



HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)
Reg. No. 199905292D

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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 had received queries from the Singapore Exchange Securities Trading Limited (**"SGX"**) (the **"Queries"**) in relation to Company's announcement dated 20 January 2025 (the **"Announcement"**).

The Board wishes to respond to the Queries as follows:

SGX Query 1

We refer to the Company's Announcements on 20 Jan 2025 in relation to the Proposed Placement of New Shares in Hong Lai Huat Group Limited (**"Proposed Placement"**).

It was disclosed that the placement shares will be issued and allotted to Mr. Dylan Ong, an executive director of the Company, at a price that would be calculated with reference to the weighted average trading price of the shares of the Company (the **"Shares"**) over a 14-day period immediately preceding the date of the issuance and allotment of the Placement Shares (the **"Relevant Period"**) using the pricing formula provided in the announcement (**"Issue Price"**).

- a. Please disclose the rationale for using the pricing formula to determine the Issue Price for the placement shares and not a fixed price at the date of shareholders' approval.

Company's Response

The rationale for using the pricing formula announced by the Company instead of a fixed price as at the date of the shareholders' approval is to enable the proposed placement to be undertaken at a fair and transparent price adopting in substance the weighted average price formula defined in the Listing Manual. Mr. Dylan Ong first applied to the Securities Industry Council (**"SIC"**) to seek prior approval for a whitewash waiver on 2 December 2024 as the Proposed Placement would trigger a mandatory general offer obligation for Mr. Dylan Ong and his Concert Parties (as defined in the Announcement). SIC granted the whitewash approval on 20 January 2025 (the **"Whitewash Waiver"**) *inter alia* with the conditions (i) that shareholders must grant the approval for the Proposed Placement (the **"Whitewash Resolution"**) within 3 months of the date of the Whitewash Waiver, i.e. 20 January 2025, and (ii) the Proposed Placement must be completed within 3 months of the approval of the Whitewash Resolution. As a considerable period of time is envisaged to elapse before the Proposed Placement is completed, it would be more equitable, fair and transparent to all shareholders for the Company to adopt the pricing formula *mutatis mutandis* with the weighted average price as defined in the Listing Manual.

- b. Please explain why the Issue Price cannot be fixed as of the date of the execution of the placement agreement with Mr. Dylan Ong.

Company's Response



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The reason for not fixing the Issue Price as at the date of the Placement Agreement (dated 23 January 2025) is as set out in the response to Query 1(a) above.

SGX Query 2

Please disclose the estimated amount of proceeds proposed to be raised from the Proposed Placement using an illustration of the relevant computations based on the pricing formula of the placement shares.

Company's Response

Assuming the Proposed Placement completion is fixed on 23 January 2025, the estimated amount of proceeds (applying the pricing formula) from the proposed placement is SGD 2,308,671.

SGX Query 3

It was disclosed that the Company intends to use all proceeds raised from the Proposed Placement for the general working capital of the Company. We also note that the Company had to-date received US\$ 33.9 million (~S\$ 46.1 million) in aggregate from the recent disposal of HLHI (Cambodia) Company Limited ("HLHI") and HLH Agriculture (Cambodia) Co., Ltd for, inter alia, working capital purposes in relation to day-to-day operational expenses and property development projects ("Disposal proceeds").

a. Please disclose the utilization of these Disposal proceeds.

Company's Response

The utilization of the Disposal proceeds to-date are as follows:-

As at 23 January 2025	S\$' million ¹
Disposal proceeds received	45.2
Repayment of bank loans & interest	(10.1)
Repayment of loan from a controlling shareholder	(0.6)
Repayment to joint venture	(0.8)
Transaction expenses	(5.7)
Administrative costs and staff costs	(3.5)
Net disposal proceeds balance	24.5

Note 1: Calculated at the exchange rate of US\$1 = S\$1.33418

b. Please explain why the Company is raising additional working capital through the Proposed Placement.

Company's Response

The object of the Proposed Placement is not to raise funds for the Company. The rationale for the Proposed Placement as explained in paragraph 2.3 of the Announcement, is to provide Mr. Dylan Ong (an Executive Director of the Company performing substantive roles and functions in the Group's regional



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business) with an equity stake in the Group to align his interest with the long-term interest of the Company and its shareholders. Accordingly, the proceeds from the Proposed Placement will be deployed as working capital as there is no specific use for the funds from the Proposed Placement.

BY ORDER OF THE BOARD

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