



HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)

Reg. No. 199905292D

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RESPONSE TO SGX-ST QUERIES DATED 06 NOVEMBER 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 has received queries from the Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Queries") in relation to Company's announcement dated 06 November 2023 in respect of the Company's Announcement on the Entry into Strategic Term Sheet. The Board wishes to respond to the Queries as follows:

Query 1: The Company disclosed that "the total aggregate consideration for the Proposed Transaction is approximately USD 32,500,000" in relation to the Company's disposal of 50% of HLH AGRICULTURE (CAMBODIA) CO., LTD. As the consideration amount is approximately 200% of the Company's current market capitalization of SGD 21.75m, please confirm that the Company will comply with Listing Rule 1014, including obtaining Shareholders' approval for the disposal and that a valuation will be undertaken in accordance with Listing Rule 1014(5).

Response: Yes, as per what the Company had announced, it is part of the conditions precedent to completion, shareholders' approval will be required and one of the key criteria in order for the deal to proceed. An updated valuation of the asset will also be undertaken in accordance with Listing Rule 1015(5)

Query 2: To disclose the business activities of HLH AGRICULTURE (CAMBODIA) CO., LTD and its contribution to the Group's revenue, net profit and net asset value.

Response: HLH Agriculture (Cambodia) Co., Ltd's ("HLHA") current business activities are mainly on the cultivation of cassava (tapioca) through its cooperative contractors where the contractor is responsible to plant the cassava crop, provide field maintenance, as well as the harvesting of the cassava crop and HLHA will pay an agreed harvesting fee before selling the crop to the open market. As per FY2022 financial report, HLHA contributed 59% of Group's revenue, 80% of Group's net loss and 44% of Group's net asset value.

Query 3: Please disclose the total cost of investment and the amount of outstanding loans extended by the Company to HLH AGRICULTURE (CAMBODIA) CO., LTD to-date. To also disclose the book value and the gain or loss on disposal of the Proposed Transaction at the consideration of USD 32,500,000.

Response: As announced by the Company that this is a non-legal binding term sheet and there are various conditions precedent to be met before entering the legal binding sales and purchase agreement ("SPA"), The Company will disclose further details of the financial implication for the proposed transaction including the book value and the gain or loss on disposal of the consideration once the SPA has been entered into.

Query 4: Please disclose details of BioMatLink Co., Ltd. ("BioMat") including its place and year of incorporation, its net asset value and paid up capital, when it commenced business, its board of directors and its substantial shareholders.

Response: BioMat is incorporated in the year 2010 in the Kingdom of Thailand, its net asset value and paid up capital are around THB 100 million. Its Board of Directors comprises mainly of 5 seats and they are Dr Thanika Chintanapunt who is the substantial shareholder, Founder and CEO, Mr Kittisak Chaivut who serves as its Chief Operating Officer and remaining 3 board seats are its Financial Advisor, its Chief Marketing Officer as well as its Chief Technology Officer.

Query 5: It was disclosed that "the Proposed Transaction will be split into two phases". Please disclose details on what each of Phase One and Phase Two of the Proposed Transaction entail.



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Response: As announced, it is split in two phases for the proposed sale of the vendor shares as offered by BioMat and agreed by HLHA in the non-legal binding term sheet. It does not entail any splitting of land titles or division of assets as this is purely a deal for the sale of vendor shares to welcome a new strategic partner.

Query 6: **With respect to the Conditions Precedent, please disclose what are the “necessary governmental and third-party consents and approvals” that has to be obtained.**

Response: All such approvals are referring to the relevant authorities in the Kingdom of Cambodia and Singapore in which certain approvals are required to be obtained as part of the conditions precedent to completion. Such approval for example are tax authority in the Kingdom Cambodia in order to issue new tax certificates should the deal goes through or obtaining the relevant approval from Singapore stock exchange and conduct EGM with the Company’s shareholders for a significant deal like this.

Query 7: **Please disclose more details on how BioMat will fund the total aggregated consideration of USD 32,500,000 for the acquisition of up to 50% vendor shares in HLH Agriculture (Cambodia) Co., Ltd. and whether this will be paid in cash in Singapore and disclose the intended use of such proceeds.**

Response: As per the Company best knowledge, BioMat intends to fund the acquisition through its own internal company resources including but not limited to new funds raised from its Europe, Africa and Asia investors. The Company will disclose further details of the payment including the intended use of such proceeds once the SPA has been entered into.

Query 8: **To disclose what are the remaining business operations of the Company upon completion of the Proposed Transaction and quantify their contribution to the Company in terms of revenue, net profit and net asset value.**

Response: The Company will remain and always have been an Investment Holding as well as Property and Real Estate Developer, the Agricultural farms has always been part of our industrial development projects portfolio. The Company remaining business contribution should this deal goes through will come from its property units sales in the Kingdom of Cambodia as well as share of profits from its joint venture investments.

By Order of the Board

Ong Jia Jing
Group General Manager and Executive Director
07 November 2023