

HLH Group Limited

(Incorporated in the Republic of Singapore)

(Company Registration No: 199905292D)

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 1,978,605,664 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY 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 ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY ENTITLED SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

The Board of Directors (the *Directors*) of HLH Group Limited (the *Company*) wishes to announce that the Company is undertaking a renounceable non-underwritten rights issue (the *Rights Issue*) of up to 1,978,605,664 new ordinary shares in the capital of the Company (the *Rights Shares*) at an issue price of S\$0.006 for each Rights Share (the *Issue Price*), on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of the Company (the *Shares*) held by the shareholders of the Company (the *Shareholders*) as at a time and date (the *Books Closure Date*) to be determined by the Directors for the purpose of determining Entitled Shareholders' (as defined in Section 4 below) entitlements under the Rights Issue, fractional entitlements to be disregarded.

The issue of the Rights Shares will be made pursuant to the authority granted under the terms of the general share issue mandate approved by Shareholders at the annual general meeting of the Company held on 20 April 2015. As such, no Shareholders' approval is required for the Rights Issue and issuance of Rights Shares arising therefrom.

The Company has appointed SAC Capital Private Limited as the Manager for the Rights Issue (the *Manager*).

2. PROPOSED PRINCIPAL TERMS OF THE RIGHTS ISSUE

The Issue Price of S\$0.006 for each Rights Share represents a discount of approximately 40.0% from the last transacted price of S\$0.010 per Share on the Singapore Exchange Securities Trading Limited (*SGX-ST*) on 23 December 2015, being the last trading day of the Shares prior to the release of this announcement. Based on the issued share capital of the Company as at the date of this announcement of 3,957,211,329 Shares (the *Existing Share Capital*), up to 1,978,605,664 Rights Shares will be issued pursuant to the Rights Issue, assuming that the Rights Shares are fully subscribed.

The Rights Issue will not be underwritten as the Company believes that the Issue Price for each Rights Share is sufficiently attractive, and that the Directors are of the opinion that there is no minimum amount which must be raised from the Rights Issue.

Entitled Shareholders (as defined in Section 4 below) will be at liberty to accept, decline or otherwise renounce or trade their provisional allotments of Rights Shares, in whole or in part, on the Main Board of the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares in excess of their provisional allotments. Fractional entitlements of the Rights Shares, if any, will be disregarded in arriving at the Entitled Shareholders' entitlements and will, together with the provisional allotments of Rights Shares which are not taken up for any reason, be aggregated and used to satisfy excess applications for Rights Shares (*Excess*

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.

In the allotment of Excess Rights Shares applied for from provisional allotments not taken up for any reason, preference will be given to Shareholders for the rounding of odd lots, whereas Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Group or the terms of the Rights Issue, or have a representation (directly or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares. The Company will also not make any allotment and issue of Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The Rights Shares will be payable in full upon acceptance and/or application. The Rights Shares, when allotted and issued and fully paid-up, will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares. For this purpose, **record date** means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered in order to participate in such dividends, rights, allotments or other distributions.

The Rights Issue will be supported by Dato' Dr Ong Bee Huat (the **Undertaking Shareholder**). As at the date of this announcement the Undertaking Shareholder, holds interest, directly in 422,255,500 Shares representing 10.67% of the Company's issued share capital and will be entitled to subscribe for an aggregate of 211,127,750 Rights Shares (the **Entitled Rights Shares**). The Undertaking Shareholder is the Deputy Chairman and Chief Executive Officer of the Company.

To show his support for the Rights Issue and to demonstrate his commitment and confidence in the Company, the Undertaking Shareholder will execute an irrevocable undertaking (the **Irrevocable Undertaking**) to subscribe and pay for and/or procure the subscription and payment for his *pro-rata* rights entitlements under the Rights Issue and will undertake to apply for up to 576,772,250 Excess Rights Shares.

In addition to the above, the Undertaking Shareholder will also undertake to ensure that none of the Shares in which he currently has an interest (directly or indirectly), are sold, transferred or otherwise disposed of during the period between the date of the Irrevocable Undertaking and the date of allotment and issue of the Rights Shares without the prior written consent of the Company.

As announced by the Company on 2 December 2015, the Undertaking Shareholder had made loans and advances to PH One Development (Cambodia) Limited (**PH1**), a wholly-owned subsidiary of the Company, in relation to the purchase of land in Cambodia for the expansion of the Group's property business. As at the date of this announcement, the principal amount outstanding under the aforementioned loans and advances is approximately S\$4,727,400 (the **Land Financing**). The Undertaking Shareholder is also a director of PH1.

The Company and PH1 have agreed with the Undertaking Shareholder that he shall satisfy his payment obligations under the Irrevocable Undertaking by setting off S\$1,266,766.50 of the Land Financing as payment for the Entitled Rights Shares and the balance of the Land Financing of S\$3,460,633.50 as payment for up to 576,772,250 Excess Rights Shares, as may be allotted to him.

Assuming that the Entitled Rights Shares and the Excess Rights Shares are fully allotted and issued to the Undertaking Shareholder (to be credited as fully paid), the Land Financing shall be deemed to be fully repaid by PH1, and the Undertaking Shareholder shall have no claim against the Company or PH1 in relation to the Land Financing nor shall the Company have a claim against the Undertaking Shareholder for the consideration amounts payable by the Undertaking Shareholder for his Rights Shares and the Excess Rights Shares subscribed.

In the event the Excess Rights Shares are not fully allotted and issued to the Undertaking Shareholder, the Land Financing shall be deemed to be partially repaid, and the amount owing under the Land Financing by PH1 to the Undertaking Shareholder will be reduced by the consideration amount received for the Entitled Rights Shares and any Excess Rights Shares allotted to the Undertaking Shareholder.

Depending on the level of subscription for the Rights Shares, the Company may, if necessary, scale down the subscription for the Rights Shares and/or excess applications for the Excess Rights Shares by any of the Shareholders (including the Undertaking Shareholder) to avoid placing him/her and parties acting in concert (as defined in the Singapore Code on Take-overs and Mergers (the *Takeover Code*)) with him/her in a position of incurring a mandatory general offer obligation under the Takeover Code, as a result of other Shareholders not taking up their subscription entitlements fully.

The terms and conditions of the Rights Issue are subject to such change as the Directors, after consultation with the Manager, may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

3. PURPOSE OF THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Rights Issue is undertaken to pro-actively strengthen the balance sheet of the Company, and enhance its financial flexibility and the competitive position of the Group. The Company intends to utilise the net proceeds from the Rights Issue to repay the Land Financing in the manner as set out in Section 2 of this announcement and for the general working capital of the Group, particularly for the expansion of its property development business in Cambodia.

The Directors believe that the Rights Issue is in the best interest of the Shareholders and the Company as a whole.

Based on the Existing Share Capital and assuming that the Rights Issue is fully subscribed (*Maximum Subscription Scenario*), the gross proceeds raised will amount to approximately S\$11.9 million. In a Maximum Subscription Scenario, the Company intends to utilise the gross proceeds raised as follows:

- (a) approximately S\$6.0 million (or 50.4% of the gross proceeds) towards the repayment of the Land Financing in the manner as set out in Section 2 of this announcement;
- (b) approximately S\$5.6 million (or 47.1% of the gross proceeds) for the general working capital of the Group, particularly for the expansion of its property development business in Cambodia; and
- (c) approximately S\$0.3 million (or 2.5% of the gross proceeds) for the professional fees and related expenses incurred in connection with the Rights Issue.

Based on the Existing Share Capital and assuming that none of the Shareholders except the Undertaking Shareholder were to subscribe for the Rights Shares and the Excess Rights Shares in accordance to his Irrevocable Undertaking (the *Minimum Subscription Scenario*), the gross proceeds raised will amount to approximately S\$4.7 million. The Company intends to utilise the gross proceeds raised towards the repayment of the Land Financing in the manner as set out in Section 2 of this announcement and will utilise its internal resources to pay for the professional fees and related expenses incurred in connection with the Rights Issue.

Pending the deployment of the proceeds from the Rights Issue, the proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

The Company will make periodic announcements on the utilisation of the proceeds of the Rights Issue, as and when the funds from the Rights Issue are materially disbursed or utilised.

4. ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

The Company will provisionally allot the Rights Shares to Entitled Shareholders. Entitled Shareholders comprise Entitled Depositors (as defined below) and Entitled Scripholders (as defined below).

Entitled Depositors

Shareholders whose securities accounts with The Central Depository (Pte) Ltd (*CDP*) are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date (*Depositors*) will be provisionally allotted Rights Shares on the basis of the number of Shares standing to the credit of their securities accounts with CDP as at the Books Closure Date. All notices and documents will be sent to the entitled Depositors at their last registered mailing addresses with CDP or such address as previously notified to CDP not later than three (3) days on which the SGX-ST is open for securities trading (each, a *Market Day*) prior to the Books Closure Date (the *Entitled Depositors*).

Entitled Scripholders

Shareholders whose share certificates are not deposited with CDP and whose Shares are not registered in the name of CDP (*Scripholders*) will have to submit duly completed and stamped transfers (in respect of Shares not registered in the name of CDP), together with all relevant documents of title, so as to be received up to 5.00 p.m. (Singapore time) on the Books Closure Date by the Company's Share Registrar, B.A.C.S. Private Limited (the *Share Registrar*), at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, in order to be registered to determine the transferee's provisional allotment of Rights Shares under the Rights Issue. All notices and documents will be sent to the entitled Scripholders at their last registered mailing addresses with the Company or such address as previously notified to the Company not later than three (3) Market Days prior to the Books Closure Date (the *Entitled Scripholders*).

Entitled Depositors and Entitled Scripholders shall be collectively referred to as *Entitled Shareholders* in this announcement.

Persons who bought their Shares previously using their CPF account savings (*CPF Funds*) should use CPF Funds for the payment of the Issue Price to accept their provisional allotments of Rights Shares and (if applicable) apply for excess Rights Shares, subject to the applicable CPF rules and regulations. Such persons who wish to accept their provisional allotments of Rights Shares and (if applicable) apply for excess Rights Shares using CPF Funds will need to instruct their respective approved banks, where they hold their CPF Investment Accounts, to accept the Rights Shares and (if applicable) apply for the excess Rights Shares on their behalf in accordance with the Offer Information Statement. CPF Funds may not, however, be used for the purchase of the provisional allotments of the Rights Shares directly from the market.

Notwithstanding the foregoing, investors should note that the offer and sale of, or exercise or acceptance of, or subscription for, Rights Shares to or by persons located or resident in jurisdictions other than Singapore may be restricted or prohibited by the laws of the relevant jurisdiction. Crediting of the Rights Shares to any securities account with CDP, the receipt of any Rights Shares, or receipt of the Offer Information Statement and/or any of its accompanying documents, will not constitute an offer or sale in those jurisdictions in which it will be illegal to make such offer or sale, or where such offer or sale will otherwise violate the securities laws of such jurisdictions or be prohibited. The Company reserves absolute discretion in determining whether any Shareholder located or resident outside Singapore may participate in the Rights Issue.

Foreign Shareholders

For practical reasons and in order to avoid violating applicable securities laws outside Singapore, the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not at least three (3) Market Days prior thereto provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices or documents in accordance with the foregoing (*Foreign Shareholders*).

To the extent it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made 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 dealings in the provisional allotments of Rights Shares commence.

The net proceeds from such sales (after deducting any applicable brokerage, commissions and expenses, including goods and services tax) will be aggregated 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 Books Closure Date and sent to them at their own risk by ordinary post, save that no payment will be made of amounts of less than S\$10.00 to a single or joint Foreign Shareholder which will ultimately accrue to the benefit of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, or CDP or their respective officers in connection therewith.

For the avoidance of doubt, even if a Foreign Shareholder has provided a Singapore address as aforesaid, offer of the Rights Shares to him will be subject to compliance with applicable securities laws outside Singapore to the extent reasonably practicable.

5. APPROVALS

The Irrevocable Undertakings and the Rights Issue is subject to, *inter alia*, the following:

- (a) the approval in-principle by the SGX-ST for the dealing in, listing and quotation of the Rights Shares on the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares under the Rights Issue); and
- (b) the lodgment of the Offer Information Statement with the Monetary Authority of Singapore.

An application will be made to the SGX-ST for permission to deal in, and for the listing and quotation of, the Rights Shares on the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

The Offer Information Statement in relation to the details of the Rights Issue will be lodged with the Monetary Authority of Singapore and despatched to Shareholders in due course.

Where there are any variations or amendments to the proposed Rights Issue, the Company will make further announcements as and when appropriate.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, and as far as the Directors are aware, none of the substantial shareholders of the Company (save as set out in Section 2) has any interest, direct or indirect in the Rights Issue.

7. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

8. CAUTIONARY STATEMENTS

With effect from 2 March 2015, the SGX-ST implemented a minimum trading price requirement of S\$0.20 per share as a continuing listing requirement for issuers listed on the Mainboard of the SGX-ST (*MTP Requirement*). A one-time transition period of 12 months from 2 March 2015 (i.e. 1 March 2016) will be given to affected issuers to undertake corporate actions to meet the new requirement, and such affected issuers will only be placed on the watch-list if they are unable to meet the minimum trading price requirement after this 12 month transition period. Issuers which are unable to take steps to raise their minimum trading price and exit the watch-list will be delisted after a 36 month cure period. The Company, being listed on the Mainboard of the SGX-ST, will be required to satisfy the MTP Requirement.

At an extraordinary general meeting held on 20 April 2015, the Company had sought its Shareholders approval for, *inter alia*, the proposed consolidation of its shares to comply with the MTP requirement and such resolution for the proposed consolidation was not passed by the Shareholders.

Shareholders should note that in the event that the Company is unable to meet the MTP Requirement by March 2016, the Company will be placed on the watch-list. If the Company is placed on the watch-list in March 2016, and it is still unable to comply with the MTP Requirement by March 2019, the Company will be delisted from the SGX-ST.

The Company confirms that it will, and is currently considering its options as to how the Company might comply with the MTP Requirement. In arriving at the issue price for the Proposed Rights Issue, the Company considered the last transacted share price before the announcement of the Proposed Rights Issue, and giving a reasonable discount to encourage Shareholders to subscribe for the Proposed Rights Issue, so that the market liquidity of the Company's Shares will improve. The Company will make further announcements of its plan(s) or course of action(s) to comply with the MTP Requirement as and when appropriate.

Shareholders should further note that CPF Funds (as defined herein) cannot be used to purchase shares of issuers on watch-list. Accordingly, if the Company is placed on watch-list, CPF Funds can no longer be used to purchase the Company's Shares. Shareholders who have previously bought Shares under the CPF Investment Scheme (*CPFIS*) prior the Company being placed on watch-list, can choose to hold or sell their Shares or participate in corporate actions, subject to the applicable CPFIS rules and limits for these Shares.

By Order of the Board

Dr. Ong Bee Huat
Executive Director
23 December 2015