



HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)

Reg. No. 199905292D

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PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN HLH AGRI R&D PTE. LTD. AS A MAJOR TRANSACTION – EXTRAORDINARY GENERAL MEETING AND RESPONSE TO QUESTION RAISED BY SHAREHOLDERS

Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the Circular.

The Board of Directors of Hong Lai Huat Group Limited (the “**Company**”) refers to the Company’s announcements dated 6 June 2021, 22 June 2021 and the Circular to Shareholders dated 13 August 2021 (the “**Circular**”) in relation to, amongst others, the extraordinary general meeting to be held by way of electronic means at 2.00 p.m. on 30 August 2021 (the “**EGM**”).

The Company would like to express its appreciation to Shareholders for submitting their questions in advance of the EGM by the deadline of 2.00 p.m. on 27 August 2021. The Company has received questions from Shareholders in relation to the proposed disposal, and has set out in the Appendix to this announcement response to the questions submitted.

BY ORDER OF THE BOARD

Ong Jia Jing
Group General Manager and Executive Director
Date: 27 August 2021

APPENDIX

1. What is the outlook of the company with this sale proceeds given the eventual post-COVID open up?

As disclosed in section 5.1 of the circular, the Company intends to use the sale proceeds for its general working capital requirements. As the Company does not currently have a shortage of working capital, it does not have specific plans for the allocation or utilisation of the sale proceeds for working capital requirements as yet.

In view of the ongoing COVID-19 pandemic and the resulting market uncertainty, the Company wishes to take a cautious approach and retain the sale proceeds as a buffer for any potential working capital needs that may arise in the course of our business operations.

2. When did the Company purchase HLH Agri R&D Pte. Ltd. and how much did the Company initially pay?

As disclosed in section 2.1 of the Circular, HLH Agri R&D Pte. Ltd. ("HLHARD") was incorporated on 15 November 2006 as a wholly-owned subsidiary of HLH Agri International Pte. Ltd. ("HLHAI") and HLHAI is, in turn, a wholly-owned subsidiary of the Company. An aggregate amount of S\$12,631,962 has been injected into HLHARD as its issued and paid up share capital.

3. The market value of the property is S\$8 million, why is the company selling the property at S\$4.8 million?

As disclosed in section 2.1 and 3.2 of the Circular, notwithstanding that the market value of the property is S\$8,000,000, the proposed disposal is beneficial to the Company and its Shareholders and the value of the consideration was determined based on the reasons cited below:

- HLHARD is loss-making;
- the lease agreement will end on 30 June 2021 and the rental proceeds from the same will also correspondingly cease;
- and there is no guarantee of HLHARD being able to procure another tenant on similar or better rental rates. It is also pertinent to note that the pool of potential purchasers for the farm resort is limited as it is a niche type of property;
- the state lease with the Singapore Land Authority ("SLA") in respect of the 20 years leasehold premises under HLHARD will expire on 25 March 2027 and the SLA has confirmed that the state lease cannot be extended beyond the abovementioned expiry date;
- taking into account the viability of earnings from the farm resort in view of the ongoing COVID-19 pandemic; and
- in view of the foregoing, there will be a positive impact on the Group's cash flow and earnings per share.