

## CIRCULAR DATED 13 AUGUST 2021

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.**

*Unless otherwise defined, capitalised terms appearing on the cover of this Circular bear the same meanings ascribed to them in the section entitled "Definitions" of this Circular.*

If you have sold or transferred all your shares in the capital of Hong Lai Huat Group Limited (the "**Company**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular with the Notice of EGM and the enclosed Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of EGM and the enclosed Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of EGM and the enclosed Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Circular.

This Circular (together with the Notice of EGM and the Proxy Form) may be accessed at the Company's website at the URL <https://honglaihuatgroup.com/extraordinary-general-meeting/>, and is also available on the SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of this Circular (together with the Notice of EGM and the Proxy Form) will NOT be despatched to Shareholders.

Due to the current COVID-19 situation in Singapore, Shareholders will not be allowed to attend the EGM in person. The EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A Shareholder (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such Shareholder wishes to exercise his/her/its voting rights at the EGM.

Alternative arrangements relating to, *inter alia*, attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the EGM, addressing of substantial and relevant questions at or prior to the EGM, and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the notes to the Notice of EGM attached to this Circular.



### **HONG LAI HUAT GROUP LIMITED**

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

#### **CIRCULAR TO SHAREHOLDERS IN RELATION TO:**

#### **THE PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN HLH AGRI R&D PTE. LTD. AS A MAJOR TRANSACTION**

##### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	28 August 2021 at 2.00 p.m.
Date and time of Extraordinary General Meeting	:	30 August 2021 at 2.00 p.m.
Place of Extraordinary General Meeting	:	The EGM will be held by way of electronic means

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## DEFINITIONS

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For the purpose of this Circular, except where the context otherwise requires or is otherwise stated, the following definitions shall apply throughout:

### General

- “Adjusted NTA Value (Target)”** : The adjusted NTA value of the Target after adjusting for the Security Deposit sum of S\$300,000 which would no longer be owing to Blue Dolphin, as set out in Section 5.3 of this Circular
- “AR2020”** : The Company’s annual report for FY2020, as announced on 8 April 2021
- “Associate”** : (a) In relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Blue Dolphin”** : Blue Dolphin Gallery (Singapore) Pte. Ltd.
- “Blue Dolphin Monthly Rent”** : The monthly lease fee of S\$100,000 (excluding GST) under the Lease Agreement
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “Business Day”** : A day (excluding Saturdays, Sundays and gazetted public holidays) on which banks generally are open in Singapore for the transaction of normal banking business
- “Cambodia”** : The Kingdom of Cambodia
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 13 August 2021
- “Companies Act”** : The Companies Act (Chapter 50) of Singapore as may be amended, modified or supplemented from time to time
- “Company”** : Hong Lai Huat Group Limited
- “Completion”** : The completion of the Proposed Disposal
- “Completion Date”** : The date falling five (5) Business Days after the date on which all the Conditions Precedents are fulfilled or waived by the relevant Party (as

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## DEFINITIONS

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	the case may be)
<b>“Conditions Precedent”</b>	: The conditions precedent set out in <u>Section 3.3</u> of this Circular
<b>“Consideration”</b>	: The aggregate consideration payable by the Purchaser to the Vendor for the Sale Shares, being S\$4,800,000. The Consideration comprises: (a) the Goodwill Deposit in the sum of S\$100,000; (b) the Security Deposit in the sum of S\$300,000; and (c) the Remaining Amount of S\$4,400,000. Further details of the Goodwill Deposit, the Security Deposit and the Remaining Amount are set out in <u>Section 3.2</u> of this Circular
<b>“Controlling Shareholder”</b>	: A person who:  (a) holds directly or indirectly 15% or more of the total number of issued voting Shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or  (b) in fact exercises control over the Company
<b>“CPF”</b>	: Central Provident Fund
<b>“CPF Funds”</b>	: CPF investible savings
<b>“CPF Investment Account”</b>	: The investment account maintained with an approved CPF agent bank for the purpose of investment of CPF Funds under the CPFIS – Ordinary Account
<b>“CPFIS”</b>	: CPF Investment Scheme
<b>“CPFIS Members”</b>	: Shareholders who have previously purchased Shares using their CPF Funds under their CPF Investment Accounts
<b>“Director”</b>	: A director of the Company as at the Latest Practicable Date
<b>“Due Diligence”</b>	: Financial, business and legal due diligence to be completed by the Purchaser and its professional advisers on the Target, as set out in further detail in <u>Section 3.3(g)</u> of this Circular
<b>“EGM”</b>	: The extraordinary general meeting of the Company to be convened and held on 30 August 2021 at 2.00 p.m. by way of electronic means, notice of which is set out on pages N-1 to N-3 of this Circular
<b>“Existing Share Capital”</b>	: The existing share capital of the Company comprising 517,844,114 Shares (excluding treasury shares) as at the Latest Practicable Date
<b>“Farm Resort”</b>	: The 20 years leasehold “Agri-tainment Farm Resort” operating under the name “Gallop Kranji Farm Resort” (previously known as “D’Kranji Farm Resort”) located at the Premises
<b>“FY2018”</b>	: The financial year ended 31 December 2018
<b>“FY2019”</b>	: The financial year ended 31 December 2019
<b>“FY2020”</b>	: The financial year ended 31 December 2020
<b>“FY2020 Target FS”</b>	: The audited financial statements and balance sheet of the Target for FY2020 as attached in this Circular as <u>Appendix A</u>

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<b>“Goodwill Deposit”</b>	: The goodwill non-refundable deposit in the amount of S\$100,000 placed by the Purchaser with the Vendor pursuant to and upon the signing of the Term Sheet
<b>“Group”</b>	: The Company and its subsidiaries from time to time
<b>“GST”</b>	: The goods and services tax levied and imposed under the applicable laws and regulations of the Republic of Singapore, including the Goods and Services Tax Act (Chapter 117A) of Singapore
<b>“Indemnifying Party”</b>	: The Party undertaking to indemnify and hold harmless the Innocent Party from any and all costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever which the Innocent Party may at any time sustain, incur or suffer as a result of or in connection with or arising from any act done by the former Party, its officers and/or their affiliates, prior to Completion, in connection with <u>Section 3.5</u> of this Circular
<b>“Indemnifying Party (Target)”</b>	: Each Party to the extent that they severally undertake to indemnify and hold harmless the Target from any and all costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever which the Target may at any time sustain, incur or suffer as a result of or in connection with or arising from any act done by the relevant Party, its officers and/or affiliates, prior to Completion, in connection with <u>Section 3.5</u> of this Circular
<b>“Innocent Party”</b>	: The indemnified Party which the Indemnifying Party undertakes to indemnify and hold harmless from any and all costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever which the former Party may at any time sustain, incur or suffer as a result of or in connection with or arising from any act done by the Indemnifying Party, its officers and/or their affiliates, prior to Completion, in connection with <u>Section 3.5</u> of this Circular
<b>“Latest Practicable Date”</b>	: 12 August 2021, being the latest practicable date prior to the printing of this Circular
<b>“Lease Agreement”</b>	: The lease agreement between the Target and Blue Dolphin dated 16 May 2018
<b>“Listing Manual”</b>	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
<b>“Long Stop Date”</b>	: The long stop date for Completion, provided that the Completion Date shall fall on a date no later than 30 June 2021, or one (1) week from the date of receipt of Shareholders’ Approval (if so required) or the Waiver by the Company (as the case may be), or such other date to be mutually agreed between the Parties in writing
<b>“LPS”</b>	: Loss per share
<b>“Market Day”</b>	: A day on which the SGX-ST is open for trading of securities
<b>“Net Proceeds”</b>	: The estimated net proceeds from the Proposed Disposal of approximately S\$4,719,000
<b>“Notice of EGM”</b>	: The notice of the EGM which is set out on pages N-1 to N-3 of this Circular
<b>“NTA”</b>	: Net tangible assets

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## DEFINITIONS

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<b>“Ordinary Resolution”</b>	: The ordinary resolution to be tabled at the EGM to seek the approval of Shareholders for the Proposed Disposal as a major transaction under Chapter 10 of the Listing Manual
<b>“Parties”</b>	: Collectively, the Purchaser and the Vendor, and individually, a <b>“Party”</b>
<b>“Premises”</b>	: 10 Neo Tiew Lane 2, #01-05, Singapore 718813
<b>“Proposed Disposal”</b>	: The proposed disposal by the Vendor to the Purchaser of the entire issued and paid up share capital of the Target comprising the Sale Shares on the terms and conditions of the SPA
<b>“Proxy Form”</b>	: The proxy form attached to the Notice of EGM which is set out on pages P-1 to P-3 of this Circular
<b>“Purchaser”</b>	: Gallop Green (S) Pte. Ltd.
<b>“Register of Directors’ Shareholdings”</b>	: The register maintained by the Company setting out details of the Directors’ respective shareholdings
<b>“Register of Members”</b>	: Register of members of the Company
<b>“Register of Substantial Shareholders”</b>	: The register of Substantial Shareholders of the Company
<b>“Remaining Amount”</b>	: The remaining amount of the Consideration of S\$4,400,000, after accounting for the Goodwill Deposit and the Security Deposit
<b>“Rental Waiver”</b>	: The rental waiver provided by the Vendor to the Purchaser where Completion does not take place by 30 June 2021 and the Parties agree to continue with the transactions contemplated under the SPA and for Completion to fall on a date later than 30 June 2021, pursuant to which the Purchaser shall not be obliged to pay any rental fees to the Vendor after 30 June 2021, in connection with <u>Section 3.6(a)</u> of this Circular
<b>“Sale Shares”</b>	: The entire issued and paid up share capital of the Target comprising 12,631,962 ordinary shares
<b>“Securities Account”</b>	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
<b>“Security Deposit”</b>	: The security deposit of S\$300,000 from Blue Dolphin currently held by the Target pursuant to the Lease Agreement
<b>“SFA”</b>	: The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited
<b>“SGXNET”</b>	: The system maintained by the SGX-ST for announcements by listed companies
<b>“Share”</b>	: An ordinary share in the capital of the Company, and <b>“Shares”</b> shall be construed accordingly
<b>“Shareholders”</b>	: Registered holders of the Shares, except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, where the context admits, mean the Depositors whose Securities Accounts are credited with the Shares

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## DEFINITIONS

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<b>“Shareholders’ Approval”</b>	Approval of the Company’s Shareholders for the Proposed Disposal
<b>“SLA”</b>	: The Singapore Land Authority
<b>“SPA”</b>	: The sale and purchase agreement entered between the Parties on 4 June 2021
<b>“SPA Announcement”</b>	: The Company’s announcement on 6 June 2021 in relation to the SPA
<b>“SRS”</b>	: Supplementary Retirement Scheme
<b>“SRS Approved Banks”</b>	: Approved banks with whom SRS Investors hold their accounts under the SRS
<b>“SRS Investors”</b>	: Investors who have previously purchased Shares under the SRS
<b>“State Lease”</b>	: State Lease No. 26375 between the President of the Republic of Singapore and the Target dated 9 May 2007, as amended and modified by its four supplemental leases dated 21 December 2009, 1 November 2012, 14 March 2019 and 25 May 2019 respectively, in respect of the Premises
<b>“Substantial Shareholder”</b>	: A person (including a corporation) who (a) has an interest or interests in one or more voting shares in a company and (b) the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the company
<b>“Target”</b>	: HLH Agri R&D Pte. Ltd.
<b>“Term Sheet”</b>	: The term sheet entered between the Parties on 22 April 2021
<b>“Valuation Report”</b>	: The desk-top valuation report prepared by the Valuer in relation to the value of the unexpired leasehold interest in the Premises
<b>“Valuer”</b>	: Jones Lang LaSalle Property Consultants Pte Ltd
<b>“Vendor”</b>	: HLH Agri International Pte. Ltd.
<b>“Waiver”</b>	: The waiver of the requirement to seek Shareholders’ Approval sought by the Company from the SGX-ST pursuant to the Waiver Application
<b>“Waiver Application”</b>	: The Company’s application on 7 June 2021 to the SGX-ST to seek a waiver from the SGX-ST from the requirement to obtain shareholders’ approval for the Proposed Disposal, further details of which are set out in <u>Section 1.2.2</u> of this Circular

### **Currencies and Units of Measurement**

<b>“%”</b>	: Per cent or percentage
<b>“S\$” and “cents”</b>	: Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore
<b>“US\$”</b>	United States dollars, being the lawful currency of the United States of America

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the respective meanings ascribed to them respectively in Section 81SF of the SFA.

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## DEFINITIONS

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The terms “**subsidiary**” and “**related corporations**” shall have the meanings ascribed to them respectively in the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Circular to “**Rule**” or “**Chapter**” is a reference to the relevant rule or chapter in the Listing Manual.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the SFA or the Listing Manual or any statutory modification thereof, as the case may be.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Circular to Shares being allotted to a person includes allotment to CDP for the account of that Depositor.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, unless otherwise stated.

Any discrepancies in tables included in this Circular between the listed amounts and the totals are due to rounding; accordingly, the figures shown as totals in this Circular may not be an aggregation of the figures that precede them.

Morgan Lewis Stamford LLC has been appointed as the legal adviser to the Company as to Singapore law in relation to this Circular. No other legal advisors were previously engaged by the Company in relation to this Circular and/or the Proposed Disposal.



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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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Certain statements contained in this Circular, which are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “could” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information.

Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements.

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## LETTER TO SHAREHOLDERS

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### HONG LAI HUAT GROUP LIMITED

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

#### Directors:

Dr. Wang Kai Yuen (*Chairman and Non-Executive Independent Director*)  
Dato' Dr. Ong Bee Huat (*Deputy Chairman and Chief Executive Officer*)  
Prof. Wong Wen-Young, Winston (*Vice Chairman and Non-Executive Director*)  
Dr. Wong Jr. Winston (*Alternate Director to Prof. Wong Wen-Young, Winston*)  
Mr. Ong Jia Ming, Ryan (*Executive Director*)  
Mr. Ong Jia Jing, Dylan (*Group General Manager and Executive Director*)  
Dr. Chen Seow Phun, John (*Non-Executive Independent Director*)  
Dr. Lee Kuo Chuen, David (*Non-Executive Independent Director*)  
Mr. Lien We King (*Non-Executive Independent Director*)  
Ms. Kohe Noor Binte Mahmoodul Hasan (*Non-Executive Independent Director*)

#### Registered Office:

1 Gateway Drive,  
#20-12/13  
Westgate Tower,  
Singapore 608531

13 August 2021

To: The Shareholders of Hong Lai Huat Group Limited

Dear Sir / Madam,

### THE PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN HLH AGRI R&D PTE. LTD. AS A MAJOR TRANSACTION

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#### 1. INTRODUCTION

##### 1.1. The Proposed Disposal

On 22 April 2021, the Company announced that the Company's wholly-owned subsidiary, HLH Agri International Pte. Ltd. (the "**Vendor**"), had entered into a term sheet with Gallop Green (S) Pte. Ltd. (the "**Purchaser**", and together with the Vendor, the "**Parties**") for the proposed disposal of the entire equity interest in HLH Agri R&D Pte. Ltd. (the "**Target**") by the Vendor to the Purchaser (the "**Term Sheet**"). The Target is wholly-owned by the Vendor and is, in turn, an indirect wholly-owned subsidiary of the Company.

Further to the Term Sheet, on 6 June 2021, the Company announced that the Parties had, on 4 June 2021, entered into a sale and purchase agreement (the "**SPA**") (the "**SPA Announcement**"). Pursuant to the SPA, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the entire issued and paid up share capital of the Target comprising 12,631,962 ordinary shares (the "**Sale Shares**") on the terms and conditions of the SPA (the "**Proposed Disposal**").

##### 1.2. Waiver Application to the SGX-ST

###### 1.2.1. Context

Based on the latest audited consolidated financial statements of the Group for FY2020, the book value of the Target was approximately S\$6,503,721. Under the terms of the SPA, the aggregate consideration payable by the Purchaser to the Vendor in connection with the Proposed Disposal is S\$4,800,000. Accordingly, the Proposed Disposal is expected to result in

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## LETTER TO SHAREHOLDERS

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a loss on disposal of approximately S\$1,703,721.

With reference to the relative figure computed pursuant to Rule 1006(b) of the Listing Manual, which concerns “the net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits”, the net loss attributable to the Target is S\$980,122 and the Group’s net loss is S\$8,531,000 for FY2020 respectively. Accordingly, the relative figure computed pursuant to Rule 1006(b) is a negative figure and the absolute relative figure is 11.49%. Shareholders may refer to Section 7.1 of this Circular for further details on the relative figures computed pursuant to Rule 1006 of the Listing Manual.

Rule 1007(1) of the Listing Manual states:

*“If any of the relative figures computed pursuant to Rule 1006 involves a negative figure, this Chapter [10] may still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10.1, or if not so provided, at the discretion of the Exchange, in which case, issuers should consult the Exchange.”*

As the relative figure computed pursuant to Rule 1006(b) is a negative figure, and the Proposed Disposal constitutes a disposal of a loss-making asset by a loss-making issuer, the operative provision of Practice Note 10.1 of the Listing Manual is paragraph 4.4(e).

Paragraph 4.4(e) of Practice Note 10.1 of the Listing Manual states:

*“4.4 In the following situations, an issuer must, in relation to the transaction, immediately announce the information required in Rule 1010, Rule 1011, Rule 1012 and Rule 1013, where applicable:*

*[...]*

- (e) the disposal of a loss-making asset by an issuer (whether profitable or loss-making), where:*
  - (i) the absolute relative figure computed on the basis of each of Rule 1006(a), Rule 1006(c) and (if applicable) Rule 1006(e) does not exceed 20%; and*
  - (ii) if the disposal will result in a loss on disposal, the loss on disposal exceeds 5% but does not exceed 10% of the consolidated net profit or net loss of the issuer (in each case taking into account only the absolute values).”*

With reference to the relative figure computed pursuant to Rule 1006(a) of the Listing Manual, which concerns “the net asset value of the assets to be disposed of, compared with the Group’s net asset value”, the net asset value attributable to the Target is S\$6,503,721 and the Group’s net asset value is S\$117,640,000 for FY2020 respectively. Accordingly, the relative figure computed pursuant to Rule 1006(a) is 5.53%.

With reference to the relative figure computed pursuant to Rule 1006(c) of the Listing Manual, which concerns “the aggregate value of the consideration given or received, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares”, the aggregate value of the consideration is S\$4,800,000 and the market capitalisation of the Company is approximately S\$47,123,814 (as determined by multiplying 517,844,114

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## LETTER TO SHAREHOLDERS

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Shares as at the date of the SPA Announcement by the volume weighted average price of the Shares of approximately S\$0.091 for trades done on 3 June 2021, being the full market day immediately preceding the date of the SPA). Accordingly, the relative figure computed pursuant to Rule 1006(c) is 10.19%.

Rule 1006(e) of the Listing Manual, which concerns “the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves”, is not applicable to the Proposed Disposal as the Company is not a mineral, oil and gas company.

In view of the above, the Proposed Disposal constitutes a disposal of a loss-making asset by a loss-making issuer where:

- (a) the absolute relative figure computed on the basis of each of Rule 1006(a), Rule 1006(c) and (if applicable) Rule 1006(e) of the Listing Manual does not exceed 20%; and
- (b) the Proposed Disposal will result in a loss on disposal of approximately S\$1,703,721, which represents 19.97% (i.e. exceeds 10%) of the consolidated net loss of the Group for FY2020 of S\$8,531,000.

Accordingly, paragraph 4.4(e) of Practice Note 10.1 is not applicable to the Proposed Disposal.

Paragraph 4.6 of Practice Note 10.1 of the Listing Manual states:

*“4.6 If the transaction does not fall within all the situations in paragraphs 4.3 and 4.4, Rule 1014 shall apply to the transaction. By way of example, unless the disposal of a loss-making asset with negative net asset value falls within paragraphs 4.3(c), 4.3(e), 4.4(c) and 4.4(e), Rule 1014 shall apply to the transaction.”*

Further, Rule 1014(2) states, *inter alia*, that “a major transaction must be made conditional upon approval by shareholders in general meeting”. As the Proposed Disposal does not fall within the situations in paragraphs 4.3 and 4.4 of Practice Note 10.1 of the Listing Manual for the reasons cited above, Rule 1014 shall apply to the Proposed Disposal and, accordingly, the Proposed Disposal is a “major transaction” which must be made conditional upon approval by Shareholders in general meeting.

### 1.2.2. Waiver Application

In view of the above, the Company had, on 7 June 2021, applied to the SGX-ST to seek a waiver from the SGX-ST from the requirement to obtain shareholders' approval for the Proposed Disposal (the “**Waiver Application**”) for the reasons set out below:

- (a) The Company will be able to provide undertakings from at least 51% of its Shareholders to vote in favour of the Proposed Disposal at an extraordinary general meeting to be convened within three (3) months from the date of completion of the Proposed Disposal.

- (b) Paragraph 7.3 of Practice Note 10.1 of the Listing Manual states:

*“7.3 The Exchange may grant the waiver [of shareholders' approval for major transactions] in the following circumstances:*

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## LETTER TO SHAREHOLDERS

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- (a) *a proposed transaction has been foreshadowed or investors have had the opportunity to consider and vote in favour of the proposal at a previous general meeting; and*
- (b) *a proposed disposal involves a non-core asset. This is because a non-core asset is not likely to affect the nature of the issuer's principal business. A non-core asset is one that meets all of the following criteria:*
  - (i) *it is not critical to the principal business activity of the issuer;*
  - (ii) *it is ancillary to the principal business activity of the issuer; and*
  - (iii) *it is not an existing principal business (as described in paragraph 2.4) of the issuer."*

Paragraph 2.4 of Practice Note 10.1 of the Listing Manual states:

- "2.4 *Existing principal business: An asset is part of the issuer's existing principal business if the acquisition of the asset is required to be reported under the applicable accounting standards within a specific reportable operating segment (excluding any miscellaneous "any other segment" category) that:*
- (a) *contributes more than 20% of the issuer's net profits or total assets; and*
  - (b) *has been reported in the issuer's latest audited financial statements."*

With reference to paragraph 7.3(b) of Practice Note 10.1 read with paragraph 2.4 of Practice Note 10.1, the Proposed Disposal involves the disposal of a non-core asset (i.e. the Target) as:

- (i) as at the date of the Waiver Application, more than 95% of the Group's business operations is focused in Cambodia for its property, real estate and agricultural business, while the remaining 5% remains in Singapore with the Farm Resort which is owned by the Target. As the Group decided to focus on and grow its business in Cambodia, it had appointed Blue Dolphin, an unrelated third party, in 2018 to manage the Farm Resort. The Group is therefore not involved in the running of the Farm Resort under the Target, and the Target is not critical and is in fact ancillary to the principal business activities of the Group; and
- (ii) based on the latest audited consolidated financial statements of the Group for FY2020, the net asset value and net loss attributable to the Target are S\$6,503,721 and S\$980,122 respectively, and the Group's net asset value and net loss for FY2020 are S\$117,640,000 and S\$8,531,000 respectively. Accordingly, the Target does not contribute more than 20% of the Group's net loss or total assets. Nevertheless, for additional context, the Target forms part of the Group's agriculture division business segment, and this business segment contributed S\$3,554,000 (or 44.63%) of the Group's total revenue for FY2020 and S\$5,642,000 (or 66.14%) of the Group's losses for FY2020. Notably, the Target is a small facet of the agriculture division business segment and only contributed 21% of the total revenue and 13% of the net losses of the agriculture division business segment for FY2020, and 9.6% of the Group's total revenue and 8.9% of the Group's net losses for FY2020.
- (c) There has not been and there will be no material change in the risk profile of the Group arising from the Proposed Disposal as:

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- (i) based on the net asset value and net loss attributable to the Target and the Group's net asset value and net loss for FY2020 respectively, as highlighted in paragraph 1.2.2(b)(ii) above, the Proposed Disposal will only result in a 5.53% reduction of the Group's net asset value and a 11.49% reduction of the Group's net loss;
  - (ii) the Proposed Disposal will not have a significant adverse impact on the Group's gearing as all outstanding liabilities will be discharged by the Target on or before the completion of the Proposed Disposal; and
  - (iii) the Proposed Disposal will not result in an expansion into a new jurisdiction and will not expose the Group to significant new risks.
- (d) The Proposed Disposal is beneficial to the Company and its shareholders as:
- (i) the Target is loss-making;
  - (ii) the lease agreement between the Target and Blue Dolphin dated 16 May 2018 (the "**Lease Agreement**") has ended on 30 June 2021 and the rental proceeds from the same will also correspondingly cease;
  - (iii) the State Lease with the SLA in respect of the 20 years leasehold Premises under the Target will expire on 25 March 2027 and the SLA has confirmed that the State Lease cannot be extended beyond the abovementioned expiry date; and
  - (iv) in view of the foregoing, there will be a positive impact on the Group's cash flow and earnings per share.
- (e) None of the absolute relative figures as computed on the bases set out in Rule 1006 in connection with the Proposed Disposal exceeds 20%, and the highest absolute relative figure is only 11.49% (computed pursuant to Rule 1006(b)). Shareholders may refer to Section 7.1 of this Circular for further details on the relative figures computed pursuant to Rule 1006 of the Listing Manual.

### 1.2.3. Outcome of the Waiver Application

On 21 June 2021, the SGX-ST responded to the Waiver Application stating that based on the representations and submissions to the SGX-ST, the SGX-ST notes that the Proposed Disposal will result in a loss on disposal of approximately S\$1,703,721, which represents 19.97% (i.e. exceeds 10%) of the consolidated net loss of the Group for FY2020 of S\$8,531,000. As this 19.97% significantly exceeds the 10% threshold stipulated in paragraph 4.4(e)(ii) of Practice Note 10.1 of the Listing Manual, the SGX-ST was unable to grant a waiver of the requirement for the Proposed Disposal to be made conditional upon approval by shareholders in general meeting, pursuant to Rule 1014(2).

### 1.3. **Shareholders' Approval**

As the Waiver Application was unsuccessful, the Board is convening the EGM to be held by

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way of electronic means on 30 August 2021 at 2.00 p.m. to seek the approval of Shareholders for the Proposed Disposal as a major transaction under Chapter 10 of the Listing Manual (the “**Ordinary Resolution**”) prior to Completion.

### 1.4. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with necessary information relating to the Proposed Disposal, including the rationale for the Proposed Disposal and the financial effects of the Proposed Disposal on the Group, and to seek Shareholders’ approval for the Ordinary Resolution.

**This Circular has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than the Shareholder to whom this Circular is despatched to by the Company) or for any other purpose.**

## 2. BACKGROUND INFORMATION

### 2.1. Information on the Target

The Target was incorporated on 15 November 2006 as a wholly-owned subsidiary of the Vendor and the Vendor is, in turn, a wholly-owned subsidiary of the Company. As at the Latest Practicable Date, an aggregate amount of S\$12,631,962 has been injected into the Target as its issued and paid up share capital and the Company has not made any loans to the Target. The audited financial statements and balance sheet of the Target are attached hereto as Appendix A (“FY2020 Target FS”).

Pursuant to the State Lease in respect of the premises at 10 Neo Tiew Lane 2, #01-05, Singapore 718813 (the “**Premises**”), the Target is the legal owner of a 20 years leasehold “Agri-tainment Farm Resort” operating under the name “Gallop Kranji Farm Resort” (previously known as “D’Kranji Farm Resort”) (the “**Farm Resort**”) located at the Premises. The term of the 20 years leasehold commenced on 26 March 2007 and will expire on 25 March 2027 pursuant to the State Lease.

Pursuant to the Lease Agreement between the Target and Blue Dolphin, the Premises were leased by Blue Dolphin from the Target for a period of three (3) years, commencing on 1 July 2018 and which expired on 30 June 2021. Blue Dolphin was the appointed managing agent of the Farm Resort since 1 July 2018.

Blue Dolphin is a company incorporated in Singapore on 11 February 2003. Its principal activity is agricultural and animal husbandry service activities except veterinary activities, with building construction as its secondary activity. Blue Dolphin’s only directors and shareholders are Ms. Manimahalai D/O Chakrapani and Mr. Shanker S/O Raja Gopal, both of whom are Singaporean citizens. In 2018, the Company had put out an advertisement to look for a new managing agent for the Farm Resort. The Company ultimately selected Blue Dolphin as the new managing agent as it had the experience of running similar farm resorts in Singapore.

As at the Latest Practicable Date, the Target has collected, in aggregate, S\$3,090,000 in rental fees pursuant to the Lease Agreement. The Blue Dolphin Monthly Rent of S\$100,000 (excluding GST) under the Lease Agreement for June 2021 remains outstanding and payable to the Target.

A valuation of the unexpired leasehold interest in the Premises is carried out annually by an

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independent professional valuer in connection with the Group's annual audit, as disclosed in Note 13 to the audited consolidated financial statements of the Group for FY2020 as announced on 8 April 2021. The latest desk-top review and valuation was conducted by Jones Lang LaSalle Property Consultants Pte Ltd (the "**Valuer**") and the leasehold interest of the Premises, as at 31 December 2020 and free from all encumbrances, was determined to have an indicative value of S\$8,000,000 pursuant to such valuation. Accordingly, based on a fair value model, the value attributable to the property on disposal is S\$8,000,000. A copy of the desk-top valuation report prepared by the Valuer dated 31 December 2020 (the "**Valuation Report**") is attached hereto as Appendix B.

Notwithstanding that the market value of the property is S\$8,000,000, the Board is of the view that the Proposed Disposal at the Consideration price is in the best interests of the Company and its Shareholders as the State Lease with the SLA will expire in approximately five (5) years on 25 March 2027 and the SLA has confirmed that the State Lease cannot be extended beyond such expiry date. Moreover, from a commercial perspective, the Consideration was agreed between the Parties taking into account the viability of earnings from the Farm Resort in view of the ongoing COVID-19 pandemic, the fact that the value of the Consideration is close to the market rate for similar types of properties with approximately five (5) years' leasehold remaining, and that the Lease Agreement would have been terminated by 30 June 2021 and there is no guarantee of the Target 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 number of visitors to the Farm Resort has also decreased in recent years in view of the ongoing pandemic and this has correspondingly impacted the Farm Resort's earnings.

### 2.2. Information on the Purchaser

*The information presented herein relating to information on the Purchaser is based on information provided by the Purchaser. In respect of such information, the Company has not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to ensuring that such information has been accurately and correctly extracted and reproduced in this Circular in its proper form and context.*

The Purchaser is a company incorporated in Singapore on 1 April 2021 and its principal business activities are (a) aquaponics, aquaculture and seafood farming and (b) the treatment and disposal of waste.

The directors and shareholders of the Purchaser are the same as that of Blue Dolphin, being Ms. Manimalalai D/O Chakrapani and Mr. Shanker S/O Raja Gopal. In this regard and for the avoidance of doubt, the Purchaser and Blue Dolphin are owned and managed by the same individuals.

The Company therefore came to know of the Purchaser as the Purchaser and Blue Dolphin share the same directors and shareholders, as abovementioned. The Purchaser was incorporated on 1 April 2021 as a vehicle to acquire the Target. In this regard, there was no introducer involved and, accordingly, no introducer fees were paid. Save for the Lease Agreement, the Company and its Directors did not have any prior relationship and did not otherwise transact with the Purchaser, its directors or its shareholders prior to the Proposed Disposal.

The Purchaser, its directors and shareholders, and their respective associates are not related to the Company, its subsidiaries, their directors or substantial shareholders, or their respective



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associates, and they do not currently hold any shareholding interest (direct or indirect) in the Company.

### 3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

#### 3.1. Sale and Purchase

Pursuant to the SPA, the Vendor will dispose of the Sale Shares to the Purchaser, representing 100% of the total issued and paid-up share capital of the Target. Following Completion, the Target will cease to be a subsidiary of the Company.

#### 3.2. Consideration

The aggregate consideration for the Sale Shares of S\$4,800,000 (the "**Consideration**"), which is payable by the Purchaser in cash, was arrived at following arm's length negotiations between the Vendor and the Purchaser on a willing-buyer-willing-seller basis and taking into account, *inter alia*, (a) the book value of the Target of S\$6,503,721; (b) the net tangible asset value of the Target of S\$6,503,721; and (c) the net loss attributable to the Target of S\$980,122, for FY2020. As stated in Section 2.1 above, the value attributable to the property on disposal is S\$8,000,000.

In respect of the book value of the Target for FY2020 amounting to S\$6,503,721, the Security Deposit of S\$300,000 was accounted for by the Target as a current liability in the form of trade and other payables as set out in the "Statement of Financial Position" on page 7 of the FY2020 Target FS annexed hereto in Appendix A. This was because the Security Deposit was an amount payable by the Target to the Purchaser subject to the terms of the Lease Agreement. Pursuant to the SPA and the terms of the Proposed Disposal, the Security Deposit became due and payable from the Target to the Vendor instead (and not the Purchaser) on Completion Date as the Security Deposit is to be transferred by the Target to the Vendor on the Completion Date to offset the Consideration.

Notwithstanding the foregoing, as at the Latest Practicable Date, the Target has a sufficient cash balance to repay the Purchaser the sum of the Security Deposit if it had been required under the Lease Agreement, or pay the Vendor the sum of the Security Deposit pursuant to the SPA and the terms of the Proposed Disposal to offset the Consideration.

In addition, notwithstanding that:

- (a) the Proposed Disposal is expected to result in a loss on disposal of approximately S\$1,703,721, being the difference between the Consideration of S\$4,800,000 and the book value of the Target of S\$6,503,721 as at 31 December 2020; and
- (b) on the basis of the Adjusted NTA Value (Target), the Proposed Disposal is expected to result in a loss on disposal of approximately S\$2,003,721, being the difference between the Consideration of S\$4,800,000 and the Adjusted NTA Value (Target) attributable to the Target of S\$6,803,721,

the Proposed Disposal is beneficial to the Company and its Shareholders and the value of the Consideration was determined based on the reasons cited in the Waiver Application in Section

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1.2.2(d) of this Circular, being:

- (i) the Target is loss-making;
- (ii) the Lease Agreement will end on 30 June 2021 and the rental proceeds from the same will also correspondingly cease;
- (iii) the State Lease with the SLA in respect of the 20 years leasehold Premises under the Target will expire on 25 March 2027 and the SLA has confirmed that the State Lease cannot be extended beyond the abovementioned expiry date; and
- (iv) in view of the foregoing, there will be a positive impact on the Group's cash flow and earnings per share.

The Consideration comprises:

- (a) a goodwill non-refundable deposit in the amount of S\$100,000 placed by the Purchaser with the Vendor pursuant to and upon the signing of the Term Sheet (the "**Goodwill Deposit**"), on the mutual understanding that the Goodwill Deposit shall be used to offset (i.e. applied towards) the Consideration payable on completion of the Proposed Disposal ("**Completion**");
- (b) a security deposit in the sum of S\$300,000 (the "**Security Deposit**") which was paid by Blue Dolphin to the Target pursuant to the Lease Agreement and which will be transferred by the Target, for and on behalf of the Purchaser (as the Purchaser and Blue Dolphin are owned by the same individuals), to the Vendor on the Completion Date to offset the Consideration payable; and
- (c) the remaining amount of S\$4,400,000, after accounting for the Goodwill Deposit and the Security Deposit ("**Remaining Amount**"), which shall be paid in cash by the Purchaser to the Vendor on the Completion Date.

### 3.3. Conditions Precedent to Completion

Completion of the Proposed Disposal is conditional upon the fulfilment of the following conditions precedent (or the waiver thereof by the relevant Party) on or before the Completion Date (as defined below) (collectively, the "**Conditions Precedent**"):

- (a) approval of the respective board of directors of the Vendor and the Purchaser for the Proposed Disposal having been obtained;
- (b) where required, approval of the Company's Shareholders for the Proposed Disposal ("**Shareholders' Approval**") or the grant of a waiver by the SGX-ST of the requirement to seek Shareholders' Approval (the "**Waiver**") having been obtained by the Company;
- (c) the discharge of all existing bank debts and liabilities of the Target. For the avoidance of doubt, all assets (save for the State Lease of the Premises) and liabilities including but not limited to the revaluation reserves are to be cleared from the Target's balance sheets before Completion;
- (d) the Target having signed, approved, and filed its audited financial statements for FY2020;

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- (e) the Target having performed and discharged all statutory duties arising prior to the Completion Date (as defined below) including but not limited to the holding of its annual general meeting and filing of annual returns with the Accounting and Corporate Regulatory Authority;
- (f) the Target having submitted and cleared all tax payable for the year of assessment 2021 being the basis period from 1 January 2020 to 31 December 2020;
- (g) the completion of all financial, business and legal due diligence (“**Due Diligence**”) by the Purchaser and its professional advisers on the Target no later than six (6) weeks from the date of the Term Sheet (i.e. by 3 June 2021), and the results of such Due Diligence being satisfactory to the Purchaser acting reasonably;
- (h) the Vendor having delivered a disclosure letter to the Purchaser, in a form satisfactory to the Purchaser acting reasonably;
- (i) the Vendor’s warranties (except as qualified in the disclosure letter) and the Purchaser’s warranties being true, complete and accurate in all respects as at the Completion Date;
- (j) where required, any and all necessary consents, approvals and waivers from government, administrative and regulatory authorities, bodies or courts, and third parties in respect of the transaction contemplated in the SPA pursuant to any contractual arrangements or otherwise having been obtained and such consents, approvals and waivers not having been amended or revoked before the Completion Date; and
- (k) the execution and performance of the SPA by the Parties not being prohibited, restricted or otherwise adversely affected by any law, statute, order, directive or regulation promulgated by any legislative, executive or regulatory body or authority having jurisdiction over the matter, including the SGX-ST.

If any of the Conditions Precedent are not satisfied or waived, as the case may be, on or before the Long Stop Date (as defined below), the SPA (other than certain surviving provisions) shall terminate, and neither Party shall have any claim against the other under it, save for any rights or liabilities accruing prior to such termination.

### 3.4. **Completion**

Completion of the Proposed Disposal shall take place on a date falling five (5) Business Days after the date on which all the Conditions Precedents are fulfilled or waived by the relevant Party (as the case may be) (“**Completion Date**”), provided that the Completion Date shall fall on a date no later than 30 June 2021, or one (1) week from the date of receipt of Shareholders’ Approval (if so required) or the Waiver by the Company (as the case may be), or such other date to be mutually agreed between the Parties in writing (“**Long Stop Date**”).

### 3.5. **Indemnities**

Each Party (the “**Indemnifying Party**”) undertakes to indemnify and hold harmless the other Party (the “**Innocent Party**”) from any and all costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever which the Innocent Party may at any time sustain, incur or suffer as a result of or in connection with or arising from any act done by the Indemnifying Party, its officers and/or their affiliates, prior to Completion.

In addition, the Parties (each an “**Indemnifying Party (Target)**”) severally further undertake to indemnify and hold harmless the Target from any and all costs, damages, claims, demands,

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actions, proceedings, liabilities and expenses whatsoever which the Target may at any time sustain, incur or suffer as a result of or in connection with or arising from any act done by the relevant Indemnifying Party (Target), its officers and/or affiliates, prior to Completion.

### 3.6. Rental Waiver

Under the SPA, the Purchaser shall procure that Blue Dolphin will continue its fulfilment of its existing contract obligations in the Lease Agreement, which is to service the monthly lease fee of S\$100,000 (excluding GST) (the **Blue Dolphin Monthly Rent**) until Completion. However, if Completion takes place after 30 June 2021, the Parties further agree as follows:

- (a) if Completion does not take place by 30 June 2021 and the Parties agree to continue with the transactions contemplated under the SPA and for Completion to fall on a date later than 30 June 2021, the terms of the Lease Agreement shall continue to apply up until the Completion Date and shall terminate immediately on the said Completion Date, save that the Vendor has agreed to provide a rental waiver to the Purchaser, and the Purchaser shall not be obliged to pay any rental fees to the Vendor after 30 June 2021 (the **"Rental Waiver"**); and
- (b) if Completion does not take place by 30 June 2021 and the Parties decide not to continue with the transactions contemplated under the SPA and to terminate the SPA, the Parties agree to resume their prior negotiations on the renewal of the Lease Agreement held between January 2021 and April 2021 prior to the signing of the Term Sheet in accordance with the terms and conditions of the Lease Agreement.

As previously mentioned, Blue Dolphin and the Purchaser share the same directors and shareholders, being Ms. Manimahalai D/O Chakrapani and Mr. Shanker S/O Raja Gopal.

## 4. RATIONALE FOR THE PROPOSED DISPOSAL

In addition to the reasons set out in Section 2.1 of this Circular, as currently disclosed in AR2020, more than 95% of the Group's business operations is focused primarily in Cambodia for its property, real estate and agricultural business, while the remaining 5% remains in Singapore with the Farm Resort which is owned by the Target.

In fact, the Group commenced business operations in Cambodia in 2008, and has grown and expanded its business operations in Cambodia to multiple projects and investments in Cambodia. As at the Latest Practicable Date, it has a total portfolio of more than 1,500 residential and 100 commercial units developing in Cambodia in its fast-growing province of Sihanoukville as well as the capital city of Phnom Penh. The Group also operates a massive landbank with the size of nearly 100 million square metres located in Kampong Speu Province which focuses on the cultivation of fresh cassava. As also disclosed in Note 38 to the audited consolidated financial statements of the Group in AR2020, the Group's Cambodian business operations contributed a total revenue of S\$7,202,000 for FY2020, and its non-current assets amounted to S\$81,433,000 as at 31 December 2020. By comparison, the Group's Singapore business operations only contributed a total revenue of S\$762,000, with non-current assets amounting to S\$8,357,000 as at 31 December 2020. Moreover, the Target has been loss-making for the past three (3) consecutive financial years and only contributed to 9.6% of the Group's revenue for FY2020. By comparison, the Group's Cambodian businesses were profitable in FY2018 and FY2019 but were loss-making in FY2020 largely owing to the COVID-19 pandemic.

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Notwithstanding that the Group was loss-making for FY2020, as explained above, the Group is significantly more invested in Cambodia relative to Singapore where it sees more potential for growth and business opportunities. There are also no foreign currency restrictions in the repatriation of funds and profits generated from Cambodia. Dividends had only been declared once over the past 5 years in FY2018 by the Cambodian businesses, for a sum of S\$1.3 million.

As the Group intends to completely focus on its business in Cambodia, the Proposed Disposal is a continuation of the Group's efforts to strengthen its financial position and utilise its resources to focus on its business in Cambodia. Accordingly, the Board is of the opinion that the Proposed Disposal is beneficial to the Group in the long run.

### 5. FINANCIAL INFORMATION

#### 5.1. Use of proceeds

Taking the gross proceeds of S\$4,800,000 from the Consideration, the estimated net proceeds after deducting estimated expenses of S\$81,000 pertaining to the Proposed Disposal (which includes legal and professional fees) would be approximately S\$4,719,000 (the "**Net Proceeds**").

The Company intends to use the Net 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 Net Proceeds for working capital requirements as yet. As at the Latest Practicable Date, the Group has cash balances of US\$9.4 million and S\$2.1 million. In view of the ongoing COVID-19 pandemic and the resulting market uncertainty, the Company wishes to take a cautious approach and retain the Net Proceeds as a buffer for any potential working capital needs that may arise in the course of our business operations.

#### 5.2. Book value of the Target

Based on the audited consolidated financial statements of the Group for FY2020, the book value of the Target is S\$6,503,721. The Consideration represents a discount of approximately 26.2% to the book value of the Target.

As explained in Section 3.2 of this Circular, in respect of the book value of the Target for FY2020 amounting to S\$6,503,721, the Security Deposit of S\$300,000 was accounted for by the Target as a current liability in the form of trade and other payables as set out in the "Statement of Financial Position" on page 7 of the FY2020 Target FS annexed hereto in Appendix A. This was because the Security Deposit was an amount payable by the Target to the Purchaser subject to the terms of the Lease Agreement. Pursuant to the SPA and the terms of the Proposed Disposal, the Security Deposit became due and payable from the Target to the Vendor instead (and not the Purchaser) on Completion Date as the Security Deposit is to be transferred by the Target to the Vendor on the Completion Date to offset the Consideration.

#### 5.3. NTA value of the Target

Based on the audited consolidated financial statements of the Group for FY2020, the NTA value of the Target is S\$6,503,721. The Consideration represents a discount of approximately 26.2% to the NTA value of the Target.

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On the basis that the Security Deposit sum of S\$300,000 would no longer be owing to Blue Dolphin, the adjusted NTA value of the Target would be S\$6,803,721 (the “**Adjusted NTA Value (Target)**”). The Consideration represents a discount of approximately 29.5% to the Adjusted NTA Value (Target).

### 5.4. Net loss attributable to the Target

Based on the audited consolidated financial statements of the Group for FY2020, the net loss attributable to the Target is S\$980,122.

### 5.5. Deficit of Consideration over book value

Based on the book value of the Target of S\$6,503,721 as at 31 December 2020, there is a deficit of approximately S\$1,703,721 of the Consideration to be received by the Vendor over the book value of the Target.

### 5.6. Loss on disposal

As disclosed in Section 1.2 of this Circular, the Proposed Disposal is expected to result in a loss on disposal of approximately S\$1,703,721. This loss represents the difference between the Consideration of S\$4,800,000 and the book value of the Target of S\$6,503,721 as at 31 December 2020.

## 6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1. The pro forma financial effects of the Proposed Disposal, based on the audited consolidated financial statements of the Group for FY2020, are set out below. The pro forma financial effects are presented for illustration purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Proposed Disposal. No representation is made as to the actual financial position and/or results of the Company or the Group after completion of the Proposed Disposal.

### 6.2. NTA

Assuming the Proposed Disposal had been effected on 31 December 2020, the financial effect on the NTA of the Group will be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA attributable to the Shareholders of the Company (S\$'000)	117,640	115,936
Number of issued Shares (excluding treasury shares) ('000)	221,933	221,933
Net tangible assets per Share (Singapore cents)	53.01	52.24

As the Target had an NTA of approximately S\$6.504 million in FY2020 and taking into account the cash amount of S\$4.8 million received from the Purchaser, the consolidated NTA attributable to the Shareholders of the Company would decrease by S\$1.704 million once the Target has been divested from the Group upon completion of the Proposed Disposal.

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**6.3. LPS**

Assuming the Proposed Disposal had been effected on 1 January 2020 (being the beginning of the most recently completed financial year ended 31 December 2020), the financial effect on the LPS of the Group will be as follows:

	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Net loss attributable to shareholders after tax (S\$'000)	8,531	10,235
Number of issued Shares (excluding treasury shares) ('000)	221,933	221,933
Loss per Share (Singapore cents)	3.84	4.61

**7. RELATIVE FIGURES FOR THE PROPOSED DISPOSAL UNDER CHAPTER 10 OF THE LISTING MANUAL**

7.1. The relative figures in relation to the Proposed Disposal are computed on the applicable bases set out in Rule 1006 of the Listing Manual based on the latest announced audited consolidated financial statements of the Group for FY2020 (as at the date of the SPA).

<b>Rule 1006</b>	<b>Bases of Calculation</b>	<b>Relative Figure</b>
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Assuming the NTA value of the Target of S\$6,503,721: 5.53% <sup>(1)</sup>  Assuming the Adjusted NTA Value (Target) of S\$6,803,721: 5.78% <sup>(2)</sup>
(b)	The net loss attributable to the assets acquired or disposed of, compared with the Group's net loss.	11.49% <sup>(3)</sup>
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	10.19% <sup>(4)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable <sup>(5)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of	Not applicable <sup>(6)</sup>

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	mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	
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### Notes:

- (1) The net asset value attributable to the Target is S\$6,503,721 and the Group's net asset value is S\$117,640,000 for FY2020 respectively.
  - (2) The Adjusted NTA Value (Target) attributable to the Target is S\$6,803,721 and the Group's net asset value is S\$117,640,000 for FY2020 respectively.
  - (3) The net loss attributable to the Target is S\$980,122 and the Group's net loss is S\$8,531,000 for FY2020 respectively. The relative figure computed pursuant to Rule 1006(b) is therefore a negative figure.
  - (4) The aggregate value of the consideration is S\$4,800,000. This sum comprises: (a) the Goodwill Deposit in the sum of S\$100,000 which has been paid by the Purchaser to the Vendor upon the signing of the Term Sheet; (b) the Security Deposit in the sum of S\$300,000 which will be transferred by the Target to the Vendor on the Completion Date to offset the Consideration payable; and (c) the Remaining Amount of S\$4,400,000 which shall be paid in cash by the Purchaser to the Vendor on the Completion Date. The market capitalisation of the Company is approximately S\$47,123,814 (as determined by multiplying 517,844,114 Shares in issue by the volume weighted average price of the Shares of approximately S\$0.091 for trades done on 3 June 2021, being the full Market Day immediately preceding the date of the SPA).
  - (5) Rule 1006(d) of the Listing Manual is not applicable to a disposal of assets.
  - (6) Rule 1006(e) of the Listing Manual is not applicable as the Company is not a mineral, oil and gas company.
- 7.2. Based on the latest audited consolidated financial statements of the Group for FY2020, the book value of the Target was approximately S\$6,503,721. The Proposed Disposal is therefore expected to result in a loss on disposal of approximately S\$1,703,721. Based on the Adjusted NTA Value (Target) attributable to the Target of S\$6,803,721, the Proposed Disposal is expected to result in a loss on disposal of approximately S\$2,003,721.
- 7.3. As the relative figure computed pursuant to Rule 1006(b) is a negative figure, and the Proposed Disposal constitutes a disposal of a loss-making asset by a loss-making issuer, the operative provision of Practice Note 10.1 of the Listing Manual is paragraph 4.4(e).
- 7.4. With reference to paragraph 4.4(e) of Practice Note 10.1 of the Listing Manual, the Proposed Disposal constitutes a disposal of a loss-making asset by a loss-making issuer where: (i) the absolute relative figure computed on the basis of each of Rule 1006(a), Rule 1006(c) and (if applicable) Rule 1006(e) of the Listing Manual does not exceed 20%; and (ii) the Proposed Disposal will result in a loss on disposal of approximately S\$1,703,721, which represents 19.97% (i.e. exceeds 10%) of the consolidated net loss of the Group for FY2020 of S\$8,531,000.
- 7.5. With reference to paragraph 4.6 of Practice Note 10.1 of the Listing Manual, as the loss on disposal exceeds 10% of the consolidated net loss of the Group for FY2020, the Proposed



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## LETTER TO SHAREHOLDERS

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Disposal does not fall within the situations in paragraphs 4.3 and 4.4 of Practice Note 10.1 of the Listing Manual, and Rule 1014 shall apply to the Proposed Disposal. Accordingly, the Proposed Disposal is a “major transaction” and is therefore subject to the approval of the Shareholders in a general meeting pursuant to Rule 1014(2) of the Listing Manual.

### 8. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ SHAREHOLDINGS

#### 8.1. Directors’ interests

As at the Latest Practicable Date, the Directors’ interests in Shares as recorded in the Register of Directors’ Shareholdings are as follows:

Directors	<u>Direct Interest</u>		<u>Deemed Interest</u>		<u>Total Interest</u>	
	No. of Shares	(%) <sup>(1)</sup>	No. of Shares	(%) <sup>(1)</sup>	No. of Shares	(%) <sup>(1)</sup>
Dato’ Dr. Ong Bee Huat	173,169,365	33.43	40,410,833 <sup>(2)</sup>	7.81	213,580,198	41.24
Ong Jia Ming, Ryan	20,599,765	3.98	0	0	20,599,765	3.98
Dr. Wang Kai Yuen	700,000	0.14	0	0	700,000	0.14
Prof. Wong Wen-Young, Winston	13,841,850	2.67	0	0	13,841,850	2.67

#### Notes:

- (1) Based on the Existing Share Capital comprising 517,844,114 Shares.
- (2) Pursuant to Section 4 of the SFA, Dato’ Dr. Ong Bee Huat is treated as having an interest in the 30,000,000 Shares held by Haitong International Securities (Singapore) Pte. Ltd. (“Haitong”). Phillip Securities Pte. Ltd. is the sub-custodian for Haitong’s holding of the 30,000,000 Shares on behalf of Dato’ Dr. Ong Bee Huat. Pursuant to Section 133(4) of the SFA, Dato’ Dr. Ong Bee Huat is deemed to have an interest in the 10,410,833 Shares held by his spouse, Ms. Lau Yen Eng.

#### 8.2. Substantial Shareholders’ interests

As at the Latest Practicable Date, there are no Substantial Shareholders recorded in the Register of Substantial Shareholders who are not Directors.

#### 8.3. Interests of Directors and Substantial Shareholders

Save for their respective shareholdings in the Company (if any), none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Disposal.

### 9. RECOMMENDATION BY THE DIRECTORS

After having considered and reviewed, *inter alia*, the terms, rationale for and benefits of the Proposed Disposal, including the reasons set out in Section 4 of this Circular, the Directors are of the opinion that the Proposed Disposal is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution.

Shareholders who may require specific advice should consult his or her stockbroker, bank manager, solicitor, accountant or other professional adviser(s).

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## LETTER TO SHAREHOLDERS

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### 10. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held by way of electronic means on 30 August 2021 at 2.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions set out in the Notice of EGM.

### 11. ACTION TO BE TAKEN BY SHAREHOLDERS

#### 11.1. EGM to be convened by way of electronic means

Due to the current COVID-19 situation in Singapore, Shareholders will not be allowed to attend the EGM in person. The EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Circular (together with the Notice of EGM and the Proxy Form) may be accessed at the Company's website at the URL [www.honglaihuatgroup.com/extraordinary-general-meeting/](http://www.honglaihuatgroup.com/extraordinary-general-meeting/), and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of this Circular (together with the Notice of EGM and the Proxy Form) will NOT be despatched to Shareholders.

#### 11.2. Alternative arrangements relating to attendance at the EGM

Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at or prior to the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the notes to the Notice of EGM.

#### 11.3. No attendance in person – appointment of the Chairman of the EGM as proxy

A Shareholder (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such Shareholder wishes to exercise his/her/its voting rights at the EGM.

The Chairman of the EGM will accept appointment as proxy for any other Shareholder to vote in respect of the Ordinary Resolution where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of the Ordinary Resolution.

CPFIS Members or SRS Investors who wish to appoint the Chairman of the EGM as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 18 August 2021 at 2.00 p.m., being at least seven (7) working days before the EGM.

#### 11.4. Submission of Proxy Forms

The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:

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## LETTER TO SHAREHOLDERS

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(a) if sent by post, be lodged at the office of the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or

(b) if submitted electronically, be submitted via email to [main@zicoholdings.com](mailto:main@zicoholdings.com),

in either case not less than 48 hours before the time appointed for the EGM.

A Shareholder who wishes to submit a Proxy Form must first download (where necessary), complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a Shareholder may download, complete and authorise the Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

### 11.5. Depositor

A Depositor shall not be regarded as a Shareholder entitled to appoint the Chairman of the EGM to vote on his behalf at the EGM unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP, 72 hours before the time appointed for holding the EGM.

### 12. SERVICE AGREEMENT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service agreement is proposed to be entered into between the Company and any such person.

### 13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

### 14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on Mondays to Fridays during normal business hours from 9.00 a.m. to 5.00 p.m. at the registered office of the Company at 1 Gateway Drive, #20-12/13 Westgate Tower, Singapore 608531 for a period of three (3) months from the date of this Circular:

(a) the SPA;

(b) the Valuation Report; and

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## LETTER TO SHAREHOLDERS

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(c) the Constitution of the Company.

Due to the mandatory safe distancing measures issued by the Singapore Ministry of Health in relation to the COVID-19 outbreak, physical inspection of the documents may be restricted. Please write in to [general@hlh.com.sg](mailto:general@hlh.com.sg) prior to making any visits to arrange for a suitable time slot for the inspection.

Yours faithfully

For and on behalf of the Board  
**Hong Lai Huat Group Limited**

Dr. Wang Kai Yuen  
Chairman and Non-Executive Independent Director

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**APPENDIX A – AUDITED FINANCIAL STATEMENTS AND BALANCE SHEET OF THE TARGET  
FOR FY2020**

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**HLH AGRI R&D PTE. LTD.**  
(Co. Reg. No. 200617074E)

**FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2020**

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## HLH AGRI R&D PTE. LTD.

### DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited financial statements of the Company for the financial year ended 31 December 2020.

In the opinion of the directors:

- (i) the financial statements as set out on pages 6 to 32 are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; and
- (ii) at the date of this statement, with the continuing financial support from the ultimate holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### Directors

The directors in office at the date of this statement are:

Dato' Dr. Ong Bee Huat  
Mr. Ong Jia Ming

### Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Director's Shareholdings kept by the Company under Section 164 of the Act except as follows:

Name of director	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<b>Ultimate holding company</b>				
<i>Hong Lai Huat Group Limited</i>				
Dato' Dr Ong Bee Huat	40,215,600	16,656,000	2,832,700	30,004,066
Mr. Ong Jia Ming	8,828,471	8,828,471	—	—

HLH Agri R&D Pte. Ltd.

**Share options**

No option to take up unissued shares of the Company was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company whether granted before or during the financial year.

There were no unissued shares of the Company under option at the end of the financial year.

**Independent auditor**

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.



Dato' Dr. Ong Bee Huat  
Director  
6 April 2021



Mr. Ong Jia Ming  
Director



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HLH AGRI R&D PTE. LTD.****Report on the Audit of the Financial Statements*****Opinion***

We have audited the accompanying financial statements of HLH Agri R&D Pte. Ltd. (the "Company") as set out on pages 6 to 32, which comprise the statement of financial position of the Company as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

***Basis for Opinion***

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other Matters***

The financial statements of the Company for the financial year ended 31 December 2019 were audited by another firm of auditors whose report dated 29 June 2020 expressed an unmodified opinion on those financial statements.

***Other Information***

Management is responsible for the other information. The other information comprises the Directors' Statement as set out on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HLH AGRI R&D PTE. LTD. (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

***Other Information (cont'd)***

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Directors for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
HLH AGRI R&D PTE. LTD. (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

*Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

6 April 2021

**HLH AGRI R&D PTE. LTD.**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the financial year ended 31 December 2020**

	Note	2020 \$	2019 \$
Revenue		761,600	1,221,600
Other income		28,199	—
Administrative expenses		(660,895)	(490,331)
Other expenses	4	(1,000,000)	(992,238)
Finance costs	5	(75,851)	(85,918)
<b>Loss before tax</b>	6	<b>(946,947)</b>	<b>(346,887)</b>
Tax (expense)/credit	7	(33,175)	90,000
<b>Loss for the year, representing total comprehensive loss for the year</b>		<b>(980,122)</b>	<b>(256,887)</b>

The accompanying notes form an integral part of these financial statements.

**HLH AGRI R&D PTE. LTD.****STATEMENT OF FINANCIAL POSITION  
At 31 December 2020**

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	8	3,091	–
Right-of-use assets	9	129,820	173,094
Investment property	10	8,000,000	9,000,000
Deferred tax assets	11	–	86,175
<b>Total non-current assets</b>		<b>8,132,911</b>	<b>9,259,269</b>
<b>Current assets</b>			
Prepayments		12,381	23,125
Other receivables	12	150,298	1,684
Cash and cash equivalents	13	319,402	318,127
<b>Total current assets</b>		<b>482,081</b>	<b>342,936</b>
<b>Total assets</b>		<b>8,614,992</b>	<b>9,602,205</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	53,368	74,295
<b>Current liabilities</b>			
Trade and other payables	16	658,989	706,188
Lease liabilities	15	20,870	19,987
Borrowings	14	1,351,044	1,237,892
Tax payable		27,000	80,000
<b>Total current liabilities</b>		<b>2,057,903</b>	<b>2,044,067</b>
<b>Total liabilities</b>		<b>2,111,271</b>	<b>2,118,362</b>
<b>Equity</b>			
Share capital	17	12,631,962	12,631,962
Accumulated losses		(7,035,506)	(6,055,384)
Asset revaluation reserve		907,265	907,265
<b>Total equity</b>		<b>6,503,721</b>	<b>7,483,843</b>
<b>Total equity and liabilities</b>		<b>8,614,992</b>	<b>9,602,205</b>

The accompanying notes form an integral part of these financial statements.

**HLH AGRI R&D PTE. LTD.****STATEMENT OF CHANGES IN EQUITY**  
**For the financial year ended 31 December 2020**

	<b>Share capital \$</b>	<b>Accumulated losses \$</b>	<b>Asset revaluation reserve \$</b>	<b>Total equity \$</b>
Balance at 1 January 2019	12,631,962	(5,798,497)	907,265	7,740,730
Loss for the year, representing total comprehensive loss for the year	–	(256,887)	–	(256,887)
Balance at 31 December 2019	12,631,962	(6,055,384)	907,265	7,483,843
Loss for the year, representing total comprehensive loss for the year	–	(980,122)	–	(980,122)
<b>Balance at 31 December 2020</b>	<b>12,631,962</b>	<b>(7,035,506)</b>	<b>907,265</b>	<b>6,503,721</b>

The accompanying notes form an integral part of these financial statements.

**HLH AGRI R&D PTE. LTD.****STATEMENT OF CASH FLOWS****For the financial year ended 31 December 2020**

	2020	(Restated) 2019
	\$	\$
<b>Cash flows from operating activities</b>		
Loss before tax	(946,947)	(256,887)
Adjustments for:		
Depreciation of plant and equipment	408	–
Depreciation of right-of-use assets	43,274	43,273
Interest income	(2,305)	(2,245)
Interest expense	75,851	85,918
Impairment loss on investment property	1,000,000	1,000,000
Operating cash flows before movements in working capital	170,281	870,059
Other receivables	–	353
Prepayments	10,744	4,805
Trade and other payables	(47,199)	(34,190)
Cash generated from operations	133,826	841,027
Income tax paid	–	(90,000)
<b>Net cash generated from operating activities</b>	133,826	751,027
<b>Cash flows from investing activities</b>		
Advances to ultimate holding company	(148,614)	–
Purchase of plant and equipment	(3,499)	–
Purchase of right-of-use asset (Note A)	–	(110,367)
Interest received	2,305	2,245
<b>Net cash used in investing activities</b>	(149,808)	(108,122)
<b>Cash flows from financing activities</b>		
Proceeds from term loans	1,000,000	–
Repayment of term loans	(886,848)	(693,360)
Repayment of lease liabilities	(20,044)	(11,718)
Interest paid	(75,851)	(85,918)
<b>Net cash generated from/(used in) financing activities</b>	17,257	(790,996)
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,275	(148,091)
Cash and cash equivalents at beginning of the financial year	318,127	466,218
<b>Cash and cash equivalents at end of the financial year (Note 13)</b>	319,402	318,127
<u>Note A: Purchase of right-of-use assets</u>		
Aggregate cost of right-of-use assets acquired (Note 9)	–	216,367
Less: New leases (Note 15)	–	(106,000)
Net cash outflow for purchase of right-of-use assets	–	110,367

The accompanying notes form an integral part of these financial statements.

## **HLH AGRI R&D PTE. LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the financial year ended 31 December 2020**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### **1. Corporate information**

The Company (Co. Reg. No. 200617074E) is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is 10 Neo Tiew Lane 2 #01-05 D'Kranji Farm Resort Singapore 718813.

The principal activities of the Company are that of agricultural research and experimentation and general wholesale trade including general importers and exporters, as well as the operation of resorts.

The Company's immediate holding company is HLH Agri International Pte. Ltd., and the Company's ultimate holding company is Hong Lai Huat Group Limited, companies incorporated in Singapore.

#### **2. Summary of significant accounting policies**

##### **(a) Basis of preparation**

The financial statements are presented in Singapore dollar (“\$”), which is the Company's functional currency. The financial statements have been prepared in accordance with the provisions of the Companies Act and Financial Reporting Standards in Singapore (“FRSs”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

##### *Use of estimates and judgements*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, current lease liabilities and borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.



## **2. Summary of significant accounting policies (cont'd)**

### **(a) Basis of preparation (cont'd)**

#### *New and revised standards that are adopted*

In the current financial year, the Company has adopted all the new and revised FRSs and Interpretations of FRSs (“INT FRSs”) that are relevant to its operations and effective for the current financial year. Changes to the Company’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

The adoption of these new and revised FRSs and INT FRSs did not have any material effect on the financial results or position of the Company.

#### *New and revised standards not yet effective*

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

### **(b) Revenue recognition**

#### *Rental income*

Lease payments from operating leases are recognised on a straight-line basis over the lease term.

#### *Interest income*

Interest income is recognised using the effective interest method.

### **(c) Plant and equipment**

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

On disposal of a plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### (c) Plant and equipment (cont'd)

#### *Depreciation*

Depreciation is calculated on a straight-line basis to allocate the depreciable amounts of plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Computers	5 years

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

### (d) Impairment of non-financial assets

At each reporting date, the Company assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (e) Investment property

Investment property include property that is held to earn rental income and/or for capital appreciation.

Investment property is initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best use basis. Changes in fair values are recognised in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### (e) Investment property (cont'd)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

### (f) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *When the Company is the lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. For these exempted leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### *Lease liabilities*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liabilities are presented as a separate line in the statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

## 2. Summary of significant accounting policies (cont'd)

### (f) Leases (cont'd)

#### *When the Company is the lessee (cont'd)*

#### *When the Company is the lessee (cont'd)*

#### *Lease liabilities (cont'd)*

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are presented as a separate line in the statement of financial position. Right-of-use assets which meets the definition of an investment property are presented within "Investment properties" and accounted in accordance with Note 2(e).

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful lives of the underlying assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

Depreciation for right-of-use assets are charged on the following bases:

Motor vehicles	Over the lease period of 3 to 5 years
----------------	---------------------------------------

The Company applies FRS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(d).

#### *When the Company is the lessor*

Where the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss on the same basis as the lease income.

## 2. Summary of significant accounting policies (cont'd)

### (f) Leases (cont'd)

#### *When the Company is the lessor (cont'd)*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct cost incurred by the Company in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

### (g) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

### (h) Financial assets

#### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

## 2. Summary of significant accounting policies (cont'd)

### (h) Financial assets (cont'd)

#### *Classification and measurement*

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Company classifies its financial assets at amortised cost.

The classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

#### *Subsequent measurement*

Debt instruments include cash and cash equivalents and trade and other receivables. These are subsequently measured at amortised cost based on the Company's business model for managing the asset and cash flow characteristics of the asset.

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

#### *Impairment*

The Company recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

For trade receivables that do not have a significant financing component, the Company applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. If the Company has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

## **2. Summary of significant accounting policies (cont'd)**

### **(h) Financial assets (cont'd)**

#### *Offset*

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **(i) Cash and cash equivalents in the statement of cash flows**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

### **(j) Financial liabilities**

Financial liabilities include trade and other payables, lease liabilities and borrowings. Financial liabilities are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

### **(k) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

### **(l) Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### **(m) Borrowing costs**

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

## 2. Summary of significant accounting policies (cont'd)

### (n) Employee benefits

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

### (o) Foreign currencies

#### *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements of the Company are presented in Singapore dollar, which is the Company’s functional currency.

#### *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

## 3. Critical accounting judgements and key sources of estimation uncertainty

### *Critical judgements in applying the Company’s accounting policies*

In the process of applying the Company’s accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations):

#### *Going concern assumption*

The Company incurred a net loss of \$980,122 (2019: \$256,887) during the financial year ended 31 December 2020. At 31 December 2020, the Company’s total current liabilities exceeded its total current assets by \$1,575,822 (2019: \$1,701,131). The ability of the Company to continue as a going concern depends on the ultimate holding company’s undertaking to provide continuing financial support to enable the Company to continue as a going concern. The directors are satisfied that the financial support will be available as and when required.



### 3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

#### *Critical judgements in applying the Company's accounting policies (cont'd)*

##### *Going concern assumption (cont'd)*

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

##### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *Calculation of loss allowance*

When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions with consideration on the impact of COVID-19 pandemic and how these conditions will affect the Company's ECL assessment. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As the calculation of loss allowance on other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of other receivables. Details of ECL measurement and carrying value of other receivables at the end of the reporting period are disclosed in Note 20(b).

##### *Fair value of investment property*

The Company carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The fair value of the investment property is determined by an independent professional valuer engaged by management using a combination of the depreciated replacement cost method based on the estimated current replacement cost of buildings and direct comparison method to derive the land premium. The key assumptions used to determine the fair value of the investment property and sensitivity analysis is provided in Note 10. The carrying amount of the Company's investment property as at 31 December 2020 is disclosed in Note 10.

**4. Other expenses**

	2020 \$	2019 \$
Interest income	–	(2,245)
Sundry income	–	(5,517)
Impairment loss on investment property	1,000,000	1,000,000
	<u>1,000,000</u>	<u>992,238</u>

**5. Finance costs**

	2020 \$	2019 \$
Interest expense - lease liabilities	3,584	2,895
Interest expense - bank loans	72,267	83,023
	<u>75,851</u>	<u>85,918</u>

**6. Loss before tax**

	2020 \$	2019 \$
Loss before tax is arrived at after charging:		
Employee benefits expense (including Directors' remuneration)	140,420	35,152
Defined contribution plans	16,047	4,956
Property tax	92,796	120,000
Management fee	270,864	95,000
	<u>270,864</u>	<u>95,000</u>

**7. Tax expense/(credit)**

	2020 \$	2019 \$
Income tax expense/(credit) attributable to profits is made up of:		
Current income tax	9,000	80,000
Deferred tax	–	(170,000)
	<u>9,000</u>	<u>(90,000)</u>
Under/(over) provision in respect of prior years:		
- current income tax	(62,000)	–
- deferred tax	86,175	–
	<u>24,175</u>	<u>–</u>
	<u>33,175</u>	<u>(90,000)</u>

**7. Tax expense/(credit) (cont'd)**

The income tax expense/(credit) on the results of the financial year differs from the amount of the income tax determined by applying the Singapore statutory rate of income tax due to the following factors:

	<b>2020</b>	2019
	<b>\$</b>	\$
Loss before tax	<b>(946,947)</b>	(346,887)
Tax calculated at a tax rate of 17%	<b>(160,981)</b>	(58,971)
Singapore statutory stepped income exemption	<b>(9,786)</b>	–
Expenses not deductible for tax purposes	<b>179,634</b>	179,261
Utilisation of previously unrecognised tax losses	–	(60,705)
Deferred tax credit on change in fair value of investment property	–	(170,000)
Under/(over) provision in prior years	<b>24,175</b>	–
Others	<b>133</b>	20,415
	<b>33,175</b>	(90,000)

**8. Plant and equipment**

	<b>Computer</b>
	<b>\$</b>
<b>2020</b>	
<b>Cost</b>	
At 1 January	–
Additions	3,499
At 31 December	<b>3,499</b>
<b>Accumulated depreciation</b>	
At 1 January	–
Depreciation charge	408
At 31 December	<b>408</b>
<b>Net carrying value</b>	
At 31 December	<b>3,091</b>
<b>2019</b>	
<b>Cost</b>	
At 1 January and 31 December	–
<b>Accumulated depreciation</b>	
At 1 January and 31 December	–
<b>Net carrying value</b>	
At 31 December	–

**9. Right-of-use assets**

	<b>Motor vehicle \$</b>
<b>2020</b>	
<b>Cost</b>	
At 1 January and 31 December	<b>216,367</b>
<b>Accumulated depreciation</b>	
At 1 January	43,273
Depreciation charge	43,274
At 31 December	<b>86,547</b>
<b>Net carrying value</b>	
At 31 December	<b>129,820</b>
<b>2019</b>	
<b>Cost</b>	
At 1 January	–
Additions	216,367
At 31 December	216,367
<b>Accumulated depreciation</b>	
At 1 January	–
Depreciation charge	43,273
At 31 December	43,273
<b>Net carrying value</b>	
At 31 December	173,094

**10. Investment property**

	<b>2020 \$</b>	<b>2019 \$</b>
Balance at beginning of year	<b>9,000,000</b>	10,000,000
Net fair value losses recognised in profit and loss	<b>(1,000,000)</b>	(1,000,000)
Balance at end of year	<b>8,000,000</b>	9,000,000

The investment property held by the Company is located at 10 Neo Tiew Lane 2, D’Kranji Farm Resort, #01-05, Singapore 718813. The land has a leasehold of 20 years from 9 May 2007, and has a land area of 50,969 m<sup>2</sup>.

The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repair, maintenance or enhancements, except for a first mortgage provided to a bank over the leasehold property. The mortgage is provided in respect of the Company’s borrowings. Details of these borrowings are disclosed in Note 14.

## 10. Investment property (cont'd)

### *Valuation of investment property*

The fair value of the Company's investment property at 31 December 2020 and 31 December 2019 have been determined on the basis of valuations carried out at the respective year end dates by an independent professional valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. In estimating the fair values of the property, the highest and best use of the property is their current use. There has been no change to the valuation technique during the financial year.

As at 31 December 2020, the independent professional valuer has factored in the potential impact of the COVID-19 pandemic, as the highly uncertain economic outlook for the period have limited the comparable transactions and market evidence. The Company's investment property is classified as Level 3 of the fair value hierarchy as the fair value measurement of the investment property is based on significant unobservable inputs. A significant increase/(decrease) in the significant unobservable inputs would result in a significantly higher/(lower) fair value measurement.

### *Valuation policies and procedures*

It is the Company's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 *Fair Value Measurement* guidance.

Management considers the appropriateness of the valuation technique and assumptions applied by the independent professional valuers. The valuation reports and changes in fair value measurements are analysed and reported to the Board of Directors.

## 11. Deferred tax assets

	\$
At 1 January 2019	83,825
Credited to profit or loss	(170,000)
	<hr/>
At 31 December 2019	86,175
Credited to profit or loss	(86,175)
	<hr/>
<b>At 31 December 2020</b>	<b>—</b>
	<hr/>

## 12. Other receivables

	2020	2019
	\$	\$
Deposits	1,684	1,684
Amount due from ultimate holding company	148,614	—
	<hr/>	<hr/>
	<b>150,298</b>	<b>1,684</b>
	<hr/>	<hr/>

The amount due from ultimate holding company is unsecured, interest-free, repayable on demand and are to be settled in cash.

### 13. Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank	113,485	114,006
Fixed deposit	205,917	204,121
	319,402	318,127

Fixed deposits are placed with a bank and mature 12 months (2019: 12 months) after the end of the financial year. The fixed deposits bear interest rates at 0.5% (2019: 1.0%) per annum.

### 14. Borrowings

	2020 \$	2019 \$
Current portion		
- Term loan 1 (a)	506,782	1,237,892
- Term loan 2 (b)	844,262	-
Total borrowings	1,351,044	1,237,892

#### (a) Term loan 1

The term loan is denominated in SGD at 0.6% below base rate. Base rate refers to the bank's internal cost of funds which is at 5.85% (2019: 5.10%) per annum.

The loan bears interest at 5.25% (2019: 4.50%) per annum. It is repayable in 72 equal instalments and will be fully repaid in September 2021 in accordance with the terms of the loan agreement.

This loan is secured by a first mortgage over the Company's investment property (Note 10) and corporate guarantee by the ultimate holding company. As at 31 December 2020, the fair value of the investment property has not met the minimum value required by the loan covenant. Subsequent to the year end, the lender had accepted the lower valuation of the investment property and has unconditionally waived the right to demand repayment arising from the breach. All other terms of the loan agreement have remained status quo.

#### (b) Term loan 2

The term loan is denominated in SGD at 0.6% below base rate. Base rate refers to the bank's internal cost of funds which is at 5.85% (2019: Nil) per annum.

The loan bears interest at 5.25% (2019: Nil) per annum. It is repayable in 36 equal instalments and will be fully repaid in April 2023 in accordance with the terms of the loan agreement.

This loan is secured by a first mortgage over the Company's investment property (Note 10) and corporate guarantee by the ultimate holding company. As at 31 December 2020, the fair value of the investment property has not met the minimum value required by the loan covenant. As a result of the breach in loan covenant, the total sum outstanding as at 31 December 2020 is classified as current. Subsequent to the year end, the lender had accepted the lower valuation of the investment property and has unconditionally waived the right to demand repayment arising from the breach. All other terms of the loan agreement have remained status quo.

**14. Borrowings (cont'd)***Reconciliation of movements of borrowings to cash flows arising from financing activities:*

	2020 \$	2019 \$
Balance at 1 January	1,237,892	1,931,252
Changes from financing cash flows:		
- Proceeds	1,000,000	–
- Repayment	(886,848)	(693,360)
- Interest paid	(72,267)	(83,023)
Non-cash changes:		
- Interest expense	72,267	83,023
Balance at 31 December	<u>1,351,044</u>	<u>1,237,892</u>

**15. Lease liabilities**

	2020 \$	2019 \$
Non-current portion	53,368	74,295
Current portion	20,870	19,987
<b>Total lease liabilities</b>	<u>74,238</u>	<u>94,282</u>
Interest expense on lease liabilities (Note 5)	<u>3,584</u>	<u>2,895</u>

During the financial year, total cash flow for leases amounted to \$23,628 (2019: \$14,613).

*Reconciliation of movements of lease liabilities to cash flows arising from financing activities:*

	2020 \$	2019 \$
Balance at 1 January	94,282	–
Adoption of FRS 116	–	106,000
Changes from financing cash flows:		
- Repayment	(20,044)	(11,718)
- Interest paid	(3,584)	(2,895)
Non-cash changes:		
- Interest expense	3,584	2,895
Balance at 31 December	<u>74,238</u>	<u>94,282</u>

**16. Trade and other payables**

	2020 \$	2019 \$
<b>Trade payables</b>	<b>63,855</b>	<b>63,855</b>
<b>Other payables</b>		
Accrued operating expenses	23,347	27,952
Deposits	451,185	460,185
Non-trade amounts due to:		
- Immediate holding company	107,000	107,000
- Ultimate holding company	—	33,462
Others	13,602	13,734
	<b>595,134</b>	<b>642,333</b>
<b>Total trade and other payables</b>	<b>658,989</b>	<b>706,188</b>

The amounts due to ultimate holding company and immediate holding company are non-trade in nature, unsecured, interest-free and repayable on demand.

**17. Share capital**

	2020 \$	2019 \$
<b>Issued and fully paid</b>		
12,631,962 ordinary shares with no par value	<b>12,631,962</b>	<b>12,631,962</b>

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

**18. Related party transactions**

- (a) Other than as disclosed elsewhere in the financial statements, the following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned. The balances with related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

	2020 \$	2019 \$
<u>With ultimate holding company</u>		
Management fee expense	<b>270,864</b>	<b>95,000</b>

- (b) Key management personnel compensation is analysed as follows:

	2020 \$	2019 \$
Short-term employee benefits	45,000	—
Central provident fund contributions	4,930	—
	<b>49,930</b>	<b>—</b>

There are no key management personnel apart from the Company's directors.



## 19. Lease commitments

### *When the Company is a lessor*

The Company entered into a management agreement to lease out its investment property to a non-related party under a non-cancellable operating lease agreement. The management agreement grants the third party the right to manage, operate, and collect revenue in relation to the Company's resort in Singapore.

The future minimum lease amounts receivable under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables:

	2020 \$	2019 \$
Not later than one year	600,000	1,200,000
Later than one year but not later than five year	—	600,000
	<u>600,000</u>	<u>1,800,000</u>

## 20. Financial instruments

### (a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	2020 \$	2019 \$
<i>Financial assets</i>		
Financial assets at amortised cost	<u>469,700</u>	319,811
<i>Financial liabilities</i>		
Financial liabilities at amortised cost	<u>1,633,086</u>	1,578,177

### (b) Financial risk and management

The Company is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Company's financial performance. The policies for managing each of these risks are summarised below. The directors review and agree policies and procedures for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which the Company manages and measures financial risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing deposits placed with various financial institutions. The Company's policy is to obtain the most favourable interest rates available.

## 20. Financial instruments (cont'd)

### (b) Financial risk and management (cont'd)

#### *Interest rate risk (cont'd)*

At the end of the reporting period, if SGD interest rates had been 100 basis points lower/higher with all other variables held constant, the Company's profit before tax would have been approximately \$13,510 (2019: \$23,897) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

#### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. For receivables, the Company adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparties.

At the end of the reporting period, the Company does not have significant credit exposure except for the amount due from ultimate holding company as disclosed in Note 12.

As the Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statement of financial position.

The following sets out the Company internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Company has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

## 20. Financial instruments (cont'd)

### (b) Financial risk and management (cont'd)

#### *Credit risk (cont'd)*

##### *Significant increase in credit risk (cont'd)*

In particular, the Company considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

#### *Definition of default*

The Company considers information developed internally or obtained from external sources indicating that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company) as constituting an event of default for internal credit risk management purposes as historical experience indicates that such receivables are generally not recoverable.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

**20. Financial instruments (cont'd)****(b) Financial risk and management (cont'd)***Credit risk (cont'd)**Estimation techniques and significant assumptions*

There has been no significant change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

*Financial assets at amortised cost*

Financial assets at amortised cost include other receivables and cash and cash equivalents.

The table below details the credit quality of the Company's financial assets:

<b>2020</b>	<b>12-month or lifetime ECL</b>	<b>Gross carrying amount \$</b>	<b>Loss allowance \$</b>	<b>Net carrying amount \$</b>
Other receivables	12-month ECL	<b>150,298</b>	–	<b>150,298</b>
Cash and cash equivalents	N.A. Exposure Limited	<b>319,402</b>	–	<b>319,402</b>
<b>2019</b>				
Other receivables	12-month ECL	1,684	–	1,684
Cash and cash equivalents	N.A. Exposure Limited	318,127	–	318,127

The credit loss exposure for the Company's financial assets at amortised cost have been assessed to be insignificant and accordingly, no credit loss allowances are required as at 31 December 2020 and 31 December 2019.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of the financial assets and liabilities. The Company's objective is to maintain a sufficient level of cash and cash equivalents and committed credit facilities to enable it to meet its operational requirements and to mitigate the effects of fluctuations in cash flows. As disclosed in Note 3, the ultimate holding company has undertaken to provide continuing financial support to the Company to enable the Company to pay its debts as and when they fall due.

The Company operates prudent liquidity risk management by maintaining sufficient cash and the availability of funds is adequate to meet foreseeable liabilities as they fall due.

**20. Financial instruments (cont'd)****(b) Financial risk and management (cont'd)***Liquidity risk (cont'd)*

The table below summarises the maturity profile of the Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less \$	1 to 5 years \$	Over 5 years \$	Total \$
<b>2020</b>				
Trade and other payables	207,804	–	–	207,804
Lease liabilities	26,049	53,625	–	79,674
Borrowings	921,324	563,474	–	1,484,798
	<hr/>			
<b>2019</b>				
Trade and other payables	246,003	–	–	246,003
Lease liabilities	23,628	79,838	–	103,466
Borrowings	731,600	569,424	–	1,301,024
	<hr/>			

**21. Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may issue new shares or obtain advances from its holding companies. The Company's capital comprises its share capital, accumulated losses, asset revaluation reserve and amount due to ultimate holding company (Note 16) as presented on the statement of financial position.

As disclosed in Note 3, the ultimate holding company has undertaken to provide continuing financial support to the Company to enable the Company to pay its debts as and when they fall due.

There were no changes in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

## 22. Comparative figures

Certain reclassifications have been made to the previous year's financial statements to enhance comparability with the current year's financial statements.

As a result, certain line items have been amended on the statement of cash flows for the previous financial year ended 31 December 2019. The items were reclassified as follows:

	<b>As previously reported \$</b>	<b>Amount reclassified \$</b>	<b>After reclassified \$</b>
<i>Statement of cash flows for the financial year ended 31 December 2019</i>			
<b>Cash flows from operating activities, working capital changes</b>			
Trade and other payables	(145,767)	111,577	(34,190)
Interest received	2,245	(2,245)	–
<b>Net cash generated from operating activities</b>	<b>641,695</b>	<b>109,332</b>	<b>751,027</b>
<b>Cash flows from investing activities</b>			
Purchase of right-of-use assets	–	(110,367)	(110,367)
Interest received	–	2,245	2,245
<b>Net cash used in investing activities</b>	<b>–</b>	<b>(108,122)</b>	<b>(108,122)</b>
<b>Cash flows from financing activities</b>			
Purchase of right-of-use assets	1,210	(1,210)	–
<b>Net cash used in financial activities</b>	<b>(789,786)</b>	<b>(1,210)</b>	<b>(790,996)</b>

The reclassifications did not have any effect on the statement of comprehensive income, statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

## 23. Authorisation of financial statements

The financial statements of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors dated 6 April 2021.

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**APPENDIX B – VALUATION REPORT**

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Your Ref : -  
Our Ref : CHH:MN:ij:210021

Valuation (Land & Building)

HLH Agri R&D Pte Ltd  
1 Gateway Drive #20-12/13  
Westgate Tower  
Singapore 608531

**By Email & Hand**

Attention: Ms Wendy Lee

Hong Leong Finance Limited  
16 Raffles Quay #01-05  
Hong Leong Building  
Singapore 048581

Attention: Ms Anges Tan – Collection Department

December 31, 2020

Dear Sirs,

**DESK-TOP REVIEW OF 10 NEO TIEW LANE 2 D’KRANJI FARM RESORT SINGAPORE 718813 (THE “PROPERTY”)**

We refer to your recent instructions with regard to the above-mentioned Property for financing and accounting purposes as at December 31, 2020. The following is a brief description of the Property: -

Type : An agri-tainment development comprising 35 chalet villas, food and beverage outlets, retail kiosks, high-tech farming facility, crop plots, fish / prawn ponds, a birdnest museum, a conference facility and a spa.

Age : Approximately 12 years old.

Tenure : 20 years lease commencing from March 26, 2007

Legal Description : Lot 1751K Mukim 12

Site Area : 50,968.9 sq.m

Gross Floor Area : Approximately 4,059.92sq.m.  
(according to grant of written permission vide URA reference number: ES20160630R0174 dated July 29, 2016 and corrigendum dated December 3, 2018 for grant of written permission dated November 19, 2018.





Having regard to all the relevant information, we are of the opinion that the indicative value of the unexpired leasehold interest in the Property, as at December 31, 2020, free from all encumbrances, is S\$8,000,000/- (Singapore Dollars Eight Million).

Please note that the above valuation is indicative only and it should not in any way be construed as a formal valuation.

As instructed, we have not carried out title searches and re-inspection of the premises and this review has to be read in conjunction with our last valuation report referenced JY:JN:nn:190150 dated February 27, 2019 and a subsequent desktop valuation referenced TKC:VC:nn:191620 dated February 11, 2020. We have also assumed that no material changes have been done to the Property since our last valuation.

We have not applied for Road and Drainage Interpretation Plans and the Railway Protection Plan for the Property as this is outside our terms of reference. Our valuation is therefore made on the assumption that the Property is not adversely affected by any approved/proposed road/drainage/railway schemes. It is recommended that the valuation be referred back to us for a review should your solicitors subsequently discover the existence of any such schemes after legal requisitions with the various competent authorities have been completed by them.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature other than those mentioned in the report which could affect its value.

This desk-top valuation review is for the use only of HLH Agri R&D Pte Ltd and Hong Leong Finance Limited and no responsibility is accepted to any third party for the whole or any part of its content



*Novel Coronavirus (COVID-19)*

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, is causing heightened uncertainty in both local and global conditions. Many countries globally have implemented strict travel restrictions and a range of quarantine and “social distancing” measures; although some are now at an early stage of relaxation of various controls and broader market or country reopening.

Comparable transactions and market evidence since the pandemic are limited. Our valuation is based on the information available to us at the date of valuation.

Given the heightened uncertainty and unknown impact that COVID-19 might have on the real estate market in the future, a degree of caution should be exercised when relying upon our valuation. Values, and incomes, may change more rapidly and significantly than during standard market conditions and we recommend that you keep the valuation of this property under frequent review. We confirm that our valuation assessment is a desk-top valuation and is able to be relied upon as such subject to the risks that are highlighted here.

We are pleased to be of service to you in this instance. Our fee account is also enclosed for your kind attention.

Faithfully,

A handwritten signature in black ink, appearing to read "Chia Hui Hoon", written over a horizontal line.

Chia Hui Hoon  
B.Sc. (Est. Mgt.) (Hons), MSISV  
Appraiser Licence No: AD041-2006555E  
Senior Director  
**JONES LANG LASALLE**

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### HONG LAI HUAT GROUP LIMITED

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

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (“EGM”) of Hong Lai Huat Group Limited (the “Company”) will be convened and held by way of electronic means on 30 August 2021 at 2.00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the ordinary resolution set out below.

All capitalised terms used in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 13 August 2021 (the “Circular”).

This Notice has been made available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and the Company’s website at the URL [www.honglaihuatgroup.com/extraordinary-general-meeting/](http://www.honglaihuatgroup.com/extraordinary-general-meeting/). A printed copy of this Notice will NOT be despatched to shareholders of the Company.

#### **ORDINARY RESOLUTION:**

#### **THE PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN HLH AGRI R&D PTE. LTD. AS A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL**

That:

- (a) approval be and is hereby given for the proposed disposal of the entire equity interest in HLH Agri R&D Pte. Ltd., comprising 12,631,962 ordinary shares, by HLH Agri International Pte. Ltd., a wholly-owned subsidiary of the Company, to Gallop Green (S) Pte. Ltd. for an aggregate consideration of S\$4,800,000, on the terms and conditions of the sale and purchase agreement dated 4 June 2021 (the “**Proposed Disposal**”);
- (b) the directors of the Company (the “**Directors**”) or any of them be and are hereby authorised to complete and do all acts and things (including, without limitation, enter into all transactions, arrangements and agreements and approve, sign and execute all such documents which they in their absolute discretion consider to be necessary, and to exercise such discretion as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they or each of them deem desirable, necessary or expedient to give effect to the matters contemplated by this resolution and the Proposed Disposal as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company; and
- (c) any acts and things done or performed, and/or any agreements and documents signed, executed, sealed and/or delivered by a Director in connection with this resolution and the Proposed Disposal be and are hereby approved, confirmed and ratified.

#### **BY ORDER OF THE BOARD**

**Liew Meng Ling**  
Company Secretary

**Singapore**  
**13 August 2021**

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Notes:

- (1) Due to the current COVID-19 situation in Singapore, members will not be allowed to attend the EGM in person. The EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Circular (together with this Notice) may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of the Circular (together with this Notice and the Proxy Form) will NOT be despatched to members.

The EGM will be held by way of electronic means and a member will be able to watch the proceedings of the EGM through a "live" webcast via his/her/its mobile phones, tablets or computers or listen to the proceedings through a "live" audio feed via telephone. In order to do so a member who wishes to watch the "live" audio feed must pre-register by 2.00 p.m. on 27 August 2021 at the URL <https://globalmeeting.bigbangdesign.co/hlh2021egm/>. Following authentication of his/her/its status as members, authenticated members will receive an email which will contain the link and instructions to access the "live" webcast of the EGM proceedings, as well as a telephone number and instructions to access the "live" audio feed of the EGM proceedings (the "Confirmation Email") by 2.00 p.m. on 28 August 2021. Members who do not receive the Confirmation Email by 2.00 p.m. on 28 August 2021, but have registered by 2.00 p.m. on 27 August 2021 should contact the Share Registrar, B.A.C.S. Private Limited, for assistance at [main@zicoholdings.com](mailto:main@zicoholdings.com) by 5.00 p.m. on 28 August 2021. Members who have received the Confirmation Email must not forward the email to other persons who are not members or who are not entitled to attend the AGM. This is to avoid any technical disruption or overload to the "live" webcast or "live" audio feed.

Members may also submit questions related to the resolution to be tabled for approval at the EGM. To do so, all questions must be submitted by 2.00 p.m. on 27 August 2021:

- (a) via the pre-registration website at the URL <https://globalmeeting.bigbangdesign.co/hlh2021egm/>;
- (b) in hard copy by sending by post and lodging the same at the office of our Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
- (c) by email to [general@hlh.com.sg](mailto:general@hlh.com.sg).

Members will need to identify themselves when posing questions by email by providing the following details:

- (a) the member's full name as it appears on his/her/its CDP/CPF/SRS share records;
- (b) the member's NRIC/Passport/UEN number;
- (c) the member's contact number and email address; and
- (d) the manner in which the member holds his/her/its share in the Company (e.g. via CDP, CPF or SRS).

The Company will not be able to answer questions from persons who provide insufficient details to enable the Company to verify his/her/its shareholder status.

The Company will endeavour to provide its responses to substantial and relevant queries from members relating to the resolution to be tabled for approval at the EGM either prior to, or during, the EGM via publication on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and the Company's corporate website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/), or by the Chairman at the EGM. Where there are substantially similar questions the Company will consolidate such questions; consequently, not all questions may be individually addressed.

Although the deadline for submitting questions is 2.00 p.m. on 27 August 2021, members are, however, encouraged to submit their questions in accordance with the paragraphs above earlier than 2.00 p.m. on 27 August 2021 so that they may have the benefit of the answers to their questions (where substantial and relevant to the resolution to be tabled for approval at the EGM) prior to submitting their proxy forms.

Please note that members will not be able to ask questions at the EGM "live" during the webcast and the audio feed, and therefore it is important for members to submit their questions in advance of the EGM.

- (2) **A member will not be able to attend the EGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the EGM as his/her/its proxy to attend speak and vote on his/her/its behalf at the EGM.** In appointing the Chairman of the EGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid. The

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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accompanying proxy form for the EGM may be accessed at the Company's website at the URL [www.honglaihuategroup.com/extraordinary-general-meeting/](http://www.honglaihuategroup.com/extraordinary-general-meeting/) and has also been made available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.

- (3) The Chairman of the EGM, as proxy, need not be a member of the Company. The instrument appointing the Chairman of the EGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:
- (a) if sent by post, be deposited at the office of the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building Singapore 048544; or
  - (b) if submitted by email, be received by the Company at [main@zicoholdings.com](mailto:main@zicoholdings.com),

in either case, not less than 48 hours before the time for holding the EGM, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

- (4) The instrument appointing the Chairman of the EGM as proxy must be signed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its common seal (or by the signatures of authorised persons in the manner set out under the Companies Act (Chapter 50) of Singapore as an alternative to sealing) or under the hand of an officer or attorney duly authorised.
- (5) The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of a member whose shares are entered against his/her/its name in the Depository Register, the Company may reject any instrument appointing the Chairman of the EGM as proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.
- (6) Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50) of Singapore), including CPF and SRS investors, and who wish to participate in the EGM ("**Relevant Intermediary Participants**") by (a) observing and/or listening to the EGM proceedings via the "live" webcast or the "live" audio feed in the manner provided in Note (1) above; (b) submitting questions in advance of the EGM in the manner provided in Note (1) above; and/or (c) appointing the Chairman of the EGM as proxy to attend speak and vote on their behalf at the EGM, should contact the relevant intermediary (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order to facilitate the necessary arrangements for them to participate in the EGM. CPF or SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 18 August 2021 at 2.00 p.m..

### **Personal Data Privacy:**

By submitting an instrument appointing the Chairman of the EGM as proxy to attend, speak and vote at the EGM and/or any adjournment thereof or by attending the EGM and/or any adjournment thereof, submitting any details of Relevant Intermediary Participants in connection with the EGM, submitting any questions to the Company or pre-registering for the "live" webcast or "live" audio feed of the EGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service provider) of the appointment of the Chairman of the EGM as proxy, submission of questions and pre-registration of members for the EGM (including any adjournment thereof) and the preparation, compilation and publication of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the Relevant Intermediary Participants to the Company (or its agents), the member has obtained the prior consent of such Relevant Intermediary Participants for the collection, use and disclosure by the Company (or its agents or service provider) of the personal data of such Relevant Intermediary Participants for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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## PROXY FORM

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### HONG LAI HUAT GROUP LIMITED

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

#### EXTRAORDINARY GENERAL MEETING

**IMPORTANT NOTES**

1. The EGM (as defined below) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of EGM and this accompanying proxy form for the EGM will not be sent to members. Instead, the Notice of EGM and this accompanying proxy form for the EGM will be made available to members by electronic means via publication on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL <https://honglaihuategroup.com/extraordinary-general-meeting/>.
2. Alternative arrangements relating to, *inter alia*, attendance, submission of questions in advance and/or voting by proxy at the EGM are set out in the Notice of EGM which may be accessed at the Company's website at the URL <https://honglaihuategroup.com/extraordinary-general-meeting/>, and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
3. A member will not be able to attend the EGM in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. CPF/SRS investors who wish to vote should contact their respective CPF Agent Banks or SRS Operators to submit their votes by 2.00 p.m. on 18 August 2021.
6. Please see notes overleaf before completing this Proxy Form.

\*I/We \_\_\_\_\_ (Name), \_\_\_\_\_ (\*NRIC / Passport / UEN No.)

of \_\_\_\_\_ (Address),

being \*a member/members of **HONG LAI HUAT GROUP LIMITED** (the "**Company**"), hereby appoint the Chairman of the extraordinary general meeting ("**EGM**") as \*my/our proxy to attend, speak and to vote for \*me/us on \*my/our behalf at the EGM of the Company to be convened and held by way of electronic means on Monday, 30 August 2021 at 2.00 p.m. and at any adjournment thereof.

\*I/We direct the Chairman of the EGM as \*my/our proxy to vote for or against the resolution, or to abstain from voting on the resolution, to be proposed at the EGM as indicated hereunder, for \*me/us and on \*my/our behalf at the EGM and at any adjournment thereof.

\* Delete as appropriate.

Ordinary Resolution	Number of votes FOR	Number of votes AGAINST	Number of votes ABSTAINED
To approve the Proposed Disposal			

**Note:** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution or to "Abstain" from voting on the resolution in respect of all your votes, please "✓" within the relevant boxes provided. Alternatively, if you wish to exercise some and not all of your votes both "For" and "Against" the relevant resolution and/or to abstain from voting in respect of the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporation

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## PROXY FORM

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### Notes:

1. A member will not be able to attend the EGM in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
2. The Chairman of the EGM, as proxy, need not be a member of the Company.
3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all shares held by you.
4. The instrument appointing a proxy must:
  - (a) if sent by post, be deposited at the office of the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building Singapore 048544; or
  - (b) If submitted by email, be received by the Company at [main@zicoholdings.com](mailto:main@zicoholdings.com),

in either case, not less than 48 hours before the time for holding the EGM, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

5. If sent by post, the instrument appointing the Chairman of the EGM as proxy of an individual must be under the hand of the appointor or of his/her attorney duly authorised in writing and the instrument appointing the Chairman of the EGM as proxy of a corporation must be executed either under its common seal (or by the signatures of authorised persons in the manner set out under the Companies Act (Chapter 50) of Singapore as an alternative to sealing) or under the hand of an officer or attorney duly authorised.

Where an instrument appointing the Chairman of the EGM as proxy is submitted by email, it must be authorised in the following manner:

- (a) by way of the affixation of an electronic signature by the appointor or his/her duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
  - (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.
6. Where an instrument appointing the Chairman of the EGM as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing the Chairman of the EGM as proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject any instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument including any related attachment (such as in the case where the appointor submits more than one instrument appointing the Chairman of the EGM as proxy). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the EGM as proxy if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.

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## PROXY FORM

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### **Personal Data Privacy**

By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 13 August 2021.