

HLH GROUP LIMITED

Company Registration No: 199905292D

(Incorporated in the Republic of Singapore)

1. **PROPOSED SHARE CONSOLIDATION;**
 2. **THE PROPOSED CHANGE IN RISK PROFILE IN THE FURTHER EXPANSION OF GEOGRAPHICAL SCOPE OF THE EXISTING REAL ESTATE DEVELOPMENT BUSINESS; AND**
 3. **THE PROPOSED SHARE CAPITAL RESTRUCTURING.**
-

1. THE PROPOSED SHARE CONSOLIDATION

The Board of Directors is pleased to announce that the Company is proposing to consolidate every twenty (20) ordinary shares (collectively, referred to as "Shares" and each, a "Share") in the capital of the Company into one (1) ordinary share (collectively, referred to as the "Consolidated Shares" and each, a "Consolidated Share") (the "Share Consolidation"). Accordingly, under the Share Consolidation, every twenty (20) issued Shares registered in the name of each shareholder of the Company ("Shareholder") as at a books closure date to be determined (the "Books Closure Date") will be consolidated to constitute one (1) Consolidated Share.

The Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the shareholders' funds of the Company.

Shareholders are not required to make any payment to the Company in respect of the Share Consolidation.

1.1 Rationale of the proposed Share Consolidation

The Directors are of the view that the Share Consolidation may increase the profile of the Company amongst the institutional investors and the coverage of the Company amongst research houses and fund managers. This may increase interests in the Consolidated Shares and make the Consolidated Shares more attractive to investors, and also encourage Shareholders to hold the Consolidated Shares on a longer term basis. The Share Consolidation would further facilitate the Company's ability to satisfy the prospective continuing listing requirement to be imposed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for issuers listed on the SGX Mainboard to have a minimum trading price per share of S\$0.20.

1.2 Conditions of the proposed Share Consolidation

- (a) The proposed Share Consolidation is subject to, *inter alia*:
 - (i) approval in-principle of the SGX-ST for the listing of and quotation for the Consolidated Shares on the SGX Mainboard; and
 - (ii) the approval of Shareholders at an extraordinary general meeting ("EGM") to be convened for the proposed Share Consolidation.
- (b) The Company has been granted an approval in-principle by SGX-ST on the 27th March 2015 (the "Approval-In-Principle") for the listing of and quotation for the Consolidated Shares arising from the proposed Share Consolidation. The Approval-In-Principle is subject to shareholders' approval at an EGM to be convened in due course. The Approval-In-Principle is not to be taken as an indication of the merits of the proposed Share Consolidation.

2. THE PROPOSED CHANGE IN RISK PROFILE IN THE FURTHER EXPANSION OF GEOGRAPHICAL SCOPE OF THE EXISTING REAL ESTATE DEVELOPMENT BUSINESS

The Board has identified the emerging markets in Asia to have similar property market conditions similar to Cambodia where the Company has been operating in since 2008, and has also identified the mass market property segments that the Company intends to capture, catering for the growing affluence within the middle class population and the desire for personal accommodation by the younger generation of middle-income earners. As announced on 23rd February 2015, the Company is in the process of acquiring a freehold plot of land located at Phum 1, Sangkat No 3, Khan Mitapheap, Preah Sihanouk Province, Cambodia and on completion of the acquisition, will embark on a mixed development project consisting of public executive condominium, shop houses with private residences and a commercial mall for businesses to cater for young couples and young entrepreneurs. An expansion of the existing real estate development business into other countries outside of Singapore where the Group currently does not operate may result in a change in the risk profile of the Group.

The Board is also of the view that the Company needs to expand its market outreach to not only the emerging markets but also the developed countries like Europe, Australia and the United States of America as part of its geographical diversification. Further, the Directors have considered what other developers had undertaken, and plans to tap on their experiences to broaden the Company's exposure overseas and to widen the Company's income stream.

2.1 Rationale of the proposed geographical expansion

The Board of Directors believe that the further expansion of the Group's existing real estate development business in other countries outside of Singapore will allow the Group to seize new business and growth opportunities available in both the international and regional markets and to mitigate business risks by seeking geographical diversification. Through the expansion into both the international and regional markets, the Group will seek to attain geographical diversification of its earning base as property cycles in different countries and cities globally may not coincide with that in Singapore.

The Board also believes that it can leverage on the Group's existing experience and knowledge in building and construction, and better envisage and resolve potential issues that could be faced by a real estate developer; and also leverage on its existing contacts and network, which will give the Group a competitive edge in securing construction contracts so as to broaden the Group's income base and expand its revenue streams.

The proposed geographical diversification is also a way to ameliorate the exposure of the existing real estate development business to the general economic conditions of Singapore (in particular, the cyclical nature of the real estate, building and construction industry in Singapore), so as to enhance the Group's financial performance.

Therefore, the Company intends to seek Shareholders' approval at the EGM to be convened for approval to geographically extend the scope of the Group's existing real estate development business which includes, *inter alia*, real estate development, construction and the provision of a suite of specialised complementary competencies, to other countries outside of Singapore with a focus on Cambodia, Myanmar, Indonesia, India, Japan, Australia, Europe and the United States of America.

3. THE PROPOSED SHARE CAPITAL RESTRUCTURING

The Board of Directors noted that the Company currently has a total of S\$28,528,762 in accumulated losses, and is proposing to restructure the Company's share capital so as to achieve a more efficient capital structure. By doing so, the Board is proposing that its issued and paid-up share capital of S\$105,425,589 comprising 197,860,328 issued and fully paid-up Shares (after the proposed Share Consolidation) be restructured by way of a reduction of the sum of S\$28,528,762,

such that the said amount be set-off against the Company's accumulated losses (the "proposed Share Capital Restructuring").

The proposed Share Capital Restructuring will thereby result in the elimination of the Company's accumulated losses to zero. Correspondingly, the issued and paid-up share capital of S\$105,425,589 will be reduced by S\$28,528,762 to S\$76,896,827 comprising 197,860,328 issued and fully paid-up Shares (after the proposed Share Consolidation).

Pursuant to the proposed Share Capital Restructuring, there will be no cash distribution to be made to the Shareholders.

3.1 Rationale for the proposed Share Capital Restructuring

The Board is of the following views:

(a) The capital of the Company is unrepresented by available assets and the proposed Share Capital Restructuring will allow the Group to achieve a more efficient capital structure.

(b) As the Group intends to expand its existing real estate development business into other countries outside of Singapore where it currently does not operate, whilst there are currently no such suitable expansion opportunities for the Group, the Board has recommended the proposed Share Capital Restructuring to maintain sufficient flexibility to position itself to take advantage of business opportunities which may arise in the near or medium term and to adequately cater for its expansion strategies. The Company will continue to review any suitable expansion opportunities which may arise from time to time. As and when any such suitable expansion opportunities arise, the Company will fund such new expansion by way of internal resources or if required, by external sources of funding, such as through the proceeds from equity and/or debt financing. With a more efficient capital structure, it will be able to provide the Company with better ability to attract investors and financial institutions in order to fulfil its financing requirements.

(c) As at the date of this announcement, the Group does not have significant outstanding bank borrowings. After the completion of the proposed Share Capital Restructuring, the Board believes that the Group is able to maintain a sufficient capital base to support its existing operations and to pay its debts as and when they fall due.

The Company intends to seek Shareholders' approval at the EGM to be convened for approval so that the paid-up share capital of the Company be restructured by way of a reduction of the sum of S\$28,528,762 as at a date to be determined by the Directors, such that the said amount be utilized towards the elimination of the Company's accumulated losses.

4. CIRCULAR TO SHAREHOLDERS

The Company has on 27th March 2015 received clearance from the SGX-ST for the issuance of a circular in connection with the above (the "Circular"), and is preparing to despatch the Circular (enclosing the notice of the EGM) and setting out details of the proposed transactions mentioned above to the Shareholders at the earliest convenience.

Notice of the Books Closure Date for purposes of determining Shareholders' entitlements under the proposed Share Consolidation will be given at a later date, after all the necessary approvals have been obtained.

By Order of the Board

Helen Campos
Company Secretary
1 April 2015