**”) of up to 374,678,559 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.54 for each Rights Share (the “**Issue Price**”), on the basis of one (1) Rights Share for every one (1) existing ordinary share (the “**Share**”) in the capital of the Company held by shareholders of the Company (“**Shareholders**”) as at a books closure date to be determined by the Directors (the “**Books Closure Date**”), be and is hereby approved and authority be and is hereby given to the Directors or any of them to:

- (a) allot and issue up to 374,678,559 Rights Shares at the Issue Price;
- (b) provisionally allot and issue up to 374,678,559 Rights Shares at the Issue Price on the basis of one (1) Rights Share for every one (1) existing Share held by Shareholders whose names appear in the Register of Members or the records of The Central Depository (Pte) Limited (“**CDP**”) as at the Books Closure Date (the “**Entitled Shareholders**”) with registered addresses in Singapore or who have, at least three (3) market days prior to the Books Closure Date, provided to CDP or the share registrar of the Company (the “**Share Registrar**”), as the case may be, addresses in Singapore for the service of notices and documents, on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:
 - (i) that the provisional allotments of Rights Shares under the Rights Issue shall be made on a renounceable non-underwritten basis to Entitled Shareholders;
 - (ii) that no provisional allotment of Rights Shares shall be made in favour of, and no provisional allotment letters, application forms or other documents in respect thereof shall be issued or sent to, Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior thereto, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”);
 - (iii) that the entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders shall be disposed of or dealt with by the Company in such manner and on such terms and conditions as the Directors may, in their absolute discretion, deem fit, including without limitation to be sold “nil-paid” on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and to pool and thereafter distribute the net proceeds thereof, if any (after deducting all expenses), proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books

NOTICE OF EXTRAORDINARY GENERAL MEETING

Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company;

- (iv) that provisional allotments of Rights Shares not taken up or cannot be sold or are not sold on the SGX-ST for any reason, shall be used to satisfy applications for excess Rights Shares or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
 - (v) that the Rights Shares when issued and fully paid-up will rank *pari passu* in all respects with the existing Shares save for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares; and
- (c) the Directors be and are hereby authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Rights Issue, with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this ordinary resolution.

By Order of the Board

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

Singapore, 7 September 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.
- (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies (the **"Proxy Form"**) must be deposited with the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902, not less than 72 hours before the time appointed for the EGM. The completion and return of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.
5. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by CDP to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the EGM.
6. Pursuant to Rule 730(A)(2) of the Listing Manual of SGX-ST, the Ordinary Resolution proposed at the EGM shall be voted on by way of a poll.
7. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, members present in person or represented by proxy at the EGM will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

HONG LEONG ASIA LTD.

(Company Registration Number: 196300306G)
(Incorporated in Singapore)

PROXY FORM

EXTRAORDINARY GENERAL MEETING

IMPORTANT:

1. Relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two (2) proxies to attend, speak and vote at the EGM.
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 7 September 2018.

*I/We, (name) _____ with NRIC/Passport No. _____

of (address) _____

being *a member/members of HONG LEONG ASIA LTD. (the “**Company**”), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to attend, speak and vote on *my/our behalf at the extraordinary general meeting (“**EGM**”) of the Company to be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Monday, 24 September 2018 at 3.00 p.m. and at any adjournment thereof in the following manner as specified below. My/our proxy/proxies may vote or abstain from voting at his/their discretion on the resolution where I/we have not specified the voting instruction, and on any other matter arising at the EGM and at any adjournment thereof.

ORDINARY RESOLUTION	No. of votes FOR*	No. of votes AGAINST*
Proposed Renounceable Non-Underwritten Rights Issue		

NOTE: If you wish to exercise 100% of your votes **For** or **Against** the resolution, please tick (✓) in the corresponding box provided against the resolution. If you wish to split your votes, please indicate the number of votes **For** and/or **Against** the resolution.

Dated this _____ day of _____ 2018

Total No. of Shares Held

Signature(s)/Common Seal of Member(s)

* Delete accordingly

NOTES: SEE OVERLEAF



NOTES:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.
3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
4. This proxy form must be signed by the appointor or his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form may be treated as invalid.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. Completion and return of this proxy form shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this proxy form to the EGM.
7. This proxy form must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902, not less than 72 hours before the time fixed for holding the EGM.
8. The Company shall be entitled to reject the proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.

Fold Here

PROXY FORM

Affix
Postage
Stamp

The Share Registrar

HONG LEONG ASIA LTD.
c/o M & C Services Private Limited
112 Robinson Road, #05-01
Singapore 068902

Fold Here