

ANNOUNCEMENT

SUBSCRIPTION OF AN AGGREGATE OF 250,000,000 SHARES TO RAISE GROSS PROCEEDS OF S\$2,250,000

1. Introduction

The board of directors of the Company (the “Directors”) wishes to announce that the Company has entered into a share subscription agreement dated 11 October 2016 (the “Share Subscription Agreement”) with Persistent Asset Trading Fund SPC – Persistent Asset Asia SP (the “Share Subscriber”), pursuant to which the Share Subscriber shall subscribe, and the Company shall allot and issue, 250,000,000 new ordinary shares (the “Subscription Shares”) for the sum of S\$2,250,000, being the aggregate issue price of S\$0.009 for each Subscription Share (the “Share Subscription”) subject to and upon the terms of the Share Subscription Agreement.

2. Share Subscription

The Company will allot and issue the Subscription Shares pursuant to the general share issue mandate granted by shareholders of the Company at the annual general meeting held on 25 April 2016 (the “Share Issue Mandate”).

The Company will be making an application to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Subscription Shares on the SGX-ST and will make the necessary announcements once the approval in-principal of the listing and quotation of the Subscription Shares have been obtained from the SGX-ST.

3. About the Share Subscriber

The Share Subscriber is an investment holding company that has invested in the Subscription Shares for investment purposes. It has warranted that it is an investor who has no connection (including business relationships) with the Company, its Directors and substantial shareholders, and is not a person to whom the Company is prohibited from issuing shares to, as provided by Rule 812 of the Listing Manual. The Share Subscriber expressed interest to invest in the Company and, after negotiations, the Company agreed to place the Subscription Shares to the Share Subscriber. As at the date of this announcement, the Share Subscriber does not hold any ordinary shares of the Company (“Shares”).

To the best of the Company’s knowledge, there is no agreement, arrangement or understanding between the Share Subscriber and any other shareholder of the Company to acquire Shares, to obtain or consolidate effective control of the Company, and the Share Subscriber is not a party acting in concert with any other shareholder or subscriber of the Company, as defined in the Singapore Code of Take-Overs and Mergers.

4. Ranking and Issue Price

The Company shall allot and issue the Subscription Shares free from all encumbrances, and the Subscription Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, save that they will not rank for dividend, right, allotment or other distributions, the record date of which falls on or before the date of completion of the Share Subscription.

The issue price of S\$0.009 for each Subscription Share represents a discount of 10% to the volume weighted average price of S\$0.01 for trades done on the Shares on the SGX-ST on 10 October 2016, being the full market day preceding the execution of the Share Subscription Agreement.

5. Financial Effects of Share Subscription

Pursuant to the issue of the Subscription Shares, the issued and paid share capital of the Company will increase from S\$90.1 million divided into 6,158,068,582 Shares to S\$92.4 million divided into 6,408,068,582 Shares. The Subscription Shares represents approximately 4.1% of the existing issued share capital of the Company (excluding treasury shares), and approximately 3.9% of the enlarged issued share capital of the Company (excluding treasury shares).

The Profit per Share (“PPS”) and the net asset value (“NAV”) per Share of the Company and its subsidiaries (the “Group”) based on the audited financial statements of the Group for the financial year ended 31 December 2015 (“FY2015”) were 0.14 cents and 2.68 cents respectively. The PPS and NAV per Share of the Group for FY2015, after adjusting for the Share Subscription, would be 0.13 cents and 2.52 cents respectively.

6. Conditions of Share Subscription

Completion of the Share Subscription is conditional upon, inter alia, the following:

(a) the Share Issue Mandate being valid, subsisting and adequate for the purpose of the allotment and issue of the Subscription Shares as at the date of completion of the Share Subscription;

(b) approval for the listing and quotation of the Subscription Shares on the SGX-ST being obtained from the SGX-ST and, where such approval is subject to conditions (which are normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to the Company and, to the extent that any conditions for the listing of and quotation of the Subscription Shares on the SGX-ST are required to be fulfilled on or before the completion date, they are so fulfilled;

(c) the approval of the Directors being obtained in respect of the transactions contemplated by the Share Subscription Agreement including but not limited to the issue and allotment of the Subscription Shares, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the parties hereto; and

(d) the allotment and issue of the Subscription Shares being in compliance with the Securities and Futures Act (Cap 289) in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated after the date of the Share Subscription Agreement by any applicable legislative, executive or regulatory body or authority of Singapore.

If the conditions for the Share Subscription are not satisfied by 15 November 2016 (or such other date as may be mutually agreed between the parties), the Share Subscription Agreement shall terminate, and the obligations of the Company to issue the Subscription Shares and the Share Subscriber to subscribe for the Subscription Shares shall ipso facto cease and determine thereafter, and no party shall have any claim against the others for costs, expenses, damages, losses, compensation or otherwise in respect of the Share Subscription, save for any antecedent breach of the Share Subscription Agreement or the parties’ respective liability for the payment of costs and expenses.

The completion of the Share Subscription is expected to take place within five (5) business days after the conditions set out in sub-paragraph (b) above have been satisfied.

7. Purpose and Use of Proceeds

The gross proceeds raised from the Share Subscription of S\$2,250,000 will be used for general working capital purposes.

Pending the deployment of the proceeds for the purposes as set out above, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money market and/or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

The Company will make periodic announcements on the utilisation of the net proceeds from the Share Subscription when the funds from the Subscription are materially disbursed and will provide a status report on the use of such proceeds in the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

8. General

The Directors are of the opinion that, after taking into consideration the internal resources and present bank facilities of the Group and the proceeds from the Share Subscription, the working capital available to the Group is sufficient to meet its present requirements.

None of the Directors, and as far as the Directors are aware, none of the substantial shareholders of the Company, has any interest, direct or indirect, in the Share Subscription, other than in their respective capacities as the Director or substantial shareholder of the Company. Further, none of the directors or substantial shareholders of the Company have, to the best of their knowledge, any connection with the Share Subscriber or its directors or substantial shareholders.

The Share Subscription would not result in any transfer of controlling interest in the Company, and the Share Subscriber does not fall within the persons or groups of persons disallowed by the SGX-ST as set out under Rule 812 of the Listing manual or are interested persons under Chapter 9 of the Listing Manual.

The Company will make the necessary announcements when it has received the approval-in-principle and the listing and quotation notice from the SGX-ST for the listing of and quotation for the Subscription Shares.

The Directors (including any Director who may have delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

Shareholders and potential investors should note that the Subscription is subject to the fulfilment of, inter alia, the conditions precedent set out above, and accordingly, should exercise caution when trading in the Shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By order of the Board
HLH GROUP LIMITED
Helen Campos
Company Secretary
11 October 2016