

**CIRCULAR DATED 1 FEBRUARY 2021**

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

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

*Capitalised terms appearing but not defined on the cover of this Circular bear the same meanings as ascribed to them in the Section entitled "Definitions" of this Circular.*

If you have sold or transferred all your ordinary shares in the capital of the Company, you should forward this Circular together with the Notice of EGM and the enclosed Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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

This Circular shall not constitute an offer to sell or a solicitation of an offer to buy shares or other securities, including the provisional allotments of Rights Shares and the Rights Shares. This Circular may not be sent to any person or any jurisdiction in which it would not be permissible to deliver the provisional allotments of Rights Shares and the Rights Shares or make an offer of the provisional allotments of Rights Shares and the Rights Shares, and the provisional allotments of Rights Shares and the Rights Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, to any such person or in any such jurisdiction. This Circular is issued to Shareholders solely for the purpose of providing Shareholders with the information pertaining to the EGM, convening the EGM and seeking Shareholders' approval for the resolutions to be proposed at the EGM. Shareholders are authorised to use this Circular solely for the purpose of considering the approvals sought. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

The distribution of this Circular and/or the transfer of the provisional allotments of Rights Shares and the Rights Shares into jurisdictions other than Singapore may be prohibited or restricted by law. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Circular (together with the Notice of EGM and the Proxy Form) may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of this Circular (together with the Notice of EGM and the Proxy Form) will NOT be despatched to Shareholders.

**Due to the current COVID-19 situation in Singapore, Shareholders will not be allowed to attend the EGM in person. The EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A Shareholder (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such Shareholder wishes to exercise his/her/its voting rights at the EGM.**

Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at or prior to the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 1 February 2021. The announcement, which has been uploaded together with this Circular, may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.



## **HONG LAI HUAT GROUP LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 199905292D)

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO:**

- (I) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 295,910,922 NEW SHARES (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.091 FOR EACH RIGHTS SHARE, ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY THREE (3) EXISTING SHARES HELD BY ENTITLED SHAREHOLDERS (AS DEFINED HEREIN) AS AT THE RECORD DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (II) **THE PROPOSED WHITEWASH RESOLUTION BY THE INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FOR THE COMPANY FROM DATO DR. ONG BEE HUAT, ONG JIA MING, ONG JIA JING AND LAU YEN ENG AS A RESULT OF THE ACQUISITION OF RIGHTS SHARES PURSUANT TO THE RIGHTS ISSUE**

**Manager for the Rights Issue**



**SAC CAPITAL PRIVATE LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 200401542N)

**Independent Financial Adviser to the Recommending Directors in relation to the Whitewash Resolution**



**XANDAR CAPITAL PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 200002789M)

#### **Important Dates and Times:**

Last date and time for lodgement of Proxy Form : 21 February 2021 at 9.00 a.m.  
Date and time of Extraordinary General Meeting : 23 February 2021 at 9.00 a.m.  
Place of Extraordinary General Meeting : The EGM will be held by way of electronic means

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## DEFINITIONS

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The following definitions apply throughout in this Circular except where the context otherwise requires:

<b>“1H2019”</b>	: Six (6) months financial period ended 30 June 2019
<b>“1H2020”</b>	: Six (6) months financial period ended 30 June 2020
<b>“ARE”</b>	: Application and acceptance form for Rights Shares and Excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares under the Rights Issue
<b>“ARS”</b>	: Application and acceptance form for Rights Shares to be issued to Purchasers of the provisional allotments of Rights Shares under the Rights Issue traded on the SGX-ST through the book-entry (scripless) settlement system
<b>“ATM”</b>	: Automated teller machine of a Participating Bank
<b>“Audit Committee”</b>	: The Audit Committee of the Company
<b>“Board”</b>	: The Board of Directors of the Company
<b>“CDP”</b>	: The Central Depository (Pte) Limited
<b>“Circular”</b>	: This circular to Shareholders dated 1 February 2021 in relation to the Rights Issue Resolution and the Whitewash Resolution
<b>“Closing Date”</b>	: The time and date to be determined by the Directors and announced by the Company in due course, being the last time and date for acceptance of and/or excess application and payment, and renunciation and payment of the Rights Shares under the Rights Issue
<b>“Code”</b>	: The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<b>“Companies Act”</b>	: The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
<b>“Company”</b>	: Hong Lai Huat Group Limited
<b>“Concert Party Group”</b>	: The Undertaking Shareholder, together with Ong Jia Ming, Ong Jia Jing and Ms. Lau
<b>“Constitution”</b>	: The Constitution of the Company, as amended or modified from time to time
<b>“CPF”</b>	: Central Provident Fund
<b>“CPF Funds”</b>	: CPF investible savings
<b>“CPF Investment Account”</b>	: The investment account maintained with an approved CPF agent bank for the purpose of investment of CPF Funds under the CPFIS – Ordinary Account
<b>“CPFIS”</b>	: CPF Investment Scheme

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## DEFINITIONS

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<b>“CPFIS Members”</b>	: Shareholders who have previously purchased Shares using their CPF Funds under their CPF Investment Accounts
<b>“Director(s)”</b>	: The director(s) of the Company
<b>“EGM”</b>	: The extraordinary general meeting of the Company to be held by way of electronic means on 23 February 2021 at 9.00 a.m., notice of which is set out on pages N-1 to N-3 of this Circular
<b>“Entitled Depositors”</b>	: Shareholders with Shares standing to the credit of their Securities Accounts as at the Record Date and (a) whose registered addresses with CDP are in Singapore as at the Record Date, or (b) who have, at least three (3) Market Days prior to the Record Date, provided CDP with addresses in Singapore for the service of notices and documents
<b>“Entitled Scripholders”</b>	: Shareholders whose share certificates have not been deposited with CDP as well as transferees who have tendered to the Share Registrar registrable transfers of their Shares and the certificates relating thereto for registration up to the Record Date and (a) whose registered addresses with the Company are in Singapore as at the Record Date, or (b) who have, at least three (3) Market Days prior to the Record Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents
<b>“Entitled Shareholders”</b>	: Entitled Depositors and Entitled Scripholders
<b>“EPS”</b>	: Earnings per Share
<b>“Excess Rights Shares”</b>	: Additional Rights Shares in excess of an Entitled Shareholder’s provisional allotments of Rights Shares under the Rights Issue
<b>“Existing Share Capital”</b>	: The issued share capital of the Company comprising 221,933,192 Shares as at the Latest Practicable Date
<b>“First Tranche Payment”</b>	: 50.0% of the purchase price for the Land amounting to US\$11,226,150, payable upon signing of the Land SPA
<b>“Foreign Shareholders”</b>	: Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three (3) Market Days prior thereto, provided the Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents
<b>“FY”</b>	: Financial year ended 31 December
<b>“Group”</b>	: The Company, its subsidiaries and its associated company
<b>“IFA” or “Xandar Capital”</b>	: Xandar Capital Pte. Ltd., the independent financial adviser appointed to advise the Recommending Directors in relation to the Whitewash Resolution
<b>“IFA Letter”</b>	: The letter from the IFA to the Recommending Directors in relation to the Whitewash Resolution set out in Appendix C of this Circular

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## DEFINITIONS

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- “Independent Shareholders”** : The Shareholders who are deemed to be independent for the purpose of the Whitewash Resolution, being the Shareholders other than the Concert Party Group and their concert parties as well as parties not independent of them
- “Irrevocable Undertaking”** : The deed of irrevocable undertaking dated 3 December 2020 provided by the Undertaking Shareholder to the Company, pursuant to which the Undertaking Shareholder has agreed to subscribe and pay in full for his *pro rata* entitlement of 62,208,000 Rights Shares (entitlement *pro rata vis-à-vis* all other Shareholders) and, subject to availability, 96,141,771 Excess Rights Shares pursuant to the Rights Issue for a total consideration of up to the Maximum Subscription Amount
- “Issue Price”** : The issue price of the Rights Shares, being S\$0.091 for each Rights Share
- “Land”** : A plot of freehold land with the total land size of approximately 1.2 hectares located in Toul Kork, which is proposed to be used for the Group’s 3rd mixed-use development project
- “Land Acquisition”** : The acquisition of the Land by PHDC from Lao Channara in accordance with the terms and conditions of the Land SPA
- “Land SPA”** : The sale and purchase agreement dated 11 September 2020 entered into between PHDC and Lao Channara for the Land Acquisition
- “Last Trading Day”** : 3 December 2020, being the last trading day on which trades were done on the Shares prior to the Original Announcement
- “Latest Practicable Date”** : 26 January 2021, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
- “LPS”** : Loss per Share
- “Manager” or “SAC Capital”** : SAC Capital Private Limited, the manager for the Rights Issue
- “Market Day”** : A day on which the SGX-ST is open for trading in securities
- “MAS”** : The Monetary Authority of Singapore
- “MAS Exchange Rate”** : The exchange rate of US\$1.00 : S\$1.3364 (being the daily exchange rate published by the MAS on 2 December 2020, the day immediately preceding the date of the Set-off Agreement)
- “Maximum Subscription Amount”** : The maximum subscription amount for the Undertaking Shareholder’s subscription of 62,208,000 Rights Shares and 96,141,771 Excess Rights Shares (subject to availability), being S\$14,409,829.16
- “Maximum Subscription Scenario”** : Based on the Existing Share Capital, if the allotment ratio of the Rights Issue is directly applied to the Existing Share Capital and assuming all of the Rights Shares are subscribed, 295,910,922 Rights Shares will be issued under the Rights Issue

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## DEFINITIONS

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- “Minimum Subscription Scenario”** : Based on the Existing Share Capital and assuming (a) the Whitewash Resolution is approved, (b) none of the Entitled Shareholders (excluding the Undertaking Shareholder) subscribe for their *pro rata* entitlements of Rights Shares, and (c) only the Undertaking Shareholder subscribes for his *pro rata* entitlement of 62,208,000 Rights Shares (entitlement *pro rata* vis-à-vis all other Shareholders) and 96,141,771 Excess Rights Shares in addition to his *pro rata* entitlement, 158,349,771 Rights Shares will be issued under the Rights Issue
- “Ms. Lau”** : Ms. Lau Yen Eng, the wife of the Undertaking Shareholder
- “Notice of EGM”** : The notice of the EGM which is set out on pages N-1 to N-3 of this Circular
- “NTA”** : Net tangible assets
- “Offer Information Statement”** : The offer information statement referred to in Section 277 of the SFA, together with the ARE, the ARS, the PAL and all other accompanying documents (where applicable, including any supplementary or replacement document thereof) to be issued by the Company and to be lodged with the MAS in connection with the Rights Issue
- “Ordinary Resolutions”** : The ordinary resolutions set out in the Notice of EGM
- “Original Announcement”** : The announcement made by the Company on 3 December 2020 relating to the Rights Issue and the Set-off
- “Outstanding Indebtedness”** : The principal amount and accrued interest outstanding under the PHDC Loan as at the date of the Set-off Agreement of approximately US\$10,782,572 (equivalent to approximately S\$14,409,829.22 based on the MAS Exchange Rate)
- “PAL”** : The provisional allotment letter to be issued to Entitled Scripholders, setting out their provisional allotment of Rights Shares under the Rights Issue
- “Participating Banks”** : The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Depositors and persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and/or applications for Excess Rights Shares, and to be set out in the Offer Information Statement in due course
- “PHDC”** : Public Housing Development (Cambodia) Limited, a wholly-owned subsidiary of the Company
- “PHDC Loan”** : The loan of US\$11,000,000, bearing interest at a rate of 6.0% per annum, that the Undertaking Shareholder agreed to extend to PHDC under the PHDC Loan Agreement
- “PHDC Loan Agreement”** : The loan agreement dated 30 October 2020 entered into between the Undertaking Shareholder and PHDC, for the extension of the PHDC Loan

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## DEFINITIONS

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<b>“Proposed Resolutions”</b>	:	The Rights Issue Resolution and the Whitewash Resolution
<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM as set out in this Circular
<b>“Purchaser”</b>	:	A purchaser of the provisional allotments of Rights Shares traded on the SGX-ST through the book-entry (scripless) settlement system
<b>“Recommending Directors”</b>	:	The Directors who are considered independent for the purposes of making the recommendation to Independent Shareholders in relation to the Whitewash Resolution, being all of the Directors, other than the Undertaking Shareholder, Ong Jia Ming, Ong Jia Jing and Dr. Chen Seow Phun, John
<b>“Record Date”</b>	:	The time and date (to be announced by the Company) at and on which, subject to the approval of the Rights Issue being obtained at the EGM, the Register of Members and the Share Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares of Entitled Shareholders under the Rights Issue
<b>“RHLHOC”</b>	:	Royal Hong Lai Huat One Company Limited, the joint venture between the Group and the Royal Group to undertake the 2nd mixed-use development project, Royal Platinum, located in Toul Kork
<b>“Rights Issue”</b>	:	The proposed renounceable non-underwritten rights issue by the Company of up to 295,910,922 Rights Shares at the Issue Price for each Rights Share, on the basis of four (4) Rights Shares for every three (3) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded, on the terms and conditions of the Offer Information Statement
<b>“Rights Issue Resolution”</b>	:	The resolution proposed to approve the issue of Rights Shares pursuant to the Rights Issue, as set out in the Notice of EGM
<b>“Rights Shares”</b>	:	The new Shares to be allotted and issued by the Company pursuant to the Rights Issue
<b>“Royal Group”</b>	:	Royal Group of Companies Ltd
<b>“Second Tranche Payment”</b>	:	30.0% of the purchase price for the Land amounting to US\$6,735,690, payable after 90 business days from the date of the Land SPA
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
<b>“Set-off”</b>	:	Pursuant to the Set-off Agreement, the satisfaction of the Outstanding Indebtedness in whole or in part by setting off (a) S\$5,660,928.00 payable by the Undertaking Shareholder for his subscription of his <i>pro rata</i> entitlement of 62,208,000 Rights Shares, and (b) up to S\$8,748,901.16 payable by the Undertaking Shareholder for his subscription of 96,141,771 Excess Rights Shares allotted to him (subject to availability)

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## DEFINITIONS

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<b>“Set-off Agreement”</b>	: The set-off agreement dated 3 December 2020 entered into by the Undertaking Shareholder, the Company and PHDC, pursuant to which the Undertaking Shareholder will satisfy his payment obligations under the Irrevocable Undertaking in full by setting off the Maximum Subscription Amount on the one hand, against the Outstanding Indebtedness on the other hand
<b>“SFA”</b>	: The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited
<b>“Share Registrar”</b>	: The Share Registrar of the Company, B.A.C.S. Private Limited
<b>“Shareholders”</b>	: Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term <b>“Shareholders”</b> 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
<b>“Shares”</b>	: Ordinary shares in the capital of the Company
<b>“SIC”</b>	: Securities Industry Council
<b>“Singapore”</b>	: The Republic of Singapore
<b>“SRS”</b>	: Supplementary Retirement Scheme
<b>“SRS Approved Banks”</b>	: Approved banks with whom SRS Investors hold their accounts under the SRS
<b>“SRS Investors”</b>	: Investors who have previously purchased Shares under the SRS
<b>“Substantial Shareholder”</b>	: A person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that voting share, or those voting shares, is not less than five (5) per cent. of the total votes attached to all the voting shares in the Company (excluding treasury shares)
<b>“Supplemental Announcement”</b>	: The supplemental announcement made by the Company on 27 December 2020 to elaborate on the rationale and purpose of the Rights Issue and change in the use of proceeds in the Maximum Subscription Scenario
<b>“TERP”</b>	: The theoretical market price of each Share assuming the completion of the Rights Issue and the Rights Issue is fully subscribed, which is calculated based on the market capitalisation of the Company based on the last transacted price of the Shares on the Main Board of the SGX-ST of S\$0.143 per Share on the Last Trading Day and the gross proceeds of the Rights Issue, divided by the total number of Shares following the issuance of the Rights Shares



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## DEFINITIONS

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- “**Third Tranche Payment**” : 20.0% of the purchase price for the Land amounting to US\$4,490,460, payable after 180 business days from the date of the Land SPA
- “**Toul Kork**” : The Toul Kork District in Phnom Penh City, Cambodia
- “**Undertaking Shareholder**” : Dato Dr. Ong Bee Huat, Executive Deputy Chairman and Group Chief Executive Officer of the Company
- “**Whitewash Resolution**” : The resolution proposed to be passed by a majority of the Independent Shareholders, before the issue of the Rights Shares and any Excess Rights Shares, by way of poll to waive their rights to receive a general offer from the Concert Party Group as a result of the acquisition of Rights Shares pursuant to the Rights Issue
- “**Whitewash Waiver**” : The ruling obtained by the Company from the SIC on 24 November 2020 that the Concert Party Group will be exempted from the requirement to make a general offer for all the Shares under Rule 14 of the Code in the event that their aggregate voting rights in the Company increases to 30.0% or more as result of the Rights Issue, as set out in the Notice of EGM
- “**S\$**” and “**cents**” : Singapore Dollars and cents, respectively, the lawful currency of Singapore
- “**US\$**” : United States dollars, the lawful currency of the United States of America
- “**%**” 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 81SF of the SFA.

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

The terms “**acting in concert**” and “**concert parties**” shall have the meanings ascribed to them respectively in the Code.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual, the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the Listing Manual, the Code or such modification thereof, as the case may be, unless otherwise provided.

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

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## **DEFINITIONS**

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

Where applicable, figures and percentages used in this Circular have been rounded to one (1) decimal place for ease of reading.

Any reference to a website or any website directly or indirectly linked to such websites in this Circular is not incorporated by reference into this Circular and should not be relied upon as such.

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## LETTER TO SHAREHOLDERS

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### HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 199905292D)

#### Board of Directors:

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

#### Registered Office:

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

1 February 2021

To: The Shareholders of Hong Lai Huat Group Limited

Dear Sir / Madam

#### 1. INTRODUCTION

##### 1.1 Proposed Rights Issue

On 3 December 2020, the Company announced, amongst others:

- (a) a proposal to undertake a renounceable non-underwritten rights issue of up to 295,910,921 new ordinary shares in the share capital of the Company (the "**Rights Shares**") at an issue price of S\$0.091 for each Rights Share (the "**Issue Price**"), on the basis of four (4) Rights Shares for every three (3) existing Shares held by Shareholders who are eligible to participate in the Rights Issue as at the Record Date, fractional entitlements to be disregarded; and
- (b) that Dato' Dr. Ong Bee Huat (the "**Undertaking Shareholder**") has executed a deed of irrevocable undertaking dated 3 December 2020 (the "**Irrevocable Undertaking**") in favour of the Company, pursuant to which the Undertaking Shareholder has agreed to subscribe and pay in full for his *pro rata* entitlement of 62,208,000 Rights Shares (entitlement *pro rata* vis-à-vis all other Shareholders) (representing approximately 21.0% of the total number of Rights Shares) and, subject to availability, 96,141,771 Excess Rights Shares (representing approximately 32.5% of the total number of Rights Shares) pursuant to the Rights Issue for the Maximum Subscription Amount. Please refer to section 4.3 of this Circular for details of how the Maximum Subscription Amount was determined.

The 295,910,921 Rights Shares announced by the Company on 3 December 2020 had been calculated on the basis that all of the Shareholders subscribed for their *pro rata* entitlements of Rights Shares, with the number of Rights Shares allocated to each Shareholder rounded down and entitlements to fractions of Shares disregarded. As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises 221,933,192 Shares (the "**Existing Share Capital**"). The Company does not have any treasury shares and there are no outstanding warrants or convertible securities issued by the Company pursuant to which new Shares may be issued on exercise or conversion. Based on the Existing Share Capital, if the allotment ratio of the Rights Issue is directly applied to the Existing Share Capital and assuming all of the Rights Shares are subscribed, 295,910,922 Rights Shares will be issued under the Rights Issue (the "**Maximum Subscription Scenario**").

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## LETTER TO SHAREHOLDERS

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On 27 December 2020, the Company released a supplemental announcement (the “**Supplemental Announcement**”) to elaborate on the rationale and purpose of the Rights Issue and inform Shareholders of a change in the intended use of the proceeds arising from the Rights Issue in the Maximum Subscription Scenario. The change in the use of proceeds in the Maximum Subscription Scenario was to reallocate approximately S\$7.9 million originally allocated to the repayment of existing bank borrowings, S\$3.3 million originally allocated to project development cost for the Group’s on-going 2nd mixed-use development project, Royal Platinum, located in Toul Kork, and S\$3.3 million originally allocated to new project land and development cost for the 3rd mixed-use development project located in Toul Kork, to the repayment of the Outstanding Indebtedness owed to the Undertaking Shareholder (discussed further in sections 3.2 and 3.3 of this Circular). The gross proceeds arising from the allotment and issuance of the Rights Issue will be approximately (a) S\$26.9 million in the Maximum Subscription Scenario, and (b) S\$14.4 million in the Minimum Subscription Scenario. Please refer to sections 3.2 and 3.3 of this Circular for the rationale and purpose of the Rights Issue and the Company’s explanation of its change in the intended use of the proceeds arising from the Rights Issue in the Maximum Subscription Scenario.

The Rights Issue is subject to, amongst others, the approval of the Rights Issue Resolution at the EGM. The purpose of this Circular is to explain the rationale for, and provide Shareholders with information pertaining to, amongst others, the Rights Issue and the Whitewash Waiver, and to seek specific approvals from the Shareholders for the Rights Issue Resolution and the Independent Shareholders for the Whitewash Resolution at the EGM. Please see the Notice of EGM set out on pages N-1 to N-3 of this Circular for details of the Proposed Resolutions.

This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than the Shareholders) or for any other purpose.

The Company has appointed SAC Capital as the manager for the Rights Issue, Gibson, Dunn & Crutcher LLP as the legal adviser to the Company for the Rights Issue, and Xandar Capital as the independent financial adviser to advise the Recommending Directors in relation to the Whitewash Resolution. The advice of Xandar Capital as the independent financial adviser is set out in section 7.4 of this Circular.

### 1.2 Proposed Resolutions

The Company intends to proceed with the Rights Issue upon obtaining all of the necessary approvals set out in section 2.3 of this Circular.

**Shareholders should note that the Rights Issue Resolution is not conditional upon the Independent Shareholders approving the Whitewash Resolution. This means that in the event that the Rights Issue Resolution is approved by the Shareholders, but the Whitewash Resolution is not approved by the Independent Shareholders, the Rights Issue Resolution will still be passed.**

## 2. PROPOSED RIGHTS ISSUE

### 2.1 Principal terms

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

<b>Size</b>	: Up to 295,910,922 Rights Shares to be issued. Further details are set out in section 2.2 of this Circular.
<b>Issue Price</b>	: S\$0.091 per Rights Share, payable in full upon acceptance and/or application.

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- Discount** : The Issue Price represents a discount of approximately:
- (a) 36.4% to the last transacted price of the Shares on the Main Board of the SGX-ST of S\$0.143 per Share on the Last Trading Day;
  - (b) 19.7% to the TERP of S\$0.113 per Share as calculated based on the last transacted price of the Shares on the Main Board of the SGX-ST of S\$0.143 per Share on the Last Trading Day;
  - (c) 37.1% to the volume weighted average price of S\$0.145 per Share, as calculated based on the volume weighted average price of the Shares on the Main Board of the SGX-ST over the five (5) consecutive Market Days leading up to and including the Last Trading Day; and
  - (d) 27.2% to the last transacted price of the Shares on the Main Board of the SGX-ST of S\$0.125 per Share on 26 January 2021, being the Latest Practicable Date.

The Issue Price and discounts have been determined after taking into account precedent transactions, the transaction size and discussions with the Manager.

- Allotment Ratio** : Four (4) Rights Shares for every three (3) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.

- Use of proceeds** : The net proceeds arising from the Rights Issue in the Maximum Subscription Scenario of approximately S\$26.3 million will be utilised in the following approximate manner:
- (a) Repayment of the Outstanding Indebtedness to the Undertaking Shareholder – S\$14.4 million (54.8%)
  - (b) Project development cost for the on-going 2nd mixed-use development project, Royal Platinum, located in Toul Kork – S\$4.6 million (17.6%)
  - (c) New project land and development cost for the 3rd mixed-use development project located in Toul Kork – S\$4.6 million (17.6%)
  - (d) General working capital – S\$2.6 million (10.0%)

The Outstanding Indebtedness comprises approximately US\$10.7 million of the PHDC Loan drawn down and utilised to fund the purchase of the Land for the 3rd mixed-use development project located in Toul Kork, and for the working capital of PHDC, and accrued interest thereon as at the date of the Set-off Agreement.

In the Minimum Subscription Scenario, the gross proceeds raised will be utilised towards the repayment of the Outstanding Indebtedness. For the avoidance of doubt, the Company will not receive any proceeds from the Rights Issue in the Minimum Subscription Scenario as the subscription monies payable by

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the Undertaking Shareholder pursuant to the Irrevocable Undertaking will be satisfied by the Set-off.

Further details of the use of proceeds are set out in section 3.3 of this Circular.

**Status of Rights Shares** : The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the Company's then existing Shares, save for any dividend, rights, allotments or other distributions that may be declared or paid, the record date for which falls on or before the date of allotment and issue of the Rights Shares.

**Eligibility to participate in the Rights Issue** : Only Entitled Shareholders are eligible to participate in the Rights Issue. Further details are set out in section 2.6 of this Circular.

**Listing and trading of the Rights Shares** : On 28 January 2021, the SGX-ST granted its approval in-principle for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to certain conditions, the details of which are set out in section 2.4 of this Circular.

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

**Trading of the Rights Shares** : Upon the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, the Rights Shares will be traded on the Main Board of the SGX-ST under the book-entry (scripless) settlement system. All dealings in and transactions (including transfers) in relation to the Rights Shares effected through the SGX-ST and/or CDP shall be made in accordance with CDP's "Terms and Conditions for Operation of Securities Account with The Central Depository (Pte) Limited", as the same may be amended from time to time, copies of which are available from CDP. For the purposes of trading on the Main Board of the SGX-ST, each board lot of Shares will comprise 100 Shares.

**Acceptance, excess application and payment** : Entitlements to subscribe for the Rights Shares will be renounceable and are expected to be tradeable on the Main Board of the SGX-ST over a period to be determined by the Directors in compliance with the rules of the Listing Manual.

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

Fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with provisional allotments which are not allotted

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or taken up for any reason, be aggregated and used to satisfy applications, if any, for Excess Rights Shares or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

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

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the provisional allotments of Right Shares and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched or, as the case may be, disseminated by, and in the ARE, the ARS and the PAL to be despatched by, the Company in due course.

### **Use of CPF Funds**

- : CPFIS Members can only use, subject to applicable CPF rules and regulations, monies standing to the credit of their respective CPF Investment Accounts to pay for the acceptance of their provisional allotments of Rights Shares and (if applicable) application for Excess Rights Shares.

Such CPFIS Members who wish to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares using their CPF Funds must have sufficient funds in their CPF Investment Accounts and will need to instruct their respective approved CPF agent banks with whom they hold their CPF Investment Accounts, to accept the provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares on their behalf in accordance with the terms and conditions of the Offer Information Statement.

In the case of insufficient CPF Funds or stock limit, CPFIS Members may top-up cash into their CPF Investment Accounts before instructing their respective approved CPF agent banks to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares on their behalf.

CPF Funds cannot, however, be used for the purchase of the provisional allotments of Rights Shares directly from the market.

### **Use of SRS Funds**

- : SRS Investors can only use, subject to applicable SRS rules and regulations, monies standing to the credit of their respective SRS accounts to pay for the acceptance of their provisional allotments of Rights Shares and (if applicable) application for Excess Rights Shares.

Such SRS Investors who wish to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares using their SRS monies will need to instruct their respective SRS Approved Banks with whom they hold their SRS accounts, to accept the provisional allotments of Rights Shares

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and (if applicable) apply for Excess Rights Shares on their behalf in accordance with the terms and conditions in the Offer Information Statement.

SRS Investors who have insufficient funds in their SRS accounts could, subject to the SRS contribution cap, deposit cash into their SRS accounts with their respective SRS Approved Banks before instructing their respective SRS Approved Banks to accept the provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares on their behalf.

SRS monies cannot, however, be used for the purchase of the provisional allotments of Rights Shares directly from the market.

- Irrevocable Undertaking** : Please refer to section 4.1 of this Circular for details of the terms of the Irrevocable Undertaking. As a result of the Irrevocable Undertaking, upon completion of the Rights Issue:
- (a) assuming that all of the Shareholders are entitled to and subscribe for their *pro rata* entitlements of Rights Shares, there will be no change to the shareholding of the Undertaking Shareholder of approximately 21.0% before and after the completion of the Rights Issue; and
  - (b) the shareholding of the Undertaking Shareholder will increase from approximately 21.0% to approximately 53.9% of the enlarged share capital of the Company after the completion of the Rights Issue in the Minimum Subscription Scenario.

- Non-underwritten** : In view of the Irrevocable Undertaking by the Undertaking Shareholder, the savings in costs enjoyed by the Company as a result of not having to bear any underwriting fees, and there being no minimum amount that must be raised from the Rights Issue, the Company has decided to proceed with the Rights Issue on a non-underwritten basis. The Rights Issue cannot be withdrawn after the commencement of ex-rights trading.

- Previous Equity Fund Raising** : The Company has not undertaken any equity fund raising in the past 12 months prior to the date of the Original Announcement.

The terms and conditions of the Rights Issue are subject to such changes as the Directors may, in consultation with the Manager, deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be lodged with the MAS and despatched or, as the case may be, disseminated by the Company to Entitled Shareholders in due course, subject to, amongst others, the Rights Issue Resolution being approved at the EGM.

### 2.2 Size of the Rights Issue

As at the Latest Practicable Date, the Existing Share Capital comprises 221,933,192 Shares. The Company does not have any treasury shares and there are no outstanding warrants or convertible securities issued by the Company pursuant to which new Shares may be issued on exercise or conversion.

Based on the Existing Share Capital and assuming (a) the Whitewash Resolution is approved, (b) none of the Entitled Shareholders (excluding the Undertaking Shareholder) subscribe for their *pro rata* entitlements of Rights Shares, and (c) only the Undertaking Shareholder subscribes for his *pro rata* entitlement of 62,208,000 Rights Shares (entitlement *pro rata vis-à-vis* all other Shareholders)



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and 96,141,771 Excess Rights Shares in addition to his *pro rata* entitlement, 158,349,771 Rights Shares will be issued under the Rights Issue (the “**Minimum Subscription Scenario**”). The Undertaking Shareholder’s *pro rata* entitlement of 62,208,000 Rights Shares was determined by applying the allotment ratio of four (4) Rights Shares for every three (3) existing Shares to the number of Shares held by the Undertaking Shareholder as at the date of the Irrevocable Undertaking, being 46,656,000 Shares. In order to set off the subscription monies for Rights Shares payable by the Undertaking Shareholder against the Outstanding Indebtedness in full, the maximum number of Rights Shares that the Undertaking Shareholder would need to subscribe for at the Issue Price of S\$0.091 for each Rights Share is 158,349,771 Rights Shares. Accordingly, the Undertaking Shareholder will, subject to availability, subscribe for up to 96,141,771 Excess Rights Shares, in addition to his *pro rata* entitlement of 62,208,000 Rights Shares.

Based on the Existing Share Capital, 295,910,922 Rights Shares will be issued under the Rights Issue in the Maximum Subscription Scenario.

Depending on the level of subscription for the Rights Shares, the Company will, if necessary and upon approval of the SGX-ST, scale down a Shareholder’s application to subscribe for the Rights Issue to avoid placing the relevant Shareholder and parties acting in concert with it in the position of incurring a mandatory take-over bid obligation under the Code as a result of other Shareholders not taking up their Rights Shares entitlements fully. For the avoidance of doubt, the Company will not apply this right to scale down the Undertaking Shareholder’s application to subscribe for Rights Shares or Excess Rights Shares if the Whitewash Resolution is approved.

### 2.3 Conditions for the Rights Issue

Shareholders should note that the Rights Issue is subject to and conditional upon, amongst others, the satisfaction or waiver of the following conditions precedent:

- (a) the receipt of the listing and quotation notice from the SGX-ST for the dealing in and listing of and quotation for the Rights Shares on the Main Board of the SGX-ST and such approval not having been withdrawn or revoked on or prior to the date of completion of the Rights Issue;
- (b) the lodgement of the Offer Information Statement, together with all other necessary accompanying documents, with the MAS;
- (c) the approval of the Shareholders for the Rights Issue Resolution; and
- (d) all other necessary waivers, consents and approvals from, amongst others, the SGX-ST and other third parties in connection with the Rights Issue having been obtained.

### 2.4 SGX-ST Conditions

On 28 January 2021, the SGX-ST granted its approval in-principle for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to the following conditions:

- (a) compliance with the SGX-ST’s listing requirements;
- (b) approval by Shareholders for the Rights Issue;
- (c) submission of a written undertaking from the Company that it will comply with Rules 704(30) and 1207(20) of the Listing Manual in relation to the use of the proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company’s announcements on use of proceeds and in the annual report; and
- (d) submission of a written undertaking from the Company that it will comply with Rule 877(10) of the Listing Manual with regards to the allotment of any Excess Rights Shares.

The Company will provide the written undertakings referred to in sections 2.4(c) and (d) of this Circular above to the SGX-ST.

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The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the provisional allotments of Rights Shares, the Company, its subsidiaries, its associated company and/or the Shares.

### 2.5 Notification under Section 309B of the SFA

The provisional allotments of Rights Shares and the Rights Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### 2.6 Eligibility of Entitled Shareholders to Participate in the Rights Issue

#### Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Rights Issue and to receive the Offer Information Statement, together with the ARE or the PAL, as the case may be, and other accompanying documents, at their respective Singapore addresses. Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from CDP during the period from the date the Rights Issue commences up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Registrar during the period from the date the Rights Issue commences up to the Closing Date.

Entitled Shareholders will be provisionally allotted Rights Shares under the Rights Issue on the basis of their shareholdings in the Company as at the Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline, renounce or (in the case of Entitled Depositors only) trade their provisional allotments of Rights Shares during the provisional allotment trading period prescribed by the SGX-ST and are eligible to apply for Excess Rights Shares.

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

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the provisional allotments of Rights Shares and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched or, as the case may be, disseminated by, and in the ARE, the ARS and the PAL to be despatched by, the Company in due course.

Entitled Scripholders should note that all notices and documents will be sent to their last registered Singapore mailing addresses with the Share Registrar. Entitled Scripholders are reminded that any request to the Share Registrar to update their records or to effect any change in address must reach B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, no later than three (3) Market Days before the Record Date.

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP well in advance of the Record Date so that their Securities Accounts may be credited by CDP with their Shares prior to the Record Date and their provisional allotments of Rights Shares. Entitled Scripholders should note that their Securities Accounts will only be credited with their Shares on the twelfth (12th) Market Day from the date of lodgement of their share certificates with CDP or such later date as CDP may determine.

Entitled Depositors should note that all notices and documents will be sent to their last registered Singapore mailing addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or to effect any change in address must reach CDP in writing at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589 at least (3) Market Days before the Record Date.

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### Foreign Shareholders

The Offer Information Statement and its accompanying documents relating to the Rights Issue have not been and will not be lodged, registered or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents, and the purchase, exercise of or subscription for the provisional allotments of Rights Shares and/or the Rights Shares by any persons who have registered addresses outside Singapore, or who are resident in, or citizens of countries other than Singapore, may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Rights Issue is only made in Singapore, and the Offer Information Statement and its accompanying documents will not be despatched or, as the case may be, disseminated to Foreign Shareholders.

**Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue. No provisional allotments of Rights Shares will be made to Foreign Shareholders and no purported acceptance of the provisional allotments of Rights Shares or applications for Excess Rights Shares by Foreign Shareholders will be valid.**

The Offer Information Statement and its accompanying documents relating to the Rights Issue will also not be despatched to persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore. It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside Singapore who wishes to take up his/her/its provisional allotment of Rights Shares and (if applicable), apply for Excess Rights Shares under the Rights Issue to satisfy himself/herself/itself as to the full observance of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes in such territories. The comments set out in this section are intended as a general guide only and any Foreign Shareholder who is in doubt as to his position should consult his professional advisers without delay. Further, any renouncee of an Entitled Scripholder, whose address as stated in the PAL is outside Singapore, will not be entitled to accept the provisional allotment of the Rights Shares renounced to him.

The Company reserves the right to reject any acceptances of the provisional allotments of Rights Shares and/or applications for Excess Rights Shares where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.

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

Foreign Shareholders who wish to be eligible to participate in the Rights Issue may provide a Singapore address by notifying in writing, as the case may be (a) CDP at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589, or (b) the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, no later than three (3) Market Days before the Record Date.

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

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The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Record Date and sent to them **AT THEIR OWN RISK** by ordinary post, or in such other manner as they may have agreed with CDP for payment of any cash distributions. If the amount of net proceeds distributable to any single Foreign Shareholder is less than S\$10.00, such net proceeds will be retained or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Manager, CDP or the Share Registrar or their respective officers in connection therewith.

Where such provisional allotments of Rights Shares are sold on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Manager, CDP or the Share Registrar or their respective officers in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

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

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

**Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto at their own expenses and without liability to the Company. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.**

### 2.7 Statement by the Directors

The Directors are of the opinion that after taking into consideration the Group's internal resources, operating cash flows and present credit facilities, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the present sufficiency of working capital, the Directors are of the opinion that the Rights Issue will strengthen the financial position and capital base of the Group. The Rights Issue will also provide the Shareholders with an opportunity to maintain their equity participation in the Company. For the reasons outlined in section 3.2 of this Circular, the Directors believe that the Rights Issue is in the interests of the Group.

## 3. RATIONALE OF THE RIGHTS ISSUE AND USE OF PROCEEDS

### 3.1 Background of the Group's mixed-use development projects

In FY2019, the Group successfully completed the construction of its 1st mixed-use development project, D'Seaview, in Sihanoukville, Cambodia, and is in the process of handing over its residential and commercial units to its buyers progressively. As at the Latest Practicable Date, the Group has sold approximately 71% of the 1st mixed-use development project units. This project has been built and the construction costs fully paid for. As at 31 December 2020, the Group has recorded

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approximately US\$54.9 million in revenue and approximately US\$28.0 million in cost of sales and operating expenses using the percentage of completion accounting method. Accordingly, the Group recorded a net profit after tax of approximately US\$25.3 million with respect to the 1st mixed-use development project.

In May 2020, the Group commenced the construction of its 2nd mixed-use development project, Royal Platinum, in Toul Kork. Toul Kork is located to the west and northwest of the centre of Phnom Penh, the capital of Cambodia, and is a popular suburban area of the city. The district is believed to be the second most popular residential area in Phnom Penh after Chamkarmon. The area has seen significant development in recent years and has attracted a mix of businesses, commercial, residential tenants and home-owners. The Government ministries of Defense, Rural Development and Women's Affairs of Cambodia, as well as a variety of commercial enterprises are also located along the main roads in Toul Kork. With the continuous progress of urbanisation in Cambodia, the capital of Phnom Penh has gradually expanded in size. Toul Kork is rapidly becoming an extension of Phnom Penh's original central business district, with about 20 apartment projects currently under construction with prices ranging from US\$1,800 to US\$3,000 per square metre.<sup>1</sup> As at the Latest Practicable Date, the Group has sold approximately 9.1% of the units of the 2nd mixed-use development project and collected cash payment of approximately US\$6.1 million relating to these sales. This project is undertaken through a joint venture (Royal Hong Lai Huat One Company Limited) ("**RHLHOC**") between the Group and the Royal Group. The project site is located on a freehold plot of land measuring approximately 8,221 sqm in Toul Kork, with approximately 851 residential units and 50 commercial units. Pre-sales of units commenced on 24 June 2019, while construction for this project commenced in May 2020 and is expected to be completed in 2023.

As an established and listed property developer in Cambodia, the Group is frequently approached to consider land acquisition opportunities. In mid-2020, the Group was approached by Lao Channara, a Cambodian individual, to explore a transaction to acquire a plot of freehold land with the total land size of approximately 1.2 hectares located in Toul Kork (the "**Land**"). In July 2020, a meeting was arranged between Lao Channara and the Undertaking Shareholder, during which Lao Channara shared the land map of the Land and provided details of the land area, the benefits of the Land, and his asking price of US\$25.0 million to US\$26.0 million. Given the strategic location of the Land, which is situated close to the Phnom Penh International Airport, a site visit was conducted to assess the Land and the Group decided to acquire the Land for its 3rd mixed-use development project, in line with the Group's focus on pursuing development opportunities in the region. After the site visit, the Undertaking Shareholder reached out to an international valuer, Knight Frank LLP, to assess if the land price that the Company was willing to offer was within an indicative valuation. As the price was within an indicative valuation, the terms of the acquisition were negotiated between the Group's Cambodian lawyer, with input from senior management, and Lao Channara for about one (1) to two (2) months before the parties agreed on the terms and the purchase price of US\$22,452,300. After the land title and land area had been verified, the Group proceeded to sign the sale and purchase agreement dated 11 September 2020 (the "**Land SPA**") with Lao Channara to acquire the Land for a purchase price of US\$22,452,300 (the "**Land Acquisition**"). In October 2020, Knight Frank (Cambodia) Pte Ltd issued its formal valuation report valuing the Land at US\$22.7 million as at 30 September 2020. The Group's 3rd mixed-use development project is intended to mainly focus on affordable housing for middle to lower income Cambodians, with approximately 2,432 residential units and 20 commercial units. This project has yet to commence construction.

The Company confirms that none of the Company, the Directors or the Substantial Shareholders have any past or current relationships with Lao Channara, save in respect of the Land Acquisition. Lao Channara will not be involved in the development of the 3rd mixed-use development project and had not dealt with any of the Company, its subsidiaries, its associated company, the Directors or the Group's senior management prior to approaching the Group for the sale of the Land.

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<sup>1</sup> This information was extracted on 22 January 2021 from the Toul Kork Location Profile published on <https://www.realestate.com.kh/phnom-penh/toul-kork/>.

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Under the Land SPA, the total purchase price for the Land is US\$22,452,300, which is payable in the following tranches:

- (a) 50.0% of the purchase price amounting to US\$11,226,150 (the “**First Tranche Payment**”) upon signing of the Land SPA;
- (b) 30.0% of the purchase price amounting to US\$6,735,690 (the “**Second Tranche Payment**”) after 90 business days from the date of the Land SPA; and
- (c) 20.0% of the purchase price amounting to US\$4,490,460 (the “**Third Tranche Payment**”) after 180 business days from the date of the Land SPA.

The Land SPA provides that after the Second Tranche Payment is made, PHDC may occupy the Land for the purpose of design and construction, and Lao Channara shall execute the requisite documents for the transfer of title to the Land. The transfer of the Land shall be completed upon payment of the Third Tranche Payment.

Prior to taking up the PHDC Loan, the Audit Committee had taken into consideration various funding options including term loans from commercial banks both in Singapore and Cambodia. However, based on information published by the National Bank of Cambodia, the Audit Committee noted that interest rates for new term loans denominated in US\$ ranged from approximately 8.8% to 9.6% for the period between January 2020 to August 2020,<sup>2</sup> which is significantly higher than the interest rate for the PHDC Loan of 6.0% per annum. The Company does not consider the interest rate of 6.0% per annum to be high for an unsecured term loan in Cambodia with a two (2) year maturity and no restrictions on dividends or other forms of negative covenants which are customary in bank loans. In addition, the Audit Committee had considered taking up a term loan from commercial banks in Singapore. However, Singapore banks often require a local Singapore asset to be pledged as collateral. Given that majority of the Group’s assets are located in Cambodia, which Singapore banks would not accept as collateral, the Group faces difficulties in obtaining the said term loans. As the terms of PHDC loan are more favourable than those made available by banks in Cambodia, coupled with the difficulty in obtaining a term loan in Singapore, the Audit Committee is of the view that the PHDC Loan is entered into on normal commercial terms or otherwise in accordance with applicable industry norms, and is not prejudicial to the interests of the Group or the minority Shareholders.

On 30 October 2020, PHDC, a wholly-owned subsidiary of the Company, entered into a loan agreement (the “**PHDC Loan Agreement**”) with the Undertaking Shareholder, pursuant to which the Undertaking Shareholder agreed to extend a loan of US\$11,000,000, bearing interest at a rate of 6.0% per annum (the “**PHDC Loan**”), to PHDC. The maturity date of the PHDC Loan is 24 months from the drawdown date of the PHDC Loan. Please refer to the Company’s announcement on 30 October 2020 for further details of the PHDC Loan. The PHDC Loan was not subject to Shareholders’ approval for the reasons set out in section 4.2 of this Circular. The PHDC Loan was intended to be a bridge to fund (a) the acquisition of the Land for PHDC’s 3rd mixed-use development in Toul Kork, and (b) the working capital of PHDC in the interim, pending further fundraising by the Company.

As at the Latest Practicable Date, the Company has made the First Tranche Payment and Second Tranche Payment for the Land Acquisition amounting to approximately US\$18.0 million, out of which approximately US\$10.2 million was financed by the PHDC Loan and the remaining amount was funded by a combination of the Group’s internal resources and payment in kind through six (6) units from the Group’s 1st and 2nd mixed-use development projects with an aggregate value of approximately US\$4.2 million, which is based on the prevailing selling prices at the time of transfer. With respect to the Third Tranche Payment, approximately US\$1.0 million has been paid out of the Group’s internal resources as at the Latest Practicable Date. The remaining amount of the Third Tranche Payment of US\$3.5 million shall be financed by the Group’s internal resources and net proceeds from the Rights Issue (if available). The Company is expecting to complete the Land Acquisition on or before 10 March 2021.

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<sup>2</sup> The data on interest rates provided by the National Bank of Cambodia does not indicate tenure, or other terms.

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### 3.2 Rationale of the Rights Issue

The Company is undertaking the Rights Issue to pro-actively strengthen its balance sheet, enhance its financial flexibility and improve the competitive position of the Group. Simultaneously, the Rights Issue will also provide Shareholders with an opportunity to further participate in the equity of the Company. Notwithstanding that the Group is in a net cash position as at 31 December 2020 (with cash and bank balances amounting to approximately S\$9.5 million and current and non-current bank loans amounting to approximately S\$8.0 million in aggregate), the Company is of the view that there is a need to strengthen its balance sheet so that there is financial flexibility in financing the development of the Group's 2nd mixed-use development project in Toul Kork and the 3rd mixed-use development project in Toul Kork if it commences.

The original allocation of the use of net proceeds announced on 3 December 2020 in the Maximum Subscription Scenario was approximately S\$7.9 million to each of (a) the repayment of existing bank borrowings, (b) project development cost for the Group's on-going 2nd mixed-use development project, Royal Platinum, located in Toul Kork, and (c) new project land and development cost for the 3rd mixed-use development project located in Toul Kork, and approximately S\$2.6 million for general working capital. After the revision to the use of net proceeds in the Maximum Subscription Scenario as announced in the Supplemental Announcement, approximately S\$14.4 million will be allocated to repay the Outstanding Indebtedness, approximately S\$4.6 million will be allocated to each of (i) project development cost for the Group's on-going 2nd mixed-use development project in Toul Kork, and (ii) new project land and development cost for the 3rd mixed-use development project in Toul Kork, and approximately S\$2.6 million for general working capital. Please refer to section 3.3 below for further details of the use of proceeds from the Rights Issue.

Since the Original Announcement was released, it has always been the intention of the Company to repay the PHDC Loan out of the proceeds of the Right Issue as the PHDC Loan was intended to be a bridge to fund the acquisition of the Land and the working capital of PHDC in the interim pending further fundraising by the Company.<sup>3</sup> Without the financial support from the Undertaking Shareholder, the Group may not have been in a position to acquire the Land, and could have lost the opportunity to do so. Having considered the cost and limitations on quantum of bank borrowings in Cambodia at the time, as well as the time required and the uncertainty involved in undertaking an equity fundraising exercise, the Company decided to proceed with the PHDC Loan in order to complete the acquisition of the Land while the opportunity was available, given its strategic location and development potential. The Company had intended to repay the PHDC Loan with an equity offering. By financing the acquisition of the Land primarily with equity funding rather than debt, the Company would reduce the cost of holding the Land, thus affording the Company more flexibility in deciding when to commence development.

After the Original Announcement was released, the Company noted that the disclosure in the Original Announcement was not clear as to which categories of the net proceeds allocated under the Maximum Subscription Scenario would be used to repay the principal amount and accrued interest outstanding under the PHDC Loan as at the date of the Set-off Agreement (discussed in section 4.3 of this Circular below) of approximately US\$10.8 million (equivalent to approximately S\$14.4 million based on the MAS Exchange Rate) (the "**Outstanding Indebtedness**"). Hence, the Company made the decision to release the Supplemental Announcement to clarify the use of the Rights Issue proceeds.

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<sup>3</sup> To illustrate, it is stated in paragraph 3.4.2 of the Original Announcement that the gross proceeds raised under the Minimum Subscription Scenario will be utilised towards repayment of the Outstanding Indebtedness and no fresh funds will be raised under the Minimum Subscription Scenario. It is also stated in paragraph 1 of the Supplemental Announcement that there is no change in the intended use of proceeds arising from the Rights Issue in the Minimum Subscription Scenario.

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Under the Maximum Subscription Scenario in the Original Announcement, the amounts earmarked for the repayment of the Outstanding Indebtedness of approximately S\$14.4 million was intended to be paid out of the following categories:

<b>Use of net proceeds</b>	<b>Percentage allocation in the Original Announcement (%)</b>	<b>Estimated amount (S\$' million)</b>
New project land and development cost for the 3rd mixed-use development project located in Toul Kork	30.0	7.9
Partial repayment of existing bank borrowings	30.0	7.9

The use of proceeds in the Original Announcement was presented on a “see-through” basis to disclose the utilisation of the PHDC Loan directly for the purchase of Land for the 3rd mixed-use development project, given the arrangements for the Set-off. As the PHDC Loan was extended to PHDC for the acquisition of the Land and for the working capital of PHDC, this falls within the classification of new project land cost for the 3rd mixed-use development project as stated in the table above. With regards to the allocation of approximately S\$7.9 million for the partial repayment of existing bank borrowings in the Original Announcement, it was intended that the proceeds would be used to repay the Company’s outstanding debt obligations which includes its existing bank borrowings and the Outstanding Indebtedness.

During the process of preparing the Supplemental Announcement, the Company had also reassessed the allocation of the use of proceeds. As a result, the Company decided not to allocate any portion of the proceeds towards the repayment of its existing Singapore bank borrowings as they carry a lower interest rate as compared to the PHDC Loan. At the same time, the Company had also re-examined the allocation of the Right Issue proceeds to the project development costs for the 2nd mixed-use development project and reallocated a portion of the proceeds towards the new project land and development costs for the 3rd mixed-use development project. Accordingly, the allocation of net proceeds to the 2nd mixed-use development project decreased from the initial 30.0% announced in the Original Announcement to 17.6% as announced in the Supplemental Announcement.

By repaying the PHDC Loan, the Company will deleverage and strengthen its balance sheet, and enhance its financial flexibility by strengthening its ability to secure and negotiate for additional bank borrowings as and when required. Such additional bank borrowings may be utilised to fund the Group’s projects, without relying on the financial support of the Undertaking Shareholder. In addition, the repayment of the PHDC Loan will result in greater savings of interest costs. Notwithstanding that the PHDC Loan matures in October 2022, the Directors believe that it would be more beneficial for the Group to repay the PHDC Loan prior to its maturity date instead of the Group’s existing Singapore bank loans, as, being a loan in Cambodia with an interest rate of 6.0% per annum, the finance cost of the PHDC Loan is higher than that of the Group’s existing Singapore sourced bank borrowings ranging from approximately 2.5% to 5.3% per annum.

Pursuant to the Set-Off Agreement, the Undertaking Shareholder will satisfy his payment obligations under the Irrevocable Undertaking in full by setting off the Maximum Subscription Amount against the Outstanding Indebtedness. Upon repayment of the PHDC Loan, the Group’s outstanding obligations will be reduced and Company will enjoy a reduction of interest costs over the term of the PHDC Loan. As a result, the Company will benefit from a stronger balance sheet and future cash flow which provides the Company with greater financial flexibility and improves its competitive position.

The Company also intends to raise additional capital to fund the development expenses associated with the Group’s 2nd and 3rd mixed-use development projects in Toul Kork, and to raise working capital for the Group.



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### 2nd mixed-use development project

With respect to the 2nd mixed-use development project, the Group is required to contribute US\$20.6 million as share capital to RHLHOC as part of the joint venture arrangement, which is equivalent to the fair value of the land contributed by the Royal Group. There is no specific payment deadline for the Group to contribute the US\$20.6 million, but the share capital contributions will be used by RHLHOC to finance its construction costs. As at 31 December 2020, the Group has contributed US\$6.0 million as share capital to RHLHOC. The Company intends to finance the Group's remaining share capital contribution of US\$14.6 million (approximately S\$19.3 million) from the following:

- (a) the net cash and bank balances on its balance sheet, amounting to approximately S\$1.5 million as at 31 December 2020;
- (b) expected cash inflow from receivables due from purchasers of the Group's 1st mixed-use development project, amounting to approximately S\$6.1 million as at 31 December 2020;
- (c) net proceeds raised from the Rights Issue amounting to approximately S\$4.6 million assuming the Maximum Subscription Scenario;
- (d) further deposits and payments to be received from new unit sales of the 1st mixed-use development project; and
- (e) in the event that the above sources of funds are insufficient, an unutilised loan facility from J Trust Royal Bank Plc amounting to approximately US\$15.0 million (approximately S\$19.9 million) as a matter of last resort.

Accordingly, the Company's preference is to rely on the Rights Issue proceeds to finance the construction of the 2nd mixed-use development project as it will result in interest savings.

The total construction costs for the 2nd mixed-use development project is US\$54.2 million of which US\$7.5 million has already been incurred by RHLHOC as at 31 December 2020. Out of the remaining construction costs for the 2nd mixed-use development project of US\$46.7 million (approximately S\$61.8 million), US\$12.8 million, US\$29.5 million, and US\$4.4 million will be incurred in 2021, 2022 and 2023, respectively. RHLHOC intends to finance the remaining construction cost of US\$46.7 million (approximately S\$61.8 million) from the share capital contribution from the Group as well as further deposits and payments to be received from the new unit sales of the 2nd mixed-use development project. In the event that further deposits and payments to be received from new unit sales are insufficient to cover the total construction costs, Royal Group together with the Company will bear the remaining construction costs equally.

### 3rd mixed-use development project

The 3rd mixed-use development project is still currently in the design phase and no sales have commenced. The estimated construction costs for the 3rd mixed-use development project is approximately US\$53.0 million. As there is low visibility on the commencement of this project, the only material capital requirement at this point will be to pay the outstanding amount of the Third Tranche Payment for the Land Acquisition amounting to US\$3.5 million (approximately S\$4.6 million). The Company plans to finance the remaining US\$3.5 million (approximately S\$4.6 million) for the Land Acquisition from the Group's internal resources and net proceeds from the Rights Issue (if available). Assuming the Maximum Subscription Scenario, the approximately S\$4.6 million allocated to the new project land and development cost for the 3rd mixed-use development project will be used to pay this remaining Land Acquisition cost.

The Group plans to finance the construction costs for the 3rd mixed-use development project from deposits and payments from unit purchasers as a first port of call. Under the Minimum Subscription Scenario, the Company has the option of delaying the commencement of construction of the 3rd mixed-use development project. In addition, the Company may not proceed with the construction of

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the 3rd mixed-use development project if there are no other adequate forms of funding. In this event, the Land for the 3rd mixed-use development project will form part of the Group's land bank for future development. However, as the acquisition of the Land would primarily be financed out of equity funding (as opposed to debt), the lower cost of holding the Land would afford the Group greater flexibility in deciding when to commence development. Given the current global economic outlook, the Company believes that retaining the flexibility to commence development of the Land under better economic conditions and to build up its landbank is beneficial.

For the reasons set out above, the Directors believe that raising funds through the Rights Issue is in the best interest of the Shareholders and the Company as a whole.

### 3.3 Use of Proceeds

The gross proceeds arising from the allotment and issuance of the Rights Issue will be approximately (a) S\$26.9 million in the Maximum Subscription Scenario, and (b) S\$14.4 million in the Minimum Subscription Scenario.

#### Maximum Subscription Scenario

Assuming the Maximum Subscription Scenario, the net proceeds from the Rights Issue, after deducting estimated expenses incurred in connection with the Rights Issue of approximately S\$0.6 million, is approximately S\$26.3 million. The original allocation of the use of proceeds from the Rights Issue announced by the Company in the Original Announcement, assuming the Maximum Subscription Scenario, is as follows:

<b>Use of net proceeds</b>	<b>Percentage allocation in the Original Announcement (%)</b>	<b>Estimated amount (\$' million)</b>
Project development cost for on-going 2nd mixed-use development project, Royal Platinum, located in Toul Kork	30.0	7.9
New project land and development cost for the 3rd mixed-use development project located in Toul Kork	30.0	7.9
Partial repayment of existing bank borrowings	30.0	7.9
General working capital	10.0	2.6
<b>Net proceeds</b>	<b>100.0</b>	<b>26.3</b>

As stated in section 3.2 of this Circular, it has always been the intention of the Company to repay the PHDC Loan out of the proceeds of the Right Issue. The Company released the Supplemental Announcement to clarify that a certain amount of proceeds in the Maximum Subscription Scenario, which had initially been presented on a "see-through" basis for the 3rd mixed-use development project, would go directly towards repayment of the Outstanding Indebtedness. At the same time, the Company had also reallocated a portion of the proceeds originally allocated to project development costs for the 2nd mixed-use development project towards the new project land and development costs for the 3rd mixed-use development project, given that the PHDC Loan was utilised for the acquisition of the Land and the working capital of PHDC.

After the Original Announcement was released, the Company undertook a more comprehensive review of the repayment terms and interest rates of the Group's existing bank borrowings. Based on its review, the Board determined that the interest rates under the Group's existing Singapore sourced bank borrowings are lower than the interest costs incurred on the PHDC Loan of 6.0% per annum and the Group's internal resources are sufficient for the repayment of the bank borrowings as and when they fall due. Accordingly, the Board decided not to allocate any portion of the proceeds towards the repayment of its existing Singapore bank borrowings as repaying the PHDC Loan will result in greater savings of interest costs.

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Following the reallocation discussed above and as disclosed in the Supplemental Announcement, the Company intends to utilise the net proceeds from the Rights Issue of approximately S\$26.3 million in the Maximum Subscription Scenario in the following approximate manner:

Use of net proceeds	Percentage allocation in the Original Announcement (%)	Percentage allocation in the Supplemental Announcement (%)	Estimated amount (S\$' million)
Repayment of the Outstanding Indebtedness to the Undertaking Shareholder, comprising: <sup>(1)(2)</sup> <ul style="list-style-type: none"> <li>– Approximately US\$10.7 million of the PHDC Loan drawn down and utilised for the PHDC Purposes<sup>(3)</sup>; and</li> <li>– Interest accrued under the PHDC Loan of US\$56,422</li> </ul>	–	54.8	14.4
Project development cost for on-going 2nd mixed-use development project, Royal Platinum, located in Toul Kork	30.0	17.6	4.6
New project land and development cost for the 3rd mixed-use development project located in Toul Kork	30.0	17.6	4.6
Partial repayment of existing bank borrowings	30.0	–	–
General working capital	10.0	10.0	2.6
<b>Net proceeds</b>	<b>100.0</b>	<b>100.0</b>	<b>26.3</b>

**Notes:**

- (1) Repayment of the Outstanding Indebtedness will constitute the repayment of a loan to an “interested person” as defined under Chapter 9 of the Listing Manual, as the Undertaking Shareholder is the Executive Deputy Chairman and Group Chief Executive Officer.
- (2) In the Maximum Subscription Scenario, the Outstanding Indebtedness will be satisfied by (a) setting off the amounts payable by the Undertaking Shareholder for his subscription of his *pro rata* entitlement of Rights Shares and any Excess Rights Shares allocated to him (if applicable), and (b) any balance of the Outstanding Indebtedness shall be repaid from the proceeds of the Rights Issue.
- (3) The approximately US\$10.7 million of the PHDC Loan drawn down was utilised (a) to fund the purchase of the Land (approximately 95.3%), and (b) for the working capital of PHDC (approximately 4.7%). Please refer to section 4.2 of this Circular for further details of the utilisation of the PHDC Loan.

All amounts Set-off shall be treated as repayment of the Outstanding Indebtedness by the Company on behalf of PHDC. The remaining amount of the PHDC Loan will be dependent on the subscription rate of the Rights Issue. For the avoidance of doubt, in the event that no Excess Rights Shares are allocated to the Undertaking Shareholder, the Undertaking Shareholder will only subscribe for his *pro rata* entitlement of 62,208,000 Rights Shares, and the approximately S\$5.7 million payable by the Undertaking Shareholder for his *pro rata* entitlement of 62,208,000 Rights

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Shares will be set-off against the Outstanding Indebtedness. In such an event, the remaining amount of the Outstanding Indebtedness, equivalent to approximately S\$8.7 million, shall be paid out of the cash proceeds from the Rights Issue.

### Minimum Subscription Scenario

Assuming the Minimum Subscription Scenario, the gross proceeds of approximately S\$14.4 million will be utilised towards the repayment of the Outstanding Indebtedness. The Outstanding Indebtedness was utilised (a) to fund the purchase of the Land for PHDC's 3rd mixed-use development project in Toul Kork, and (b) for the working capital of PHDC. In this event, the Company will utilise its internal resources to pay for the professional fees and related expenses incurred in connection with the Rights Issue of approximately S\$0.6 million. For the avoidance of doubt, the Company will not receive any proceeds from the Rights Issue under the Minimum Subscription Scenario as the subscription monies payable by the Undertaking Shareholder pursuant to the Irrevocable Undertaking will be satisfied by the Set-off.

The Company is of the view that the net proceeds raised from the Rights Issue will be sufficient to meet the Company's present funding requirements and to enable the Company to meet its obligations and continue to operate as a going concern.

Pending the deployment of the proceeds from the Rights Issue for the uses mentioned above, the net proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may, in their absolute discretion, deem fit in the interests of the Group.

The Company will make periodic announcements on the utilisation of the net proceeds from the Rights Issue, after deducting estimated expenses incurred in connection with the Rights Issue, as and when such net proceeds are materially disbursed and provide a status report on the use of such net proceeds in the Company's annual report, in accordance with the rules of the Listing Manual. In relation to the net proceeds from the Rights Issue which are set aside for working capital purposes, the Company will disclose a breakdown with specific details on the use of such net proceeds for working capital in announcements and annual reports.

## **4. IRREVOCABLE UNDERTAKING AND SET-OFF**

### **4.1 Irrevocable Undertaking**

The Undertaking Shareholder has an interest (directly and indirectly) in 46,660,066 Shares<sup>4</sup>, representing approximately 21.0% of the Existing Share Capital. The Undertaking Shareholder's two sons, Ong Jia Ming and Ong Jia Jing, and the Undertaking Shareholder's wife, Ms. Lau are interested (directly and indirectly) in 8,828,471 Shares, 4,457,500 Shares and 4,066 Shares, representing approximately 4.0%, 2.0% and 0.002% of the Existing Share Capital, respectively. Apart from Ong Jia Ming, Ong Jia Jing and Ms. Lau, the Undertaking Shareholder does not have any other concert parties who hold Shares.

To show his support for the Rights Issue and to demonstrate his commitment to and confidence in the prospects of the Group, the Undertaking Shareholder has provided the Irrevocable Undertaking to the Company that he will subscribe and pay in full for his *pro rata* entitlement of the Rights Shares (entitlement *pro rata* vis-à-vis all other Shareholders) and Excess Rights Shares (subject to availability), under the Rights Issue, subject to the Maximum Subscription Amount (discussed in section 4.3 of this Circular below). Based on the Issue Price of S\$0.091 for each Rights Share, the maximum number of Rights Shares and Excess Rights Shares (subject to availability) to be subscribed for by the Undertaking Shareholder pursuant to the Irrevocable Undertaking are 62,208,000 Rights Shares and 96,141,771 Excess Rights Shares, respectively.

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<sup>4</sup> Please refer to section 8.1 of this Circular for further details of the Undertaking Shareholder's interest in Shares.

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As a result of the Irrevocable Undertaking, upon completion of the Rights Issue:

- (a) assuming that all of the Shareholders are entitled to and subscribe for their *pro rata* entitlements of Rights Shares, there will be no change to the shareholding of the Undertaking Shareholder of approximately 21.0% before and after the completion of the Rights Issue; and
- (b) the shareholding of the Undertaking Shareholder will increase from approximately 21.0% to approximately 53.9% of the enlarged share capital of the Company after the completion of the Rights Issue in the Minimum Subscription Scenario.

For the avoidance of doubt, the terms of the Irrevocable Undertaking provide that the Undertaking Shareholder will subscribe for his *pro rata* entitlement of the Rights Shares (entitlement *pro rata* vis-à-vis all other Shareholders) and Excess Rights Shares (subject to availability), subject always to the condition that Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority in the rounding of odd lots and allotment of Excess Rights Shares.

The Irrevocable Undertaking is subject to and conditional upon, amongst others, the satisfaction of the following:

- (a) the satisfaction or waiver of the conditions set out in section 2.3 of this Circular;
- (b) the approval of the Independent Shareholders for the Whitewash Resolution;
- (c) the Whitewash Waiver granted by the SIC not having been withdrawn, revoked or amended, and all conditions to which the Whitewash Waiver is subject having been fulfilled, as at the date of completion of the Rights Issue; and
- (d) all other third party approvals or consents which the Company reasonably determines are necessary to implement the Rights Issue, having been obtained either unconditionally or on conditions satisfactory to the Company acting reasonably and not having been withdrawn or revoked.

Given the provision of the Irrevocable Undertaking, the Rights Issue will not be underwritten by a financial institution.

### 4.2 PHDC Loan

As announced by the Company on 30 October 2020, the Undertaking Shareholder entered into the PHDC Loan Agreement with PHDC, for the extension of the PHDC Loan to PHDC.

The principal terms of the PHDC Loan are as follows:

Principal amount of the PHDC Loan	US\$11,000,000
Maturity Date	Date falling 24 months from drawdown date of the PHDC Loan
Prepayment	PHDC may prepay the whole or part of the Loan by giving three (3) business days' notice
Interest	6% per annum, payable on each anniversary of the drawdown date, the last interest payment to be made on the Maturity Date unless otherwise agreed and subject to any prepayment of the PHDC Loan
Security	None

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As at the Latest Practicable Date, approximately US\$10.7 million has been drawn down from the PHDC Loan and utilised (a) to fund the purchase of the Land for PHDC's 3rd mixed-use development project in Toul Kork, and (b) for the working capital of PHDC. The breakdown of the use of proceeds is set out in the table below:

Use of PHDC Loan	Percentage allocation (%)	Amount (US\$'million)
Payment of purchase price for Land	95.3	10.2
Working capital of PHDC	4.7	0.5
<b>Total</b>	<b>100.0</b>	<b>10.7</b>

The working capital drawn down under the PHDC Loan amounting to US\$0.5 million has not been utilised because the Group is in the midst of completing the Land Acquisition and construction for the 3rd mixed-use development project has not commenced. The Group intends to utilise the proceeds set aside for working capital as and when development costs are incurred.

The Undertaking Shareholder is an "interested person" and PHDC is an "entity at risk" as defined in Chapter 9 of the Listing Manual. As such, the PHDC Loan is an interested person transaction for the purpose of Chapter 9 of the Listing Manual. Pursuant to Rule 909 of the Listing Manual, in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. Based on the agreed interest rate of 6.0% per annum, the amount at risk to PHDC pursuant to Rule 909(3) of the Listing Manual is equivalent to the interest payable on the full 24-month term of the PHDC Loan of approximately US\$1.3 million (equivalent to approximately S\$1.8 million based on the exchange rate of US\$1.00 : S\$1.40). As the amount at risk represents approximately 1.4% of the latest audited consolidated net tangible assets of the Group as at 31 December 2019, the Company was not required to seek Shareholders' approval for the PHDC Loan under Rule 906(1) of the Listing Manual.

### 4.3 Set-off against PHDC Loan

On 3 December 2020, the Undertaking Shareholder, the Company and PHDC entered into a set-off agreement (the "**Set-off Agreement**"), pursuant to which the Undertaking Shareholder agreed to satisfy his payment obligations under the Irrevocable Undertaking in full by setting off the Maximum Subscription Amount on the one hand, against the Outstanding Indebtedness on the other hand.

In order to set off the subscription monies payable by the Undertaking Shareholder against the Outstanding Indebtedness of approximately US\$10.8 million (equivalent to approximately S\$14.4 million based on the MAS Exchange Rate) in full, the maximum number of Rights Shares that the Undertaking Shareholder would be able to subscribe for at the Issue Price of S\$0.091 for each Rights Share is 158,349,771 Rights Shares, which would comprise 62,208,000 Rights Shares (entitlement *pro rata* vis-à-vis all other Shareholders) and, subject to availability, 96,141,771 Excess Rights Shares. Accordingly, the maximum total subscription amount that the Undertaking Shareholder would be required to pay for 158,349,771 Rights Shares, subject to availability, is S\$14,409,829.16 (the "**Maximum Subscription Amount**").

Under the Set-off Agreement, the Company and PHDC agreed with the Undertaking Shareholder that the Outstanding Indebtedness may be satisfied in whole or in part by setting off (a) approximately S\$5.7 million payable by the Undertaking Shareholder for his subscription of his *pro rata* entitlement of 62,208,000 Rights Shares and (b) up to approximately S\$8.7 million payable by the Undertaking Shareholder for his subscription of 96,141,771 Excess Rights Shares allotted to him (subject to availability) (the "**Set-off**"), provided that in no event shall the aggregate amount of the Set-off exceed the Outstanding Indebtedness.

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In the Maximum Subscription Scenario, only approximately S\$5.7 million of the Undertaking Shareholder's subscription amount for Rights Shares will be Set-off against the Outstanding Indebtedness, representing approximately 39.3% of the Outstanding Indebtedness. In such a scenario, the balance of the Outstanding Indebtedness of approximately S\$8.7 million shall be repaid from the cash proceeds of the Rights Issue. In the Minimum Subscription Scenario, all of the gross proceeds raised from the Rights Issue will be utilised towards the repayment of the Outstanding Indebtedness through the Set-off.

All amounts set-off shall be treated as repayment of the Outstanding Indebtedness by the Company on behalf of PHDC. The Set-off shall reduce the gearing and finance costs of the Group. Accordingly, the Directors are of the view that the Set-off is in the best interest of the Company and its Shareholders.

### 5. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

The *pro forma* financial effects of the Rights Issue presented below:

- (a) are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Rights Issue;
- (b) are based on the audited consolidated financial statements of the Group for FY2019 in calculating the *pro forma* financial effects of the Rights Issue as at 31 December 2019;
- (c) are based on the unaudited consolidated financial statements of the Group for 1H2020 in calculating the *pro forma* financial effects of the Rights Issue as at 30 June 2020;
- (d) assume that the Rights Issue was completed on 31 December 2019 and 30 June 2020 in calculating the *pro forma* financial effects on NTA and gearing as at 31 December 2019 and 30 June 2020, respectively;
- (e) assume that the Rights Issue was completed on 1 January 2019 and 1 January 2020 in calculating the *pro forma* financial effects on EPS and LPS for FY2019 and 1H2020, respectively;
- (f) assume the net proceeds from the Rights Issue, after deducting estimated expenses incurred in connection with the Rights Issue of approximately S\$0.6 million, of approximately S\$26.3 million in the Maximum Subscription Scenario and approximately S\$13.8 million in the Minimum Subscription Scenario; and
- (g) assume that there is no return earned from the net proceeds from the Rights Issue.

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### 5.1 Share Capital

	Minimum Subscription Scenario		Maximum Subscription Scenario	
	Number of Shares	S\$'000	Number of Shares	S\$'000
<b><u>As at 31 December 2019</u></b>				
Issued share capital as at 31 December 2019	221,933,192	94,602	221,933,192	94,602
<u>Add</u> : Rights Shares to be issued	158,349,771	13,824 <sup>(1)</sup>	295,910,922	26,342 <sup>(1)</sup>
Issued share capital after the Rights Issue	380,282,963	108,426	517,844,114	120,944
<b><u>As at 30 June 2020</u></b>				
Issued share capital as at 30 June 2020	221,933,192	94,602	221,933,192	94,602
<u>Add</u> : Rights Shares to be issued	158,349,771	13,824 <sup>(1)</sup>	295,910,922	26,342 <sup>(1)</sup>
Issued share capital after the Rights Issue	380,282,963	108,426	517,844,114	120,944

**Note:**

- (1) Assuming deduction of estimated expenses incurred in connection with the Rights Issue of approximately S\$0.6 million.



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### 5.2 NTA per Share

	Minimum Subscription Scenario	Maximum Subscription Scenario
<b><u>As at 31 December 2019</u></b>		
<u>NTA</u>		
NTA before the Rights Issue (S\$'000)	128,088	128,088
Net proceeds from the Rights Issue (S\$'000)	13,824	26,342
NTA after adjusting for the Rights Issue (S\$'000)	141,912	154,430
<u>NTA per Share</u>		
Number of Shares before the Rights Issue	221,933,192	221,933,192
NTA per Share before the Rights Issue (cents)	57.71	57.71
Number of Shares after the Rights Issue	380,282,963	517,844,114
NTA per Share after the Rights Issue (cents)	37.32	29.82
<b><u>As at 30 June 2020</u></b>		
<u>NTA</u>		
NTA before the Rights Issue (S\$'000)	129,320	129,320
Net proceeds from the Rights Issue (S\$'000)	13,824	26,342
NTA after adjusting for the Rights Issue (S\$'000)	143,144	155,662
<u>NTA per Share</u>		
Number of Shares before the Rights Issue	221,933,192	221,933,192
NTA per Share before the Rights Issue (cents)	58.27	58.27
Number of Shares after the Rights Issue	380,282,963	517,844,114
NTA per Share after the Rights Issue (cents)	37.64	30.06

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### 5.3 EPS / LPS

	Minimum Subscription Scenario	Maximum Subscription Scenario
<b><u>FY2019</u></b>		
Net profit attributable to Shareholders before the Rights Issue (S\$'000)	1,809	1,809
Weighted average number of Shares for FY2019 before the Rights Issue	221,933,192	221,933,192
Weighted average number of Shares after the Rights Issue	380,282,963	517,844,114
EPS before the Rights Issue (cents)	0.8151	0.8151
EPS after the Rights Issue (cents)	0.4757	0.3493
<b><u>1H2020</u></b>		
Net (loss) attributable to Shareholders before the Rights Issue (S\$'000)	(1,340)	(1,340)
Weighted average number of Shares for 1H2020 before the Rights Issue	221,933,192	221,933,192
Weighted average number of Shares after the Rights Issue	380,282,963	517,844,114
LPS before the Rights Issue (cents)	(0.6038)	(0.6038)
LPS after the Rights Issue (cents)	(0.3524)	(0.2588)

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### 5.4 Gearing

	Minimum Subscription Scenario	Maximum Subscription Scenario
<b><u>As at 31 December 2019</u></b>		
Bank Loans <sup>(1)</sup> (S\$'000)	1,238	1,238
Lease liabilities (S\$'000)	1,134	1,134
Total borrowings before the Rights Issue (S\$'000)	2,372	2,372
Shareholders' equity before the Rights Issue (S\$'000)	128,088	128,088
Gearing before the Rights Issue (times)	0.02	0.02
Total borrowings after the Rights Issue (S\$'000)	2,372	2,372
Shareholders' equity after the Rights Issue (S\$'000)	141,912	154,430
Gearing after the Rights Issue (times)	0.02	0.02
<b><u>As at 30 June 2020</u></b>		
Bank Loans <sup>(1)</sup> (S\$'000)	9,517	9,517
Lease liabilities (S\$'000)	1,054	1,054
Total borrowings before the Rights Issue (S\$'000)	10,571	10,571
Shareholders' equity before the Rights Issue (S\$'000)	129,320	129,320
Gearing before the Rights Issue (times)	0.08	0.08
Total borrowings after the Rights Issue (S\$'000)	10,571	10,571
Shareholders' equity after the Rights Issue (S\$'000)	143,144	155,662
Gearing after the Rights Issue (times)	0.07	0.07

**Note:**

(1) The PHDC Loan Agreement was only entered into on 30 October 2020. Hence, the Outstanding Indebtedness and the Set-off have not been reflected in the *pro forma* financial effects.

### 6. FINANCIAL INFORMATION OF THE GROUP

The consolidated statement of comprehensive income and the consolidated cash flow statement of the Group for FY2017, FY2018, FY2019, 1H2019 and 1H2020, the consolidated statement of financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 are set out in Appendix B of this Circular. Such selected financial information should be read together with the annual reports, the consolidated audited financial statements and the consolidated unaudited financial statements of the Group for the relevant periods and related notes thereto, which are available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.

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### 7. THE WHITEWASH RESOLUTION

#### 7.1 General Offer Requirement under the Code

Under Rule 14.1 of the Code, where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, such person is required to make a mandatory general offer for all shares in the company which he and/or persons acting in concert with him do not already own or control.

Based on the Existing Share Capital and assuming (a) none of the Entitled Shareholders (excluding the Undertaking Shareholder) subscribe for their *pro rata* entitlements of Rights Shares, (b) only the Undertaking Shareholder subscribes for his *pro rata* entitlement of 62,208,000 Rights Shares (entitlement *pro rata vis-à-vis* all other Shareholders), and (c) the Undertaking Shareholder subscribes for 96,141,771 Excess Rights Shares in addition to his *pro rata* entitlement, pursuant to the Irrevocable Undertaking, the shareholding of the Undertaking Shareholder will increase from approximately 21.0% to approximately 53.9% of the enlarged share capital of the Company comprising 380,282,963 Shares after the completion of the Rights Issue.

Based on the Existing Share Capital and assuming (a) none of the Entitled Shareholders (excluding the Concert Party Group) subscribe for their *pro rata* entitlements of Rights Shares, (b) only the Concert Party Group subscribe for their *pro rata* entitlement of 79,928,048 Rights Shares (entitlement *pro rata vis-à-vis* all other Shareholders), and (c) the Undertaking Shareholder subscribes for 96,141,771 Excess Rights Shares in addition to his *pro rata* entitlement, pursuant to the Irrevocable Undertaking, the shareholding of the Concert Party Group will increase from approximately 27.0% as at the Latest Practicable Date to approximately 59.3% of the enlarged share capital of the Company comprising 398,003,011 Shares after the completion of the Rights Issue. For illustrative purposes only, the maximum shareholding scenario of the Concert Party Group pursuant to the Rights Issue mentioned in this section 7.1 is set out in Appendix A of this Circular.

#### 7.2 Whitewash Waiver

As the Concert Party Group may potentially acquire 30.0% or more of the voting rights of the Company as a result of the Rights Issue, the Company has sought and obtained a ruling from the SIC on 24 November 2020 that the Concert Party Group will be exempted from the requirement to make a general offer for all the Shares under Rule 14 of the Code in the event that their aggregate voting rights in the Company increases to 30.0% or more as result of the Rights Issue (the “**Whitewash Waiver**”), subject to the following conditions being satisfied:

- (a) a majority of holders of voting rights of the Company approving at the EGM, before the issue of the Rights Shares and any Excess Rights Shares, a resolution (the “**Whitewash Resolution**”) by way of poll to waive their rights to receive a general offer from the Concert Party Group;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Concert Party Group and their concert parties as well as parties not independent of them abstain from voting on the Whitewash Resolution;
- (d) the Concert Party Group and their concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of the Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):
  - (i) during the period between the date of the Original Announcement and the date Independent Shareholders’ approval is obtained for the Whitewash Resolution; and

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- (ii) in the six (6) months prior to the date of the Original Announcement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Rights Issue;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
  - (i) details of the Rights Issue, including the Irrevocable Undertaking;
  - (ii) the dilution effect to existing holders of voting rights of the Company of issuing the Rights Shares and Excess Rights Shares under the Irrevocable Undertaking to the Concert Party Group;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares in the Company held by the Concert Party Group as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be issued to the Concert Party Group as a result of the Rights Issue and Irrevocable Undertaking;
  - (v) specific and prominent reference to the fact that the Rights Issue could result in the Concert Party Group holding Shares carrying over 49.0% of the voting rights of the Company and that the Concert Party Group and their concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer; and
  - (vi) specific and prominent reference to the fact that Independent Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Concert Party Group at the highest price paid by the Concert Party Group and their concert parties for the Shares in the six (6) months preceding the date of the Original Announcement;
- (g) the Circular stating that the Whitewash Waiver granted by the SIC is subject to the conditions stated in sections 7.2(a) to (f) of this Circular above;
- (h) the Company obtaining the SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the approval of the Whitewash Resolution must be obtained within three (3) months of the date of the Whitewash Waiver and the acquisition of the Rights Shares and any Excess Rights Shares by the Concert Party Group must be completed within three (3) months of the approval of the Whitewash Resolution.

### 7.3 Whitewash Resolution

**Independent Shareholders of the Company should note that:**

- (a) **the completion of the Rights Issue may result in the Concert Party Group holding Shares carrying over 49 per cent. of the voting rights of the Company based on the enlarged issued share capital of the Company and in such a scenario, the Concert Party Group and their concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer for the Company; and**

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- (b) by voting in favour of the Whitewash Resolution, they will be waiving their rights to receive a mandatory general offer for their Shares from the Concert Party Group at the highest price paid by the Concert Party Group and their concert parties in the six (6) months preceding the date of the Original Announcement.

The Independent Shareholders are asked to vote, by way of a poll, on the Whitewash Resolution set out as Ordinary Resolution 2 in the Notice of EGM.

### 7.4 Advice of the Independent Financial Adviser

Xandar Capital has been appointed as the IFA to advise the Recommending Directors in respect of the Whitewash Resolution. A copy of the IFA Letter, setting out its advice to the Recommending Directors, is reproduced in full in Appendix C of this Circular.

Based on the analysis set out in the IFA Letter and after having considered carefully the information available, Xandar Capital is of the opinion that (a) the terms of the Rights Issue, being the subject of the Whitewash Resolution, are fair and reasonable, and (b) the Whitewash Resolution is not prejudicial to the interests of the Independent Shareholders. Accordingly, Xandar Capital has advised the Recommending Directors to recommend that the Independent Shareholders vote in favour of the Whitewash Resolution.

**Independent Shareholders are advised to read the IFA Letter set out in Appendix C of this Circular in full and consider carefully the IFA's advice and recommendations of the Directors set out in section 13 of this Circular.**

## 8. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

### 8.1 Directors' Interests

As at the Latest Practicable Date, the Directors' interests in Shares as recorded in the Register of Directors' Shareholdings are as follows:

Director	Number of Shares					
	Direct Interest	(%) <sup>(1)</sup>	Deemed Interest	(%) <sup>(1)</sup>	Total Interest	(%) <sup>(1)</sup>
The Undertaking						
Shareholder	16,656,000	7.5	30,004,066 <sup>(2)</sup>	13.5	46,660,066	21.0
Ong Jia Ming	8,828,471	4.0	–	–	8,828,471	4.0
Ong Jia Jing	–	–	4,457,500 <sup>(3)</sup>	2.0	4,457,500	2.0
Dr. Wang Kai Yuen	243,433	0.1	–	–	243,433	0.1
Prof. Wong Wen-Young, Winston	13,841,850	6.2	–	–	13,841,850	6.2

#### Notes:

- (1) Based on the Existing Share Capital comprising 221,933,192 Shares.
- (2) Pursuant to Section 4 of the SFA, the Undertaking Shareholder is treated as having an interest in 30,000,000 Shares held by Haitong International Securities (Singapore) Pte. Ltd.. Pursuant to Section 133(4) of the SFA, the Undertaking Shareholder is deemed to have an interest in 4,066 Shares held his spouse, Ms. Lau.
- (3) Pursuant to Section 4 of the SFA, Ong Jia Jing is treated as having an interest in 4,457,500 Shares held by Hong Leong Finance Nominees Pte. Ltd..

### 8.2 Substantial Shareholders' Interests

As at the Latest Practicable Date, there are no Substantial Shareholders recorded in the Register of Substantial Shareholders who are not Directors.

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### 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in section 13.3 of this Circular, none of the Directors or Substantial Shareholders or their respective associates has any direct or indirect interest in the Rights Issue other than through their respective shareholdings (direct or indirect) in the Company.

### 10. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held by way of electronic means on 23 February 2021 at 9.00 a.m. (or any adjournment thereof), Singapore time, for the purpose of considering, and if thought fit, passing with or without any modifications, the ordinary resolutions set out in the Notice of EGM.

### 11. OFFER INFORMATION STATEMENT

The Offer Information Statement will be despatched or, as the case may be, disseminated by the Company to Entitled Shareholders subject to, amongst others, the approval of the Rights Issue Resolution being obtained at the EGM. Acceptances and applications under the Rights Issue can be made on the following (all of which will form part of the Offer Information Statement):

- (a) the PAL, in the case of Entitled Scripholders;
- (b) the ARE, in the case of Entitled Depositors;
- (c) the ARS, in the case of Purchasers whose registered addresses with CDP are in Singapore; and
- (d) the ATMs of the Participating Banks, in the case of Entitled Depositors or their renounees or Purchasers.

The PAL, ARE and ARS will form part of the Offer Information Statement.

The procedures for, and the terms and conditions applicable to, the acceptances, renunciations and/or sales of the provisional allotments of Rights Shares and for the excess applications for the Rights Shares pursuant to the Rights Issue, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

### 12. ACTION TO BE TAKEN BY SHAREHOLDERS

#### 12.1 EGM to be Convened by way of Electronic Means

Due to the current COVID-19 situation in Singapore, Shareholders will not be allowed to attend the EGM in person. The EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Circular (together with the Notice of EGM and the Proxy Form) may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of this Circular (together with the Notice of EGM and the Proxy Form) will NOT be despatched to Shareholders.

#### 12.2 Alternative Arrangements relating to Attendance at the EGM

Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at or prior to the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 1 February 2021. The announcement, which has been uploaded together with this Circular, may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.

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### 12.3 No Attendance in Person - Appointment of the Chairman of the EGM as Proxy

A Shareholder (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such Shareholder wishes to exercise his/her/its voting rights at the EGM.

The Chairman of the EGM will accept appointment as proxy for any other Shareholder to vote in respect of the Rights Issue Resolution and the Whitewash Resolution where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of the Rights Issue Resolution and the Whitewash Resolution.

CPFIS Members or SRS Investors who wish to appoint the Chairman of the EGM as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10 February 2021 at 9.00 a.m., being at least seven (7) working days before the EGM.

### 12.4 Submission of Proxy Forms

The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:

- (a) if sent by post, be lodged at the office of the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
- (b) if submitted electronically, be submitted via email to the Share Registrar at [main@zicoholdings.com](mailto:main@zicoholdings.com),

in either case not less than 48 hours before the time appointed for the EGM.

A Shareholder who wishes to submit a Proxy Form must first download (where necessary), complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a Shareholder may download, complete and authorise the Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

### 12.5 Depositor

Pursuant to Section 81SJ of the SFA, an Entitled Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP, as at 72 hours before the time fixed for the EGM.

## 13. DIRECTORS' RECOMMENDATION

### 13.1 Rights Issue Resolution

The Recommending Directors, having considered, amongst others, the rationale for the Rights Issue as set out in section 3.2 of this Circular, are of the opinion that the Rights Issue is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the Rights Issue Resolution, including the allotment and issue of the Rights Shares pursuant to the Rights Issue, to be proposed at the EGM.

### 13.2 Whitewash Resolution

The Recommending Directors, having considered, amongst others, the rationale for the Rights Issue as set out in section 3.2 of this Circular and the advice of the IFA as set out in the IFA Letter in Appendix C of this Circular, are of the opinion that the terms of the Rights Issue taken as a whole are fair and reasonable, and the Whitewash Resolution, when considered in the context of



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the Rights Issue, is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, the Recommending Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution to be proposed at the EGM.

### **13.3 Abstention from Directors' recommendation**

In addition to having provided the Irrevocable Undertaking, the Undertaking Shareholder is deemed to have an interest in the Rights Issue, as pursuant to the Set-off, the subscription price payable by him under the Rights Issue shall be set-off against the Outstanding Indebtedness owing to him by PHDC. Ong Jia Ming and Ong Jia Jing are both Executive Directors of the Company, and are the sons of the Undertaking Shareholder. Accordingly, the Undertaking Shareholder, Ong Jia Ming and Ong Jia Jing have abstained from voting in the Board deliberation on the terms of the Rights Issue and the Set-off, and will also abstain from making a recommendation to Shareholders in this Circular.

Dr. Chen Seow Phun, John, a non-executive independent director of the Company, is the chairman and a shareholder of SAC Capital. SAC Capital is the Manager for the Rights Issue. Accordingly, Dr. Chen Seow Phun, John, has abstained from voting in the Board deliberation on the terms of the Rights Issue and the Set-off, and will also abstain from making a recommendation to Shareholders in this Circular. Dr. Chen Seow Phun, John does not have any shareholding interest in the Company.

### **13.4 Note to Shareholders**

Shareholders, in deciding whether to vote in favour of the Rights Issue Resolution and the Whitewash Resolution, should read carefully the terms and conditions, rationale and financial effects of the Rights Issue and in respect of the Whitewash Resolution, consider carefully the advice of the IFA to the Recommending Directors. In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

### **14. ABSTENTION FROM VOTING**

Pursuant to the Whitewash Waiver to be granted in relation to the Rights Issue, the Concert Party Group and their concert parties as well as parties not independent of them will abstain from voting at the EGM on Ordinary Resolution 2 in relation to the Whitewash Resolution.

No member of the Concert Party Group will serve as Chairman of the EGM. Accordingly no member of the Concert Party Group will accept appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution 2 in relation to the Whitewash Resolution.

### **15. 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 Resolutions, the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

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### 16. STATEMENT BY THE MANAGER

To the best of the Manager's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Resolutions, the Group, and the Manager is not aware of any facts the omission of which would make any statement in this Circular misleading.

### 17. CONSENT

SAC Capital, as the Manager for the Rights Issue, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references to itself in the form and context in which they appear in this Circular.

Gibson, Dunn & Crutcher LLP, the legal adviser to the Company for the Rights Issue, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references to itself in the form and context in which they appear in this Circular.

Xandar Capital, as the IFA, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of (a) its name and all references to itself, (b) the statements in section 7.4 of this Circular, and (c) the IFA Letter as set out in Appendix C of this Circular, in the form and context in which they appear in this Circular.

### 18. DOCUMENTS 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 from the date of this Circular up to the date of the EGM:

- (a) the Constitution of the Company;
- (b) the Annual Reports of the Company for FY2017, FY2018 and FY2019;
- (c) the Company's announcement dated 11 August 2020 in relation to the unaudited consolidated financial statements of the Group for 1H2020;
- (d) the PHDC Loan Agreement;
- (e) the Irrevocable Undertaking;
- (f) the Set-off Agreement;
- (g) the IFA Letter; and
- (h) the letters of consent referred to in section 17 of this Circular.

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

Dr. Wang Kai Yuen  
Chairman and Non-Executive Independent Director

## APPENDIX A – MAXIMUM SHAREHOLDING SCENARIO OF THE CONCERT PARTY GROUP

Shareholder	Before the Rights Issue		After the Rights Issue			
	No. of Shares	(%) <sup>(4)</sup>	Rights Shares entitlements	No. of Excess Rights Shares subscribed for <sup>(6)</sup>	No. of Shares	(%) <sup>(7)</sup>
The Undertaking Shareholder <sup>(1)</sup>	46,656,000 <sup>(2)</sup>	21.0	62,208,000	96,141,771	205,005,771	51.5
Ong Jia Ming	8,828,471	4.0	11,771,294	–	20,599,765	5.2
Ong Jia Jing	4,457,500 <sup>(3)</sup>	2.0	5,943,333	–	10,400,833	2.6
Ms. Lau	4,066	n.m. <sup>(5)</sup>	5,421	–	9,487	n.m. <sup>(5)</sup>
<b>Concert Party Group</b>	<b>59,946,037</b>	<b>27.0</b>	<b>79,928,048</b>	<b>96,141,771</b>	<b>236,015,856</b>	<b>59.3</b>
Other Shareholders	161,987,155	73.0	215,982,873	–	161,987,155	40.7
<b>Total</b>	<b>221,933,192</b>	<b>100.0</b>	<b>295,910,921<sup>(8)</sup></b>	<b>96,141,771</b>	<b>398,003,011</b>	<b>100.0</b>

**Notes:**

- (1) Pursuant to Section 133(4) of the SFA, the Undertaking Shareholder is deemed to have an interest in 4,066 Shares held by his spouse, Ms. Lau.
- (2) This includes 30,000,000 Shares held by Haitong International Securities (Singapore) Pte. Ltd. that the Undertaking Shareholder is treated as having an interest in pursuant to Section 4 of the SFA.
- (3) Pursuant to Section 4 of the SFA, Ong Jia Jing is treated as having an interest in 4,457,500 Shares held by Hong Leong Finance Nominees Pte. Ltd..
- (4) Based on the Existing Share Capital comprising 221,933,192 Shares.
- (5) n.m. denotes not meaningful.
- (6) Based on the Existing Share Capital and assuming: (a) none of the Entitled Shareholders (excluding the Concert Party Group) subscribe for their *pro rata* entitlements of Rights Shares; (b) only the Concert Party Group subscribe for their *pro rata* entitlement of 79,928,048 Rights Shares (entitlement *pro rata vis-à-vis* all other Shareholders); and (c) the Undertaking Shareholder subscribes for 96,141,771 Excess Rights Shares in addition to his *pro rata* entitlement, pursuant to the Irrevocable Undertaking.
- (7) Based on the enlarged share capital of the Company comprising 398,003,011 Shares assuming: (a) none of the Entitled Shareholders (excluding the Concert Party Group) subscribe for their *pro rata* entitlements of Rights Shares; (b) only the Concert Party Group subscribe for their *pro rata* entitlement of 79,928,048 Rights Shares (entitlement *pro rata vis-à-vis* all other Shareholders); and (c) the Undertaking Shareholder subscribes for 96,141,771 Excess Rights Shares in addition to his *pro rata* entitlement, pursuant to the Irrevocable Undertaking.
- (8) Figures in the column above are rounded down and do not add up to 295,910,922 Rights Shares.

## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### 1. CONSOLIDATED INCOME STATEMENTS OF THE GROUP

The audited consolidated income statements of the Group for FY2017, FY2018 and FY2019, and unaudited consolidated income statements of the Group for 1H2019 and 1H2020 are set out below:

	FY2017 S\$'000 (Audited & Restated)	FY2018 S\$'000 (Audited)	FY2019 S\$'000 (Audited)	1H2019 S\$'000 (Unaudited)	1H2020 S\$'000 (Unaudited)
<b>Revenue</b>	12,600	34,386	29,343	13,481	5,524
Cost of sales	(6,232)	(15,819)	(14,426)	(6,012)	(2,479)
Gross profit	6,368	18,567	14,917	7,469	3,045
Other income	15,304	8,575	1,376	241	2,084
Distribution and selling expenses	(1,583)	(4,260)	(849)	(442)	(121)
Administrative expenses	(10,012)	(13,232)	(9,006)	(4,483)	(5,584)
Other expenses	(4,969)	(4,493)	(3,109)	(1,256)	(61)
Share of loss of joint venture	–	–	(762)	(321)	(465)
Finance costs	(469)	(384)	(107)	(57)	(50)
<b>Profit before income tax</b>	4,639	4,773	2,460	1,151	(1,152)
Income tax (expense) benefit	(2,854)	2,817	(651)	(569)	(188)
<b>Profit (loss) for the year/period</b>	1,785	7,590	1,809	582	(1,340)
<b>Other comprehensive income:</b> <u>Items that may be reclassified</u> <u>subsequently to profit or loss</u>					
Exchange differences on translation of foreign operations	(5,521)	1,616	(1,525)	(690)	2,572
<b>Other comprehensive (loss)</b> <b>income for the year/period,</b> <b>net of tax</b>	(5,521)	1,616	(1,525)	(690)	2,572
<b>Total comprehensive (loss)</b> <b>income for the year/period</b>	(3,736)	9,206	284	(108)	1,232
<b>Profit (loss) attributable to:</b>					
- Owners of the Company	1,785	7,590	1,809	582	(1,340)
- Non-controlling interest	–	–	–	–	–
	1,785	7,590	1,809	582	(1,340)
<b>Total comprehensive (loss)</b> <b>income attributable to:</b>					
- Owners of the Company	(3,736)	9,206	284	(108)	1,232
- Non-controlling interest	–	–	–	–	–
	(3,736)	9,206	284	(108)	1,232
<b>Earnings per Share (cents)</b>					
Basic	0.812	3.420	0.815	0.262	(0.604)
Diluted	0.812	3.420	0.815	0.262	(0.604)

Source: Annual reports of the Company for FY2018 and FY2019 and the unaudited half year financial results announcements for 1H2019 and 1H2020.

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## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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### 2. REVIEW OF FINANCIAL PERFORMANCE

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

#### 2.1 1H2020 (Unaudited) versus 1H2019 (Unaudited)

##### ***Revenue***

The Group's revenue decreased by approximately S\$8.0 million from approximately S\$13.5 million in 1H2019 to approximately S\$5.5 million in 1H2020, mainly due to a reduction in sales volume as a result of the COVID-19 pandemic, and a lower percentage of progressive revenue recognition from the Group's D'Seaview project in Cambodia, which had been completed.

##### ***Gross profit***

The Group's gross profit decreased by approximately S\$4.4 million from approximately S\$7.5 million in 1H2019 to approximately S\$3.0 million in 1H2020. This was mainly due to the reasons stated above. Gross profit margin remained unchanged at approximately 55.0% for 1H2020 and 1H2019 respectively.

##### ***Other income***

The Group's other income increased by approximately S\$1.8 million from approximately S\$0.2 million in 1H2019 to approximately S\$2.1 million in 1H2020, mainly due to an increase in the net foreign exchange gain of approximately S\$1.8 million in 1H2020, as compared to a net foreign exchange loss of approximately S\$0.5 million in 1H2019.

##### ***Distribution and selling expenses***

The Group's distribution and selling expenses decreased by approximately S\$0.3 million from approximately S\$0.4 million in 1H2019 to approximately S\$0.1 million in 1H2020, mainly due to lower sales and marketing activities and estate agencies commission paid out for the property segment.

##### ***Administrative expenses***

The Group's administrative expenses increased by approximately S\$1.1 million from approximately S\$4.5 million in 1H2019 to approximately S\$5.6 million in 1H2020, mainly due to higher professional fees incurred and strata title transfer fee paid out for the property segment.

##### ***Other expenses***

The Group's other expenses decreased by approximately S\$1.2 million from approximately S\$1.3 million in 1H2019 to approximately S\$61,000 in 1H2020, mainly due to a net fair value loss of approximately S\$0.7 million on investment in quoted shares and a net foreign exchange loss of approximately S\$0.5 million in 1H2019. These events did not take place in 1H2020.

##### ***Share of loss of joint venture***

The Group's share of loss of joint venture increased by approximately S\$0.1 million from approximately S\$0.3 million in 1H2019 to approximately S\$0.5 million in 1H2020. The share of loss was mainly due to a lower percentage of progressive revenue recognition. Construction commenced in May 2020 and there were slower sales as a result of the COVID-19 pandemic in 1H2020 by our joint venture company, Royal Hong Lai Huat One Company Limited in Cambodia.

##### ***Loss for the period***

As a result of the above, the Group reported a loss attributable to owners of the Company of approximately S\$1.3 million in 1H2020, as compared to a profit attributable to owners of the Company of approximately \$0.6 million in 1H2019.

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## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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### 2.2 FY2019 (Audited) versus FY2018 (Audited)

#### ***Revenue***

The Group's revenue decreased by approximately S\$5.0 million from approximately S\$34.4 million in FY2018 to approximately S\$29.3 million in FY2019, mainly due to a lower percentage of revenue recognised from the Group's D'Seaview project in Cambodia, which was reaching completion. The property development and real estate division accounted for approximately 91.0% of the Group's revenue in FY2019.

#### ***Gross profit***

The Group's gross profit decreased by approximately S\$3.7 million from approximately S\$18.6 million in FY2018 to approximately S\$14.9 million in FY2019. This was mainly due to the reasons stated above. Gross profit margin decreased by approximately 3.2% from approximately 54.0% in FY2018 to approximately 50.8% in FY2019.

#### ***Other income***

The Group's other income decreased by approximately S\$7.2 million from approximately S\$8.6 million in FY2018 to approximately S\$1.4 million in FY2019, mainly due to one-time forfeiture of progressive deposits from property sales and net foreign exchange gain in FY2018.

#### ***Distribution and selling expenses***

The Group's distribution and selling expenses decreased by approximately S\$3.4 million from approximately S\$4.3 million in FY2018 to approximately S\$0.8 million in FY2019, mainly due to lower sales and marketing activities for the property development and real estate agencies commission paid out for the property segment.

#### ***Administrative expenses***

The Group's administrative expenses decreased by approximately S\$4.2 million from approximately S\$13.2 million in FY2018 to approximately S\$9.0 million in FY2019, mainly due to lower professional fees paid out for the property development segment, depreciation and reduced expenses related to the upkeep of farm machinery in the agriculture segment.

#### ***Other expenses***

The Group's other expenses decreased by approximately S\$1.4 million from approximately S\$4.5 million in FY2018 to approximately S\$3.1 million in FY2019, mainly due to lower loss on fair value of biological assets in FY2019.

#### ***Share of loss of joint venture***

Share of loss of joint venture was S\$0.8 million in FY2019, mainly due to incorporation costs, marketing activities and operating expenses incurred by our joint venture company, Royal Hong Lai Huat One Company Limited in Cambodia. HLH Development Pte Ltd, a wholly owned subsidiary of the Group and Royal Group of Companies Limited have incorporated the joint venture company to develop a mixed-use development project in Phnom Penh, the capital city of Cambodia.

#### ***Profit for the year***

As a result of the above, the Group reported a profit attributable to owners of the Company of approximately S\$1.8 million in FY2019, as compared to a profit attributable to owners of the Company of approximately S\$7.6 million in FY2018.

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## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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### 2.3 FY2018 (Audited) versus FY2017 (Audited and restated)

#### ***Revenue***

The Group's revenue increased by approximately S\$21.8 million from approximately S\$12.6 million in FY2017 to approximately S\$34.4 million in FY2018, mainly due to strong property sales in Cambodia. The property development and real estate division accounted for approximately 89.0% of the Group's revenue in FY2018.

#### ***Gross profit***

The Group's gross profit increased by approximately S\$12.2 million from approximately S\$6.4 million in FY2017 to approximately S\$18.6 million in FY2018. This was mainly due to the reasons stated above. Gross profit margin increased by approximately 3.5 percentage points from approximately 50.5% in FY2017 to approximately 54.0% in FY2018.

#### ***Other income***

The Group's other income decreased by approximately S\$6.7 million from approximately S\$15.3 million in FY2017 to approximately S\$8.6 million in FY2018, mainly due to the higher fair value gain of the investment properties in FY2017.

#### ***Distribution and selling expenses***

The Group's distribution and selling expenses increased by approximately S\$2.7 million from approximately S\$1.6 million in FY2017 to approximately S\$4.3 million in FY2018, mainly due to higher sales and marketing activities for the property development and real estate agencies commission paid out for the property segment.

#### ***Administrative expenses***

The Group's administrative expense increased by approximately S\$3.2 million from approximately S\$10.0 million in FY2017 to approximately S\$13.2 million in FY2018, mainly due to higher professional fees paid out in the property development segment, depreciation and upkeep of farm machinery in the agriculture segment.

#### ***Other expenses***

The Group's other expense decreased by approximately S\$0.5 million from approximately S\$5.0 million in FY2017 to approximately S\$4.5 million in FY2018, mainly due to net foreign exchange gain of approximately S\$1.2 million in FY2018 compared to net foreign exchange loss of approximately S\$3.0 million in FY2017.

#### ***Profit for the year***

As a result of the above, the Group reported a profit attributable to owners of the Company of approximately S\$7.6 million in FY2018, as compared to a profit attributable to owners of the Company of approximately S\$1.8 million in FY2017.

**APPENDIX B – FINANCIAL INFORMATION AND REVIEW  
OF PAST PERFORMANCE**

**3. CONSOLIDATED BALANCE SHEETS OF THE GROUP**

The audited consolidated balance sheets of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019, and the unaudited consolidated balance sheet of the Group as at 30 June 2020 are set out below:

	<b>As at 31 December 2017 S\$'000 (Audited &amp; Restated)</b>	<b>As at 31 December 2018 S\$'000 (Audited)</b>	<b>As at 31 December 2019 S\$'000 (Audited)</b>	<b>As at 30 June 2020 S\$'000 (Unaudited)</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and bank balances	2,021	25,231	11,305	20,162
Trade receivables	559	2,787	15,223	12,418
Other receivables and deposits	722	428	1,894	2,077
Prepayments	763	620	1,330	584
Investment securities	2	1,102	161	101
Inventories	496	105	159	429
Biological assets	7,350	5,129	5,436	5,887
Properties held for sale	–	–	–	25,173
Development properties	15,098	18,892	23,265	–
	27,011	54,294	58,773	66,831
Asset classified as held for sale	2,807	–	684	–
<b>Total current assets</b>	<b>29,818</b>	<b>54,294</b>	<b>59,457</b>	<b>66,831</b>
<b>Non-current assets</b>				
Other receivables and deposits	40	41	40	42
Property, plant and equipment	85,041	83,018	11,864	11,717
Rights-of-use assets	–	–	67,681	69,200
Investment properties	37,880	12,505	9,000	9,000
Intangible asset	11	7	–	–
Investment in joint venture	–	–	3,315	4,365
<b>Total non-current assets</b>	<b>122,972</b>	<b>95,571</b>	<b>91,900</b>	<b>94,324</b>
<b>Total assets</b>	<b>152,790</b>	<b>149,865</b>	<b>151,357</b>	<b>161,155</b>



**APPENDIX B – FINANCIAL INFORMATION AND REVIEW  
OF PAST PERFORMANCE**

	As at 31 December 2017 S\$'000 (Audited & Restated)	As at 31 December 2018 S\$'000 (Audited)	As at 31 December 2019 S\$'000 (Audited)	As at 30 June 2020 S\$'000 (Unaudited)
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Bank loans and overdraft	3,301	686	1,238	2,874
Trade payables	7,336	5,228	5,534	4,980
Other payables and accruals	2,463	1,645	3,666	4,208
Income tax payable	313	26	132	80
Lease liabilities	–	–	248	142
Finance lease liabilities	122	105	–	–
<b>Total current liabilities</b>	<b>13,535</b>	<b>7,690</b>	<b>10,818</b>	<b>12,284</b>
<b>Non-current liabilities</b>				
Bank loans and overdraft	1,931	1,245	–	6,643
Lease liabilities	–	–	886	912
Finance lease liabilities	1,092	900	–	–
Convertible bonds	1,996	–	–	–
Deferred tax liabilities	14,517	11,109	11,565	11,996
<b>Total non-current liabilities</b>	<b>19,536</b>	<b>13,254</b>	<b>12,451</b>	<b>19,551</b>
<b>Capital, reserves and non-controlling interest</b>				
Share capital	123,131	123,131	94,602	94,602
Retained earnings (Accumulated losses)	(1,084)	6,506	35,727	34,387
Capital reserve	418	414	414	414
Asset revaluation reserve	2,775	2,775	2,775	2,775
Foreign currency translation reserve	(5,521)	(3,905)	(5,430)	(2,858)
<b>Equity attributable to owners of the Company</b>	<b>119,719</b>	<b>128,921</b>	<b>128,088</b>	<b>129,320</b>
Non-controlling interests	–	–	–	–
<b>Total equity</b>	<b>119,719</b>	<b>128,921</b>	<b>128,088</b>	<b>129,320</b>
<b>Total liabilities and equity</b>	<b>152,790</b>	<b>149,865</b>	<b>151,357</b>	<b>161,155</b>

Source: Annual reports of the Company for FY2018 and FY2019 and the unaudited half year financial results announcement for 1H2020.

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## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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### 4. REVIEW OF BALANCE SHEETS

A review of the financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 is set out below.

#### 4.1 30 June 2020 (Unaudited) versus 31 December 2019 (Audited)

The Group's total assets increased by approximately S\$9.8 million from approximately S\$151.4 million as at 31 December 2019 to approximately S\$161.2 million as at 30 June 2020. The increase was mainly due to an increase in cash and bank balances arising from new bank loans raised and a reclassification from development properties to properties held for sale upon completion of the construction of the property development. The Group completed the D'Seaview project in Cambodia and had transferred the unsold completed units from development properties to properties held for sale. The increase in the Group's total assets was offset by a decrease in balances due from buyers of D'Seaview units.

The Group's total liabilities increased by approximately S\$8.6 million from approximately S\$23.3 million as at 31 December 2019 to approximately S\$31.8 million as at 30 June 2020. The increase was mainly due to new bank loans raised.

As at 30 June 2020, total equity attributable to owners of the Company is approximately S\$129.3 million.

#### 4.2 31 December 2019 (Audited) versus 31 December 2018 (Audited)

The Group's total assets increased by approximately S\$1.5 million from approximately S\$149.9 million as at 31 December 2018 to approximately S\$151.4 million as at 31 December 2019. The increase was mainly due to an increase in unbilled receivables (contract assets), development properties and investment in joint-venture, partially offset by the decrease in cash and bank balances, property, plant and equipment and investment properties.

The Group's total liabilities increase by approximately S\$2.3 million from approximately S\$20.9 million as at 31 December 2018 to approximately S\$23.3 million as at 31 December 2019. The increase was mainly due to an increase in other payables and accruals, and bank loans.

As at 31 December 2019, total equity attributable to owners of the Company is approximately S\$128.1 million.

#### 4.3 31 December 2018 (Audited) versus 31 December 2017 (Audited and restated)

The Group's total assets decreased by approximately S\$2.9 million from approximately S\$152.8 million as at 31 December 2017 to approximately S\$149.9 million as at 31 December 2018. The decrease was mainly due to a decrease in other receivables and deposits, inventories, biological assets, property, plant and equipment and investment properties, offset by the increase in cash and bank balances, unbilled receivables (contract assets), investment securities and development properties.

The Group's total liabilities decrease by approximately S\$12.1 million from approximately S\$33.1 million as at 31 December 2017 to approximately S\$20.9 million as at 31 December 2018. The decrease was mainly due to a decrease in bank loans and overdraft, trade payables, other payables and accruals, convertible bonds and deferred tax liabilities.

As at 31 December 2018, total equity attributable to owners of the Company is approximately S\$128.9 million.

**APPENDIX B – FINANCIAL INFORMATION AND REVIEW  
OF PAST PERFORMANCE**

**5. CONSOLIDATED CASH FLOW STATEMENTS OF THE GROUP**

The audited consolidated cash flow statements of the Group for FY2017, FY2018 and FY2019, and unaudited consolidated cash flow statement of the Group for 1H2020 are set out below:

	<b>FY2017 S\$'000 (Audited &amp; Restated)</b>	<b>FY2018 S\$'000 (Audited)</b>	<b>FY2019 S\$'000 (Audited)</b>	<b>1H2020 S\$'000 (Unaudited)</b>
<b>Operating activities</b>				
Profit before income tax	4,639	4,773	2,460	(1,152)
Adjustments for:				
Share of loss of joint venture	–	–	762	465
Interest expense	469	384	107	50
Bad debts written off	68	–	–	–
Depreciation of property, plant and equipment	3,767	3,777	1,785	814
Depreciation of right-of-use assets	–	–	2,028	971
Loss (Gain) on fair value of biological assets	1,073	2,872	(954)	–
Loss (Gain) on change in fair value of investment properties	(12,918)	15	1,000	–
Loss (Gain) on disposal of property, plant and equipment, net	778	(95)	8	(35)
Gain on disposal of subsidiaries	(575)	–	–	–
Loss on change in fair value of assets classified as held for sale	–	–	36	–
Loss (Gain) on disposal of investment properties	126	(565)	390	–
Loss (Gain) on change in fair value of quoted investment	–	(100)	941	60
Foreign exchange adjustments	1,124	(954)	452	(1,012)
Interest income	(46)	(46)	(255)	(86)
Write-off of property, plant and equipment	–	85	24	–
Operating cash flows before movement in working capital	(1,495)	10,146	8,784	75
Trade receivables	(335)	(2,228)	(12,436)	2,805
Other receivables and deposits	92	294	(1,465)	(185)
Prepayments	(510)	143	(710)	746
Inventories	185	391	(54)	(270)
Biological assets	(1,181)	(491)	569	(451)
Development properties / properties held for sale	(7,424)	(3,794)	(4,373)	(1,908)
Trade payables	5,878	(2,108)	306	(554)
Other payables and accruals	(2,903)	(818)	2,021	542
Cash (used in) from operations	(7,693)	1,535	(7,358)	800
Interest paid	(469)	(384)	(107)	(50)
Income tax (paid) refunded	(90)	(1,074)	(1,165)	(240)
Interest received	46	46	255	86
Net cash (used in) from operating activities	(8,206)	123	(8,375)	596

**APPENDIX B – FINANCIAL INFORMATION AND REVIEW  
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	FY2017 S\$'000 (Audited & Restated)	FY2018 S\$'000 (Audited)	FY2019 S\$'000 (Audited)	1H2020 S\$'000 (Unaudited)
<b>Investing activities</b>				
Investment in joint venture	–	–	(4,065)	(1,395)
Purchase of intangible assets	(11)	–	–	–
Purchase of property, plant and equipment	(334)	(454)	(431)	(242)
Purchase of right-of-use assets	–	–	(110)	–
Purchase of investment securities	–	(1,000)	–	–
Proceeds from disposal of subsidiaries	351	–	–	–
Proceeds from sale of property, plant and equipment	290	502	94	14
Proceeds from disposal of investment properties	2,218	26,563	1,364	–
Proceeds from disposal of assets classified as held for sale	–	2,857	–	695
<b>Net cash (used in) from investing activities</b>	<b>2,514</b>	<b>28,468</b>	<b>(3,148)</b>	<b>(928)</b>
<b>Financing activities</b>				
New bank loans raised	–	–	–	8,847
Dividend paid to owners of the Company	–	–	(1,110)	–
Repayment of bank loans	(3,600)	(660)	(693)	(517)
Repayment for leases liabilities	(87)	(103)	(228)	(111)
Proceeds from issuance of convertible bonds	2,000	–	–	–
Repayment for convertible loan notes redeemed	–	(2,000)	–	–
<b>Net cash (used in) from financing activities</b>	<b>(1,687)</b>	<b>(2,763)</b>	<b>(2,031)</b>	<b>8,219</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(7,379)</b>	<b>25,828</b>	<b>(13,554)</b>	<b>7,887</b>
Effect of exchange rate changes on balances held in foreign currencies	13	23	(372)	970
Cash and cash equivalents (overdrawn) at beginning of year / period	6,746	(620)	25,231	11,305
<b>Cash and cash equivalents at end of year / period</b>	<b>(620)</b>	<b>25,231</b>	<b>11,305</b>	<b>20,162</b>

Source: Annual reports of the Company for FY2018 and FY2019 and the unaudited half year financial results announcement for 1H2020.

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## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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### 6. REVIEW OF CASH FLOW STATEMENTS

A review of the cash flow and liquidity of the Group from FY2017 to 1H2020 is set out below.

#### 6.1 1H2020 (Unaudited)

##### ***Net cash flows from operating activities***

In 1H2020, net cash flows from operating activities of approximately S\$0.6 million consisted of operating cash flows before working capital changes of approximately S\$75,000, net of working capital inflow of approximately S\$0.7 million, net interest received of approximately S\$36,000 and income tax paid of approximately S\$0.2 million.

The net working capital inflow arose mainly due to a decrease in trade receivables in relation to unbilled receivables (contract assets) of our property sales in Cambodia, partially offset by an increase in properties held for sale arising from the completion of the D'Seaview project in Cambodia and the transfer of unsold completed units from development properties to properties held for sale.

##### ***Net cash flows used in investing activities***

Net cash flows used in investing activities amounted to approximately S\$0.9 million, mainly due to investment in joint venture and purchase of property, plant and equipment, partially offset by proceeds from disposal of asset classified as held for sale.

##### ***Net cash flows from financing activities***

Net cash flows from financing activities amounted to approximately S\$8.2 million, mainly due to new bank loans raised, partially offset by the repayment of bank loans and lease liabilities.

Overall, cash and cash equivalents of the Group stood at approximately S\$20.2 million as at 30 June 2020.

#### 6.2 FY2019 (Audited)

##### ***Net cash flows used in operating activities***

In FY2019, net cash used in operating activities of approximately S\$8.4 million consisted of operating cash flows before working capital changes of approximately S\$8.8 million, net of working capital outflow of approximately S\$16.1 million, net interest received of approximately S\$0.1 million and income tax paid of approximately S\$1.2 million.

The net working capital outflow arose mainly due to:

- (a) increase in trade receivables was mainly due to an increase in unbilled receivables (contract assets) of our property sales in Cambodia; and
- (b) increase in development properties was mainly due to the capitalising of development costs.

##### ***Net cash flows used in investing activities***

Net cash flows used in investing activities amounted to approximately S\$3.1 million, mainly due to investment in joint venture, partially offset by proceeds from disposal of investment properties.

##### ***Net cash flows used in financing activities***

Net cash flows used in financing activities amounted to approximately S\$2.0 million, mainly due to repayment of bank loans and dividends paid to shareholders of the Company.

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## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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Overall, cash and cash equivalents of the Group stood at approximately S\$11.3 million as at 31 December 2019.

### 6.3 FY2018 (Audited)

#### *Net cash flows from operating activities*

In FY2018, net cash flows from operating activities of approximately S\$0.1 million consisted of operating cash flows before working capital changes of approximately S\$10.1 million, net of working capital outflow of approximately S\$8.6 million, net interest paid of approximately S\$0.3 million and income tax paid of approximately S\$1.1 million.

The net working capital outflow arose mainly due to:

- (a) increase in trade receivables was mainly due to an increase billing of our property sales in Cambodia;
- (b) increase in development properties was mainly due to the capitalising of development costs;
- (c) decrease in trade payables was mainly due to reduction in progressive claims from contractors and accruals for unbilled contractor progressive claims; and
- (d) decrease in other payables and accruals was mainly due to deposits collected upon signing of the sale and purchase agreement for the disposal of asset classified as held for trading in FY2017.

#### *Net cash flows from investing activities*

Net cash flows from investing activities amounted to approximately S\$28.5 million, mainly due to proceeds from the sale of property, plant and equipment, disposal of investment properties and disposal of assets classified as held for sale, partially offset by the purchase of investment securities.

#### *Net cash flows used in financing activities*

Net cash flows used in financing activities amounted to approximately S\$2.8 million, mainly due to repayment of bank loans and repayment of convertible loan notes redeemed.

Overall, cash and cash equivalents of the Group stood at approximately S\$25.2 million as at 31 December 2018.

### 6.4 FY2017 (Audited and restated)

#### *Net cash flows used in operating activities*

In FY2017, net cash used in operating activities of approximately S\$8.2 million consisted of negative operating cash flows before working capital changes of approximately S\$1.5 million, net of working capital outflow of approximately S\$6.2 million, net interest paid of approximately S\$0.4 million and income tax paid of approximately S\$90,000.

The net working capital outflow arose mainly due to:

- (a) increase in development properties was mainly due to the capitalising of development costs; and
- (b) decrease in other payables and accruals was mainly due to lower deferred revenue recognised from the D'Seaview mixed-use development.

## APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### ***Net cash flows from investing activities***

Net cash flows from investing activities amounted to approximately S\$2.5 million, mainly due to proceeds from sale of property, plant and equipment, disposal of investment properties and subsidiaries, partially offset by the purchase of property, plant and equipment.

### ***Net cash flows used in financing activities***

Net cash flows used in financing activities amounted to approximately S\$1.7 million, mainly due to repayment of bank loans, partially offset by proceeds from issuance of convertible bonds.

Overall, cash and cash equivalents of the Group stood at approximately negative S\$0.6 million as at 31 December 2017.

## **7. REVIEW OF WORKING CAPITAL**

The working capital of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 were as follows:

	<b>As at 31 December 2017 S\$'000 (Audited &amp; Restated)</b>	<b>As at 31 December 2018 S\$'000 (Audited)</b>	<b>As at 31 December 2019 S\$'000 (Audited)</b>	<b>As at 30 June 2020 S\$'000 (Unaudited)</b>
Total current assets	29,818	54,294	59,457	66,831
Total current liabilities	13,535	7,690	10,818	12,284
Working capital	16,283	46,604	48,639	54,547

*Source: Annual reports of the Company for FY2018 and FY2019 and the unaudited half year financial results announcement for 1H2020.*

A review of the working capital position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 is set out below.

### **7.1 1H2020 (Unaudited) versus FY2019 (Audited)**

The Group's working capital increased by approximately S\$5.9 million from approximately S\$48.6 million as at 31 December 2019 to approximately S\$54.5 million as at 30 June 2020. This was mainly due to an increase in current assets of approximately S\$7.4 million, offset by an increase in current liabilities of approximately S\$1.5 million.

Current assets increased by approximately S\$7.4 million from approximately S\$59.5 million as at 31 December 2019 to approximately S\$66.8 million as at 30 June 2020 due mainly to an increase in cash and bank balances and a reclassification from development properties to properties held for sale upon completion of the construction of the property development, partially offset by a decrease in trade receivables. The increase in cash and bank balances was due to new bank loans raised. The decrease in trade receivables was due to a decrease in unbilled receivables (contract assets).

Current liabilities increased by approximately S\$1.5 million from approximately S\$10.8 million as at 31 December 2019 to approximately S\$12.3 million as at 30 June 2020 mainly due to an increase in other payables and accruals and bank loans, partially offset by a decrease in trade payables. The increase in bank loans was due to new bank loans raised.

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## **APPENDIX B – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE**

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### **7.2 FY2019 (Audited) versus FY2018 (Audited)**

The Group's working capital increased by approximately S\$2.0 million from approximately S\$46.6 million as at 31 December 2018 to approximately S\$48.6 million as at 31 December 2019. The was mainly due to an increase in current assets of approximately S\$5.2 million, offset by an increase in current liabilities of approximately S\$3.1 million.

Current assets increased by approximately S\$5.2 million from approximately S\$54.3 million as at 31 December 2018 to approximately S\$59.5 million as at 31 December 2019 mainly due to an increase in trade receivables, other receivables and deposits, prepayments and development properties, partially offset by a decrease in cash and bank balances. The increase in trade receivables was due to unbilled receivable (contract assets) of our property sales in Cambodia. The increase in development properties was due to the capitalising of development costs.

Current liabilities increased by approximately S\$3.1 million from approximately S\$7.7 million as at 31 December 2018 to approximately S\$10.8 million as at 31 December 2019 mainly due to an increase in bank loans and other payables and accruals. The increase in bank loans was due to a breach in loan covenant resulting in the reclassification of non-current bank loans to current bank loans. As a result, the total sum outstanding as at 31 December 2019 was reclassified as current liabilities. The increase in other payables and accruals was due to an increase in contract liabilities.

### **7.3 FY2018 (Audited) versus FY2017 (Audited and restated)**

The Group's working capital increase by approximately S\$30.3 million from approximately S\$16.3 million as at 31 December 2017 to approximately S\$46.6 million as at 31 December 2018. The was mainly due to an increase in current assets of approximately S\$24.5 million and a decrease in current liabilities of approximately S\$5.8 million.

Current assets increased by approximately S\$24.5 million from approximately S\$29.8 million as at 31 December 2017 to approximately S\$54.3 million as at 31 December 2018 mainly due to an increase in cash and bank balances, trade receivables, investment securities and development properties, partially offset by a decrease in biological assets. The increase in cash and bank balances was due to proceeds from disposal of investment properties and proceeds from disposal of assets classified as held for sale. The increase in trade receivables was due to unbilled receivable (contract assets) of our property sales in Cambodia. The increase in investment securities was due to investments in quoted securities. The increase in development properties was due to the capitalising of development costs. The decrease in biological assets was due to loss on fair value of biological assets.

Current liabilities decreased by approximately S\$5.8 million from approximately S\$13.5 million as at 31 December 2017 to approximately S\$7.7 million as at 31 December 2018 mainly due to a decrease in bank loans and overdraft, trade payables and other payables and accruals. The decrease in bank loans and overdraft was due to repayment of bank loans. The decrease in trade payables was due to reduction in progressive claims from contractors and accruals for unbilled contractor progressive claims. The decrease in other payables and accruals was due to deposits collected upon signing of the sale and purchase agreement for the disposal of assets classified as held for trading in FY2017.

### **7.4 Profit Guidance for FY2020**

On 29 January 2021, the Company published a profit guidance based on its preliminary review of the Group's unaudited financial results for FY2020. The Group expects to record a net loss for FY2020 due to a decline in revenue resulting from the adverse impact of the COVID-19 pandemic. Further details of the Group's financial performance will be disclosed when the Company announces the Group's unaudited financial results for FY2020.



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# APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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1 February 2021

**Hong Lai Huat Group Limited**  
1 Gateway Drive  
#20-12/13 Westgate Tower  
Singapore 608351

Attention: The Recommending Directors (as defined herein)

Dear Sirs

**LETTER FROM XANDAR CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS OF HONG LAI HUAT GROUP LIMITED (THE “COMPANY”) IN RESPECT OF THE WHITEWASH RESOLUTION IN RELATION TO THE RIGHTS ISSUE (AS DEFINED HEREIN)**

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meaning as defined in the circular to Shareholders of the Company dated 1 February 2021 (the “Circular”).*

## 1. INTRODUCTION

On 3 December 2020 (the “**Announcement Date**”), the Company announced that it is proposing to undertake a renounceable non-underwritten rights issue (the “**Rights Issue**”) on the basis of four (4) new ordinary shares in the share capital of the Company (the “**Rights Shares**”) for every three (3) existing ordinary shares in the issued and paid-up share capital of the Company (the “**Shares**”) held by the shareholders of the Company (the “**Shareholders**”) who are eligible to participate in the Rights Issue (the “**Entitled Shareholders**”) as at the time and date to be determined by the directors of the Company (the “**Directors**”) for the purpose of determining the Shareholders’ entitlement under the Rights Issue (the “**Record Date**”), fractional entitlements to be disregarded.

Based on the issued and paid-up share capital of the Company of 221,933,192 Shares as at the Latest Practicable Date (the “**Existing Share Capital**”), up to 295,910,922 Rights Shares may be issued.

The issue price for each Rights Share is S\$0.091 (the “**Issue Price**”).

To show his support for the Rights Issue and to demonstrate his commitment to and confidence in the prospects of the Company and its subsidiaries (the “**Group**”), Dato Dr. Ong Bee Huat (“**Dato Dr. Ong**”), the Executive Deputy Chairman of the Company and the Group Chief Executive Officer, who holds 46,656,000 Shares, representing approximately 21.02% of the Existing Share Capital, has provided an irrevocable undertaking to the Company (the “**Irrevocable Undertaking**”) that he will subscribe and pay in full for his *pro rata* entitlement of 62,208,000 Rights Shares (the “**Entitled Rights Shares**”) and up to 96,141,771 excess Rights Shares which are not otherwise subscribed for by Entitled

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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The logo for Xandar Capital, featuring the word "XANDAR" in a large, bold, serif font above the word "CAPITAL" in a smaller, bold, sans-serif font, all in white text on a dark rectangular background.

Shareholders (the “**Excess Rights Shares**”), subject to the maximum aggregate subscription amount of S\$14,409,829.16.

Dato Dr. Ong’s two sons, Ong Jia Ming, the Executive Director of the Company, and Ong Jia Jing, the Executive Director of the Company and Group General Manager, and Dato Dr. Ong’s wife, Ms. Lau Yen Eng (“**Ms. Lau**”) own 8,828,471 Shares, 4,457,500 Shares and 4,066 Shares, respectively, representing 3.98%, 2.01% and 0.002% of the Existing Share Capital, respectively. Dato Dr. Ong, Ong Jia Ming, Ong Jia Jing and Ms. Lau are collectively referred to herein as the “**Concert Party Group**”.

The Concert Party Group collectively holds approximately 27.01% of the Existing Share Capital of the Company. The subscription and payment for the Entitled Rights Shares and the Excess Rights Shares by Dato Dr. Ong under the Irrevocable Undertaking, may result in the Concert Party Group acquiring 30.0% or more of the voting rights of the Company, thereby incurring a mandatory take-over bid obligation for the remaining Shares not held by the Concert Party Group (the “**Mandatory Take-over Offer**”) pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”).

The Company has sought and obtained a ruling from the Securities Industry Council (the “**Counsel**”) on 24 November 2020 that the Concert Party Group will be exempted from the requirement to make the Mandatory Take-over Offer under Rule 14 of the Code in the event that their aggregate voting rights in the Company increases to 30.0% or more as result of the Rights Issue (the “**Whitewash Waiver**”), subject to the satisfaction of the conditions set out in Section 7.2 of the Circular, including but not limited to (i) the approval by a majority of the Shareholders who are deemed to be independent of the Concert Party Group (the “**Independent Shareholders**”), by way of a poll, to waive their rights to receive the Mandatory Take-over Offer from the Concert Party Group (the “**Whitewash Resolution**”), and (ii) the appointment of an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution.

Xandar Capital Pte. Ltd. (“**Xandar Capital**”) has been appointed by the Company to advise the Directors who are deemed independent for the purpose of making recommendations to the Independent Shareholders in relation to the Whitewash Resolution, namely Dr. Wang Kai Yuen, Prof. Wong Wen-Young, Winston, Dr. Lee Kuo Chuen, David, Mr. Lien We King and Ms. Kohe Noor Binte Mahmoodul Hasan (collectively, the “**Recommending Directors**”) on the Whitewash Resolution.

This letter sets out our evaluation of the Rights Issue and the Whitewash Resolution, and our advice to the Recommending Directors thereon (this “**IFA Letter**”). This IFA Letter forms part of the Circular issued by the Company in connection with the Rights Issue.

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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### 2. TERMS OF REFERENCE

Xandar Capital is not and was not involved in any aspect of the negotiations entered into by the Company or in the deliberations leading up to the decision of the Directors to, *inter alia*, undertake the Rights Issue, or the deliberations leading up to the decision of Dato Dr. Ong providing the Irrevocable Undertaking. Accordingly, we do not, by this IFA Letter, warrant the merits of the Rights Issue, the Irrevocable Undertaking and the Whitewash Resolution, other than to express an opinion on whether the Rights Issue which is the subject of the Whitewash Resolution is fair and reasonable, and advise the Recommending Directors on the recommendation to be made to the Independent Shareholders in relation to the Whitewash Resolution.

Our terms of reference do not require us to evaluate or comment on the rationale for, legal, strategic or commercial merits and/or risks of the Rights Issue, the Irrevocable Undertaking and/or the Whitewash Resolution. We have not conducted any review of the business, operations or financial condition of the Group. We have also not relied on any financial projections or forecasts in respect of the Company or the Group nor did we have access to their business plans, financial projections and forecasts. We are not required to express and we do not express any view herein on the growth prospects, financial position and earnings potential of the Company or the Group after the completion of the Rights Issue. We are also not expressing any view herein as to the prices at which the Shares may trade in the absence of or upon completion of the Rights Issue. Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

In the course of our evaluation and for the purpose of our opinion in relation to the Whitewash Resolution, we have held discussions with the Directors and certain management of the Company (the “**Management**”) and their professional advisers, and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and their professional advisers, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and exercised our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Rights Issue and the Group, and the Directors are not aware of any facts the omission of which would make any statement in the 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. In relation to this IFA Letter, the

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Directors have confirmed that the facts stated, with respect to the Rights Issue, the Irrevocable Undertaking, the Whitewash Resolution and the Group, are to the best of their knowledge and belief, fair and accurate in all material aspects.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Rights Issue, the Irrevocable Undertaking and the Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

**In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisers immediately.**

**The Company has been separately advised by its own advisors in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this IFA Letter).**

**Our opinion is for the use and benefit of the Recommending Directors in their consideration of the Whitewash Resolution and the recommendation made by the Recommending Directors to the Independent Shareholders shall remain their responsibility.**

**Our opinion in relation to the Whitewash Resolution should be considered in the context of the entirety of this IFA Letter and the Circular.**

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes (except for the Whitewash Resolution) at any time and in any manner without our prior written consent.

We recommend that the Recommending Directors advise the Independent Shareholders to read these pages carefully.

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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### 3. THE RIGHTS ISSUE

Please refer to Section 2.1 of the Circular for the principal terms of the Rights Issue.

#### 3.1 BASIS OF THE RIGHTS ISSUE

The Rights Issue is proposed to be made on a renounceable non-underwritten basis to the Entitled Shareholders, on the basis of four (4) Rights Shares for every three (3) existing Shares held by the Entitled Shareholders as at the Record Date.

Based on the Company's Existing Share Capital comprising 221,933,192 Shares as at the Latest Practicable Date, the Company may issue up to 295,910,922 Rights Shares.

#### 3.2 THE ISSUE PRICE

The Issue Price for each Rights Share is S\$0.091.

The Issue Price represents a discount of approximately:

- (a) 36.4% to the last transacted price of the Shares on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") of S\$0.143 per Share on 3 December 2020, being the last trading day on which trades were done on the Shares prior to the announcement of the Rights Issue (the "Last Trading Day");
- (b) 19.7% to the theoretical ex-rights price of S\$0.113 per Share, as calculated based on the last transacted price of the Shares on the Main Board of the SGX-ST of S\$0.143 on the Last Trading Day;
- (c) 37.1% to the volume weighted average price of S\$0.145 per Share, as calculated based on the volume weighted average price of the Shares on the Main Board of the SGX-ST over the five (5) consecutive market days leading up to and including the Last Trading Day; and
- (d) 27.2% to the last transacted price of the Shares on the Main Board of the SGX-ST of S\$0.125 per Share on 26 January 2021, being the Latest Practicable Date.

#### 3.3 THE RIGHTS SHARES

The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the Company's then existing Shares, save for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls on or before the date of allotment and issue of the Rights Shares.

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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### 3.4 RATIONALE FOR THE RIGHTS ISSUE

Information on the rationale for the Rights Issue is set out in Section 3.2 of the Circular and we extract as follows:

*The Company is undertaking the Rights Issue to pro-actively strengthen its balance sheet, enhance its financial flexibility and improve the competitive position of the Group. Simultaneously, the Rights Issue will also provide Shareholders with an opportunity to further participate in the equity of the Company. Notwithstanding that the Group is in a net cash position as at 31 December 2020 (with cash and bank balances amounting to approximately S\$9.5 million and current and non-current bank loans amounting to approximately S\$8.0 million in aggregate), the Company is of the view that there is a need to strengthen its balance sheet so that there is financial flexibility in financing the development of the Group's 2nd mixed-use development project in Toul Kork and 3rd mixed-use development project in Toul Kork if it commences.*

We note from Section 3.1 of the Circular on the background of the Group's mixed-use development projects that:

- (a) In FY2019, the Group successfully completed the construction of its 1st mixed-use development project, D'Seaview, in Sihanoukville, Cambodia. As at the Latest Practicable Date, the Group has sold approximately 71% of the units of the 1st mixed-use development project and is in the process of handing over its residential and commercial units to its buyers progressively.
- (b) In May 2020, the Group commenced the construction of its 2nd mixed-use development project, Royal Platinum, in Toul Kork. The construction of the 2nd mixed-use development project is expected to be completed in 2023. As at the Latest Practicable Date, the Group has sold approximately 9.1% of the units of the 2nd mixed-use development project.
- (c) In September 2020, the Group entered into a sale and purchase agreement to acquire a plot of land in Toul Kork at a purchase consideration of approximately US\$22.5 million. The land will be used for the Group's 3rd mixed-use development project. As at the Latest Practicable Date, the Group has made payments totalling approximately US\$19.0 million. The payments were funded with a loan from Dato Dr. Ong (as further detailed in Sections 3.1 and 4.2 of the Circular) and proceeds from the sale of units of the Group's 1st and 2nd mixed-use development projects. The Company intends to fund the remaining outstanding purchase consideration (which is payable on or before 10 March 2021) with the Group's internal resources and net proceeds from the Rights Issue (if available). As at the Latest Practicable Date, the Group has not commenced the pre-sale or the construction of the 3rd mixed-use development project.

We also note that the Group had previously explored alternative fund-raising methods via bank borrowings in Cambodia but had decided not to proceed given the high cost of borrowing in Cambodia and that the Group had explored but faced difficulties in obtaining term loans from Singapore banks as majority of the Group's assets are located in Cambodia while the Singapore banks often require a local Singapore asset to be pledged as collateral.

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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### 3.5 USE OF PROCEEDS

Information on the use of proceeds from the Rights Issue is set out in Section 3.3 of the Circular and Shareholders are advised to read the information carefully.

We note that on 30 October 2020, Dato Dr. Ong entered into a loan agreement (the “**PHDC Loan Agreement**”) with Public Housing Development (Cambodia) Limited (“**PHDC**”), a wholly-owned subsidiary of the Company, for the extension of a loan of US\$11 million to PHDC (the “**PHDC Loan**”). The PHDC Loan bears interest at a rate of 6% per annum. The PHDC Loan was intended to be a bridge to fund (a) the purchase of land for PHDC’s 3rd mixed-use development project in Toul Kork; and (b) for the working capital for PHDC in the interim, pending further fund-raising by the Company. As at the Latest Practicable Date, approximately US\$10.7 million has been drawn down for the aforementioned purpose. As at 3 December 2020 (being the date of a tri-party set-off agreement entered into between the Company, PHDC and Dato Dr. Ong (the “**Set-off Agreement**”), the principal amount and accrued interest outstanding under the PHDC is approximately US\$10.8 million (equivalent to approximately S\$14,409,829.22 based on the exchange rate of US\$1.00 to S\$1.3364 published by the MAS on 2 December 2020 (the “**MAS Exchange Rate**”)) (the “**Outstanding Indebtedness**”).

Under the Set-off Agreement, the Company and PHDC agreed with Dato Dr. Ong that the Outstanding Indebtedness may be satisfied in whole or in part by setting off (i) the S\$5,660,928 payable by Dato Dr. Ong for his subscription of the Entitled Rights Shares; and (ii) up to S\$8,748,901.16 payable by Dato Dr. Ong for his subscription of the Excess Rights Shares allotted to him (subject to availability) (the “**Set-off**”), provided that in no event shall the aggregate amount of the Set-off exceed the Outstanding Indebtedness. All amounts set-off shall be treated as repayment of the Outstanding Indebtedness by the Company on behalf of PHDC.

We note that the Outstanding Indebtedness slightly exceeds the maximum aggregate subscription amount of S\$14,409,829.16 payable by Dato Dr. Ong in the event that the Rights Issue is not fully subscribed by other Shareholders and Dato Dr. Ong is able to subscribe in full his 62,208,000 Entitled Rights Shares and the 96,141,771 Excess Rights Shares. Accordingly, the Company will not receive any proceeds from the fulfilment of the Irrevocable Undertaking by Dato Dr. Ong. The Set-off shall reduce the gearing and finance costs of the Group.

#### Maximum Subscription Scenario

The maximum subscription scenario assumes that all Entitled Shareholders subscribe in full for their entitlements. Based on the Existing Share Capital as at the Latest Practicable Date, assuming that all Entitled Shareholders subscribe in full for their entitlements, whereby the Company will issue 295,910,922 Rights Shares, the Rights Issue is expected to raise gross proceeds of up to approximately S\$26.9 million (including the amounts under the Set-off as mentioned above).

## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITWASH RESOLUTION



After deducting estimated expenses of approximately S\$0.6 million in relation to the Rights Issue, the Company intends to apply the net proceeds in the following manner:

Use of net proceeds	Percentage allocation (%)	Estimated amount (S\$'million)
Repayment of the Outstanding Indebtedness to the Dato Dr. Ong, comprising: <sup>(1)</sup>	54.8	14.41
- US\$10,726,150 principal drawn down under the PHDC Loan <sup>(2)</sup>		
- Interest accrued under the PHDC Loan of approximately US\$56,422		
Project development cost for on-going 2nd mixed-use development project, Royal Platinum, located in Toul Kork	17.6	4.63
New project land and development cost for the 3rd mixed-use development project located in Toul Kork	17.6	4.63
General working capital	10.0	2.63
<b>Total</b>	<b>100.0</b>	<b>26.30</b>

**Notes:**

- (1) In the Maximum Subscription Scenario, the Outstanding Indebtedness will be satisfied by (a) setting off the amounts payable by Dato Dr. Ong for his subscription of his *pro rata* Entitled Rights Shares and any Excess Rights Shares allocated to him (if applicable), and (b) any balance of the Outstanding Indebtedness shall be repaid from the proceeds of the Right Issue.
- (2) The principal drawn down was utilised (a) to partially fund the purchase of the land (approximately 95.3% of the US\$10.7 million drawn down) for the Group's 3rd mixed-use development project, and (b) for the working capital of PHDC (approximately 4.7% of the US\$10.7 million drawn down).

Minimum Subscription Scenario

The minimum subscription scenario assumes that only Dato Dr. Ong subscribes in full for his *pro rata* Entitled Rights Shares and the Excess Rights Shares. In such event, the Company will issue 158,349,771 Rights Shares and raise gross proceeds of S\$14,409,829.16 which is equivalent to the entire sum under the Set-off. For the avoidance of doubt, the Company will not receive any proceeds from the Rights Issue under the Minimum Subscription Scenario as the subscription monies payable by the Dato Dr. Ong will be satisfied by the Set-off. No fresh funds will be raised by the Company in this scenario. In this event, the Company will utilise its internal resources to pay for the professional fees and related expenses incurred in connection with the Rights Issue of approximately S\$0.6 million.



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### 3.6 OTHER TERMS AND CONDITIONS OF THE RIGHTS ISSUE

The final terms and conditions of the Rights Issue will be contained in the Company's Offer Information Statement to be lodged with the MAS and despatched or, as the case may be, disseminated by the Company to Entitled Shareholders in due course. Shareholders are advised to read the Offer Information Statement carefully before subscribing for the Rights Shares.

### 3.7 THE IRREVOCABLE UNDERTAKING

Dato Dr. Ong is the only shareholder providing an undertaking for the Rights Issue.

Under the Irrevocable Undertaking, Dato Dr. Ong has undertaken that he will subscribe and pay in full for his *pro rata* 62,208,000 Entitled Rights Shares and up to 96,141,771 Excess Rights Shares (subject to availability), under the Rights Issue, subject to the maximum aggregate subscription amount of S\$14,409,829.16.

The Irrevocable Undertaking is subject to conditions as detailed in Section 4.1 of the Circular.

## 4. THE WHITEWASH RESOLUTION

### 4.1 THE CONCERT PARTY GROUP

The Concert Party Group comprises the following Shareholders:

Name of Shareholder	Number of Shares held as at the Latest Practicable Date	As a % of Existing Share Capital
Dato Dr. Ong, Executive Deputy Chairman of the Company and the Group Chief Executive Officer	46,656,000	21.02
Ms. Lau (wife of Dato Dr. Ong)	4,066	0.002
Ong Jia Ming, Executive Director	8,828,471	3.98
Ong Jia Jing, Group General Manager and Executive Director	4,457,500	2.01
Total	59,946,037	27.01

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### 4.2 THE IRREVOCABLE UNDERTAKING FROM DATO DR. ONG

Pursuant to the Irrevocable Undertaking, Dato Dr. Ong will subscribe and pay for all his *pro rata* 62,208,000 Entitled Rights Shares and up to 96,141,771 Excess Rights Shares under the Rights Issue.

Based on the Existing Share Capital comprising 221,933,192 Shares, the illustrative shareholdings of the Concert Party Group (assuming only members of the Concert Party Group subscribe for their *pro rata* entitlement of Rights Shares and Dato Dr. Ong subscribes for the 96,141,771 Excess Rights Shares under his Irrevocable Undertaking in full) after the completion of the Rights Issue is set out below:

	As at the Latest Practicable Date		After the issue of the Rights Shares			
	Number of Shares	% of shareholding	Maximum Subscription Scenario		Minimum Subscription Scenario	
			Number of Shares	% of shareholding	Number of Shares	% of shareholding
Concert Party Group	59,946,037	27.01	139,874,085	27.01	236,015,856	59.30
Other Shareholders	161,987,155	72.99	377,970,029	72.99	161,987,155	40.70
Total	221,933,192	100.00	517,844,114	100.00	398,003,011	100.00

As set out in the table above, the fulfilment of Dato Dr. Ong's obligations pursuant to the Irrevocable Undertaking and the subscription of the Rights Shares by the Concert Party Group under the Rights Issue may result in the Concert Party Group acquiring 30% or more of the voting rights of the Company, thereby incurring a Mandatory Take-over Offer unless such obligation is waived by the Council.

The Council had, on 24 November 2020, granted the Whitewash Waiver to the Concert Party Group, subject to the satisfaction of the conditions as set out in Section 7.2 of the Circular, including but not limited to the following:

- (i) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Rights Shares and any Excess Rights Shares, a resolution by way of a poll to waive their rights to receive a general offer from the Concert Party Group;
- (ii) the Whitewash Resolution is separate from other resolutions;
- (iii) the Concert Party Group and their concert parties as well as parties not independent of them, abstain from voting on the Whitewash Resolution; and
- (iv) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Whitewash Resolution.

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### INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT:

- (a) the completion of the Rights Issue may result in the Concert Party Group holding Shares carrying over 49 per cent. of the voting rights of the Company based on the enlarged issued share capital of the Company and in such a scenario, the Concert Party Group will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer for the Company; and
- (b) by voting in favour of the Whitewash Resolution, Independent Shareholders will be waiving their rights to receive a mandatory general offer for their Shares from the Concert Party Group at the highest price paid by the Concert Party Group and their concert parties in the six (6) months preceding the Announcement Date.

### 4.3 ABSTENTION FROM MAKING RECOMMENDATION AND VOTING

Dato Dr. Ong, Ong Jia Ming and Ong Jia Jing have abstained from making recommendations to the Shareholders in respect of the Rights Issue and the Whitewash Resolution.

Pursuant to the Whitewash Waiver, the Concert Party Group and their concert parties as well as parties not independent of them will abstain from voting at the extraordinary general meeting on the ordinary resolution relating to the Whitewash Resolution.

No member of the Concert Party Group will serve as Chairman of the extraordinary general meeting. Accordingly, no member of the Concert Party Group will accept appointment as proxy for any Shareholder to vote in respect of the ordinary resolution in relation to the Whitewash Resolution.

We also note that Dr. Chen Seow Phun, John, a non-executive independent director of the Company, is the chairman and a shareholder of SAC Capital Private Limited. SAC Capital Private Limited is the Manager for the Rights Issue. Accordingly, Dr. Chen Seow Phun, John, has also abstained from making recommendations to the Shareholders in respect of the Rights Issue and the Whitewash Resolution.

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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### 5. EVALUATION OF THE WHITEWASH RESOLUTION

In our evaluation of the Whitewash Resolution, we have given due consideration to the following key factors:

- (a) the Rights Shares being offered to Entitled Shareholders on a *pro rata* basis;
- (b) the rationale for the Rights Issue;
- (c) the historical financial performance and financial position of the Company;
- (d) the Issue Price;
- (e) the Rights Issue as compared to recent rights issues of shares by companies listed on the SGX-ST;
- (f) the financial effects of the Rights Issue; and
- (g) other relevant considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

#### 5.1 THE RIGHTS SHARES BEING OFFERED TO ENTITLED SHAREHOLDERS ON A *PRO RATA* BASIS

The Rights Shares will be offered on a *pro rata* basis to all Entitled Shareholders who will get the right of first refusal to subscribe for the Rights Shares based on their provisional allotments of the Rights Shares.

Under the SGX-ST's listing manual, in the allotment of excess Rights Shares which are not otherwise subscribed for by the Entitled Shareholders, Directors and substantial shareholders of the Company will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares. Accordingly, the Concert Party Group will rank last in priority for the rounding of odd lots and the allotment of the excess Rights Shares.

Accordingly, the Independent Shareholders will not be at a disadvantage or prejudiced in the allotment of the Rights Shares.

In the event that all Shareholders subscribe in full for their entitled Rights Shares, the current shareholding structure of the Company will remain unchanged.

#### 5.2 THE RATIONALE FOR THE RIGHTS ISSUE

The rationale for the Rights Issue and use of proceeds is set out in Section 3 of the Circular and we have summarised them in paragraphs 3.4 and 3.5 of this IFA Letter.

We note that the principal uses of proceeds from the Rights Issue is to fund (i) the repayment of the Outstanding Indebtedness which was utilised to fund the purchase of land for the 3rd mixed-use development project in Toul Kork and for working capital of PHDC; (ii) project

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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development costs for the on-going 2nd mixed-use development project in Toul Kork; and (iii) new project land and development cost for the 3rd mixed-use development project in Toul Kork.

We note from the Company's half year financial results announcement dated 11 August 2020 that the Group has completed its 1st mixed-use development project in Cambodia and transferred the unsold completed units from development properties to properties held for sale in its balance sheet as at 30 June 2020. The Group is in the process of handing over its residential and commercial units to its buyers progressively. However, the Group expects the handing over process for overseas buyers to be slower due to the travel restrictions imposed to control the COVID-19 pandemic. This will affect the Group's cash flow from its operating activities.

In May 2020, the Group commenced the construction of its 2nd mixed-use development project in Cambodia.

On 12 September 2020, the Company announced the acquisition of a plot of land, located in Toul Kork, for the Company's 3rd mixed-use development project, for a purchase price of US\$22.5 million. The acquisition was partially funded by the PHDC Loan which is the subject of the Set-off. As at the Latest Practicable Date, approximately US\$3.5 million of the purchase consideration for the land remains outstanding and payable on or before 10 March 2021.

Accordingly, while the Group had net cash position of approximately S\$1.5 million as at 31 December 2020, the cash amount is not sufficient for the payment of the remaining outstanding purchase consideration for the land for the Group's 3rd mixed-use development project.

We also note that the Group had previously explored alternative fund-raising methods via bank borrowings in Cambodia but had decided not to proceed given the high cost of borrowing in Cambodia and that the Group had explored but faced difficulties in obtaining term loans from Singapore banks as majority of the Group's assets are located in Cambodia while the Singapore banks often require a local Singapore asset to be pledged as collateral.

In addition to the cash outlay for the remaining outstanding purchase consideration for the land for the Group's 3rd mixed-use development project, the Group also needs to finance the development and construction of its 2nd and 3rd mixed-use development projects. Given the current COVID-19 pandemic, it is in the best interest of the Company to strengthen its financial position and conserve cash in current uncertain market conditions.

As set out in Section 3.2 of the Circular, the Right Issue will enhance the Company's financial flexibility and improve the competitive position of the Group while simultaneously provide Shareholders with an opportunity to further participate in the equity of the Company.

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### 5.3 THE HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF THE COMPANY

The salient historical consolidated financial results of the Company for financial year ended 31 December (“FY”) 2017, FY2018 and FY2019 and half year financial results for period ended 30 June (“HY”) 2019 and HY2020 (collectively, the “Track Record Period”) are set out below:

#### (a) Consolidated Income Statements

S\$'000	Audited			Unaudited	
	FY2017	FY2018	FY2019	HY2019	HY2020
Revenue	12,600	34,386	29,343	13,481	5,524
Gross profit	6,368	18,567	14,917	7,469	3,045
Other income	15,304	8,575	1,376	241	2,084
Profit / (Loss) before tax	4,639	4,773	2,460	1,151	(1,152)
Profit / (Loss) for the period	1,785	7,590	1,809	582	(1,340)

We note that the Group generates revenue from two business segments, namely (a) the business of agricultural development, cultivation, branding and merchandising, and distribution of cassava; and (b) the business of investment and prime development of commercial and residential properties.

The revenue registered in the Track Record Period were mainly from the sale of units from the 1st mixed-use development project in Cambodia. The Group would have reported losses in FY2017 and FY2018 without the other income in FY2017 which was mainly from fair value gain of investment properties and other income in FY2018 which was mainly from a one-off forfeiture of progress deposits.

For FY2019, after excluding other income of approximately S\$1.4 million (which comprised mainly gain on fair value of biological assets of approximately S\$1.0 million), the Group's profit before tax will only amount to approximately S\$1.1 million.

Based on the profit after tax of approximately S\$1.8 million for FY2019, the earnings per Share was approximately S\$0.008151. The Issue Price represents a price-earnings ratio of approximately 11.2 times.

Revenue decreased by approximately S\$8.0 million or 150.6% from approximately S\$13.5 million in HY2019 to approximately S\$5.5 million in HY2020 mainly due to a lower progressive recognition from the Group's 1st mixed-use development project and reduction in sales volume due to the COVID-19 pandemic. As a result, the Group reported a loss of approximately S\$1.3 million for HY2020.

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Based on the profit of approximately S\$0.6 million for HY2019 and the loss of approximately S\$1.3 million for HY2020, the Group would have recorded a loss of approximately S\$0.1 million for the trailing 12 months ended 30 June 2020.

### (b) Statements of Financial Position

	<b>Audited as at 31 December 2019</b>	<b>Unaudited as at 30 June 2020</b>
S\$'000		
Current assets	59,457	66,831
Current liabilities	<u>(10,818)</u>	<u>(12,284)</u>
Net current assets	48,639	54,547
Non-current assets	91,900	94,324
Non-current liabilities	<u>(12,451)</u>	<u>(19,551)</u>
Net asset value (“NAV”) and net tangible assets (“NTA”)	<u><b>174,626</b></u>	<u><b>192,990</b></u>
<b>Number of Shares as at Latest Practicable Date</b>	<b>221,933,192</b>	<b>221,933,192</b>
<b>NAV/NTA per Share (S\$)</b>	<b>0.79</b>	<b>0.87</b>

The assets of the Company as at 30 June 2020 comprised mainly: (i) right-of-use assets of approximately S\$69.2 million; (ii) properties held for sale of approximately S\$25.2 million; and (iii) cash and bank balances of approximately S\$20.2 million, representing 42.9%, 15.6% and 12.5% of the total assets, respectively.

Right-of-use assets comprised mainly leasehold land and improvements in relation to the Group’s land in Aoral District in Kampng Speu Province, Cambodia. Properties held for sale comprised the unsold completed units in the Group’s 1st mixed-use development project in Cambodia.

The liabilities of the Company as at 30 June 2020 comprised mainly: (i) deferred tax liabilities of approximately S\$12.0 million; (ii) bank borrowings of approximately S\$9.5 million; and (iii) trade payables and accruals of approximately S\$5.0 million, representing 37.7%, 29.9% and 15.6% of the total liabilities, respectively.

As at 30 June 2020, the NAV of the Group amounted to approximately S\$193.0 million and the NAV per Share is approximately S\$0.87 based on the Existing Share Capital. We note that the Company does not have any intangible assets as at 30 June 2020, its NAV is equivalent to its NTA.

In our evaluation of the Issue Price, we have inquired the Company whether there are any assets which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 30 June 2020 and whether

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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there are any material developments which are likely to impact the NAV per Share as at 30 June 2020. In this respect, the Company had commissioned an independent valuer to determine the market value of the unsold completed units of its 1st mixed-use development property (the “**Revalued Property**”) as of 23 June 2020.

The following computations have been made to determine the RNAV of the Group for the purpose of our analysis:

	<b>S\$'000</b>
NAV as at 30 June 2020	192,990
Add: Revaluation surplus arising for Revalued Property (calculated based on the MAS Exchange Rate), being the market value less net book value of the Revalued Property	17,779
<b>RNAV as at 30 June 2020</b>	<b>210,769</b>
<b>RNAV per Share (S\$)</b>	<b>0.95</b>
Discount to RNAV as implied by Issue Price	(90.4)%

We are not experts in the evaluation or appraisal of the Revalued Property and we have placed sole reliance on the valuation report dated 23 June 2020 in respect of the market value of the Revalued Property.

Save as disclosed, the Directors confirm that, to the best of their knowledge and belief, there were no material contingent liabilities, unrecorded earnings, expenses or provisions which could have a material impact on the financial position of the Company as at the Latest Practicable Date.

The Issue Price of S\$0.091 represents:

- (a) a discount of approximately 88.4% to the NAV per Share of approximately S\$0.79 as at 31 December 2019;
- (b) a discount of approximately 89.5% to the NAV per Share of approximately S\$0.87 as at 30 June 2020; and
- (c) a discount of approximately 90.4% to the RNAV per Share of approximately S\$0.95 as at 30 June 2020.



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### 5.4 THE ISSUE PRICE

#### (a) Market Statistics

We have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares from 3 December 2018, being the 24-month period prior to the Announcement Date, up to the Latest Practicable Date:

##### Share Price Performance

Periods	Highest trading price (S\$)	Lowest trading price (S\$)	VWAP <sup>(1)</sup> (S\$)	Discount of Issue Price to VWAP (%)
<u>Before and including the Announcement Date</u>				
Last 24 months	0.265	0.115	0.202	(55.0)
Last 12 months	0.245	0.115	0.172	(47.1)
Last 6 months	0.245	0.115	0.183	(50.3)
Last 3 months	0.245	0.115	0.190	(52.1)
Last 1 month	0.150	0.125	0.137	(33.6)
On 3 December 2020, being Announcement Date	0.147	0.143	0.146	(37.8)
<u>After the Announcement Date</u>				
Up to the Latest Practicable Date	0.135	0.112	0.122	(25.4)
On the Latest Practicable Date	0.125	0.119	0.122	(25.4)

##### Share Volume Performance

Periods	Total volume traded	Number of trading days	Number of market days	Average daily trading volume <sup>(2)</sup>	Average daily trading volume as a percentage of free float <sup>(3)</sup> (%)
<u>Before and including the Announcement Date</u>					
Last 24 months	64,011,200	383	524	167,131	0.11
Last 12 months	29,559,700	169	263	174,909	0.12
Last 6 months	20,203,000	87	132	232,218	0.16
Last 3 months	18,088,200	49	66	369,147	0.25
Last 1 month	1,283,200	18	23	71,289	0.05

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Periods	Total volume traded	Number of trading days	Number of market days	Average daily trading volume <sup>(2)</sup>	Average daily trading volume as a percentage of free float <sup>(3)</sup> (%)
On 3 December 2020, being the Announcement Date	303,000	1	1	303,000	0.20
<i>After the Announcement Date</i>					
Up to the Latest Practicable Date	3,313,400	27	48	122,719	0.08
On the Latest Practicable Date	96,400	1	1	96,400	0.07

Source: Bloomberg Finance L.P.

**Notes:**

- (1) The volume weighted average price (“VWAP”) of the Shares over the relevant period, rounded to 3 decimal places.
- (2) The average daily trading volume of the Shares is computed based on the total volume of Shares traded during the relevant period, divided by the number of trading days (being the days on which the Shares were traded) during the relevant period.
- (3) Free float refers to the Shares other than those directly and deemed held by the Directors and the substantial shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float for the various periods, we have calculated the free float to be approximately 147,901,872 Shares, representing approximately 66.64% of the Company’s issued Shares.

Based on the above table, we note that:

- (a) the Issue Price represents discounts of at least 33.6% to the VWAP of the Shares prior to and including the Announcement Date;
- (b) in the 24-month period prior to and including Announcement Date, the trading prices of the Shares ranged between a low of S\$0.115 and a high of S\$0.265;
- (c) the Issue Price represents a discount of 37.8% to the VWAP of the Shares on 3 December 2020, being the Announcement Date;
- (d) the Issue Price represents a discount of 25.4% to the VWAP of the Shares for the period between 4 December 2020 and the Latest Practicable Date;
- (e) based on the VWAP of S\$0.1219 on the Latest Practicable Date, the theoretical ex-rights price will be S\$0.104. The Issue Price represents a discount of approximately 12.7% to the theoretical ex-rights price of S\$0.104; and

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**Xandar Capital Pte. Ltd. 威豪金融 (私人) 有限公司** (Registration No. 200002789M)  
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- (f) in the periods prior to and including the Announcement Date, the average daily trading volume of the Shares ranged from a low of approximately 71,000 Shares to a high of approximately 369,000 Shares. However, these volumes represent less than 0.3% of the Company's free float. The average daily trading volume of the Shares for the period between 4 December 2020 and the Latest Practicable Date amounted to approximately 122,719 Shares representing only approximately 0.08% of the Company's free float. The Shares were relatively illiquid.

### (b) Versus the general stock market performance

The following chart shows the price performance of the Shares, relative to the FTSE Straits Times All Shares Index ("FSTAS"), which is the aggregation of the FTSE Straits Times large capitalisation, medium capitalisation and small capitalisation indices and representing 98% of the SGX-ST capitalisation, and the SGX Real Estate Developers & Operators Index ("SGXRE"), which measures the performance of listed real estate developers and operators listed on SGX-ST for the period between 3 December 2018 and the Latest Practicable Date:



Source: Bloomberg Finance L.P.

We note that the Shares had generally underperformed the FSTAS since May 2019 and the SGXRE since June 2019 up to the Latest Practicable Date, with the exception of a sharp spike in price in September 2020. We believe this was due to an announcement of the Company signing a memorandum of understanding with SKIOLD A/S for a proposed Cambodia-Singapore Agriculture Special Economic Zone.

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The logo for Xandar Capital, featuring the word "XANDAR" in a large, bold, serif font above the word "CAPITAL" in a smaller, bold, sans-serif font, all in white text on a dark grey rectangular background.

**(c) Comparison against NAV/NTA and RNAV per Share**

The Issue Price of S\$0.091 represents discounts to the NAV and RNAV per Share as set out in paragraph 5.3 of this IFA Letter.

**(d) 2016 Rights Issue**

In April 2016, the Company issued 1,600,857,253 new ordinary shares at an issue price of S\$0.006 for each rights share, on the basis of one (1) rights share for every two (2) existing shares.

The rights issue price of S\$0.006 for the 2016 rights issue represented a 40.0% discount from the last transacted price of S\$0.010 per share on 23 December 2015, being the last trading day prior to the announcement of the 2016 rights issue. The discount of the Issue Price to the last transacted price for the Rights Issue of 36.4% is lower than the corresponding discount represented by the rights issue price for the 2016 rights issue.

The rights issue price of S\$0.006 for the 2016 rights issue represented a 77.6% discount from the NAV per Share of S\$0.0268 as at 31 December 2015 as disclosed in the Company's offer information statement dated 23 March 2016. The discount of the Issue Price to the latest available NAV per Share for the Rights Issue of 89.5% is higher than the corresponding discount represented by the rights issue price for the 2016 rights issue.

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## 5.5 THE RIGHTS ISSUE AS COMPARED TO RECENT RIGHTS ISSUES OF SHARES BY COMPANIES LISTED ON THE SGX-ST

In assessing the Rights Issue, we also compare it with rights issue of shares by companies listed on the SGX-ST which are completed between 1 January 2019 and the Announcement Date (“Recent Rights Issues”):

SGX-ST listed company	Date of announcement	Basis	Last transacted share price prior to announcement	Issue price of rights shares	Discount of issue price to share price prior to announcement (%)	Theoretical ex-rights share price <sup>(1)</sup>	Premium/ (Discount) of issue price to theoretical ex-rights share price (%)	Premium/ (Discount) of issue price to latest NAV per share (%)
IREIT Global	18-Sep-20	454 rights units for 1000 existing units	\$0.7300	\$0.4900	(32.9)%	\$0.655	(25.2)%	(43.1)%
Axington Inc.	28-Jul-20	1 rights share for 2 existing shares	\$0.2114	\$0.1000	(52.7)%	\$0.174	(42.6)%	(80.1)%
Leader Environmental Technologies Limited	12-Jun-20	4 rights shares for 5 existing shares	\$0.0550	\$0.0150	(72.7)%	\$0.037	(59.7)%	27.1%
Sembcorp Marine Ltd	08-Jun-20	5 rights shares for 1 existing share	\$0.8500	\$0.2000	(76.5)%	\$0.308	(35.1)%	(79.2)%
Asian Pay Television Trust	28-Apr-20	1 rights unit for 4 existing units	\$0.1330	\$0.1280	(3.8)%	\$0.132	(3.0)%	(83.8)%
Singapore Airlines Limited	26-Mar-20	3 rights shares for 2 existing shares	\$6.5000	\$3.0000	(53.8)%	\$4.400	(31.8)%	(70.7)%
AGV Group Limited	21-Feb-20	5 rights shares for 1 existing share	\$0.0270	\$0.0250	(7.4)%	\$0.025	(1.3)%	147.7% <sup>(2)</sup>
Japfa Limited	18-Dec-19	1 rights share for 10 existing shares	\$0.5750	\$0.5000	(13.0)%	\$0.568	(12.0)%	(11.9)%
V2Y Corporation Ltd (Previously known as Synagie Corporation Ltd)	08-Nov-19	3 rights shares for 20 existing shares	\$0.1390	\$0.1000	(28.1)%	\$0.134	(25.3)%	402.5% <sup>(2)</sup>

# APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION



SGX-ST listed company	Date of announcement	Basis	Last transacted share price prior to announcement	Issue price of rights shares	Discount of issue price to share price prior to announcement (%)	Theoretical ex-rights share price <sup>(1)</sup>	Premium/ (Discount) of issue price to theoretical ex-rights share price (%)	Premium/ (Discount) of issue price to latest NAV per share (%)
Ascendas Real Estate Investment Trust	01-Nov-19	16 rights units for 100 existing units	\$3.1700	\$2.6300	(17.0)%	\$3.096	(15.0)%	23.5%
VibroPower Corporation Limited	01-Oct-19	1 rights share with 1 warrant for 2 existing shares	\$0.1120	\$0.1000	(10.7)%	\$0.108	(7.4)%	(78.7)%
The Trendlines Group Ltd	26-Sep-19	1 rights share for 9 existing shares	\$0.0880	\$0.1050	19.3%	\$0.090	17.1%	(40.4)%
Chip Eng Seng Corporation Limited	22-Aug-19	1 rights share for 4 existing shares	\$0.6800	\$0.6300	(7.4)%	\$0.675	(6.7)%	(51.1)%
Alpha Energy Holdings Limited	26-Jun-19	2 rights shares for 1 existing shares	\$0.0540	\$0.0140	(74.1)%	\$0.027	(48.8)%	(92.0)%
AsiaMedic Limited	15-May-19	4 rights shares for 1 existing share	\$0.0130	\$0.0120	(7.7)%	\$0.012	(1.6)%	26.3%
MSM International Limited	31-Mar-19	1 rights share for 4 existing shares	\$0.1000	\$0.0700	(30.0)%	\$0.094	(25.5)%	(57.0)%
Informatics Education Limited	14-Mar-19	3 rights shares for 1 existing share	\$0.0400	\$0.0500	25.0%	\$0.048	5.3%	226.3% <sup>(2)</sup>
Raffles United Holdings Limited	09-Jan-19	1 rights share for 1 existing share	\$0.0820	\$0.0500	(39.0)%	\$0.066	(24.2)%	(85.2)%
Global Dragon Limited	31-Dec-18	1 rights share for 3 existing shares	\$0.0600	\$0.0675	12.5%	\$0.062	9.1%	17.6%
Sapphire Corporation Limited	30-Dec-18	1 rights share for 4 existing shares	\$0.1440	\$0.1280	(11.1)%	\$0.141	(9.1)%	(58.4)%
Annaik Limited	28-Dec-18	1 rights share with 1 warrant for 4 existing shares	\$0.1000	\$0.0650	(35.0)%	\$0.093	(30.1)%	(69.0)%
LifeBrandz Ltd	14-Dec-18	1 rights share for 2 existing shares	\$0.0130	\$0.0070	(46.2)%	\$0.011	(36.4)%	70.7%

# APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION



SGX-ST listed company	Date of announcement	Basis	Last transacted share price prior to announcement	Issue price of rights shares	Discount of issue price to share price prior to announcement (%)	Theoretical ex-rights share price <sup>(1)</sup>	Premium/ (Discount) of issue price to theoretical ex-rights share price (%)	Premium/ (Discount) of issue price to latest NAV per share (%)
China Star Food Group Limited	10-Dec-18	1 rights share for 1 existing share	\$0.0390	\$0.0150	(61.5)%	\$0.027	(44.4)%	(94.9)%
Highest premium					25.0%		17.1%	402.5%
Highest discount					(76.5)%		(59.7)%	(94.9)%
Average					(27.1)%		(19.7)%	(41.5)% <sup>(2)</sup>
Median					(28.1)%		(24.2)%	(51.1)%
The Company	03-Dec-20	4 rights shares for 3 existing shares	\$0.1430	\$0.0910	(36.4)%	\$0.113	(19.7)%	(89.5)%

Source: Bloomberg Finance L.P. and the respective SGX-ST announcements and public documents of the above companies.

**Notes:**

(1) The theoretical ex-rights share price is obtained by the following formula:

$$\frac{\text{(number of existing shares to rights shares X last trade price)} + (\text{number of rights shares X issue price})}{(\text{number of existing shares to rights shares} + \text{number of rights shares})}$$

(2) AGV Group Limited and Informatics Education Limited which reported negative NAV and V2Y Corporation Limited which is a statistical outlier have been excluded in the calculation of the average premium/discount of issue price to NAV per share.

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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Based on the table above, we note that:

- (i) the Issue Price which is at a discount of approximately 36.4% to the last transacted price of the Shares is within the range but higher than the average and median ratios of the Recent Rights Issues;
- (ii) the Issue Price which is at a discount of approximately 19.7% to the theoretical ex-rights price of the Shares is also within the range. It is the same as the average ratio but lower than the median ratio of the Recent Rights Issues; and
- (iii) the Issue Price which is at a discount of approximately 89.5% to the NAV per Share is also within the range but higher than the mean and median ratios of the Recent Rights Issues.

Shareholders should note that the statistics of the Recent Rights Issues are dependent on various factors, including but not limited to, the industry, the business, the scale of operations, the financial performance, financial position and market capitalisation of the listed companies and may be affected by the prevailing market and economic conditions. As such, any comparison made is necessarily limited and serves only as an illustrative guide and should not be conclusively relied upon.

### 5.6 FINANCIAL EFFECTS OF THE RIGHTS ISSUE

The full text of the *pro forma* financial effects of the Rights Issue is set out in Section 5 of the Circular.

Based on the financial effects presented in the Circular:

- (a) the unaudited NTA per Share as at 30 June 2020 will decrease from approximately 58.27 cents to approximately 37.64 cents (under the minimum subscription scenario) or approximately 30.06 cents (under the maximum subscription scenario); and
- (b) the audited earnings per Share for FY2019 will decrease from approximately 0.8151 cents to approximately 0.4757 cents (under the minimum subscription scenario) or approximately 0.3493 cents (under the maximum subscription scenario).

The above can be attributed to the enlarged share capital of the Company after the completion of the Rights Issue.

We also note that the Group's gearing ratio as at 30 June 2020, calculated based on total bank loans and lease liabilities aggregating approximately S\$10.6 million, will decrease slightly from approximately 0.08 times to approximately 0.07 times (regardless of whether the minimum subscription scenario or the maximum subscription scenario). Had the Outstanding Indebtedness be included in the calculation of the gearing ratio, the Group's gearing ratio as at 30 June 2020 (calculated based on total borrowings comprising bank loans, lease liabilities and the Outstanding Indebtedness aggregating approximately S\$25.0 million) will decrease from approximately 0.19 times to approximately 0.07 times (regardless of whether the minimum subscription scenario or the maximum subscription scenario).

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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### 5.7 OTHER CONSIDERATIONS

In determining whether the Rights Issue which is the subject of the Whitewash Resolution is fair and reasonable, and whether the Whitewash Resolution is prejudicial to the interests of the Independent Shareholders, we have also considered the following:

#### (a) The Whitewash Resolution is subject to approval from the Independent Shareholders

As set out in Section 14 of the Circular, the Whitewash Resolution is subject to the approval of Independent Shareholders being obtained at the extraordinary general meeting to be convened.

By voting in favour of the Whitewash Resolution, the Independent Shareholders will be waiving their rights to receive a mandatory general offer for their Shares from the Concert Party Group at the highest price paid by the Concert Party Group and their concert parties in the six (6) months preceding the Announcement Date.

#### (b) Dilution to the Independent Shareholders

There will be no dilution impact on the Independent Shareholders in the event that all Entitled Shareholders subscribe for their *pro rata* entitlements of the Rights Shares under the Rights Issue.

The maximum dilution impact on the Independent Shareholders will occur in the event that the Concert Party Group are the only Shareholders to subscribe for their *pro rata* Rights Shares entitlements.

If only the members of the Concert Party Group subscribe for the Rights Shares, the shareholding of the Concert Party Group will increase from approximately 27.01% to approximately 59.30% after the issuance of the Rights Shares. Under such circumstances, the shareholdings of the Independent Shareholders would be correspondingly diluted from approximately 72.99% to approximately 40.70%.

In such event, the Concert Party Group will be in a position to exercise statutory control over the Company and will be able to pass all ordinary shareholders' resolutions on matters in which the Concert Party Group do not have an interest in.

#### (c) Scope of the Irrevocable Undertaking and the Whitewash Resolution

We wish to highlight that the scope of the Irrevocable Undertaking from Dato Dr. Ong relates, *inter alia*, to the undertaking of Dato Dr. Ong subscribing for his entitlement under the Rights Issue, being 62,208,000 Entitled Rights Shares and up to 96,141,771 Excess Rights Shares. The Whitewash Resolution is in relation to the waiver for the Concert Party Group to make a Mandatory Take-over Offer in the event that the Concert Party Group acquires 30% or more of the voting rights of the Company pursuant to the subscription of the Rights Shares by the Concert Party Group. Independent Shareholders should note that in approving the Whitewash Resolution, they will allow Dato Dr. Ong to subscribe for his entitlements which is the subject of the Irrevocable Undertaking.

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## APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION

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### (d) Alternative fund-raising options

As set out in Section 3.1 of the Circular in relation to the background of the Group's mixed-use development projects, the Group had explored other fund-raising methods prior to proceeding with the Rights Issue. Having considered that the terms and rationale for the Rights Issue, the Directors are of the opinion that the Rights Issue is in the best interests of the Company.

### 6. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Whitewash Resolution, as summarised below:

- (a) the Rights Shares being offered to ALL Entitled Shareholders on a *pro rata* basis;
- (b) while the Group has completed the development of its 1st mixed-use development project, the Group's 2nd and 3rd mixed-use development projects are still at the early stage of development. The Group needs cash to fund the remaining outstanding purchase consideration for the land for the Group's 3rd mixed-use development project as well as the development and construction cost for its 2nd and 3rd mixed-use development projects;
- (c) Shareholders may wish to note that the Shares are fairly illiquid and have generally underperformed the FSTAS since May 2019 and the SGXRE since June 2019 up to the Latest Practicable Date;
- (d) the statistics of the Rights Issue are within the range of Recent Rights Issues;
- (e) the Issue Price represents discounts of between 33.6% and 55.0% to the VWAP of the Shares for the periods prior to and including the Announcement Date, and a discount of 25.4% to the VWAP on the Latest Practicable Date. The Issue Price still represents a discount of approximately 12.7% to the theoretical ex-rights price of S\$0.104 calculated based on the VWAP of S\$0.1219 on the Latest Practicable Date;
- (f) the discount of the Issue Price to the last transacted price for the Rights Issue is lower than the corresponding discount represented by the rights issue price for the 2016 rights issue while the discount of the Issue Price to the latest NAV per Share is higher than the corresponding discount represented by the rights issue price for the 2016 rights issue;
- (g) the financial effects of the Rights Issue; and
- (h) other considerations as set out in paragraph 5.7 of this IFA Letter.

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**APPENDIX C – LETTER FROM XANDAR CAPITAL TO THE DIRECTORS OF HONG LAI HUAT GROUP LIMITED IN RELATION TO THE WHITEWASH RESOLUTION**

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The logo for Xandar Capital, featuring the word "XANDAR" in a large, bold, sans-serif font above the word "CAPITAL" in a smaller, bold, sans-serif font, both in white text on a dark grey rectangular background.

**Accordingly, after taking into account the above factors, we are of the opinion that, as of the date hereof, (a) the terms of the Rights Issue, being the subject of the Whitewash Resolution, are fair and reasonable, and (b) the Whitewash Resolution is not prejudicial to the interests of the Independent Shareholders. We therefore advise the Recommending Directors to recommend that Independent Shareholders vote in favour of the Whitewash Resolution at the extraordinary general meeting.**

This IFA Letter is addressed to the Recommending Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Rights Issue and the Whitewash Resolution. Any decision made by the Recommending Directors in relation to the Rights Issue and the Whitewash Resolution shall remain their responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose other than the Whitewash Resolution, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly  
For and on behalf of  
**XANDAR CAPITAL PTE. LTD.**

A handwritten signature in black ink, appearing to read "Loo Chin Keong".

LOO CHIN KEONG  
EXECUTIVE DIRECTOR

A handwritten signature in black ink, appearing to read "Pauline Sim Poi Lin".

PAULINE SIM POI LIN  
HEAD OF CORPORATE FINANCE

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905292D)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Hong Lai Huat Group Limited (the “**Company**”) will be convened and held by way of electronic means on 23 February 2021 at 9.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions as set out below. All capitalised terms used in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 1 February 2021 (the “**Circular**”).

This Notice has been made available on SGXNet and the Company’s website and may be accessed at the URL [www.honglaihuatgroup.com/extraordinary-general-meeting/](http://www.honglaihuatgroup.com/extraordinary-general-meeting/). A printed copy of this Notice will NOT be despatched to shareholders of the Company.

### ORDINARY RESOLUTION 1: THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

#### RESOLVED THAT:

- (a) a renounceable non-underwritten rights issue (the “**Rights Issue**”) of up to 295,910,922 new ordinary shares in the share capital of the Company (the “**Rights Shares**”), at an issue price of S\$0.091 for each Rights Share (the “**Issue Price**”), on the basis of four (4) Rights Shares for every three (3) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded, be and is hereby approved;
- (b) authority be and is hereby given to the Directors to undertake the Rights Issue, provisionally allot and issue the Rights Shares at the Issue Price on the basis of four (4) Rights Shares for every three (3) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded, and allot and issue the Rights Shares at the Issue Price on the terms and conditions set out below and/or on such other terms and conditions (including the basis of provisional allotments of the Rights Shares) as the Directors may in their absolute discretion and from time to time think fit:
  - (i) the provisional allotment of the Rights Shares shall be made on a renounceable basis to Entitled Shareholders;
  - (ii) no provisional allotment of the Rights Shares shall be made to Foreign Shareholders;
  - (iii) the provisional allotment of the Rights Shares which would otherwise accrue to Foreign Shareholders may be disposed of, or dealt with, by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the provisional allotment relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) among such Foreign Shareholders in proportion to their respective shareholdings as at the Record Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company;
  - (iv) fractional entitlements to the Rights Shares shall be aggregated and used with the provisional allotment of the Rights Shares which are not taken up or allotted for any reason to satisfy excess applications for the Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (v) the Rights Shares when allotted and issued will rank *pari passu* in all respects with the then existing issued Shares, except that they will not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of allotment and issue of the Rights Shares; and
- (vi) the Directors be and are hereby authorised to take such steps, do all such acts and things (including but not limited to finalising, approving and executing all such documents as may be required in connection with the Rights Issue, the issue of the provisional allotments of Rights Shares and the issue of the Rights Shares, and making amendments to the terms and conditions of the Rights Issue (including the Issue Price)), and to exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or to give full effect to this resolution, the Rights Issue and the allotment and issue of the Rights Shares.

### ORDINARY RESOLUTION 2: THE WHITEWASH RESOLUTION IN RELATION TO THE CONCERT PARTY GROUP

**RESOLVED THAT** the Independent Shareholders do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the Concert Party Group in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers for all the Shares not already owned or controlled by the Concert Party Group as a result of the Rights Issue.

### BY ORDER OF THE BOARD

**Liew Meng Ling**  
Company Secretary

Singapore,  
Date: 1 February 2021

#### Notes:

- (1) Due to the current COVID-19 situation in Singapore, members will not be allowed to attend the EGM in person. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Circular (together with this Notice) may be accessed at the Company's website at the URL [www.honglaihuatgroup.com/extraordinary-general-meeting/](http://www.honglaihuatgroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of the Circular (together with this Notice and the Proxy Form) will NOT be despatched to members.
- (2) Alternative arrangements relating to attendance at the Extraordinary General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Extraordinary General Meeting, addressing of substantial and relevant questions at or prior to the Extraordinary General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Extraordinary General Meeting, are set out in the accompanying Company's announcement dated 1 February 2021. The announcement, which has been uploaded together with this Circular (together with this Notice and the Proxy Form), may be accessed at the Company's website at the URL [www.honglaihuatgroup.com/extraordinary-general-meeting/](http://www.honglaihuatgroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.
- (3) **A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting.** The Circular (together with the Proxy Form) may be accessed at the Company's website at the URL [www.honglaihuatgroup.com/extraordinary-general-meeting/](http://www.honglaihuatgroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of the Circular (together with the Proxy Form) will NOT be despatched to members.
- (4) Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
- (5) The Chairman of the Meeting, as proxy, need not be a member of the Company.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (6) The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
- (i) if submitted by post, be lodged at the office of the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
  - (ii) if submitted electronically, be submitted via email to the Company's Share Registrar at [main@zicoholdings.com](mailto:main@zicoholdings.com),

in either case not less than 48 hours before the time appointed for the Extraordinary General Meeting.

A member who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a member may download, complete and authorise the Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.**

### **PERSONAL DATA PRIVACY:**

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy 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, take-over rules, regulations and/or guidelines.

# PROXY FORM

## HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 199905292D)

### PROXY FORM Extraordinary General Meeting

#### IMPORTANT:

1. Due to the current COVID-19 situation in Singapore, members will not be allowed to attend the Extraordinary General Meeting in person. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting.
2. Alternative arrangements relating to attendance at the Extraordinary General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Extraordinary General Meeting, addressing of substantial and relevant questions at or prior to the Extraordinary General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Extraordinary General Meeting, are set out in the accompanying Company's announcement dated 1 February 2021. The announcement, which has been uploaded together with the Circular, may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), and is also available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of the Circular (together with the Notice of Extraordinary General Meeting and the Proxy Form) will NOT be despatched to members.
3. For CPFIS Members or SRS Investors, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPFIS Members or SRS Investors who wish to appoint the Chairman of the Extraordinary General Meeting as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10 February 2021 at 9.00 a.m., being at least seven (7) working days before the Extraordinary General Meeting.
4. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 1 February 2021.
5. Please read the notes overleaf which contain instructions on, amongst others, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting.

I/We\*, \_\_\_\_\_ (Name),  
\_\_\_\_\_ (NRIC/Passport/Company Registration No.),  
of \_\_\_\_\_ (Address),  
being a member/members\* of Hong Lai Huat Group Limited (the "Company"), hereby appoint:

The Chairman of the Meeting

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company, to be convened and held by way of electronic means on 23 February 2021 at 9.00 a.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**)

Resolutions	For	Against	Abstain
ORDINARY RESOLUTION 1: To approve the Rights Issue Resolution			
ORDINARY RESOLUTION 2: To approve the Whitewash Resolution			

\* Delete where applicable

Total Number of Shares held:	
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\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal

\_\_\_\_\_  
Date

All capitalised terms in this proxy form which are not defined herein shall have the meanings ascribed to them in the circular dated 1 February 2021 issued by the Company.

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:**

1. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and shares registered in his/her/its name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. **Due to the current COVID-19 situation in Singapore, members will not be allowed to attend the Extraordinary General Meeting in person. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting.** This form of proxy may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), and will also be made available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.  
For CPFIS Members or SRS Investors, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPFIS Members or SRS Investors who wish to appoint the Chairman of the EGM as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10 February 2021 at 9.00 a.m., being at least seven (7) working days before the Extraordinary General Meeting.
3. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (i) if sent by post, be lodged at the office of the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
  - (ii) if submitted electronically, be submitted via email to the Company's Share Registrar at [main@zicoholdings.com](mailto:main@zicoholdings.com),

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Please  
affix  
postage  
stamp

**HONG LAI HUAT GROUP LIMITED**

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

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in either case not less than 48 hours before the time appointed for the Extraordinary General Meeting.

A member who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a member may download, complete and authorise the proxy form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

Where the instrument appointing the Chairman of the Meeting as proxy is sent by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is submitted electronically, it must be authorised in the following manner:

- (i) by way of the affixation of an electronic signature by the appointor or of his attorney duly authorised in writing or, as the case may be, an officer or duly authorised attorney of a corporation; or
- (ii) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

Where an instrument appointing the Chairman of the Meeting as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is sent by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

6. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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