



HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)

Reg. No. 199905292D

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RESPONSE TO SGX-ST'S QUERIES IN RELATED TO THE UNAUDITED HALF YEAR FINANCIAL RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2023

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-ST**”) (the “**Queries**”) in relation to Company’s announcement dated 7 August 2023 in respect of the Company’s unaudited half year financial results for the financial period ended 30 June 2023. The Board wishes to respond to the Queries as follows:

Query 1

The Company disclosed prepayments amounting to S\$0.6 million. However, we note that the cost of sales for the 6 months ended 30 June 2023 amounted to S\$0.2 million, which is less than the amount of prepayments. Please disclose:

- a. the nature of the prepayments;
- b. when the prepayments were made, and the terms of the prepayments, where applicable;
- c. the identities of the suppliers and whether they are related parties of the Group; and
- d. how long have these suppliers been supplying goods to the Company and the products they have been supplying.

Company’s Response

Biological assets relate to immature cassava that have yet to be harvested.

The immature cassava plantation costs consist of field preparation, planting, fertilising and an allocation of other related costs. In general, a cassava plantation takes about ten months to reach maturity from the time the seedlings are planted.

For sale of harvested cassava, revenue is recognised at a point in time when control of the goods is transferred to the customers and the immature cassava plantation costs that relate directly to the sale are allocated to cost of sale.

Prepayments are mainly amounts paid in advance for the administrative costs.

None of the suppliers are related parties of the Group.



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Query 2

We note that investment in associates increased from S\$2,000 as at 31 December 2022 to S\$7,175,000 to 30 June 2023. Please disclose:

- a. the details of the investment, including but not limited to the name of the associates that the Company has invested in, its date and country of incorporation and the Company's shareholding in the associates;
- b. who are the directors and shareholders of the associates and whether they are related to the directors, CEO and controlling shareholders of the Company or their associates;
- c. what are the activities being carried out by the associates and how is the investment in such associates in the best interest of the Company and its shareholders. Please provide the basis for the Board's views;
- d. whether the Company has complied with Listing Rule 706A which requires the Company to immediately announce, inter alia, any acquisition of shares resulting a company becoming a subsidiary or an associated company of the issuer; and
- e. as the amount exceeds 5% of the ratios under Listing Rule 1006, please disclose whether the Company had disclosed the relevant details in respect of the investment under Listing Rule 1010 and whether shareholders' approval had been obtained for the investment.

Company's Response

- a. On 9 December 2021, HLH Development Pte. Ltd. (the "HLHD"), a wholly-owned subsidiary of the Company, entered into a collaborative agreement with 2 individual third parties to set up an associated company, Jewel A Development Co., Ltd. (the "JA") in Cambodia for the development of a mixed-use real estate located in the Province of Preah Sihanouk, Cambodia. The Group holds 17.61% interest in JA.
- b. The directors and shareholders of JA:

Directors

Mr. Zhu Biao	(Third party)
Mr. Zheng Kun Dan	(Third party)
Dato' Dr. Ong Bee Huat	(Executive Deputy Chairman & Group CEO)
Mr. Tang Lyhour	(Third party)

Major shareholders

Mr. Zhu Biao	(Third party)
Mr. Zheng Kun Dan	(Third party)
HLHD	(Wholly-owned subsidiary of the company)

To the best knowledge of the directors, neither the third party directors nor the third party shareholders of the associated company have any relations with the Company and its directors or controlling shareholder.

None of the directors or controlling shareholder of the Company have any interest direct or indirect in the associated company, other than in their capacity as director of the associated company.



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Query 2 (continued)

Company's Response

- c. The principal activity of the associated company is that of a property development firm. The Board is in view that it is important and beneficial for the Company and best interest for its shareholders that we continue to diversified the portfolio for the Group real estate division in Cambodia. The directors of the company see potential opportunity that the associated company owned land is located on higher ground that offers unblocked view of the Gulf of Thailand and major infrastructure development projects situated next to the land.
- d. The Company has announced the collaborative agreement on 1 November 2022.
- e. Not applicable under Listing Rule 1006, as the associated company was newly incorporated.

Query 3

We note from Note 4 (Loss before income tax) that the Group recorded fair value loss on biological assets of S\$0.5 million. Please disclose and quantify the main changes in assumptions which resulted in the significant impairment of biological assets. Please elaborate with market data to support your response.

Company's Response

Biological assets relate to immature cassava that have yet to be harvested.

The fair value of the Group's biological assets at 30 June 2023 has been determined on the same basis of valuations carried out at 31 December 2022 by independent professional valuer having an appropriate recognised professional qualification and recent experience in the location and category of the assets being valued.

There are no changes in the assumptions applied between FY2022 and 1H FY2023.



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Query 4

Please provide a breakdown of the Group's freehold land and completed development properties held for sale by projects, and disclose the selling prices for FY2021 and FY2022, the take-up rates and the date of completion for each of these projects and the methodology applied for the valuations.

Company's Response

Description and location	Selling price		Take-up rate %	Date of completion
	FY2021	FY2022		
Freehold land located at Toul Kork District	NA	NA	NA	NA
D'Seaview, a mixed-use development property in Preah Sihanouk Province, Cambodia	Ave Residential: US\$2,293 psm US\$1,829 psm Ave Commercial: US\$2,631 psm Zero sale		72%	Dec-19

The fair values of the Group's freehold land and completed development properties held for sale at 30 June 2023 and 31 December 2022 have been determined on the basis of valuations carried out by independent professional valuer having an appropriate recognised professional qualification and recent experience in the location and category of the assets being valued. The independent professional valuer has adopted direct comparison method to values these assets.

Query 5

Please provide a breakdown of the Group's right-of-use assets and provide a status update on these assets.

Company's Response

Description	Net book value		Note
	30.06.2023 S\$'000	31.12.2022 S\$'000	
Leasehold land	61,672	61,940	a
Motor vehicle	444	271	b
	62,116	62,211	

a. The lease represents the land concession agreement in which HLH Agriculture (Cambodia) Co., Ltd., a wholly-owned subsidiary of the Company, has entered into with the Ministry of Economy and Finance (Cambodia) for the 50 years' concession leasehold lands located at Aoral District in Kampong Speu Province, Cambodia. The lease has remaining unexpired term of 36 years as at 30 June 2023.

b. The lease represents motor vehicles purchased under hire purchase agreement.



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Query 6

We note that revenue decreased from S\$0.6 million in 1H FY2022 to S\$0.2 million in 1H FY2023 due to, inter alia, zero property sales in Cambodia. Please disclose:

- what are the development projects in Cambodia, their location, current status, date of completion (if applicable) and take-up rate to-date;
- the main reasons and the factors that resulted there being zero property sales in the last 6 months up to 30 June 2023 while the Group's joint venture in the Royal Platinum project in Cambodia has reported increase in profitability; and
- whether the Group has made any impairment of the development properties and provide the basis for the Board's views.

Company's Response

- Development projects in Cambodia:

Description and location	% owned	Current status	Take-up rate %	Date of completion
Freehold land located at Toul Kork District	100%	Project hold	NA	NA
D'Seaview, a mixed-use development property in Preah Sihanouk Province, Cambodia	100%	Completed	72%	Dec-19
Royal Platinum, a mixed-used development property in Phnom Penh, Cambodia	50%	Under construction	12%	NA

- Negative sentiments of kidnapping, human trafficking and industrial-scale scam centers in Preah Sihanouk Province, Cambodia have affected our sales significantly in 1H FY2023 for the Group's D'Seaview project. However, these negative sentiments have not directly affected Royal Platinum sales, located at Phnom Penh, the capital and most populous city of Cambodia.
- Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Net realisable value of the development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

No impairment loss is recognised because the net realisable value is higher than the cost.



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Query 7

Please provide a review of the performance of the Group's joint venture to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:

- a. any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- b. any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current period reported on.

Company's Response

The principal activities of the Group's JV, Royal Hong Lai Huat One Company Limited (the "RHLH") incorporated in the Kingdom of Cambodia are property development and real estate. The JV develops and sells residential and commercial properties.

RHLH first mixed-use real estate project, Royal Platinum (the "RP") is currently being built in Toul Kork District, Phnom Penh, Cambodia. Construction on the RP project has reached a major milestone with nearly 60% completion as of June 2023. Roof topping out ceremony was held on 26 March 2023 (announced on 27 March 2023). An encouraging, sales in RP project are slowly improving as compared to the COVID-19 pandemic period.

- a. No significant factors affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors,
- b. No material factors affected the cash flow, working capital, assets or liabilities of the Group during the current period reported on.

By Order of the Board

Dato Dr. Ong Bee Huat
Executive Deputy Chairman & Group Chief Executive Officer
21 August 2023