



HONG LAI HUAT GROUP LIMITED

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

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RESPONSE TO THE SGX-ST'S QUERIES IN RESPECT OF THE ANNOUNCEMENT DATED 14 AUGUST 2024

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 14 August 2024 in respect of the Company’s Half Yearly Results for the financial period ended 30 June 2024 (“**1H FY2024**”). The Board wishes to respond to the Queries as follows:

Query 1

The Company disclosed that revenue increased from Nil in FY2023 to S\$202k as Property sales in Cambodia increased by S\$0.2 million in 1HFY2024 vs. zero property sales in 1HFY2023. Please provide more details of the various projects and take up rates of the projects. To also provide details of the project(s) where sales generated in 1H 2024 and update on the progress in relation to project sales to-date.

Company's Response

Property sales of S\$0.2 million in 1H FY2024 are generated from the sale of one unit of D'Seaview project in Sihanoukville, Cambodia.

Details of 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	13%	NA



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Query 2

The Company disclosed that Other Expenses increased by S\$220k in 1HFY2023 to S\$454k in 1HFY2024 mainly due to foreign exchange losses in 1HFY2024.

(i) Please disclose the breakdown of the Company's Other Expenses in comparison to previous corresponding period, and provide explanations of material items contributing to the S\$454k Other Expenses.

(ii) Please explain the reasons for the Company incurring the significant foreign exchange losses (S\$220k) that exceeds its revenue (S\$202k) in 1HFY2024.

Company's Response

	Group		Note
	6 months ended 30 June		
	FY 2024 (Unaudited) S\$'000	FY 2023 (Unaudited) S\$'000	
<u>Other expenses</u>			
Foreign exchange loss	348	234	(a)
Reversal of deposits forfeited from property sales	106	-	(b)
	<u>454</u>	<u>234</u>	

(a) The Company's functional currency is Singapore Dollar. Translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The foreign exchange loss in 1H FY2024 was mainly due to the depreciation of Singapore Dollar against US Dollar on amounts due to subsidiaries balances denominated in US dollar held by the Company translated to functional currency at period-end.

	30.06.2024	31.12.2023	Exchange
	US\$'000	S\$'000	gain/(loss) S\$'000
<i>Exchange rate US\$ to S\$</i>		1.35579	1.31917
Amount due to subsidiaries	(12,484)	(16,924)	(16,468)
Bank balance	2,957	4,009	3,901
Foreign exchange loss			(348)



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Query 2 (Cont'd)

(b) PH One Development (Cambodia) Limited (“PH One”), a subsidiary of the Group has terminated the sale and purchase agreements (“SPA”) entered between PH One and certain buyer of its development properties in its D’Seaview project. The termination by PH One resulted from the failure by the buyers to make the requisite payments for the purchase in accordance with the clauses in the SPA. As a result, PH One has forfeited the deposit made by the buyer amounting to S\$106,000. The amount was recorded as other income in the financial year ended 31 December 2021.

The sale was subsequently completed in 1H FY2024 when the previous buyer has paid the balance purchase price for the unit. The full purchase price of S\$202,000 was recorded as revenue and the forfeited amount of S\$106,000 was recorded as other expenses in 1H FY2024.

Query 3

Please disclose the breakdown of the Company’s finance costs of S\$404k with explanation on the material items contributing to the balance. To also provide details on the Company’s plan for repayment of the loans, which contributed to the significant finance expenses that is 2x of the Company’s revenue generated in 1HFY2024 (S\$202k).

Company’s Response

	Group	
	6 months ended 30 June	
	FY 2024 (Unaudited) S\$'000	FY 2023 (Unaudited) S\$'000
Continuing operations		
Interest expenses - lease liabilities	7	4
Interest expenses - bank loans	397	288
	<u>404</u>	<u>292</u>

Finance costs comprise of interest cost on bank loans and finance lease liabilities.

Finance costs increased by approximately S\$112,000 or 38.4% from S\$292,000 in 1H FY2023 to S\$404,000 in 1H FY2024. This was mainly due to the Group drew down a loan amounting to US\$5 million and bears an interest rate at 8.5% per annum (repayable in 120 equal instalments) in March 2023, incurring 3 months of interest cost (April to June 2023) amounting to S\$157,000 as compared to incurring 6 months of interest cost (January to June 2024) amounting to S\$272,000 in 1H FY2024.

The Company refers announcement on 3 May 2024, Circular to shareholders in relation to the proposed disposal of HLHI (Cambodia) Company Limited (“HLHI”) and HLH Agriculture (Cambodia) Co., Ltd. (“HLHA”), the Group intends to use part of the net proceeds raised from the proposed disposals for repayment of the bank loans.



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Query 4

With respect to the proposed disposal of HLH Agriculture (Cambodia) Co., Ltd ("HLHA") and HLHI (Cambodia) Company Limited ("HLHI") for cash consideration of US\$36 million (~S\$47.5 million) and US\$1.5 million (~S\$2.0 million) respectively, the Company had disclosed that the proposed disposal of HLHI was completed on 4 August 2024.

(i) Please confirm whether the cash consideration for HLHI of US\$1.5 million (~S\$2.0 million) has been received in full upon the completion of the disposal and if so, please disclose the status of the use of proceeds raised and a breakdown with specific details on how the proceeds have been applied.

(ii) Please provide the status for the proposed disposal of HLHA and disclose how much of the cash consideration have been received out of the total amount of US\$36 million (~S\$47.5 million). To also provide the status of the use of proceeds raised and a breakdown with specific details on how the proceeds have been applied, where applicable.

Company's Response

- (i) The Company refers announcement on 5 August 2024 in relation to completion of disposal of HLHI, the Group has received the cash sum of US\$0.45 million being the first payment on 1 February 2024 and the cash sum of US\$1.05 million being the final payment of the HLHI disposal consideration payable under the HLHI Sale and Purchase Agreement ("SPA") upon the completion of the disposal of HLHI on 4 August 2024.
- (ii) The Group has received the cash sum of US\$0.1 million and US\$6.75 million on 1 February 2024 and 23 May 2024 respectively, being the HLHA first payment of the HLHA disposal consideration payable under the HLHA SPA.

The Group is in the process to complete the formalities and procedures as required by the relevant Cambodian authorities and purchaser to complete the disposal of HLHA in accordance with the terms and conditions of the HLHA SPA.



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Query 4 (cont'd)

Use of proceeds

The Company refers announcement on 5 February 2024 in relation to the proposal disposal of HLHI and HLHA and the Circular to Shareholders ("Circular") dated on 3 May 2024 issued by the Company in relation to the proposed disposal of HLHI and HLHA.

The Company would like to provide an update on the use of the net proceeds from the disposal of HLHI and HLHA as follow:

Use of net proceeds	Allocation of net proceeds as disclosed in the Circular (S\$' million)	Net proceeds received as at 27 August 2024 (S\$' million)	Net proceeds utilised as at 27 August 2024 (S\$' million)	Net proceeds balance as at 27 August 2024 (S\$' million)
<i>Investment in Jewel A project (Associate)</i>	-	-	(0.4)	-
On going capital requirement (70%*)	31.0	2.0	(0.4)	1.6
<i>Repayment of bank loans & interest</i>	-	-	(4.2)	-
<i>Repayment of loan from a controlling shareholder</i>			(0.4)	
<i>Repayment to joint venture</i>	-	-	(0.8)	-
<i>Administrative costs and staff costs</i>	-	-	(1.4)	-
General working capital (30%*)	13.3	8.0	(6.8)	1.2
Net proceeds	44.3	10.0	(7.2)	2.8

Note: * Subject to such changes or adjustments as the Board may consider necessary or desirable or based, inter alia, on the requirements of the business.

The above utilisation of the proceeds raised from the proposal disposal of HLHI and HLHA is consistent with the intended use of net proceeds disclosed in the Circular.

The Company will continue to make periodic announcements on the utilisation of the balance of the proceeds from the disposal of HLHI and HLHA as and when the proceeds are materially disbursed.



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Query 5

The Company disclosed that a significant impairment loss of S\$0.9 million was recognised for freehold land's carrying amount in 1HFY2024. The Company further disclosed on Page 14 that, inter alia, the fair values of the Group's freehold land at 30 June 2024 have been determined on the basis of valuations carried out by independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Noting that there were no similar impairment losses recorded in the prior 1HFY2023 period, please disclose the following information:

- (i) how the amount of impairment was determined;
- (ii) who are the independent professional valuers, their professional qualifications and track records in valuing similar assets;
- (iii) in respect of the valuations carried out – the value placed on the assets, the basis and the date of such valuations;
- (iv) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment; and
- (v) the reasons for the impairment losses.

Company's Response

- (i) Based on the valuation performed by an independent valuer, an impairment loss of US\$635,000 (equivalent to S\$853,000 based on an average exchange rate of US\$1 : S\$1.34392) was recognised in the Group's profit or loss for the financial period ended 30 June 2024.
- (ii) The Group appointed Cozy Home Co., Ltd. ("Cozy Home") to value the Group's land held for property development for the purpose of its Half Yearly Results for the financial period ended 30 June 2024.

Cozy Home is a fully licensed and insured real estate consulting firm registered with the Ministry of Commerce offering full-fledged real-estate services to corporate, institutional and individual clients in Cambodia. Cozy Home holds a Property Valuation License and Estate Agency License issued by the Ministry of Economic and Finance and is recognised by the National Bank of Cambodia. Cozy Home conducts a wide range of property and asset valuation services to its financial institution partners and corporate partners.



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Query 5 (Cont'd)

(iii) The Group's land held for property development comprises of a land located along Street 105, Off Street 273, Village of Toul Kork, Commune of Toul Sangkae 1, District of Russey Keo, City of Phnom Penh.

The fair value of the land as at 30 June 2024 was estimated at US\$21,001,000 as compared to US\$21,636,000 at 31 December 2023, as a result, an impairment loss of US\$635,000 is recognised in the Group's profit or loss for the financial period ended 30 June 2024. The property valuer, Cozy Home has performed a valuation of the land as at 30 June 2024 where the basis of the valuation is market value basis in accordance with the RICS Valuation Global Standard and International Valuation Standards. Cozy Home had arrived at the market value of the land using the market approach by way of direct comparison method of valuation. This method of valuation entails comparing recent ask price of other similar properties in the vicinity whilst making due allowances to factors such as location and size.

(iv) The Board is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.

(v) Please refer to the above response 5(i) and 5(iii).

By Order of the Board

Dato' Dr. Ong Bee Huat, PBM
Executive Deputy Chairman and Group Chief Executive Officer
27 August 2024