

CIRCULAR DATED 8 APRIL 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this Circular or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

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

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199905292D)

CIRCULAR TO SHAREHOLDERS

In relation to:

(1) THE PROPOSED SHARE CAPITAL REDUCTION.

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	28 April 2019 at 10 a.m.
Date and time of Extraordinary General Meeting	:	30 April 2019 at 3 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 2 p.m. on the same day and at the same place).
Place of Extraordinary General Meeting	:	Genting Hotel Jurong 2 Town Hall Link Level 1 Singapore 068516

DEFINITIONS

Save where the context otherwise requires, the following definitions apply throughout this Circular:

“2018 Share Consolidation”	:	The completed share consolidation of every thirty ordinary shares into one consolidated share effective as at 9.00 am on 15 May 2018
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	Annual general meeting of the Company
“Board”, “Directors” or “Current Board”	:	The board of directors of the Company for the time being
“Circular”	:	This circular to Shareholders dated 8 April 2019
“Company”	:	Hong Lai Huat Group Limited
“Companies Act”	:	The Companies Act (Cap. 50) of Singapore, as may be amended, varied or supplemented from time to time
“Consolidated Shares”	:	The consolidated ordinary shares in the capital of the Company following completion of the 2018 Share Consolidation
“Directors”	:	The directors of the Company for the time being
“EGM”	:	The extraordinary general meeting of the Company
“EPS”	:	Earnings per Share
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	3 April 2019 being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST as may be amended, supplemented or modified from time to time
“Main Board”	:	The main board of the SGX-ST
“Notice of EGM”	:	The notice to Shareholders of the EGM as set out in this Circular
“Proposed Share Capital Reduction”	:	A proposed capital reduction exercise by the Company pursuant to Section 78A read together with Section 78C of the Companies Act
“Register of Members”	:	The register of members of the Company
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	The share registrar of the Company, being B.A.C.S Private Limited
“Shareholders”	:	Registered holders of Shares and/or Consolidated Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited

DEFINITIONS

“Substantial Shareholder”	:	The Company’s substantial shareholders as reflected in the Register of Substantial Shareholders
“Shares” or “Ordinary Shares”	:	Ordinary shares in the issued share capital of the Company, prior to the 2018 Share Consolidation. For the avoidance of doubt, the term Shares does not refer to Consolidated Shares (which are separately defined herein)
“S\$”	:	Singapore Dollars
“%” or “per cent”	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

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

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any relevant laws of the Republic of Singapore or any statutory modification thereof and used in this Circular shall where applicable, have the same meaning assigned to it under the Companies Act, the Listing Manual or any relevant laws of the Republic of Singapore or any modification thereof as the case may be, unless the context otherwise requires.

References to persons shall include corporations.

Any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated.

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

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

INDICATIVE TIMETABLE

The following indicative timetable assumes that approval for all the resolutions proposed at the EGM is obtained.

Last Date and Time for Lodgement of Proxy Form : 28 April 2019 at 10 a.m.

Date and Time of EGM / Venue of EGM : 30 April 2019 at 3 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 2 p.m. on the same day and at the same place).

Genting Hotel Jurong
2 Town Hall Link
Level 1
Singapore 068516

In relation to the Proposed Capital Reduction

Commencement of Creditor Objection Period : 30 April 2019

End of Creditor Objection Period : 11 June 2019

Estimated Completion of Proposed Capital Reduction : 14 June 2019, and in any event no later than 25 June 2019

Save for the date of the EGM, the dates set out in the above timetable are indicative and may be subject to change. The Company will make further announcements on the exact dates of such events.

LETTER TO SHAREHOLDERS

HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199905292D)

Board of Directors:

Dr. Wang Kai Yuen (*Chairman and Non-Executive Independent Director*)
Dato' Dr. Ong Bee Huat (*Executive Deputy Chairman and Chief Executive Officer*)
Dr. Wong Wen-Young Winston (*Vice Chairman and Non-Executive Director*)
Dr. Chen Seow Phun John (*Non-Executive Independent Director*)
Dr. Lee Kuo Chen (*Non-Executive Independent Director*)
Mr. Lien We King (*Non-Executive Independent Director*)
Ms. Kohe Noor Binte Mahmoodul Hasan (*Non-Executive Independent Director*)
Mr. Ong Jia Ming (*Executive Director*)
Dr. Wong Jr. Winston (*Alternate Director to Dr. Wong Wen-Young Winston*)

Registered Office of the Company

1 Gateway Drive
#20-12/13
Westgate Tower
Singapore 608531

8 April 2019

To: The Shareholders of Hong Lai Huat Group Limited

Dear Sir / Madam

1. INTRODUCTION

The Directors are convening the EGM to be held on 30 April 2019 to seek Shareholders' approval for the Proposed Share Capital Reduction by way of a special resolution.

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with information relating to the proposal to be tabled at the EGM, and to seek Shareholders' approval for such proposal at the EGM. It is a requirement under Section 78C of the Companies Act (Cap 50) that a public company proposing to undertake a capital reduction exercise should obtain shareholders' approval at a general meeting by way of special resolution.

The SGX-ST assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED SHARE CAPITAL REDUCTION

2.1. Details of the Proposed Share Capital Reduction

The Company's Share Consolidation Exercise in 2018 was completed on 15 May 2018 (the "**2018 Share Consolidation**").

In the course of the 2018 Share Consolidation, the Company discovered that there existed discrepancies between the Company's annual reported and audited financial statements (details of which are set out at paragraph 2.2 of this letter below) and ACRA's records. Such discrepancies stemmed from the following key events:

- (a) As regards the Share Capital Expenses (as defined below) and the Increase in Paid Up Capital (as defined below), such Share Capital Expenses and the Increase in Paid Up Capital were not notified to ACRA at the material times; and

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- (b) The 2015 Share Capital Restructuring (as defined below) was not conducted by way of Special Resolution as required under the prevailing rules in the Singapore Companies Act (Cap. 50) (the “**Companies Act**”). As such, the publicity requirements, including the lodgment of the notice containing the text of the special resolution for reducing share capital with ACRA, as mandated by the Singapore Companies Regulations were not adhered to.

In order to regularize the Company’s financial situation with ACRA’s records, the Directors propose to carry out the Proposed Share Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act.

The Proposed Share Capital Reduction will be effected in the following manner:

- (a) By reducing the share capital of the Company (as recorded in ACRA’s records) from S\$121,592,171.248 to S\$94,601,971.248 by the cancellation of the share capital of the Company that is unrepresented by available assets to the extent of S\$26,990,200 (the “**Share Capital Reduction Sum**”);
- (b) The Share Capital Reduction Sum is calculable as follows:

	S\$
Share Capital Expenses	(1,983,287)
Accumulated Losses (that were proposed to be reduced by way of the 2015 Proposed Share Capital Restructuring)	(28,528,762)
Increase in Paid Up Capital	3,521,849
	<u>(26,990,200)</u>

2.2. Background and Details

The Share Capital Expenses

Between 2007 and 2012, the Company used its share capital to pay its expenses incurred directly in the issue of new shares pursuant to Section 67(1) of the Companies Act (the “**Share Capital Expenses**”). The total sum of the Share Capital Expenses is S\$1,983,287, broken down as follows:

	S\$
2007:	1,568,222
2008:	69,346
2009:	165,551
2012:	180,168
	<u>1,983,287</u>

As explained at paragraph 2.1 above, the Company had not notified ACRA of the Share Capital Expenses at the material time. Hence, the Share Capital Expenses are not reflected in ACRA’s records.

The Increase in Paid Up Capital

In 2007, the Company issued 552,896,000 shares to Pacific Capital Investment Management Limited (“**PCIM**”) from the conversion of convertible notes (the “**Notes**”) at a nominal value of S\$29,350,000 pursuant to the mandate granted to it by it by its Shareholders at the material time (obtained on 27 April 2007).

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Pursuant to the issue of the Notes to PCIM, the Company recognised a notional amount of approximately S\$4,930,000 under its financial liabilities being the fair value of the embedded derivatives recognised at the point of inception as a result of the issue of the Notes. In the financial year ended 31 December 2007, PCIM had subscribed for a nominal value of S\$30,000,000 of the Notes whereby a nominal value of S\$29,350,000 was converted into the ordinary shares of the Company. A resultant increase of S\$3,358,183 in the Company's share capital arose from (i) the derecognition of the derivative financial instrument; and (ii) approximately S\$475,000 relating to the changes in the fair value of the derivative financial instrument relating to the Notes converted during the period.

In 2008, the Company's issued and paid up share capital increased by a further S\$163,666. This arose from (i) the derecognition of the derivative financial instrument; and (ii) approximately S\$120 relating to the changes in the fair value of the derivative financial instrument relating to the Notes converted during the period.

As such, between 2007 and 2008, the Company's issued and paid up capital increased by a sum of S\$3,521,849 (the "**Increase in Paid Up Capital**"). As explained at paragraph 2.1 above, the Company had not notified ACRA of the Increase in Paid Up Capital at the material time. Hence, the Increase in Paid Up Capital is not reflected in ACRA's records.

The 2015 Proposed Share Capital Restructuring

By way of a Circular to the Company's Shareholders dated 2 April 2015, the Company proposed a restructuring of its share capital under which the Company's issued and paid-up share capital of S\$105,425,589 comprising 197,860,328 issued and fully paid-up Shares (at the material time) would be restructured by way of a reduction of the sum of S\$28,528,762 such that the said amount would be set-off against the Company's accumulated losses (the "**2015 Proposed Share Capital Restructuring**").

The 2015 Proposed Share Capital Restructuring would have resulted in the elimination of the Company's accumulated losses to zero. The 2015 Proposed Share Capital Restructuring would:

- (a) not have resulted in any cash distribution to be made to the Shareholders (at the material time);
- (b) not have resulted in any cancellation of Shares;
- (c) not have resulted in a change in the number of Shares held by Shareholders (at the material time).

At the EGM held by the Company on 20 April 2015, the 2015 Proposed Share Capital Restructuring was unanimously passed by the Company's Shareholders (at the material time) by Ordinary Resolution. As the 2015 Capital Restructuring should have been carried out by way of a special resolution and the publicity requirements as set out in the Regulation 6 of the Singapore Companies Regulations were also not complied with, the Company continues to retain accumulated losses of S\$28,528,762 on its books (the "**Accumulated Losses**").

The Company's audited accounts for the financial years 2016 and 2017 were prepared on the basis that the 2015 Share Capital Restructuring was effective, and the Company's share capital had been reduced by the amount of the Accumulated Losses. As the Company now understands that the 2015 Share Capital Restructuring was not, in fact, effective due to it not having been passed by way of special resolution, the Company's auditors have made prior year adjustments of the Company's accounts for the relevant financial years where necessary. These prior year adjustments have been announced to the Company's Shareholders in the Company's Full Yearly Result Announcement dated 25 February 2019 at pages 3, 12 and 13 of the same.

No dividends have been paid to the Company's shareholders since the 2015 Proposed Share Capital Restructuring, to date.

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The 2018 Share Consolidation

As explained at paragraph 2.1 above, on 15 May 2018, the Company completed its 2018 Share Consolidation, consolidating every thirty Ordinary Shares into one Consolidated Share, fractional shares being disregarded. Following the 2018 Share Consolidation, the issued share capital of the Company comprises 221,933,192 Consolidated Shares after disregarding any fractions of Consolidated Shares arising from the 2018 Share Consolidation.

ACRA's Records

A business profile search of the Company conducted in ACRA dated 3 April 2019 reveals the Company to have 6,658,068,582 Shares (before the 2018 Share Consolidation) with an issued share capital of S\$121,592,171.248.

The Company is desirous to update the Company's ACRA records to reflect the Share Capital Expenses, the proposed elimination of the Accumulated Losses, the Increase in Paid Up Capital, and the 2018 Share Consolidation. Taking these corporate actions into account, the issued share capital of the Company would be S\$94,601,971.248 comprising 221,933,192 Consolidated Shares.

The Proposed Share Capital Reduction will result in:

- (a) the elimination of the Company's Accumulated Losses to zero; and
- (b) the requisite lodgment of the publicity requirements with ACRA, following which the records maintained by ACRA will accurately reflect the Company's issued share capital as S\$94,601,971.248.

The Shareholders are to note that the proposed Share Capital Reduction will not result in (a) a cancellation of Consolidated Shares, (b) any change in the number of Consolidated Shares held by Shareholders, and (c) any effect on the Company's 2018 Share Consolidation, immediately after the proposed Share Capital Reduction takes effect.

2.3. Resultant Effect on the Share Capital of the Company

As at the Latest Practicable Date, the Company's paid-up share capital in ACRA's records is S\$121,592,171.248. Upon completion of the Proposed Share Capital Reduction, the Company will have a paid-up share capital of S\$94,601,971.248. The Company will no longer have any accumulated losses following the Proposed Share Capital Reduction, but will instead have retained earnings of S\$2,278,000 (based on the Company's unaudited financial statements for FY 2018) assuming that the Proposed Share Capital Reduction is completed on 31 December 2018.

There will be no change to the total number of Consolidated Shares in the Company held by the Shareholders immediately after the Proposed Share Capital Reduction, nor will the Proposed Share Capital Reduction involve the payment to any Shareholders of any paid-up share capital of the Company.

2.4. Rationale

Having reviewed the capital structure of the Company, and taking into account that the above-defined historical corporate actions (i.e. the Share Capital Expenses, the Increase in Paid Up Capital, and the 2015 Share Capital Restructuring) have not been reflected in ACRA's records, the Board is of the following views:

- (a) the proposed Share Capital Reduction would realise the aims of the Board (at the time of the 2015 Share Capital Restructuring,) as stated at paragraphs 4.1 and 4.2 of the HLH Group Limited Circular dated 2 April 2015 (the "**2 April 2015 Circular**") to the Company's Shareholders (at the material time), namely that:
 - (i) the capital of the Company is unrepresented by available assets and the proposed Share Capital Reduction will allow the Group to achieve a more efficient capital structure;

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- (ii) given the Group's expansion of its Existing Real Estate Development Business (as defined in the 2 April 2015 Circular, being (i) the development and sale of residential and commercial properties in Singapore; (ii) the construction business as a main contractor for residential, commercial and industrial buildings in Singapore; and (iii) deriving rental income from its investment properties (comprising residential and commercial units and industrial properties) in Singapore), the proposed Share Capital Reduction will allow the Group to maintain sufficient flexibility to position itself to take advantage of business opportunities which may arise in the near or medium term and to adequately cater for its expansion strategies. With a more efficient capital structure, the Company will be better placed to attract investors and financial institutions in order to fulfil its financing requirements.
 - (iii) after the completion of the proposed Share Capital Reduction, the Board believes that the Group is able to maintain a sufficient capital base to support its existing operations and to pay its debts as and when they fall due.
 - (iv) the proposed Share Capital Reduction enables each Shareholder to maintain the same proportionate shareholding in the Company.
- (b) Given that the Share Capital Expenses and the Increase in Paid Up Capital have not been recorded by ACRA, the Company is taking steps to ensure that the requisite lodgments are made to update ACRA's records.
 - (c) Pursuant to Section 78C(2) of the Companies Act, the Company is not required to meet the solvency requirements under Section 78C(1)(b) of the Companies Act as the Proposed Share Capital Reduction does not involve a reduction, payment or distribution of cash or other assets by the Company, or a release of any liability owed to the Company.

2.5. Effective Date of the Proposed Share Capital Reduction

If no application is received from any creditor of the Company for the cancellation of the resolution approving the Proposed Share Capital Reduction within six (6) weeks commencing from the date of the resolution approving the Proposed Share Capital Reduction, the Company will after the end of the aforesaid six (6) weeks and before the end of the eight (8) weeks, beginning with the date of the resolution approving the Proposed Share Capital Reduction, lodge the relevant documents required under Sections 78E(2)(i) and (ii) of the Companies Act with the Registrar, upon which the Proposed Share Capital Reduction will take effect.

The Company will thereafter announce and notify Shareholders of the effective date of the Proposed Share Capital Reduction through a SGXNET announcement to be posted on the SGX-ST website at <http://www.sgx.com>.

2.6. Conditions for the Proposed Share Capital Reduction

The Proposed Capital Reduction is subject to, among other things, the following:

- (a) approval by the Shareholders of the special resolution for the Proposed Share Capital Reduction at the EGM;
- (b) compliance with the relevant publicity requirements as prescribed in the Companies Act;
- (c) no application having been made for the cancellation of the Shareholders' resolution approving the Proposed Share Capital Reduction by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the withdrawal or dismissal thereof by the judicial authorities; and
- (d) the Company after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date on which the Proposed Share Capital Reduction was approved by the Shareholders, lodging with the Registrar —

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- (i) a statement made by the Directors confirming that the requirements under Section 78C(1)(c) and Section 78C(3) (if applicable) have been complied with, and that no application for cancellation of the resolution has been made; and
- (ii) a notice containing the Proposed Capital Reduction information.

The Company will make an immediate announcement on SGXNET to update Shareholders if any of the conditions for the Proposed Capital Reduction as set out in this section is not met.

Note:

Section 78C(3) of the Companies Act is not applicable in relation to the Proposed Capital Reduction as the Company need not meet solvency requirements pursuant to Section 78C(2) of the Companies Act.

2.7. Creditor Objections

In the event that during the six (6) weeks commencing with the date on which the Proposed Share Capital Reduction was approved by the Shareholders (the “**Creditor Objection Period**”), one or more applications for the cancellation of the Shareholders’ resolution approving the Proposed Share Capital Reduction (the “**Capital Reduction Resolution**”) has been made under Section 78D(2) of the Companies Act, for the Proposed Share Capital Reduction to take effect, the following conditions must be satisfied:

- (a) the Company must give to the Registrar notice of the application(s) for the cancellation of the Capital Reduction Resolution as soon as possible after such application(s) have been served on the Company by the creditor(s);
- (b) the proceedings in relation to each application for the cancellation of the Shareholders’ resolution approving the Proposed Share Capital Reduction must be brought to an end by either the dismissal of the application under Section 78F of the Companies Act or without determination (for example, because the application has been withdrawn); and
- (c) the Company must, within 15 days beginning with the date on which the last such proceedings were brought to an end in accordance with paragraph (b) above, lodge with the Registrar:
 - (i) a statement made by the Directors confirming that the requirements under Section 78C(1)(c), Section 78C(3) (if applicable) and Section 78D(4) of the Companies Act have been complied with, and that the proceedings in relation to each such application have been brought to an end by the dismissal of the application or without determination;
 - (ii) a notice containing the Proposed Share Capital Reduction information; and
 - (iii) in relation to each such application which has been dismissed by the Court, a copy of the order of the Court dismissing the application.

Note:

Section 78C(3) of the Companies Act is not applicable in relation to the Proposed Capital Reduction as the Company need not meet solvency requirements pursuant to Section 78C(2) of the Companies Act.

2.8. Financial Effects

The financial effects of the proposed Share Capital Reduction as presented herein:

- (a) are purely for illustrative purposes only and do not reflect the actual financial position of the Group after the Proposed Share Capital Reduction;
- (b) are based on the records maintained by ACRA read with the unaudited consolidated financial results of the Company for the full year ending 31 December 2018 and the number of Consolidated Shares as at 31 December 2018; and

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(c) assume that the Proposed Share Capital Reduction had been completed on 31 December 2018.

(i) **Share Capital**

Issued and paid-up Share Capital	As at 31 December 2018	
	No. of Consolidated Shares	S\$
Before the Proposed Share Capital Reduction	221,933,192	121,592,171.248
After the Proposed Share Capital Reduction	221,933,192	94,601,971.248

(ii) **Gearing.** The Proposed Share Capital Reduction will have no impact on the Company's Gearing as at 31 December 2018.

(iii) **NAV per Consolidated Share.** The Proposed Share Capital Reduction will have no impact on the Company's NAV per Consolidated Share as at 31 December 2018.

(iv) **EPS.** The Proposed Share Capital Reduction will have no impact on the Company's EPS for FY 2018.

For the Shareholders' ease of reference and comparison, the Company's and Group's financial position as announced in the full year results announcement for the year ended 31 December 2018 dated 25 February 2019 are set out in **Appendix 1** to this Circular. The figures therein have taken into account (i) the restatement of the Company's and Group's financial statements for FY2017 given the retention of the Accumulated Losses as a result of the non-recognition of the 2015 Share Capital Restructuring Exercise; (ii) the Share Capital Expenses; and (iii) the Increase in Paid Up Capital.

3. DIRECTORS' INTERESTS

The shareholdings of the Directors, as extracted from the Register of Directors' Shareholdings as at 22 March 2019 are as follows:

Name	Direct Interest	%	Deemed Interest	%	Total Interest	%
DATO' DR. ONG BEE HUAT	33,440,000	15.07	6,500,000*	2.93	39,940,000	18
WONG WEN-YOUNG	13,841,850	6.24			13,841,850	6.24
ONG JIA MING	8,828,471	3.98			8,828,471	3.98
WANG KAI YUEN	243,433	0.11			243,433	0.11

* Dato' Dr. Ong Bee Huat has an aggregate deemed interest comprising of 6,500,000 shares held by CGS-CIMB Securities (Singapore) Pte. Ltd.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

The shareholdings of the Substantial Shareholders as at 22 March 2019 are as follows:

Name	Direct Interest	%	Deemed Interest	%	Total Interest	%
DATO' DR. ONG BEE HUAT	33,440,000	15.07	6,500,000	2.93	39,940,000	18
WONG WEN-YOUNG	13,841,850	6.24			13,841,850	6.24

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5. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held at Genting Hotel Jurong, 2 Town Hall Link, Level 1, Singapore 068516 on 30 April 2019 at 3 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 2 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the Special Resolutions set out in the Notice of EGM.

6. 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.

7. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the Proposed Share Capital Reduction is in the interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of the Special Resolution(s) to be proposed at the EGM as set out in the Notice of EGM.

8. 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 proposed matters as set out herein, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the 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 the Circular in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 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 EGM:

- (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

APPENDIX 1

STATEMENT OF FINANCIAL POSITION OF THE GROUP AND COMPANY (as announced on 25 February 2019)

	Group			Company		
	31-12-18 S\$'000	31-12-17 S\$'000 (Restated)*	01-01-17 S\$'000 (Restated)*	31-12-18 S\$'000	31-12-17 S\$'000 (Restated)*	01-01-17 S\$'000 (Restated)*
Current assets						
Cash and bank balances	25,231	2,021	6,746	2,270	639	272
Trade receivables	2,967	559	7,837	-	-	-
Other receivables and deposits	428	722	920	47	121	-
Prepayments	620	763	253	40	22	4
Amount due from subsidiaries	-	-	-	27,909	30,422	99,626
Advances to a non-controlling shareholder	-	-	16	-	-	-
Investment securities	1,102	2	2	-	-	-
Inventories	105	496	687	-	-	-
Biological assets	8,920	7,350	-	-	-	-
Development properties	14,684	15,098	18,290	-	-	-
Assets classified as held for sale	-	2,807	-	-	-	-
Total current assets	54,057	29,818	34,751	30,266	31,204	99,902
Non-current assets						
Other receivables and deposits	41	40	-	-	-	-
Property, plant and equipment	93,520	94,908	35,619	309	171	216
Investment properties	12,514	37,880	89,448	618	617	618
Intangible assets	6	11	-	-	-	-
Investment in subsidiaries	-	-	-	77,159	77,160	1,000
Total non-current assets	106,081	132,839	125,067	78,086	77,948	1,834
Total assets	160,138	162,657	159,818	108,352	109,152	101,736
Liabilities and equity						
Current liabilities						
Trade payables	4,820	7,336	1,459	-	-	-
Other payables and accruals	1,439	2,463	5,547	375	462	494
Amount due to subsidiaries	-	-	-	11,437	11,846	8,594
Income tax payable	1	313	169	-	-	-
Bank loans and overdraft	686	3,301	1,706	-	-	-
Finance lease liabilities	105	122	77	25	45	51
Total current liabilities	7,051	13,535	8,958	11,837	12,353	9,139
Non-current liabilities						
Bank loans	1,245	1,931	4,485	-	-	-
Finance lease liabilities	939	1,092	708	94	-	45
Convertible bonds	-	1,996	-	-	1,996	-
Deferred tax liabilities	13,772	16,437	14,891	-	-	-
Total non-current liabilities	15,956	21,456	20,084	94	1,996	45
Capital, reserves and non-controlling interests						
Share capital	123,131	123,131	123,131	123,131	123,131	123,131
Retained earnings (Accumulated losses)	14,580	6,639	4,589	(26,251)	(27,873)	(30,120)
Capital reserve	414	418	414	(459)	(455)	(459)
Asset revaluation reserve	2,775	2,775	2,665	-	-	-
Foreign currency translation reserve	(3,769)	(5,297)	-	-	-	-
Equity attributable to owners of the company	137,131	127,666	130,799	96,421	94,803	92,552
Non-controlling interests	-	-	(23)	-	-	-
Total equity	137,131	127,666	130,776	96,421	94,803	92,552
Total liabilities and equity	160,138	162,657	159,818	108,352	109,152	101,736

NOTICE OF EXTRAORDINARY GENERAL MEETING

HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199905292D)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders (the “Shareholders”) of HONG LAI HUAT GROUP LIMITED (the “Company”) will be held at Genting Hotel Jurong, 2 Town Hall Link, Level 1, Singapore 068516 on 30 April 2019 at 3 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 2 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the following Special Resolution:

Please note that unless otherwise defined, all capitalized terms used in this Notice bear the same meanings as ascribed to them in the Company’s circular to Shareholders (copies of which have been made available to Shareholders at the following website: https://www2.sgx.com/securities/company_announcements) dated 8 April 2019.

AS SPECIAL RESOLUTION

1. THE PROPOSED SHARE CAPITAL REDUCTION THAT:

- (a) the paid-up share capital of the Company be restructured by way of a reduction of the sum of S\$26,990,200 as at a date to be determined by the Directors;
- (b) the Directors and each of them be and are hereby authorized to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to this Special Resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group.

BY ORDER OF THE BOARD

Dato’ Dr. Ong Bee Huat
Executive Deputy Chairman

8 April 2019

IMPORTANT: PLEASE READ NOTES

Notes:

1. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint any number of proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder.
2. Where a Shareholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second/other named proxy/proxies shall be deemed to be an alternate to the first named.
3. A corporation which is a Shareholder may authorize 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 Section 179 of the Companies Act.
4. The instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), duly executed, must be deposited 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 the Meeting or any postponement or adjournment thereof.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his/her attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
6. A Depositor’s name must appear on the Depository Register maintained by the CDP at least 72 hours before the time appointed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

General:

The Company shall be entitled to reject an instrument of proxy 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 instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register maintained by the CDP at least 48 hours before the time appointed for holding the EGM.

HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company registration no: 199905292D)

EXTRAORDINARY GENERAL MEETING PROXY FORM

(Please see notes overleaf before printing this Form)

IMPORTANT

1. For investors who have used their Central Provident Fund ("CPF") monies to buy HONG LAI HUAT GROUP LIMITED shares, this Proxy Form is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ NRIC/Passport No. _____

of _____

being a member/members of **Hong Lai Huat Group Limited** (the "**Company**"), hereby appoints:

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, and if necessary to demand a poll, at the Extraordinary General Meeting (the "**Meeting**") of the Company to be held at Genting Hotel Jurong, 2 Town Hall Link, Level 1, Singapore 068516 on 30 April 2019 at 3 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company at 2 p.m. to be held on the same day and at the same place).

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided. In the absence of specific directions, your proxy / proxies will vote or abstain from voting as he / she / they may think fit at his / her / their discretion, as he / she / they will on any other matters arising at the Extraordinary General Meeting and any adjournment thereof.)

Special Resolutions	For	Against
1. To approve the Proposed Share Capital Reduction		

Dated this _____ day of _____ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) or
Common Seal of Corporation

* Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of ordinary shares held in the issued share capital of the Company (the “**Shares**”) held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against you name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all Shares held by you.
2. A member of the Company entitled to attend and vote at the Extraordinary General Meeting (the “**EGM**”) is entitled to appoint any number of proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second/other named proxy/proxies shall be deemed to be an alternate to the first named.
4. A corporation which is a member may authorize 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 Section 179 of the Companies Act.
5. The instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), duly executed, must be deposited at the Registered Office of the Company at 1 Gateway Drive, #20-12/13, Westgate Tower, Singapore 608531 not less than forty-eight (48) hours before the time set for the Meeting or any postponement or adjournment thereof.
6. The instrument appointing a proxy or proxies must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (falling previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The submission of an instrument or form appointing a proxy by a Shareholder does not preclude him/her from attending and voting in person at the EGM if he/she so wishes.
9. The Company shall be entitled to reject an instrument of proxy 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 instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register maintained by the CDP at least seventy-two (72) hours before the time appointed for holding the EGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) or representative to attend, speak and vote at the EGM and/or any adjournment thereof, a Shareholder of the Company:

- (a) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies or representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”);
- (b) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) or representative(s) to the Company (or its agents or service providers), the Shareholder has obtained the prior consent of such proxy(ies) 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) or representative(s) for the Purposes; and
- (c) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

Fold Here

PLEASE
AFFIX
POSTAGE
STAMP
HERE

The Company Secretary
HONG LAI HUAT GROUP LIMITED
1 Gateway Drive #20-12/13
Westgate Tower
Singapore 608531

Fold Here