# GLOBAL PALM RESOURCES HOLDINGS LIMITED

(Company Registration No. 200921345M)
(Incorporated in the Republic of Singapore)

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**VOLUNTARY CONDITIONAL CASH OFFER FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF GLOBAL PALM RESOURCES HOLDINGS LIMITED**

**RESPONSES TO SGX-ST'S QUERIES**

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## 1. Introduction

1.1 The board of directors ("**Board**") of Global Palm Resources Holdings Limited ("**Company**") refer to the queries received from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") received on 10 May 2023 in relation to the questions and issues raised in the SIAS Press Statement ("**SIAS Press Statement**") dated 8 May 2023 and the Business Times article dated 8 May 2023. In particular, the SIAS Press Statement questions whether the Offer can be described as "fair and reasonable".

1.2 Provenance Capital Pte. Ltd. ("**IFA**"), the independent financial adviser appointed to advise the directors of the Company who are considered to be independent for the purpose of making a recommendation to Shareholders in respect of the Offer ("**Independent Directors**"), has issued a response letter dated 10 May 2023 addressed to the Independent Directors which sets out their responses to the SGX-ST's queries ("**IFA Response Letter**"). The IFA Response Letter is set as an Appendix to this announcement.

1.3 Unless otherwise defined, all capitalised terms used herein have the same meanings as defined in the offeree board circular dated 3 May 2023 ("**Offeree Circular**") and the IFA letter dated 3 May 2023 ("**IFA Letter**"). The IFA Letter is set out in Appendix I of the Offeree Circular.

## 2. SGX-ST Queries

The Company sets out below the responses of the IFA to the SGX-ST's queries in relation to the SGX-ST's queries.

2.1 **<u>SGX-ST Query 1</u>:**

***In respect of Question 1 of the Press Statement, which provides:***

***"When comparing the offer to comparable companies, the IFA had set an arbitrary market cap limit ofS$500m, thus arriving at only two "Comparable Companies" listed on SGX and excluding the market leaders that are listed on SGX. The IFA then included eight such companies that are listed on the Indonesian Stock Exchange which is also an emerging market. SIAS acknowledges this is a judgement call but urges shareholders to ask themselves whether it really is appropriate not to consider firms listed on the home market in favour of several in an overseas market when arriving at valuation metrics."***

***Please also provide the IFA's assessment on, in the event that other "comparable companies" which are listed on the SGX and are above the limit of S$500m have been selected, whether (1) there will be any change to its assessment that the financial terms***

***of the offer is both fair and reasonable; and (2) whether there will be any changes to the factors and assessment of the financial terms of the offer as detailed at Section 8 of the IFA opinion.***

**IFA's Response to SGX-ST Query 1:**

In evaluating the Offer against Comparable Companies, the IFA had set the market cap limit of S$500 million for a more meaningful comparison after taking into consideration the following:

(i) The Company's implied market cap is only S$62.3 million based on the Offer Price. A market cap limit of S$500 million represents 8 times the implied market cap of the Company, a sufficiently high upper range for purposes of a meaningful comparison for the Offer; and

(ii) In view of the limited Comparable Companies listed on the SGX-ST, the IFA have extended its search to Comparable Companies listed on the Indonesian Stock Exchange ("**IDX**"). These 8 IDX-listed Comparable Companies also have oil palm plantations operations in Indonesia, similar to the Company, and had market cap within S$500 million. This provided a more extensive list of Comparable Companies for the purpose of evaluating the Offer.

While SIAS had viewed IDX as an emerging market, these 8 IDX-listed Comparable Companies had PERs of between 3.7 times and 46.4 times, and P/NAV ratios of between 0.51 times and 1.68 times. In comparison, the 2 SGX-ST listed Comparable Companies had PERs of between 6.5 times and 9.4 times, and P/NAV ratios of between 0.39 times and 0.81 times.

In the event that only the Comparable Companies listed on the SGX-ST were included in the analysis including Comparable Companies with market cap of above S$500 million ("**SGX-Listed Comparable Companies**"), the IFA's analysis shows that the Offer is comparable and/or better than valuation statistics of these SGX-Listed Comparable Companies as shown in the table below.

| SGX-Listed Comparable Companies | Last financial year-end | Market capitalisation as at 31 March 2023 (S$ million) | PER (times) | P/NAV ratio (times) |
|---|---|---|---|---|
| Golden Agri-Resources Ltd | 31 Dec 2022 | 3,614.3 | 3.5 | 0.54 |
| First Resources Ltd | 31 Dec 2022 | 2,463.6 | 5.7 | 1.40 |
| Bumitama Agri Ltd | 31 Dec 2022 | 979.8 | 4.0 | 0.91 |
| Indofood Agri Resources Limited | 31 Dec 2022 | 432.7 | 6.5 | 0.39 |
| Kencana Agri Ltd. | 31 Dec 2022 | 33.0 | 9.4 | 0.81 |
| **High** | | | **9.4** | **1.40** |
| **Low** | | | **3.5** | **0.39** |
| **Mean** | | | **5.8** | **0.81** |
| **Median** | | | **5.7** | **0.81** |
| **The Company (implied by the Offer Price)** | **31 Dec 2022** | **62.3** | **10.0** | **0.85**<br>**(based on NAV per Share as at 31 December 2022)**<br>**0.78** |

| | |
|---|---|
| | **(based on RNAV per Share as at 31 December 2022)** |

***Source**: Bloomberg L.P. and publicly available financial information on the SGX-Listed Comparable Companies*

Based on the above statistics, the IFA notes that:

(i) The Group's PER of 10.0 times implied by the Offer Price is higher than the upper range of the PERs of the SGX-Listed Comparable Companies and therefore higher than the mean and median PERs of the SGX-Listed Comparable Companies of 5.8 times and 5.7 times respectively;

(ii) The P/NAV ratio of 0.85 times of the Group implied by the Offer Price is within the range and slightly above the mean and median P/NAV ratios of 0.81 times of the SGX-Listed Comparable Companies; and

(iii) The P/RNAV ratio of 0.78 times of the Group as implied by the Offer Price is within the range, and slightly below the mean and median P/NAV ratios of 0.81 times of the SGX-Listed Comparable Companies. However, as pointed out in the IFA Letter, the P/NAV ratios of the Comparable Companies may not be a like-to-like comparison to the P/RNAV ratio of the Group as these Comparable Companies may not have revalued their bearer plants for purposes of their reported financial results and hence, their estimated RNAV information may not be publicly available. The same reasoning applies to the SGX-Listed Comparable Companies.

Following from the above, the IFA is of the view that the comparison of the Offer with SGX-Listed Comparable Companies do not change its assessment that the financial terms of the Offer are fair and reasonable.

**The Independent Directors concur with the IFA's response above.**

2.2 **<u>SGX-ST Query 2</u>:**

***In respect of Question 2 of the Press Statement, which provides:***

***"When compared to recent going-private transactions on the SGX, the IFA listed 13 such transactions. While the GRP offer looks attractive when compared to the volume weighted average price due to its depressed trading price, it was the second lowest in terms of price-earnings ratio and substantially below the mean PER. The P/RNAV ratio is also 27% below the mean P/NAV (or RNAV where applicable)."***

***Please also provide the IFA's explanation as to whether the above-mentioned factors have been taken into consideration and if they have any implication on the IFA's assessment of the financial terms of the offer.***

**<u>IFA's Response to SGX-ST Query 2:</u>**

The IFA believed that SIAS had made its comments solely based on the overall statistical results of the high, low, mean and median PERs and P/NAV ratios of the 13 Precedent Privatisation Transactions, as set out in the table on page 25 of the IFA Letter.

The information in the table lay bare the statistics of these Precedent Privatisation Transaction as they are. However, the IFA has analysed at length under the section on "Our observations", the IFA's observations and analysis of these statistics and how they may or may not be a like-to-like comparison.

It is therefore pertinent for Shareholders to read carefully the IFA's observations of these statistics as set out on pages 26 and 27 of the IFA Letter. An extract of the section on "Our Observations" of the IFA Letter is reproduced below for reference:

*"<u>Our observations</u>*

*Based on the salient statistics of the Precedent Privatisation Transactions, we note the following:*

*(a) with respect to the comparison in terms of offer price premium above market share prices over the relevant periods ("**Offer Price/Market Price Premium**"), the Offer Price for the Company represents Offer Price/Market Price Premia which are significantly above the mean and median premia of the Precedent Privatisation Transactions for the relevant periods;*

*(b) with respect to the comparison in terms of P/NAV ratio and PER, such comparison is less obvious in view of the different industries that the target companies were engaged in, and therefore do not make a meaningful like-to-like comparison, as analysed below:*

*(i) none of the 13 target companies are engaged in the agrifood business which could be a more direct comparison with the Company;*

*(ii) of the 13 target companies, 4 of them were engaged in property related industry and were asset heavy, namely Hwa Hong, Chip Eng Seng, Memories and Global Dragon. Their earnings tended to be lumpy which resulted in high PERs, ranging between 22.9 and 85.0 times. The P/NAV ratios ranged between 0.56 and 1.02 times, with an average of 0.78 times;*

*(iii) a further 2 target companies either have NAV which comprised substantially cash (SP Corp) or is an investment company (G. K. Goh). These 2 companies were loss-making and therefore PER was not meaningful, and their P/NAV ratios were 1 time or close to 1 time;*

*(iv) 2 other target companies were loss-making (MS Holdings and Colex) and therefore PER was not meaningful. Their P/NAV ratios were 0.48 times and 1.54 times, with an average of 1 time;*

*(v) 3 target companies which were in the medical healthcare sector (SOG, SMG and AHS) were profitable with high PERs ranging from 13.2 to 20.5 times, with an average of 16.8 times. As the valuation of these companies was predominantly driven by their earnings potential and these companies were relatively asset light, their P/NAV ratios had ranged between 1.14 and 3.30 times, with an average of 2.17 times; and*

*(vi) the remaining 2 target companies in the Precedent Privatisation Transactions (Excelpoint and Moya Holdings which are engaged in inter alia electronics components trading and waste management services respectively) were profitable, had PERs of 6.8 times and 10.1 times, with an average of 8.5 times. The valuation of these companies was predominantly driven by their earnings potential and these companies were also relatively asset light, resulting in their P/NAV ratios of 1.53 times and 1.03 times, with an average of 1.28 times.*

*(c) the Group had become profitable in the last 2 financial years, FY2021 and FY2022 after incurring losses from FY2018 to FY2020. The earnings valuation approach is applicable to the Company. However, we note that the Group is relatively asset heavy in view of the nature of its business where it had invested heavily in its PPE and bearer plants for future income growth. The Group has no borrowings and utilises its cash balances for its operations. The asset backing approach is also be applicable to the Company.*

*In view of the above, in terms of the earnings valuation approach, the PER of 10.0 times implied by the Offer Price is comparable with the range and average PERs of Excelpoint and Moya Holdings (point (b)(vi) above); and in terms of net asset backing approach, the P/NAV and P/RNAV ratios of 0.85 times and 0.78 times respectively implied by the Offer Price are comparable with the range and average P/NAV ratios of the asset heavy property related companies (point (b)(ii) above)."*

Following from the above, the IFA is of the view that it has analysed the comparability of the Precedent Privatisation Transactions and made its assessment of the Offer taking into account the saliant statistics of the relevant selected target companies in the Precedent Privatisation Transactions.

The IFA's assessment that the financial terms of the Offer are fair and reasonable is summarised in Section 8.5 (pages 27 and 28) of the IFA Letter based on various factors including comparisons with the Comparable Companies and the Precedent Privatisation Transactions. An extract of Section 8.5 of the IFA Letter is set out below for reference:

***"8.5 Estimated value range of the Shares***

*In the preceding Sections 8.1 to 8.4 above, we have analysed the following:*

*(a) the Offer Price for the Company represents mostly a substantial premium above the historical market prices of the Shares in the 1-Year Period prior to the Offer Announcement. Trading liquidity on the Shares were generally low during this period and the Shares were traded on only 68 days out of 250 market days during the 1-Year Period. The average daily trading volume was only approximately 6,000 Shares. Following the release of the Offer Announcement and up to the Latest Practicable Date, the Shares had generally traded close to but below the Offer Price and appeared to be supported by the Offer Price;*

*(b) historically, the Shares had been trading at P/NAV ratios of well below 1.0 time, and at an average of P/NAV ratio of 0.57 times in the last three years since 1 January 2020 to 28 March 2022. The P/NAV ratio of 0.85 times (implied by the Offer Price) is therefore better than the historical trading P/NAV ratios for the Shares;*

*(c) the PER of 10.0 times implied by the Offer Price is above the mean and median PERs of the Comparable Companies of 6.8 times and 6.7 times respectively;*

*(d) the P/NAV ratio of 0.85 times (implied by the Offer Price) is within the range, close to the mean and above the median P/NAV ratios of the Comparable Companies. The P/RNAV ratio of 0.78 times (implied by the Offer Price) is within the range, comparable to the median and lower than the mean P/NAV ratios of the Comparable Companies, although this may not be a like-to-like comparison as the P/NAV ratios of the Comparable Companies may not be based on their revalued NAVs;*

(e) *the Offer Price for the Company represents Offer Price/Market Price Premia which are significantly above the mean and median premia of the Precedent Privatisation Transactions; and*

(f) *the PER and P/RNAV ratios implied by the Offer Price of 10.0 times and 0.78 times respectively are comparable to the ratios of selected target companies in the Precedent Privatisation Transactions as analysed in Section 8.4 above.*

*Overall, on balance, we are of the view that **our estimated value range of the Shares is between S$0.25 and S$0.29**, representing PER of the Group of between 10.0 times and 11.7 times, P/NAV ratio of the Group of between 0.85 times and 0.99 times, and P/RNAV ratio of the Group of between 0.78 times and 0.90 times.*

*Hence, we are of the opinion that the Offer Price of S$0.25 is fair and reasonable, as it is within our estimated value range of the Shares."*

**The Independent Directors concur with the IFA's response above.**

**As such, having carefully considered the terms of the Offer, the advice given by the IFA in the IFA Letter, and the IFA's responses to SGX-ST's queries in the IFA Response Letter, the Independent Directors concur with the IFA in respect of the Offer, and maintains the recommendation to Shareholders to ACCEPT the Offer. Shareholders who wish to realise their investments in the Company can choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs). Please refer to Section 13.2 of the Circular for details.**

**3. Directors' Responsibility Statement**

3.1 The directors of the Company (including any director who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed 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.

3.2 Where information in this announcement has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including, without limitation, the Offeree Circular and the IFA Letter), the sole responsibility of the directors of the Company has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

**BY ORDER OF THE BOARD**

Yee Kit Hong
Lead Independent Director

11 May 2023

*Appendix: IFA Response Letter*

PROVENANCECAPITAL

10 May 2023

Global Palm Resources Holdings Limited
105 Cecil Street, #24-01
The Octagon
Singapore 069534

To: The Independent Directors of Global Palm Resources Holdings Limited
(who are deemed to be independent in respect of the Offer)

| | |
|---|---|
| Mr Yee Kit Hong | Lead Independent Director |
| Mr Murugiah Rajaram | Independent Director |
| Mr Guok Chin Huat Samuel | Independent Director |

Dear Sirs,

**RESPONSES TO QUERIES RAISED BY THE SGX-ST IN RELATION TO COMMENTS IN THE SIAS PRESS STATEMENT AND BUSINESS TIMES ARTICLE DATED 8 MAY 2023**

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to shareholders ("**Shareholders**") of Global Palm Resources Holdings Limited ("**Circular**") and our IFA letter ("**IFA Letter**"), both dated 3 May 2023.*

Set out below are our responses to the queries raised by the SGX-ST on 9 May 2023 in relation to comments in the SIAS Press Statement and the related Business Times article, both dated 8 May 2023:

**<u>SGX-ST Query 1</u>**

*In respect of Question 1 of the Press Statement, which provides:*

*"When comparing the offer to comparable companies, the IFA had set an arbitrary market cap limit of S$500m, thus arriving at only two "Comparable Companies" listed on SGX and excluding the market leaders that are listed on SGX. The IFA then included eight such companies that are listed on the Indonesian Stock Exchange which is also an emerging market. SIAS acknowledges this is a judgement call but urges shareholders to ask themselves whether it really is appropriate not to consider firms listed on the home market in favour of several in an overseas market when arriving at valuation metrics."*

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**<u>Our response to SGX-ST Query 1</u>**

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Provenance Capital Pte. Ltd.
Co. Reg. No: 200309056E
96 Robinson Road, #13-01 SIF Building, Singapore 068899 | Tel: (65) 6227 5810 | Fax: (65) 6224 6316

(ii) In view of the limited Comparable Companies listed on the SGX-ST, we have extended our search to Comparable Companies listed on the Indonesian Stock Exchange ("**IDX**"). These 8 IDX-listed Comparable Companies also have oil palm plantations operations in Indonesia, similar to the Company, and had market cap within S$500 million. This provided a more extensive list of Comparable Companies for the purpose of evaluating the Offer.

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In the event that only the Comparable Companies listed on the SGX-ST were included in the analysis including Comparable Companies with market cap of above S$500 million ("**SGX-Listed Comparable Companies**"), our analysis shows that the Offer is comparable and/or better than valuation statistics of these SGX-Listed Comparable Companies as shown in the table below.

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***Source****: Bloomberg L.P. and publicly available financial information on the SGX-Listed Comparable Companies*

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(ii) The P/NAV ratio of 0.85 times of the Group implied by the Offer Price is within the range and slightly above the mean and median P/NAV ratios of 0.81 times of the SGX-Listed Comparable Companies; and

(iii) The P/RNAV ratio of 0.78 times of the Group as implied by the Offer Price is within the range, and slightly below the mean and median P/NAV ratios of 0.81 times of the SGX-Listed Comparable Companies. However, as pointed out in our IFA Letter, the P/NAV ratios of the Comparable Companies may not be a like-to-like comparison to the P/RNAV ratio of the Group as these Comparable Companies may not have revalued their bearer plants for purposes of their reported financial results and hence, their estimated RNAV information may not be publicly available. The same reasoning applies to the SGX-Listed Comparable Companies.

Following from the above, we of the view that the comparison of the Offer with SGX-Listed Comparable Companies do not change our assessment that the financial terms of the Offer are fair and reasonable.

**SGX-ST Query 2**

*In respect of Question 2 of the Press Statement, which provides:*

*"When compared to recent going-private transactions on the SGX, the IFA listed 13 such transactions. While the GRP offer looks attractive when compared to the volume weighted average price due to its depressed trading price, it was the second lowest in terms of price-earnings ratio and substantially below the mean PER. The P/RNAV ratio is also 27% below the mean P/NAV (or RNAV where applicable)."*

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It is therefore pertinent for Shareholders to read carefully our observations of these statistics as set out on pages 26 and 27 of our IFA Letter. We have reproduced an extract of the section on "Our observations" below for reference:

*"Our observations*

*Based on the salient statistics of the Precedent Privatisation Transactions, we note the following:*

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*(b) with respect to the comparison in terms of P/NAV ratio and PER, such comparison is less obvious in view of the different industries that the target companies were engaged in, and therefore do not make a meaningful like-to-like comparison, as analysed below:*

*(i) none of the 13 target companies are engaged in the agrifood business which could be a more direct comparison with the Company;*

*(ii) of the 13 target companies, 4 of them were engaged in property related industry and were asset heavy, namely Hwa Hong, Chip Eng Seng, Memories and Global Dragon. Their earnings tended to be lumpy which resulted in high PERs, ranging between 22.9 and 85.0 times. The P/NAV ratios ranged between 0.56 and 1.02 times, with an average of 0.78 times;*

*(iii) a further 2 target companies either have NAV which comprised substantially cash (SP Corp) or is an investment company (G. K. Goh). These 2 companies were loss-making and therefore PER was not meaningful, and their P/NAV ratios were 1 time or close to 1 time;*

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> (v) *3 target companies which were in the medical healthcare sector (SOG, SMG and AHS) were profitable with high PERs ranging from 13.2 to 20.5 times, with an average of 16.8 times. As the valuation of these companies was predominantly driven by their earnings potential and these companies were relatively asset light, their P/NAV ratios had ranged between 1.14 and 3.30 times, with an average of 2.17 times; and*
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> (c) *the Group had become profitable in the last 2 financial years, FY2021 and FY2022 after incurring losses from FY2018 to FY2020. The earnings valuation approach is applicable to the Company. However, we note that the Group is relatively asset heavy in view of the nature of its business where it had invested heavily in its PPE and bearer plants for future income growth. The Group has no borrowings and utilises its cash balances for its operations. The asset backing approach is also be applicable to the Company.*
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> *In view of the above, in terms of the earnings valuation approach, the PER of 10.0 times implied by the Offer Price is comparable with the range and average PERs of Excelpoint and Moya Holdings (point (b)(vi) above); and in terms of net asset backing approach, the P/NAV and P/RNAV ratios of 0.85 times and 0.78 times respectively implied by the Offer Price are comparable with the range and average P/NAV ratios of the asset heavy property related companies (point (b)(ii) above)."*

Following from the above, we are of the view that we have analysed the comparability of the Precedent Privatisation Transactions and made our assessment of the Offer taking into account the saliant statistics of the relevant selected target companies in the Precedent Privatisation Transactions.

Our assessment that the financial terms of the Offer are fair and reasonable is summarised in Section 8.5 (pages 27 and 28) of our IFA Letter based on various factors including comparisons with the Comparable Companies and the Precedent Privatisation Transactions. An extract of Section 8.5 is set out below for reference:

> ***"8.5 Estimated value range of the Shares***
>
> *In the preceding Sections 8.1 to 8.4 above, we have analysed the following:*
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> (a) *the Offer Price for the Company represents mostly a substantial premium above the historical market prices of the Shares in the 1-Year Period prior to the Offer Announcement. Trading liquidity on the Shares were generally low during this period and the Shares were traded on only 68 days out of 250 market days during the 1-Year Period. The average daily trading volume was only approximately 6,000 Shares. Following the release of the Offer Announcement and up to the Latest Practicable Date, the Shares had generally traded close to but below the Offer Price and appeared to be supported by the Offer Price;*
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> (b) *historically, the Shares had been trading at P/NAV ratios of well below 1.0 time, and at an average of P/NAV ratio of 0.57 times in the last three years since 1 January 2020 to 28 March 2022. The P/NAV ratio of 0.85 times (implied by the Offer Price) is therefore better than the historical trading P/NAV ratios for the Shares;*
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> (c) *the PER of 10.0 times implied by the Offer Price is above the mean and median PERs of the Comparable Companies of 6.8 times and 6.7 times respectively;*
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> (e) *the Offer Price for the Company represents Offer Price/Market Price Premia which are significantly above the mean and median premia of the Precedent Privatisation Transactions; and*

*(f) the PER and P/RNAV ratios implied by the Offer Price of 10.0 times and 0.78 times respectively are comparable to the ratios of selected target companies in the Precedent Privatisation Transactions as analysed in Section 8.4 above.*

*Overall, on balance, we are of the view that **our estimated value range of the Shares is between S$0.25 and S$0.29**, representing PER of the Group of between 10.0 times and 11.7 times, P/NAV ratio of the Group of between 0.85 times and 0.99 times, and P/RNAV ratio of the Group of between 0.78 times and 0.90 times.*

*Hence, we are of the opinion that the Offer Price of S$0.25 is fair and reasonable, as it is within our estimated value range of the Shares."*

Yours faithfully
For and on behalf of
**PROVENANCE CAPITAL PTE. LTD.**

Wong Bee Eng
Chief Executive Officer