



HONG LAI HUAT GROUP LIMITED

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

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RESPONSES TO QUESTIONS RAISED BY SHAREHOLDER

The Board of Directors (the “Board”) of Hong Lai Huat Group Limited (the “Company”, and together with its subsidiaries, the “Group”) would like to provide its responses to the questions raised by its shareholder prior to the Extraordinary Meeting which will be held on 10.30am, 20th May 2024 at 1 Plymouth Avenue, Singapore 297753, Raffles Town Club, Dunearn Ballroom 1.

Question 1 Did the company make a mistake in entering the Cambodian agricultural market? Please detail and elaborate.	Response Please refer to our announcement titled “response to shareholder” dated on 26 April 2024 at question 5 and the respective response.
Question 2 The table in 4.4 indicates that HLHI has lost money in FY2021, FY 2022, FY2023. What went wrong with HLHI? Please detail and elaborate.	Response. The losses in FY2021, 2022 and 2023 are mainly attributed to the subsidiary being dormant without any ongoing operation.
Question 3 What lessons did the company learnt from its mistake in investing in HLHI? Please detail and elaborate.	Response There is no right or wrong in any investments as all forms of investments carries a certain risk of either a gain or loss which is subjected to market condition or economy at the time of exit.
Question 4 The table in 8.3 indicates that HLHA has lost a lot of money in FY2021, FY 2022, FY2023. HLHA lost \$17,752,490 in FY2023, lost \$10,812,471 in FY2022 and lost \$3,854,916 in FY2021. What went wrong with HLHA? Please detail and elaborate.	Response The losses are mainly attributed to impairment loss and minor operating loss recorded due to lower sales and cultivation area as compared to a year on year basis. Especially in FY2023, the higher losses reported are mostly the impairment loss for the Proposed Disposal of HLHA and HLHI.
Question 5 What lessons did the company learnt from its mistake in investing in HLHA? Please detail and elaborate clearly.	Response There is no right or wrong in any investments as all forms of investments carries a certain risk of either a gain or loss which is subjected to market condition or economy at the time of exit.
Question 6 What is the long-stop date of the SPA? Please detail.	Response Please refer to the announcement on SGX-ST on 04 May 2024 with regards to EGM materials which contains all the specific terms and conditions of the SPA.
Question 7 Besides shareholder approval, what conditions precedent remains unfulfilled till date? Please detail and elaborate.	Response We are pending the full approval from the Ministry of Agriculture in Cambodia for the Proposed Disposal of HLHA



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	as well as obtaining the shareholders' approval which will be held via the EGM on 20 May 2024 for both HLHA and HLHI.
<p>Question 8</p> <p>The disposal of the Cambodia agricultural assets takes time and requires several approvals, including shareholder approval. In the interim, how confident is the company that it has sufficient liquidity? Please detail and elaborate.</p>	<p>Response</p> <p>Please refer to our announcement titled "response to shareholder" dated on 26 April 2024 at question 7 and the respective response.</p>
<p>Question 9</p> <p>From table in 12.2, the property business in Cambodia made losses in FY2022 and FY2023. In fact, from FY2022 to FY 2023, the losses doubled! It seems that doing business in Cambodia, be it in agriculture or in property seems difficult. Should the company still continue operating in Cambodia? Businesses exist to make profit for its shareholders. The first lesson that all Finance students learn is that the ultimate goal of businesses is to maximise shareholder returns. Please detail and elaborate <i>clearly</i> whether it is <i>viable and sustainable</i> to do business <i>profitability</i> in Cambodia.</p>	<p>Response</p> <p>As explained in our circular and public disclosures in our financial reporting, the devastating impact of covid-19, the ongoing wars that resulted in rising interest rates, the widespread negative media reports about kidnapping and industrial scale scam centres have severely impacted the Group's ongoing business in the Kingdom of Cambodia. Shareholder can note that the Group manages to report a net profit in FY2021 as well as before covid-19 hits. Unfortunately we have suffered the losses based on the reasons explained above. However, with the recent successful hosting of the SEA GAMES by Cambodia as well as the visit of the US President for the ASEAN meetings, the Group believes and remain confident that the market will eventually recover for Cambodia as right now we navigate cautiously through the recovery after covid-19.</p> <p>Not all businesses are guaranteed to make a profit for its shareholders as it is subjected to various market movements, wars, economy situation, as well as other unforeseen circumstances. The Group will only be able to focus on its existing developments one at a time and not overly commit on any new projects until it has sold off a certain percentage of its existing development.</p> <p>Agriculture wise it has not been making any profit since its inception as mentioned in our circular which is why the Group is proposing to disposed two of its subsidiaries HLHA and HLHI and restructured its businesses to be a well-diversified property and real estate developer going forward.</p>
<p>Question 10</p> <p>Shareholders have over the last decade or so invested their money in the company (and further money via the several rights issues the company underwent). Through it all, shareholders have not been paid dividends or rewarded in any form besides seeing their share prices and value of their shares in Hong Lai Huat drop. Throughout</p>	<p>Response</p> <p>With due respect, is inaccurate to point out there isn't any dividends paid whereby there were two dividends paid out in recent financial year one being FY2018 and second being FY2021 when the Group manages to report reasonable net profit for its financial results as well as able to have retained earnings.</p> <p>With regards to the drop in shares price as well as its value,</p>



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<p>this ordeal, can the company share how management has shared and shouldered the pain alongside shareholders? Was the remuneration of management reduced in line with the losses the company suffered? Does management fly business class or first class when travelling? Does management understand the pain and suffering of shareholders? Does the company believe and practice shareholder alignment? Please detail and elaborate.</p>	<p>this is something beyond the Group's control as share prices are subject to market volatility as well as other various reasons that may affect the trade</p> <p>Thirdly, the management does not travel in business class or first class when it is assigned for work trips as the flight to Cambodia only takes one hour and thirty minutes. The Group's Deputy Chairman and CEO for example, has been travelling in Economy class to n for Singapore and Cambodia over the last 16 years where the Group has expanded its operations into Cambodia.</p>
<p>Question 11 HLH has a high debt of S\$10.9M as at end of Dec 2023, up from S\$4.6 M a year ago. The latest balance sheet shows that HLH group had a liability of S\$11M due within a year and S\$11.1M falling due after that. The group has only S\$3.98 million cash. This is a serious and risky situation and the balance sheet is rather weak. How is HLH Group able to meet this heavy liability as its financial performance is getting worse? What have the management done to improve the financial performance of the Group and as well as the cash balance?</p>	<p>Response The Company announced on 5 February 2024 that it has entered into an agreement for the Proposed Disposals of its two loss making subsidiaries in Cambodia namely HLH Agriculture (Cambodia) Co., Ltd ("HLHA") and HLHI Cambodia (Cambodia) Company Limited ("HLHI") in which it will raise the gross proceeds of USD 37.5 million. The Company has also announced on 3 May 2024 on SGXNET where it has uploaded the circular, issued the notice of EGM, for the purpose to convene the Extraordinary Meeting on 20 May 2024 to seek shareholders' approval for the Proposed Disposals of HLHA and HLHI. The sale of HLHA and HLHI, upon obtaining the relevant approvals will strengthen the Group's balance sheet to meet its short term and long-term debt obligations.</p>

BY ORDER OF THE BOARD

Dato Dr Ong Bee Huat
Executive Deputy Chairman and Group CEO
15 May 2024