

ANNOUNCEMENT

PROPOSED DIVESTMENT OF THE CONSUMER PRODUCTS UNIT

1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**") of Hong Leong Asia Ltd. ("**HLA**" or the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcements made by the Company on 30 October 2017 and 22 January 2018 (collectively, the "**Previous Announcements**") in relation to the Restructuring Exercise (as defined in the Previous Announcements) undertaken by the Company's Consumer Products Unit ("**Xinfei**").
- 1.2 Further to the Previous Announcements, the Board wishes to update that on 9 April 2018, the Xinxiang Intermediate Court was notified of the plan for local partners to acquire HLA's entire equity stake in each of Henan Xinfei Household Appliance Co. Ltd., Henan Xinfei Refrigeration Appliances Co., Ltd. and Henan Xinfei Electric Co., Ltd. (collectively, the "**Xinfei Companies**"), in connection with the Restructuring Exercise.
- 1.3 The Board wishes to update that the Company has entered into a framework agreement for share and asset purchase (the "**Framework Agreement**") with certain unrelated local partners in China (collectively, the "**Purchaser**") for the proposed acquisition by the Purchaser of HLA's entire equity stake in each of the Xinfei Companies (the "**Proposed Divestment**").

2. BACKGROUND INFORMATION ON THE XINFEI COMPANIES

As stated in the Previous Announcements, the manufacturing and production activities of the Xinfei Companies ceased in early November 2017. Prior to that, Xinfei's principal activities were those relating to the manufacturing and distribution of white goods comprising, *inter alia*, refrigerators, freezers and air-conditioners in China. In connection with the Restructuring Exercise, the Company had registered its interest (in its capacity as the ultimate major shareholder and major creditor of Xinfei) to participate in the restructuring plan for Xinfei, which would allow the Company to facilitate the process for the solicitation of potential partners/investors.

3. THE PROPOSED DIVESTMENT

- 3.1 Certain of the terms in the Framework Agreement relate to the reorganization plan for Xinfei which has to be approved by the Xinxiang Intermediate Court (the "**Final Reorganization Plan**"). These include, *inter alia*, the funds and amounts which the Purchaser shall be responsible to pay as part of the restructuring of Xinfei:
- (i) the funds to pay off the debt owing to Xinfei's creditors;
 - (ii) the bankruptcy expenses and debts for common benefit incurred in the process of Xinfei's reorganization and execution of the Final Reorganization Plan;
 - (iii) wages and benefits owing by Xinfei to its employees as prescribed by relevant laws and regulations; and
 - (iv) all taxes payable by Xinfei.

- 3.2 The terms of the Framework Agreement also include payment of consideration for the Group's equity stake in the Xinfei Companies, the repayment of certain portion of the shareholder's loan advanced by the Group to Xinfei and the repayment of existing external loans of Xinfei.
- 3.3 The parties agree that after the approval of Xinfei's Final Reorganization Plan by the Xinxiang Intermediate Court, they will enter into a comprehensive Share and Asset Purchase Agreement (the "SPA") for the transfer of Xinfei in accordance with the approved Final Reorganization Plan. The final amount of the consideration and the detailed terms of the above will be specified in the SPA.
- 3.4 **The Board wishes to emphasize that there is, however, no assurance or certainty that the Final Reorganization Plan will be approved by the Xinxiang Intermediate Court, the SPA will be entered into, that the final terms and conditions of the SPA with respect to the Proposed Divestment will not differ from the Framework Agreement, or that the Proposed Divestment will be undertaken at all.**
- 3.5 **The Company will make further announcements in relation to the Proposed Divestment in accordance with the applicable requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual") as and when appropriate.**

4. RATIONALE FOR THE PROPOSED DIVESTMENT

- 4.1 Xinfei has been loss-making since 2011. Its performance has in recent years deteriorated further in view of the overall excess capacity and intensified competition in China. As a result, the financial performance of Xinfei has been adversely affected. In the last two years, the net losses after tax attributable to Xinfei were S\$120.7 million and S\$128.5 million, respectively for the years ended 31 December 2017 and 31 December 2016.
- 4.2 Accordingly, on 30 October 2017, the Company announced that following a strategic review of its Consumer Products Unit, the Board had approved Xinfei undertaking a restructuring exercise involving the cessation of Xinfei's manufacturing and production activities, and the exploration of strategic participation with potential partners. Xinfei ceased manufacturing and production activities in early November 2017.
- 4.3 The Board is of the view that if the Proposed Divestment is successful, it would allow the Group to reduce its exposure to the competitive China consumer products market and dispose of an under-performing and unprofitable asset.
- 4.4 As Xinfei has been loss-making, the Proposed Divestment is expected to have a positive effect on the financial performance of the Group going forward.

5. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

Save for their shareholding interests in the Company, none of the Directors nor (so far as the Directors are aware) any controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Divestment.

6. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual, upon the execution of the SPA and/or when there are material updates or developments in respect of the Proposed Divestment.

7. CAUTIONARY STATEMENT

- 7.1 Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as there is no certainty or assurance that the SPA will be entered into, that the final terms and conditions of the SPA with respect to the Proposed Divestment will not differ from those set out in paragraph 3 above, or that the Proposed Divestment will be undertaken at all.**
- 7.2 Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.**

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

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

13 April 2018
Singapore