
RESPONSE TO SGX QUERIES IN RESPECT OF THE ANNOUNCEMENT DATED 20 JANUARY 2025

The board of directors (the “**Board**”) of Hong Lai Huat Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it has received queries from the Singapore Exchange Securities Trading Limited (“**SGX RegCo**”) (the “**Queries**”) in relation to the Company’s announcement dated 18 March 2025.

Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Company’s announcements dated 20 January 2025 and 18 March 2025.

The Board wishes to respond to the Queries as follows:

SGX Query 1

In an announcement on 18 March 2025 in relation to the revised terms of a proposed placement to Mr. Dylan Ong, the Company disclosed that it had obtained approval from the Securities Industry Council to replace the pricing formula for the proposed placement with a fixed issue price of S\$0.03 per placement share, representing a 50% discount to the current market price of S\$0.06. The fixed issue price is subject to review and opinion by an independent financial adviser (“**IFA**”). Please respond to the following:

The Company disclosed that “The Company was informed by SGX RegCo that it had received feedback from shareholders of the Company that they would like to have certainty as to the issue price of the Placement Shares prior to voting on the Proposed Placement and the Whitewash Resolution at the EGM to be convened by the Company”. As per SGX’s query announced by the Company on 7 February 2025, SGX had asked the Board and the Audit Committee (“**AC**”) to explain why the Company cannot announce the issue price determined using the disclosed pricing formula based on the weighted average trading price of the shares of the Company over a 14-day period that is immediately preceding and at least 72 hours before the deadline for the submission of proxy votes for the EGM in relation to the proposed placement, and complete the placement shortly after receiving shareholders’ approval. Please disclose why the Board and the AC had instead approved the placement to be made to the Executive Director at a 50% discount to the market price instead of at the market price, which was initially agreed in the original placement agreement between the Executive Director and the Company.

Following the Company’s announcements dated 20 January 2025, 23 January 2025 and 7 February 2025, SGX RegCo informed the Company that it had received feedback from shareholders of the Company that they would like to have certainty as to the issue price of the Placement Shares prior to voting on the Proposed Placement and the Whitewash Resolution at the EGM to be convened by the Company. To address the concerns of SGX RegCo, the Company and Mr. Dylan Ong decided to propose an amendment to the Placement Agreement by replacing the Pricing Formula with the Fixed Issue Price, subject to Council’s approval. In addition, the Fixed Issue Price would also be subject to:

1. the review and opinion of an IFA. The IFA’s opinion will be disseminated to shareholders of the Company prior to the EGM to be convened to approve the Whitewash Resolution and the Proposed Placement;

2. Should the Fixed Issue Price exceed a 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the supplemental agreement substituting the Fixed Issue Price is contracted, the Company will seek specific shareholders' approval on 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 having a cardinal role in the management and operations of the Group and who currently does not hold any shares in the Company) has consistently been to encourage him to have an equity stake in the Company.

The Board and the Audit Committee decided on the Fixed Issue Price to take into account shareholders' feedback to have certainty as to the issue price of the Placement Shares prior to the EGM to be convened by the Company in respect of the Proposed Placement and the Whitewash Resolution, while concurrently providing Mr. Dylan Ong with an incentive to invest in an equity stake in the Company. This is consistent with the Board's objective for Mr. Dylan Ong to have sufficient skin in the game for the long term benefit of the Company. The Proposed Placement will be beneficial to the Company in view of the important executive roles and responsibilities of Mr Dylan Ong in the Group.

The approval of Council was sought on 14 February 2025 to replace the Pricing Formula with the Fixed Issue Price. On 17 March 2025, Council advised the Company that it has no objection to the proposed replacement of the Pricing Formula with the Fixed Issue Price.

The Board and Mr Dylan Ong have agreed not to proceed further with the Proposed Placement. The Company and Mr Dylan Ong will forthwith terminate the Placement Agreement of 23 January 2025 with immediate effect.

SGX Query 2

To provide the Board and the AC's justification and basis as to why it is not prejudicial to the Company and its minority shareholders to make the placement at a significant discount of 50% to the market price instead of fixing the placement price pricing formula based on the weighted average trading price of the shares of the Company over a 14-day period that is immediately preceding and at least 72 hours before the deadline for the submission of proxy votes for the EGM, and clearly explain the AC's views how this is on normal commercial terms and not prejudicial to the company and its minority shareholders.

The Company and Mr Dylan Ong have agreed to terminate the Proposed Placement with immediate effect. Consequently, the Board and the AC are of the view that this question is no longer relevant to address.

SGX Query 3

As the proposed placement to the Executive Director constitutes an interested person transaction under Chapter 9 of the Listing Manual, please disclose the value at risk of the proposed placement and the information required under Listing Rule 917.

Kindly refer to the Company's responses to Query 1 and Query 2 above.

SGX Query 4

Please disclose the identity of the IFA appointed by the Company and disclose the scope of reference of the IFA opinion and whether it will be required to advise on whether the issue price of S\$0.03 and the 50% discount to the current market price are on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The Company will not be appointing an IFA in view of the decision of the Company and Mr. Dylan Ong to terminate the Proposed Placement.

BY ORDER OF THE BOARD

Dato' Dr. Ong Bee Huat, PBM
Executive Deputy Chairman and Chief Executive Officer
19 March 2025