



**HONG LAI HUAT
GROUP LIMITED**

逢來發集團有限公司

RESPONSE TO SHAREHOLDER QUERY AND VOLUNTARY BUSINESS UPDATE



The Board of Directors (the “Board”) of Hong Lai Huat Group Limited (the “Company”, and together with its subsidiaries, the “Group”) would like to provide its responses to the questions raised by its shareholder prior to the Annual General Meeting which will be held on 30th April 2025 at 1 Plymouth Avenue, Singapore 297753, Raffles Town Club, Dunearn Ballroom 1 as well as voluntary business update.

QUESTION 1

To provide clarification on the Company’s strong cash position and explain why the Board has not pursued dividends, capital reduction, or share buybacks?

ANSWER

While the Group's cash position has strengthened in FY2024 compared to FY2023, ongoing regional and global uncertainties continue to create a volatile market environment. In light of this, the Board considers it prudent to preserve cash for working capital needs as the Group navigates the challenging operating landscape ahead. As such, the Group is currently unable to pursue dividend distributions, capital reductions, or share buybacks.

QUESTION 2

To provide clarification on the rationale for the proposed placement of 40.5 million new shares to Executive Director Ong Jia Jing at \$0.030 per share which has been terminated and why Mr Ong could not acquire shares from the open market or acquire a block of shares via married deals at a premium to the trading price of the Company's shares.

ANSWER

As announced on 20 January 2025, following the receipt of whitewash approval from the Securities Industry Council (the “Council”) for the proposed placement of shares to Mr. Dylan Ong, it was initially stated that the Placement



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Shares would be issued and allotted at a price determined based on the volume-weighted average trading price of the Company's shares over the 14-day period immediately preceding the date of issuance and allotment, using the following pricing formula.

$$\text{Issue Price per Placement Share} = \frac{\text{total value of Share trades during the Relevant Period} \\ \text{(for each trade, the price multiplied by the volume)}}{\text{total number of Shares traded during the Relevant Period}}$$

Subsequently, following the Company's announcements on 20 January 2025, 23 January 2025, and 7 February 2025, SGX RegCo informed the Company that it had received feedback from shareholders expressing a desire for greater certainty regarding the issue price of the Placement Shares before voting on the Proposed Placement and the Whitewash Resolution at the upcoming EGM.

The Company and Mr. Dylan Ong agreed to amend the Placement Agreement by replacing the original pricing formula with a Fixed Issue Price, subject to the Council's approval. Additionally, the adoption of the Fixed Issue Price is subject to the following conditions:

- A. The review and opinion of an independent financial adviser (IFA), which will be made available to shareholders prior to the EGM convened to approve the Whitewash Resolution and the Proposed Placement; and
- B. In the event that the Fixed Issue Price exceeds a 10% discount to the weighted average price of trades on the SGX-ST on the full market day when the supplemental agreement is executed, the Company will seek specific shareholder approval for the Fixed Issue Price in accordance with Rule 811 of the Mainboard Rules.

The objective of the Proposed Placement to Mr. Dylan Ong, an Executive Director who plays a pivotal role in the Group's management and operations, and who currently does not hold any shares in the Company, has consistently been to align his interests with those of the Company and its shareholders by encouraging equity ownership. The Board cannot compel any individual to acquire shares at a premium to the prevailing market price or to purchase shares via married deals. Furthermore, as Mr. Dylan Ong is acting in concert with the controlling shareholder Dato Dr Ong Bee Huat, PBM, any acquisition of more than 1% of the Company's shares from the open market by the concert party group would trigger a mandatory general offer under the Take-over Code.

The Fixed Issue Price was introduced after considering shareholder feedback requesting certainty on the issue price of the Placement Shares prior to the EGM. Approval from the Council for this amendment was sought on 14 February 2025, and on 17 March 2025, the Council confirmed that it had no objection to the proposed replacement of the pricing formula with the Fixed Issue Price.

Over the past six months, the Group's market trading price has fluctuated due to various factors, including global and regional market instability and overall investor sentiment. The share price has ranged from a low of around \$0.042 to a high of \$0.06. These fluctuations are beyond the control of the Board. It is also important to note that the proposed placement shares are not confirmed to be issued with a 50% discount. The placement is subject to the IFA's opinion and requires shareholder approval at the EGM, with the concert party group abstaining from the vote.

QUESTION 3

To provide clarification on the Company's historical fundraising through rights issues and the subsequent investments that resulted in losses, as well as the measures being taken to improve the quality and prudence of future investment decisions, and whether the Company is considering capital raising in the near future.

ANSWER

The Company acknowledges that certain past capital-raising exercises have not consistently delivered the expected returns. However, it is important to recognise that several historical investments were significantly impacted by external factors beyond the Company's control. These include the COVID-19 pandemic, elevated interest rates,



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supply chain disruptions, regional instability, and deteriorating investor sentiment in Cambodia, partly due to widespread reports of scam centres and kidnappings, which were unrelated to the Company's operations. These challenges contributed to cost escalations and a difficult operating environment.

Despite these headwinds and the losses incurred, the Company successfully completed its second major development project, Royal Platinum, comprising two 30-storey residential towers. Located in Toul Kork, Phnom Penh, the capital city of Cambodia, the project includes 851 residential units and 50 commercial units. The development officially commenced operations on 4 July 2024. The Company is currently working closely with its partners and stakeholders to drive sales for this flagship project. In addition, the joint venture company, Royal Hong Lai Huat One Company Limited, recorded revenue of S\$20.285 million and net profit of S\$7.382 million as reported in the Annual Report 2024. This contributed to a share of profit from joint venture amounting to S\$3.691 million in the Company's audited financial statements for FY2024.

Looking ahead, while the Company remains open to future fundraising, any capital-raising exercise will only be undertaken in support of clearly value-accretive opportunities. Such initiatives will be subject to strict due diligence and aligned with the Company's commitment to protecting shareholder interests, ensuring long-term value creation, and maintaining financial sustainability.

QUESTION 4

To provide clarification on the recorded losses, the decline in shareholders' equity from \$111 million to \$105 million, the strategic actions in place to return the Company to profitability and restore shareholder value as well as is management confident of achieving profitability in 2025?

ANSWER

The Company recorded a net loss of \$12.9 million for the financial year, partially offset by a \$6.7 million gain from foreign currency translation, resulting in an overall decline in shareholders' equity. In FY2025, the Company will focus on working closely with its partners and stakeholders to accelerate sales of completed developments, including Royal Platinum and D'Seaview. In FY2025, the Company plans to progressively fit out more units and secure both short- and long-term recurring income from its Cambodian assets. While these initiatives are expected to increase exposure of the projects, it remains too early to determine if the Company will return to profitability in FY2025.

The Company is currently exploring property development and real estate opportunities in regional markets such as Thailand and Malaysia. It is also actively studying opportunities in the Singapore market and does not rule out the possibility of re-entering its home ground. These initiatives remain at a preliminary stage, and the Company will provide timely updates to shareholders should any material developments arise.



LISTED ON SGX MAINBOARD (CTO.SI)

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QUESTION 5

To provide clarification on the remuneration of directors and key executives despite the Company's losses, and whether cost controls are being implemented. Additionally, what actions are being taken to improve property sales, and are efforts being made to reduce overheads?

ANSWER

Firstly, it is important to note that directors' compensation is determined based on their respective roles, responsibilities, and ongoing contributions to the Company's management and strategic direction, particularly during this challenging period. While the Company has faced limited revenue and recorded losses over the past two years, remuneration levels are benchmarked against market standards and reflect the significant efforts required to guide the Group through a transitional phase, including the successful completion of the main construction works for the Royal Platinum project in FY2024.

Looking ahead, although the Group's cash position improved in FY2024 compared to FY2023, ongoing regional and global uncertainties continue to create a volatile market environment. In light of this, the Board considers it prudent to conserve cash for working capital as the Group navigates the challenging operating climate. As such, the Company is currently unable to undertake dividend distributions, capital reductions, or share buybacks.

In FY2025, the Company will focus on generating sales and leasing opportunities from completed developments, particularly Royal Platinum and D'Seaview, while working closely with partners and stakeholders to drive sales momentum and recurring income opportunities. The Company will also continue to evaluate property development opportunities in regional markets, including Malaysia, Thailand, and its home market of Singapore, with a focus on aligning any future initiatives with the Group's long-term strategy.

Additionally, the Company will continue to review its overheads and remuneration structures periodically to ensure they remain aligned with the Group's operational scale and evolving business needs.

QUESTION 6

To provide clarification whether the Board considered privatization in light of prolonged undervaluation and low trading liquidity?

ANSWER

The Board is unable to comment on whether it has considered privatization at this juncture, particularly given the current uncertain global and regional market conditions. These factors, including economic instability and unpredictable market fluctuations, pose significant challenges to making long-term strategic decisions such as privatization. The Board remains focused on navigating these uncertainties and is committed to evaluating opportunities that best serve the interests of the Company and its shareholders.

QUESTION 7

To provide clarification on whether the Company will explore another placement to the related parties of the controlling shareholder.

ANSWER

Please refer to the answers above for question 2.

QUESTION 8

To provide clarification whether the Company will be impacted the new Trump tariffs?

ANSWER

The Group does not have direct exposure to the US market; however, the proposed tariffs may indirectly impact operations through heightened inflationary pressures, global supply chain disruptions, and increased foreign exchange volatility. We are actively monitoring the evolving market dynamics and will adopt a diversified procurement



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strategy while maintaining a prudent yet proactive approach to navigate the complex and challenging operating landscape ahead.

BY ORDER OF THE BOARD

**Mr Ong Jia Jing
Executive Director
24 April 2025**