



HONG LAI HUAT GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199905292D)

APPENDIX 1 TO SHAREHOLDERS

In relation to the

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

APPENDIX 1

1. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1.1 Introduction

The Board is proposing to seek Shareholders' approval at the forthcoming AGM for the renewal of the Share Purchase Mandate.

Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Company's Constitution, the Listing Manual and such other laws and regulations as may, for the time being, be applicable.

It is a requirement under the Listing Manual and the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. Accordingly, approval is being sought from Shareholders at the AGM for the Share Purchase Mandate.

The Share Purchase Mandate was originally approved by Shareholders on 30 April 2018 and will expire on the date of the forthcoming AGM to be held on 30 April 2019. If approved by the Shareholders at the AGM, the authority conferred by the Share Purchase Mandate will take effect from the date of the AGM and continue to be in force until the date on which the next AGM is held or required by law to be held, unless prior thereto, purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate have been carried out to the full extent mandated, or the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting.

1.2 Rationale for the Share Purchase Mandate

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) The Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising return to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.
- (b) The Share Purchase Mandate will give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued.
- (c) The purchase or acquisition of Shares may, depending on market conditions and funding arrangements, lead to an enhancement of the EPS and/or NTA per Share.
- (d) Share purchases may help mitigate short-term market volatility in the Company's share price, offset the effects of short-term speculation and bolster Shareholders' confidence.
- (e) The Share Purchase Mandate will enable the Directors to utilise the Shares which are purchased or acquired thereunder and held as treasury shares to be sold for cash or transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, which may have a less dilutive effect than if new Shares were issued for this purpose.
- (f) The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The Company will only purchase or acquire Shares pursuant to the Share Purchase Mandate if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full limit as authorised. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial position of the Group as a whole and/or affect the listing status of the Company on the SGX-ST.

1.3 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, if approved at the AGM, are summarized below:

(a) **Maximum Number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate shall not exceed 10% of the total number of issued Shares excluding treasury shares and subsidiary holdings as at the date on which the resolution authorising the Share Purchase Mandate is passed (the “**Approval Date**”). Any Shares which are held as treasury shares or subsidiary holdings shall be disregarded for the purposes of computing the 10% limit.

For illustrative purposes only, based on 221,933,192 issued Shares as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the Approval Date, the purchase or acquisition by the Company pursuant to the Share Purchase Mandate of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 22,193,319 Shares.

(b) **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earliest of:

- (i) the date on which the next AGM is held or is required by law to be held, whichever is the earlier;
- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent authorized under the Share Purchase Mandate; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting,

provided that no such purchase or acquisition shall be made during the period commencing two (2) weeks before the announcement of the Company’s financial statements for each of the first three (3) quarters of the Company’s financial year and one (1) month before the announcement of the Company’s full year financial statements.

The Share Purchase Mandate may be renewed at each subsequent AGM or other general meetings of the Company.

(c) **Manner of Purchases or Acquisitions of Shares**

Purchases or acquisitions of Shares may be made by way of:

- (i) market purchases, transacted through the SGX-ST’s trading system, through one or more duly licensed dealers appointed by the Company for that purpose (“**Market Purchases**”); and/or
- (ii) off-market purchases, otherwise than on a securities exchange, in accordance with an equal access scheme (“**Off-Market Purchases**”).

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation with any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all of the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be made, except that there shall be disregarded:
 - (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (2) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed purchase or acquisition of Shares by the Company;
- (iv) the consequences, if any, of the proposed purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the proposed purchase or acquisition of Shares by the Company, if made, could affect the listing of the Company's equity securities on the SGX-ST;
- (vi) details of any purchase or acquisition of Shares by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) **Purchase Price**

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share purchased or acquired pursuant to the Share Purchase Mandate will be determined by the Directors. However, the purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the purposes of determining the Maximum Price:

- (i) “**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and
- (ii) “**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and relevant terms of the equal access scheme for effecting the Off-Market Purchase.

1.4 Status of Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares in accordance with the Companies Act. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

1.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) ***Maximum Holdings***

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company’s assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury shares into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) ***Disposal and Cancellation***

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

- (i) sell the treasury shares (or any of them) for cash;
- (ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees’ share scheme;

- (iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares (or any of them); or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must state the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

1.6 Source of Funds

In a purchase of its own Shares (i.e. "Share Buybacks"), the Company may only apply funds legally available for such purchase or acquisition in accordance with its Constitution and the applicable laws in Singapore. The Company may not purchase or acquire Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Any purchase or acquisition of Shares may be made out of the Company's capital or profits so long as the Company is solvent. For this purpose, pursuant to the Companies Act, a company is solvent if:

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) the Company is able to pay its debts in full at the time of the payment for any Share purchased or acquired pursuant to the Share Purchase Mandate and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase or acquisition of Shares pursuant to the Share Purchase Mandate, become less than the value of its liabilities (including contingent liabilities).

The Company will use internal resources and/or external borrowings to finance the purchase or acquisition of Shares pursuant to the Share Purchase Mandate. The Directors will principally consider the availability of internal resources. The Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will particularly consider the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions of Shares in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions.

1.7 Financial Effects

The financial effects arising from a purchase or acquisition of Shares pursuant to the Share Purchase Mandate on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the aggregate number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled, and the amount (if any) borrowed by the Company to fund the purchase or acquisition. The financial effect on the Group and the Company will depend, *inter alia*, on the factors set out below:

(a) **Purchase or Acquisition out of Profits and/or Capital**

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and service tax, stamp duties and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

In any case, no purchase or acquisition of Shares, whether out of capital and/or profits will be made in circumstances, which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole.

(b) **Number of Shares Acquired or Purchased**

Based on the 221,933,192 issued Shares as at the Latest Practicable Date, the purchase or acquisition of Shares by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 22,193,319 Shares.

(c) **Maximum Price Paid for Shares Acquired or Purchased**

For illustrative purposes only:

- (i) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 22,193,319 Shares at the Maximum Price of S\$0.2289 per Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 22,193,319 Shares is approximately S\$5,080,051 (excluding brokerage, commission, applicable goods and services tax and other related expenses).
- (ii) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 22,193,319 Shares at the Maximum Price of S\$0.2747 per Share (being the price equivalent to 20% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 22,193,319 Shares is approximately S\$6,096,505 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

Illustrative Financial Effects

For illustrative purposes only, based on the assumptions set out above and assuming that (i) the purchase or acquisition of Shares are made to the extent aforesaid, (ii) such Shares are funded wholly by internal resources within the Group and (iii) the Company had purchased 22,193,319 Shares (representing 10% of the issued Shares as at the Latest Practicable Date), the financial effects of the purchase of 22,193,319 Shares by way of:

- (i) purchases made entirely out of capital and held as treasury shares;
- (ii) purchases made entirely out of capital and cancelled;

on the unaudited financial statements of the Group and the Company for FY2018 pursuant to the Share Purchase Mandate are set out as follows:

Purchases made entirely out of capital and held as treasury shares

	Group			Company		
	Before purchase	After Market Purchase	After Off-Market Purchase	Before purchase	After Market Purchase	After Off-Market Purchase
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 31 December 2018						
Profit Attributable to Owners of the Company	7,941	7,941	7,941	1,622	1,622	1,622
Equity Attributable to Owners of the Company	137,131	132,051	131,035	96,421	91,341	90,325
Net Tangible Assets (NTA)	137,131	132,051	131,035	96,421	91,341	90,325
Current Assets	54,057	48,977	47,961	30,266	27,996	27,996
Current Liabilities	7,051	7,051	7,051	11,837	14,647	15,663
Total Borrowings	1,931	1,931	1,931	–	2,810	3,826
Cash and Cash Equivalents	25,231	20,151	19,135	2,270	–	–
Number of Shares ('000)	221,933	221,933	221,933	221,933	221,933	221,933
Financial Ratios						
Basic Earnings per Share (cents)	3.58	3.58	3.58	0.73	0.73	0.73
NTA per Share (cents)	61.79	59.50	59.04	43.45	41.16	40.70
Gearing (%)	1.41	1.46	1.47	–	3.08	4.24
Current Ratio (times)	7.67	6.95	6.80	2.56	1.91	1.79

Purchases made entirely out of capital and cancelled

	Group			Company		
	Before purchase	After Market Purchase	After Off-Market Purchase	Before purchase	After Market Purchase	After Off-Market Purchase
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 31 December 2018						
Profit (Loss) Attributable to Owners of the Company	7,941	7,941	7,941	1,622	1,622	1,622
Equity Attributable to Owners of the Company	137,131	132,051	131,035	96,421	91,341	90,325
Net Tangible Assets (NTA)	137,131	132,051	131,035	96,421	91,341	90,325
Current Assets	54,057	48,977	47,961	30,266	27,996	27,996
Current Liabilities	7,051	7,051	7,051	11,837	14,647	15,663
Total Borrowings	1,931	1,931	1,931	–	2,810	3,826
Cash and Cash Equivalents	25,231	20,151	19,135	2,270	–	–
Number of Shares ('000)	221,933	199,740	199,740	221,933	199,740	199,740
Financial Ratios						
Basic (Loss) Earnings per Share (cents)	3.58	3.98	3.98	0.73	0.81	0.81
NTA per Share (cents)	61.79	66.11	65.6	43.45	45.73	45.22
Gearing (%)	1.41	1.46	1.47	–	3.08	4.24
Current Ratio (times)	7.67	6.95	6.80	2.56	1.91	1.79

Notes:

Total borrowings refer to borrowings from financial institutions. Basic earnings per share equals profit after tax and minority interest divided by the weighted average number of shares. Gearing represents the percentage of total borrowings to shareholders' funds. Current ratio represents the ratio of current assets to current liabilities.

Shareholders should note that the financial effects set out above are for illustrative purposes only. The actual impact will depend on, *inter alia*, the actual number and price of Shares that may be purchased or acquired by the Company, whether the purchase or acquisition of Shares is made out of the profit or capital of the Company and whether the Shares purchased or acquired are held in treasury or cancelled. In particular, all Shareholders should note that the above illustrative analysis is based on the unaudited financial statements of the Group and the Company for FY2018 and is not necessarily representative of the future financial performance of the Group and the Company.

It should be noted that the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate would only be made in circumstances where it is considered to be in the best interest of the Company. Although the Share Purchase Mandate would authorise the Company to purchase or acquire or be able to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or holds all or part of the Shares repurchased in treasury. Further, the Directors would emphasise that they do not propose to purchase or acquire Shares pursuant to the Share Purchase Mandate to such an extent that would, or in any circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or results in the Company being delisted from the SGX-ST. The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a purchase or acquisition of Shares before execution.

1.8 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of a Share Buyback by the Company or who may be subject to tax, whether in or outside Singapore, should consult their own professional advisers.

1.9 Listing Rules

Rule 886 of the Listing Manual specifies that a listed company shall notify all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such notification (which must be in the form of Appendix 8.3.1 of the Listing Manual) must include the details of, *inter alia*, the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares (excluding treasury shares and subsidiary holdings) and the number of treasury shares and subsidiary holdings held after the purchase.

The Listing Manual does not expressly prohibit a listed company from purchasing or acquiring its own shares during any particular time or times. However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price-sensitive development has occurred or has been the subject of consideration and/or a decision of the Directors until such time as the price-sensitive development has been publicly announced or disseminated in accordance with the requirements of the Listing Manual.

In particular, in line with the best practices guide on dealings in securities issued by the SGX-ST, the Company will not purchase or acquire any Shares pursuant to the Share Purchase Mandate during the period of one (1) month immediately preceding the announcement of the Company’s full year financial results and two (2) weeks immediately preceding the announcement of the Company’s financial statements for the first three (3) quarters of the Company’s financial year.

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, approximately 71.7% of the Shares are held by public shareholders. Assuming that (a) the Company purchases a maximum of 10% of the issued Shares from the public and (b) the Shares held by the substantial Shareholders of the Company and the Directors remain unchanged, the percentage of Shares in the hands of the public after such a buy-back will be approximately 68.5%. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of shares over the last five market days, on which transactions in the shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 1.3(d) of this Appendix, conforms to this restriction.

Although the Listing Manual does not prescribe a maximum price in relation to purchases of shares by way of Off-Market Purchases, the Company has set a cap of 20% above the Highest Last Dealt Price of a Share as the Maximum Price for a Share to be purchased or acquired by way of an Off-Market Purchase.

1.10 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

(a) ***Obligations to Make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purpose of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

(b) ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following individuals will, inter alia, be presumed to be acting in concert:

- (i) a company with any of its directors, (together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts);
- (ii) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (vi) directors of a company, (together with their close relatives, related trusts and companies controlled by any of them), which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and

- (viii) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above persons, and any person who has provided financial assistance (other than a bank in its ordinary course of business) to any of the above for the purchase of voting rights.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

(c) ***Effect of Rule 14 and Appendix 2 of the Take-over Code***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and the persons acting in concert with them would increase to 30% or more, or in the event that such Directors and the persons acting in concert with them hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and the persons acting in concert with them would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its own Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholders holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholders would increase by more than 1% in any period of six (6) months. Such a Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share purchases by the Company.

Assuming that:

- (i) the Company purchases or acquires Shares pursuant to the Share Purchase Mandate up to the maximum of 10% issued Shares (excluding treasury shares and subsidiary holdings) as permitted by the Share Purchase Mandate;
- (ii) there is no change in the Controlling Shareholder's shareholdings in the Company between the Latest Practicable Date and the date of the AGM;
- (iii) no new Shares are issued following the Shareholders' approval of the proposed renewal of the Share Purchase Mandate at the AGM; and
- (iv) the Controlling Shareholder does not sell or otherwise dispose of his shareholdings in the Company,

the shareholdings of the Directors and the Substantial Shareholders as at the Latest Practicable Date and after the purchase by the Company (other than from the Substantial Shareholders) of the maximum of 10% of the issued Shares (excluding treasury shares and subsidiary holdings) pursuant to the Share Purchase Mandate, are as follows:

Party	Number of Shares			Voting Rights in the Company (%)	
	Direct Interest	Deemed Interest	Total Interest	Before Share Purchase	After Share Purchase
Ong Bee Huat	33,440,000	6,500,000 ⁽¹⁾	39,940,000	18.0%	20.0%
Wong Wen-Young	13,841,850	–	13,841,850	6.2%	6.9%
Ong Jia Ming	8,828,471	–	8,828,471	4.0%	4.4%
Wang Kai Yuen	243,433	–	243,433	0.1%	0.1%

⁽¹⁾ Ong Bee Huat, aggregate deemed interest comprised of 6,500,000 shares held by CGS-CIMB Securities (Singapore) Pte Ltd

In the event the Company purchases or acquires Shares pursuant to the Share Purchase Mandate within the Relevant Period of the maximum of 10% of the issued Shares as permitted by the Share Purchase Mandate, it is not expected that the shareholdings and/or voting rights of any of the Shareholders will be increased to 30% or more, thereby triggering a requirement for any Shareholder to make a general offer to the other Shareholders under Rule 14 of the Take-over Code.

Save as disclosed, the Directors confirm that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

1.11 Previous Shares Purchased by the Company

The Company has not purchased or acquired any Shares in the last twelve (12) months immediately preceding the Latest Practicable Date.

1.12 Reporting Requirements

In accordance with Section 76B(9)(a) of the Companies Act, within thirty (30) days of the passing of the approval of the proposed renewal of the Share Purchase Mandate, the Directors shall lodge a copy of the relevant Shareholders' resolution with ACRA.

In accordance with Section 76B(9)(b) of the Companies Act, the Directors shall lodge with ACRA a notice of share purchase within thirty (30) days of a share buy-back. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of treasury shares held, the Company's issued share capital before and after the purchases, the amount of consideration paid by the Company for the purchases, whether the shares were purchased out of the profits or the capital of the company and such other particulars as may be required in the prescribed form.

In accordance with Section 76K(1D) of the Companies Act, within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form.

1.13 ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report 2018, will be held on 30 April 2019 at 2 p.m. at Genting Hotel Jurong, 2 Town Hall Link, Level 1, Singapore 068516, for the purpose of considering, and if thought fit, passing with or without any modifications the ordinary resolutions set out in the Notice of AGM, including this appendix to the Notice hereto.

1.14 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 1 Gateway Drive #20-12/13, Westgate Tower, Singapore 608531 not less than 48 hours before the time set for holding the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds he is able to do so.

1.15 DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the Share Purchase Mandate is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Share Purchase Mandate at the AGM as set out in the Notice of AGM.

1.16 DIRECTORS' RESPONSIBILITY STATEMENT

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

1.17 DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company 1 Gateway Drive, #20-12/13, Westgate Tower, Singapore 608531 during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the AGM:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Annual Report for the year ended 31 December 2018.

Yours faithfully,
For and on behalf of the Board of Directors of
Hong Lai Huat Group Limited

Dato' Dr. Ong Bee Huat
Executive Deputy Chairman

This page has been intentionally left blank.

