

HONG LAI HUAT GROUP LIMITED
(Company Registration No.: 199905292D)
(Incorporated in the Republic of Singapore)

A. PROPOSED DISPOSAL HLH AGRICULTURE (CAMBODIA) CO., LTD.

B. PROPOSED DISPOSAL OF HLHI (CAMBODIA) COMPANY LIMITED.

1. INTRODUCTION

1.1 The Board of Directors (“**Board**” or “**Directors**”) of Hong Lai Huat Group Limited (“**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following:

- (a) the Company’s wholly owned subsidiary, HLH Agri International Pte Ltd (Company Registration No.: 200003186H) (“**Seller**”) and HLHI (Cambodia) Company Limited (Company Registration No: 12129KH/2008), a company incorporated in Cambodia, with its registered office at Canadia Tower No. 315, 26th Floor, Ang Duong street, Sangkat Wat Phnom, Daun Penh district, Phnom Penh (“**HLHI**”), have on 1 February 2024, entered into a sale and purchase agreement (“**HLHI SPA**”) with the Purchaser (as defined below) pursuant to which the Seller has agreed to sell to the Purchaser, in exchange for payment in cash of US\$1,500,000 or approximately S\$2,009,190 based on the exchange rate of US\$1.00 : S\$1.33946 as at 1 February 2024 (“**Exchange Rate**”) by the Purchaser (“**HLHI Disposal Consideration**”), 100% of the entire issued share capital of HLHI (“**HLHI Sale Shares**”) (“**Proposed HLHI Disposal**”); and
- (b) the Seller and HLH Agriculture (Cambodia) Co., Ltd. (Company Registration No: 00002667), a company incorporated in Cambodia, with its registered office at Canadia Tower No. 315, 26th Floor, Ang Duong street, Sangkat Wat Phnom, Daun Penh district, Phnom Penh (“**HLHA**”) have, on 1 February 2024, entered into a separate sale and purchase agreement (“**HLHA SPA**”) with the Purchaser, pursuant to which the Seller has agreed to sell to the Purchaser, in exchange for payment in cash of US\$36,000,000 of approximately S\$48,220,560 based on the Exchange Rate by the Purchaser (“**HLHA Disposal Consideration**”), 100% of the entire issued share capital of HLHA (“**HLHA Sale Shares**”) (“**Proposed HLHA Disposal**”),

(The Proposed HLHI Disposal and Proposed HLHA Disposal shall collectively be referred to as the “**Proposed Disposals**”).

- 1.2 As at the date of this announcement, HLHI has rights to certain freehold property situated in Trapeang Chor commune and Sangke Satorb commune, Oral district, Kampong Speu, Cambodia (“**HLHI Land**”), further details of which are set out in paragraph 3 below.
- 1.3 As at the date of this announcement, HLHA has rights to 12 parcels of agricultural land that are 50-year economic land concessions commencing from 21 May 2010, situated in Trapeang Chor commune and Sangke Satorb commune, Oral district, Kampong Speu, Cambodia (“**HLHA Land**”), further details of which are set out in paragraph 7 below.
- 1.4 The Proposed HLHI Disposal will be a “discloseable transaction” under Chapter 10 of the Listing Rules of the SGX-ST (“**Listing Rules**”), while the Proposed HLHA Disposal will be a “major transaction” under Chapter 10 of the Listing Rules, based on the relative figures computed on the bases set out in Rule 1006 of the Listing Rules as further elaborated below.
- 1.5 The Company intends to seek the approval of the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting to be convened as described in paragraph 15 below (“**EGM**”) for the Proposed HLHA Disposal.
- 1.6 Upon the completion of the Proposed Disposals, HLHA and HLHI will cease to be subsidiaries of the Company. This announcement is also made pursuant to Rule 704(19) of the Listing Rules.
- 1.7 For the avoidance of doubt, the HLHI SPA and the HLHA SPA are not inter-conditional and performance or completion of the Proposed HLHI Disposal is not contingent and/or conditional upon the Proposed HLHA Disposal or *vice versa*.

2. INFORMATION ON THE PURCHASER

- 2.1 The purchaser of the HLHI Sale Shares and the HLHA Sale Shares is a high net worth businessman of Cambodian nationality and the chairman of one of the largest conglomerates in Cambodia which is involved, *inter alia*, in plantation business, including owning and operating some of the largest sugarcane plantations and rubber plantations in Cambodia (the “**Purchaser**”).

The Purchaser is not connected to any of the Directors, executive officers, substantial shareholders or controlling shareholders of the Company.

A. THE PROPOSED HLHI DISPOSAL

3. INFORMATION ON HLHI, HLHI SALE SHARES AND THE HLHI LAND

- 3.1 HLHI is a company incorporated in Cambodia on 3 June 2008 and as at the date of this announcement, is principally involved in the business of investment holding and property investment.

- 3.2 As at the date of this announcement, HLHI has an issued and paid-up share capital of US\$1,250,000 comprising 2,500,000 ordinary shares, all of which are beneficially owned by the Seller¹.

- 3.3 Based on the latest announced condensed interim financial statements of the Group for the six (6) months financial period ended 30 June 2023 (“**HY2023**”), the book value of the HLHI Sale Shares was S\$1,755,139 and the net tangible assets (“**NTA**”) of the HLHI Sale Shares was US\$2,710,320 as at 30 June 2023.

- 3.4 The HLHI Land has an area of approximately 509.54 hectares comprising the following:

- (a) Legal ownership to approximately 182.95 hectares of land (“**Hard Title Lands**”);
- (b) Right to occupancy and possession to approximately 259.59 hectares of land (“**Soft Title Lands**”); and
- (c) Approximately 67 hectares of Soft Title of land (“**Additional HLHI Land**”),

- 3.5 The HLHI Land is in the countryside located next to the HLHA Land and has been dormant with no heavy plantation activities carried out or any major investments made. The land is constantly monitored by an operation team in HLHA.

- 3.6 Based on the HLHI Disposal Consideration, there will be a gain on disposal of the HLHI Sale Shares of approximately S\$254,051, based on the difference between the HLHI Disposal Consideration and the book value of the HLHI Sale Shares of S\$1,755,139 as at 30 June 2023, while the HLHI Disposal Consideration is at a discount of approximately 44.66% to the NTA of the HLHI Sale Shares of US\$2,710,320 as at 30 June 2023.

4. HLHI DISPOSAL CONSIDERATION

4.1 Basis of the HLHI Disposal Consideration

The HLHI Disposal Consideration was arrived at by mutual agreement between the Seller and the Purchaser after arm’s length negotiations, on a “willing-buyer, willing-seller” basis and, in relation to the Seller, after the Board’s assessment and consideration of the following factors and considerations:

- (a) The rationale for the Proposed HLHI Disposal, as further elaborated in paragraph 11.1 below.

¹ The Seller holds 49% shareholding interest in HLHI, while a director of HLHI holds the remaining 51% shareholding interest in HLHI in trust for the Seller, pursuant to a deed of trust agreement between the director and HLHI.

- (b) There will be a gain on disposal arising from the Proposed HLHI Disposal.
- (c) As at the date of this announcement, no offer has been received from any party other than the Purchaser in relation to a possible disposal of the HLHI Land and/or the HLHI Sale Shares.

4.2 Valuation

Under Rule 1003(1)(a) of the Listing Rules, in any disposal of shares, the value will be assessed by reference to the net asset value represented by such shares in the case of unlisted shares. As the shares of HLHI are not listed on any stock exchange, and its net asset value is entirely represented by the HLHI Land held by HLHI as investment, the Company has appointed Key Real Estate Co., Ltd to conduct an independent valuation of the HLHI Land for the Proposed HLHI Disposal. Key Real Estate Co., Ltd has been the valuer appointed by the Company for the valuation of the HLHI Lands for the preparation of the Company's audited consolidated accounts and annual reports since FY2021.

5. PRINCIPAL TERMS OF THE HLHI SPA

5.1 Payment of the HLHI Disposal Consideration

The HLHI Disposal Consideration shall be payable in the following tranches:

- (a) The Purchaser shall make a payment of 30% of the HLHI Disposal Consideration amounting to US\$450,000 (approximately S\$602,757 based on the Exchange Rate) to the Seller on the date of execution of the HLHI SPA ("**HLHI First Payment**").
- (b) Upon receipt of the HLHI First Payment, the Seller and the Purchaser ("**Parties**") shall execute the share transfer form for the transfer of HLHI Sale Shares from the Seller to the Purchaser, whereupon the Seller shall, at its own expense, (A) proceed to complete the transfer of all the HLHI Sale Shares at the Cambodian Ministry of Commerce, including the filing of stamp duties at the General Department of Taxation in Cambodia; (B) complete the formalities and procedures as required by the Kampong Speu Provincial Department of Land Management, Urban Planning, Construction and Cadastre in Cambodia to reflect such transfer ("**HLHI Share Transfer Procedure**"); and (C) to transfer the possession right of the Additional HLHI Land at the commune level to the individual name of the Purchaser, within four (4) months from the date of HLHI First Payment.
- (c) Upon completion of the HLHI Share Transfer Procedure, and subject to review and verification of the HLHI Share Transfer Procedure by the Purchaser, the Purchaser shall pay 70% of the HLHI Disposal Consideration amounting to US\$1,050,000 (approximately S\$1,406,433 based on the Exchange Rate), to the Seller ("**HLHI Second Payment**"), in consideration of which the Seller shall duly transfer (A) the right of use (with participation of the relevant Cambodian authorities) by the Purchaser of the Hard Title Lands, Soft Title Lands and the Additional HLHI Land; and (B) the original title documents in relation to the Hard Title Lands, Soft Title Lands and Additional HLHI Land, to the Purchaser.

5.2 Representations and Warranties

Pursuant to the HLHI SPA, the Parties have furnished representations and warranties typical for transactions such as the Proposed HLHI Disposal.

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING RULES FOR THE PROPOSED HLHI DISPOSAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Rules in respect of the Proposed HLHI Disposal and based on the latest announced condensed interim financial statements of the Group for HY2023 are as follows:

(a)	Net asset value of the asset to be disposed of, compared with the Group's net asset value	2.66% ⁽¹⁾
(b)	Net profits attributable to the asset to be disposed of, compared with the Group's net profits	Not meaningful ⁽²⁾
(c)	Aggregate value of the HLHI Disposal Consideration, compared to the Company's market capitalisation as at 1 February 2024, being the last market day preceding the signing of the HLHI SPA	7.32% ⁽³⁾
(d)	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 to disposal of assets
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves	Not applicable to the Group's industry

Notes:

- (1) The net asset value attributable to HLHI and the Group as at 30 June 2023 was US\$2,710,320 (approximately S\$3,630,365 based on the Exchange Rate) and S\$136,691,000 respectively;
- (2) The net loss attributable to HLHI for HY2023 as at 30 June 2023 was approximately US\$7,291 (approximately S\$9,766 based on the Exchange Rate) and the Group's net loss for HY2023 was approximately S\$2,399,000; and
- (3) Based on the issued share capital of the Company of 517,844,114 shares (excluding treasury shares) and the volume weighted average share price of S\$0.053 on 1 February 2024, being the last full market day on which the shares were traded on the Main Board of the SGX-ST preceding the signing of the HLHI SPA.

As the relative figures computed on the bases set out in Rule 1006(c) of the Listing Rules in relation to the Proposed HLHI Disposal exceeds 5% but does not exceed 20%, the Proposed HLHI Disposal constitutes a "discloseable" transaction under Chapter 10 of the Listing Rules.

B. THE PROPOSED HLHA DISPOSAL

7. INFORMATION ON HLHA, HLHA SALE SHARES AND THE HLHA LAND

- 7.1 HLHA is a company incorporated in Cambodia on 4 May 2009 and as at the date of this announcement, is principally involved in the business of agriculture plantation, processing and distribution of cassava products.
- 7.2 As at the date of this announcement, HLHA has an issued and paid-up share capital of US\$15,000,000 comprising 15,000 ordinary shares, all of which are legally and beneficially owned by the Seller.
- 7.3 Based on the latest announced condensed interim financial statements of the Group for HY2023, the book value of the HLHA Sale Shares was S\$61,774,703 and NTA of the HLHI Sale Shares was US\$43,400,960 as at 30 June 2023.
- 7.4 The HLHA Land has an area of approximately 8,999.95 hectares of land, which is primarily used for the cultivation of fresh cassava. There are four (4) existing blocks of, amongst others, individual offices, warehouses, workstations, and production facilities on the HLHA Land, one of which is the cassava starch production factory.

7.5 Based on the HLHA Disposal Consideration, there will be a loss on disposal of the HLHA Sale Shares of approximately S\$13,554,143, based on the difference between the HLHA Disposal Consideration and the book value of the HLHA Sale Shares of S\$61,774,703 as at 30 June 2023, while the HLHA Disposal Consideration is at a discount of approximately 17.05% to the NTA of the HLHA Sale Shares of US\$43,400,960².

8. HLHA DISPOSAL CONSIDERATION

8.1 Basis of the HLHA Disposal Consideration

The HLHA Disposal Consideration was arrived at by mutual agreement between the Seller and the Purchaser after arm's length negotiations, on a "willing-buyer, willing-seller" basis and after the Board's assessment and consideration of the following factors and circumstances:

- (a) The rationale for the Proposed HLHA Disposal, as further elaborated in paragraph 11.2 below; and
- (b) The HLHA Land is not freely marketable or transferable as any sale or transfer of the HLHA Land is subject to HLHA obtaining all relevant approvals from of the Ministry of Agriculture, Forestry and Fisheries of Cambodia. Likewise, any sale or transfer of the shares of HLHA is subject to the Company obtaining all relevant approvals from of the Ministry of Agriculture, Forestry and Fisheries of Cambodia, and the Board is of the opinion that there is a reasonable likelihood of such approvals being granted for the Proposed HLHA Disposal, *inter alia*, given the background and profile of the Purchaser, including his experience and involvement in the agricultural sector in Cambodia.
- (c) As at the date of this announcement, no offer has been received from any party other than the Purchaser in relation to a possible disposal of the HLHA Land and/or the HLHA Sale Shares.

8.2 Valuation

As HLHA primarily cultivates cassava through its joint collaboration farmers where it plants, harvests and sells the harvested cassava crop in addition to having the concession rights under the HLHA Land, the Company intends to appoint a competent and independent valuer to conduct a valuation for the enterprise value of HLHA, in accordance with Rule 1014(5) of the Listing Rules.

9. PRINCIPAL TERMS OF THE HLHA SPA

9.1 Payment of the HLHA Disposal Consideration

The HLHA Disposal Consideration shall be payable in the following tranches:

- (a) The Purchaser shall make a payment of US\$100,000 (approximately S\$133,946 based on the Exchange Rate) to the Seller on the date of the HLHA SPA, whereupon the Seller shall apply for approval from the Cambodian Ministry of Agriculture, Forestry and Fisheries on the transfer of HLHA Sale Shares ("**Ministry of Agriculture Approval**"). Upon receipt of the Ministry of Agriculture Approval by the Seller, the Purchaser shall make a payment of US\$7,100,000 (approximately S\$9,510,166 based on the Exchange Rate) (together with the US\$100,000, collectively the "**HLHA First Payment**") to the Seller within ten (10) days thereafter, in consideration of which the Seller shall procure the transfer of the right of use by the Purchaser of approximately 2,000 hectares of HLHA Land with participation of the relevant Cambodian authorities;

² The NTA of the HLHA Sale Shares of US\$43,400,960 is based on the NTA of HLHA Sale Shares of US\$13,071,854 as at 30 June 2023 after adjusting for the capitalisation of shareholders' loans or advances from its holding company amounting in aggregate US\$30,329,106, which will be effected in 2024.

- (b) Upon receipt of the HLHA First Payment, and within six (6) months from the date of the HLHA SPA, the Company shall, in compliance with all applicable laws, regulations and rules of Singapore, obtain all relevant corporate approvals and comply with such laws and regulations (“**Company Approvals**”) and the Seller shall complete the transfer of the HLHA Sale Shares from the name of the Seller to the Purchaser at the Cambodian Ministry of Agriculture, Forestry and Fisheries, Cambodian Ministry of Commerce, Kampong Speu Provincial Department of Land Management, Urban Planning Construction and Cadastre, and the Council for the Development of Cambodia, including the filing of stamp duties at the General Department of Taxation in Cambodia (“**HLHA Share Transfer Procedure**”).
- (c) Without prejudice to paragraph 9.1(f) below, the Purchaser shall make a payment of 70% of the HLHA Disposal Consideration, amounting to US\$25,200,000 (approximately S\$33,754,392 based on the Exchange Rate) (“**HLHA Second Payment**”), to the Seller, subject to the Purchaser having verified the Seller’s compliance with the HLHA Share Transfer Procedure within ten (10) days from the notice given by the Seller to the Purchaser regarding compliance with the HLHA Share Transfer Procedure.
- (d) In consideration of the HLHA Second Payment, the Seller shall (A) transfer the right of use (with participation of the relevant Cambodian authorities) of approximately 5,000 hectares of HLHA Land to the Purchaser; (B) procure the transfer of the original copies of the share transfer document for the transfer of the HLHA Sale Shares to the Purchaser; and (C) deliver the original copies of the economic concession land documents of the HLHA Land, articles of association and past tax payment documents of HLHA to the Purchaser.
- (e) Without prejudice to paragraph 9.1(f) below, the Purchaser shall pay the final 10% of the HLHA Disposal Consideration, amounting to US\$3,600,000 (approximately S\$4,822,056 based on the Exchange Rate) (“**HLHA Third Payment**”), within twelve (12) months from the date of the HLHA SPA to the Seller, subject to the Seller harvesting all the cassava and the departure of the workers of the Seller’s subcontractors or its joint cooperation farmers from the HLHA Land and against receipt of the HLHA Third Payment, the Seller shall hand over the remaining approximately 2,000 hectares of HLHA Land to the Purchaser.
- (f) The Purchaser will be liable to pay the HLHA Second Payment and HLHA Third Payment upon compliance with the timeline mentioned above or upon the Company having duly completed the HLHA Share Transfer Procedure before the six (6) months period after the date of the HLHA SPA, whichever is earlier.

The Seller shall bear all costs and expenses related to the performance of its obligations under the HLHA Share Transfer Procedure.

For the avoidance of doubt, the sale and purchase of the HLHA Sale Shares and completion of the HLHA SPA shall be subject to, *inter alia*, the Company obtaining the Ministry of Agriculture Approvals and the Company obtaining all relevant corporate approvals and complying with all applicable laws, regulations and rules of Singapore.

9.2 **Representations and Warranties**

Pursuant to the HLHA SPA, the Parties have furnished representations and warranties typical for transactions such as the Proposed HLHA Disposal.

10. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING RULES FOR THE PROPOSED HLHA DISPOSAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Rules in respect of the Proposed HLHA Disposal and based on the latest announced condensed interim financial statements of the Group for HY2023 are as follows:

(a)	Net asset value of the asset to be disposed of, compared with the Group's net asset value	42.53% ⁽¹⁾
(b)	Net profits attributable to the asset to be disposed of, compared with the Group's net profits	Not meaningful ⁽²⁾
(c)	Aggregate value of the HLHA Disposal Consideration, compared to the Company's market capitalisation as at 1 February 2024, being the last market day preceding the date of signing of the HLHA SPA	175.69% ⁽³⁾
(d)	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 to disposal of assets
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves	Not applicable to the Group's industry

Notes:

- (1) The net asset value attributable to HLHA and the Group as at 30 June 2023 was US\$43,400,960 (approximately S\$58,133,850 based on the Exchange Rate) and S\$136,691,000 respectively;
- (2) The net loss attributable to HLHA for HY2023 as at 30 June 2023 was approximately US\$1,556,840 (approximately S\$2,085,325) and the Group's net loss for HY2023 was approximately S\$2,399,000; and
- (3) Based on the issued share capital of the Company of 517,844,114 shares (excluding treasury shares) and the volume weighted average Share price of S\$0.053 on 1 February 2024, being the last full market day on which the shares were traded on the Main Board of the SGX-ST preceding the signing of the SPA.

As the relative figures computed on the bases set out in Rule 1006(a) and Rule 1006(c) of the Listing Rules exceed 20%, the Proposed HLHA Disposal constitutes a "major transaction" under Chapter 10 of the Listing Rules and the Company will be seeking Shareholders' approval for the Proposed HLHA Disposal pursuant to Rule 1014(2) of the Listing Rules at the EGM.

11. RATIONALE FOR THE PROPOSED DISPOSALS AND USE OF PROCEEDS

11.1 Rationale for the Proposed HLHI Disposal

- (a) Since the completion of its last development project in Singapore back in 2014, the Group had expanded its property division into Cambodia in 2015, with the launch of its first freehold mixed-use project, D'Seaview, in Sihanoukville, Cambodia, the construction which was fully completed in FY2020, and subsequently launched its second freehold mixed-use project, the Royal Group Platinum, in Phnom Penh, Cambodia, in FY2019.
- (b) The Group also currently owns two other pieces of land, one in Russey Keo district of Cambodia, with 100% stake acquired in September FY2020, and another in Sihanoukville, with a minority stake acquired in FY2022 (as defined below).
- (c) HLHI is a wholly-owned subsidiary of the Company, held through the Seller, whose principal activities are investment holding and property investment.
- (d) The Seller is undertaking the Proposed HLHI Disposal, *inter alia*, as the Board currently has no immediate plans to develop the HLHI Land and it has been dormant for a prolonged period where it remains as one of the property investments made by the Group over the years.

Moreover, the Group has other existing landbank with better location in the city area which may be more suitable for development under its Property Division.

- (e) For the above and other reasons as stated in paragraph 11.3 below, the Board is of the view that it is in the interests of the Company to undertake the Proposed HLHI Disposal.

11.2 Rationale for the Proposed HLHA Disposal

- (a) The Group's business is currently divided into the agricultural business ("**Agricultural Arm**") and the property development and real estate business ("**Property Division**").
- (b) HLHA is a wholly-owned subsidiary of the Company, held through the Seller, whose principal activities are agricultural plantation, processing and distribution.
- (c) The Group had ventured into the Cambodian market in 2008 and secured concessional land rights from the Royal Government of Cambodia for the HLHA Land in 2010, through HLHA, and the development of part of the HLHA Land for cultivation of fresh cassava.
- (d) Since the inception of the agricultural business in 2008, the Group has been reporting losses in relation to the Agricultural Arm in respect of each of its financial years, including a loss of S\$1,808,000 (unaudited) for HYFY2023 and S\$8,822,000 (audited) for FY2022 (as defined below) respectively.
- (e) The Board is of the view that there is visibility that there will be no material changes or developments that may lead to a positive change in the financial performance of the Agricultural Arm in the reasonable foreseeable future due to, *inter alia*, the continuing challenges of having to cope with (i.) the decreasing concession term of 36 years remaining, (ii.) continued depreciation due to the short period left, (iii.) the risk of the Cambodian government taking back the concessional land rights should the Group discontinue heavy investments on the HLHA Land despite losses over the years, and (iv.) other challenges of operating in the agricultural sector. In addition, the Group is now strongly focussed on the property development projects in Cambodia.
- (f) The Proposed HLHA Disposal thus presents an opportunity for the Group to exit the agricultural business as currently carried on under the Agricultural Arm through sale of 100% of the Group's shareholding interest in HLHA, and for the Group to cease to have to incur and bear future losses that may arise (if applicable) in respect of agricultural business, which it would have to incur and bear if it were to continue to own the shares of HLHA.
- (g) As also mentioned above, in deciding to undertake the Proposed HLHA Disposal with the Purchaser, the Board took into consideration the need for the relevant regulatory approvals to be obtained before the Seller is able to successfully sell or dispose of its shares in the HLHA Land, and the potential suitability of the Purchaser in relation thereto.
- (h) For the above and other reasons as stated in paragraph 11.3 below, the Board is of the view that it is in the interests of the Company to make the Proposed HLHA Disposal.

11.3 Rationale for Proposed Disposals

In assessing the Proposed Disposals, apart from taking into consideration the specific relevant factors in relation to the Proposed HLHI Disposal and Proposed HLHA Disposal as stated in paragraphs 11.1 and 11.2 above respectively, the Board also took into consideration other more general factors or circumstances as follows:

- (a) The Proposed HLHA Disposal and the Proposed HLHI Disposal will raise aggregate net proceeds of approximately S\$50,229,750, which the Group can deploy for working capital or other purposes, including to reduce the gearing ratios of the Group, where the Board considers it appropriate
- (b) This will serve to provide greater options and flexibility to the Group in managing its capital, strengthening its balance sheet and cash position, and the repayment of bank loans, pending the launch of sales of its future development projects.

- (c) The Agricultural Arm's revenue (S\$214,000 for FY2022 and S\$239,000 for HYFY2023), while representing all of the Group's revenue for the respective periods, is relatively insignificant from an absolute quantum basis, and such proportion of contribution to the total Group's revenue by the Agricultural Arm is likely to be temporary or transitional as the Board expects that the contribution of the Agricultural Arm, if it were to continue, to the overall financial performance and/or financial position of the Group on a longer-term or sustained basis would likely become increasingly smaller, or marginal, as the Property Division starts to contribute a greater proportion to total Group revenue from its sale of property units.
- (d) Moreover, to reiterate, the Proposed HLHA Disposal presents an opportunity for the Group to exit the agricultural business which has never been profitable since its inception.

11.4 Use of Proceeds

The Company intends to use the net proceeds received from the Proposal Disposals for its general working capital and repayment of bank loans (where applicable).

12. FINANCIAL EFFECTS OF THE PROPOSED DISPOSALS

12.1 Bases and Assumptions

The proforma financial effects of the Proposed Disposals on the share capital, earnings, NTA, net asset value ("**NAV**") and gearing of the Group have been prepared based on the latest audited condensed financial statement for the full year ended 31 December 2022 ("**FY2022**").

The proforma financial effects of the Proposed Disposals are for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Disposals.

For the purposes of illustrating the financial effects of the Proposed Disposals, the following key assumptions have been adopted:

- (a) the financial effects on the Group's earnings and earnings per Share are computed assuming that the Proposed Disposals was completed on 1 January 2022;
- (b) the financial effects on the Group's NTA, NAV, share capital and gearing are computed assuming that the Proposed Disposals and the Proposed Disposals were completed on 31 December 2022;
- (c) the analysis takes into account a gain on disposal of the HLHI Sale Shares (at Company level) of S\$254,051 and loss on disposal of the HLHI Sale Shares (at Group level) of S\$1,904,051;
- (d) the analysis takes into account a loss on the disposal of the HLHA Sale Shares (at Company level) of S\$13,554,143 and loss on disposal of the HLHA Sale Shares (at Group level) of S\$17,089,284;
- (e) The analysis assumes the NTA/NAV of the HLHA Sale Shares as at US\$43,400,960, based on the NTA/NAV of HLHA Sale Shares of US\$13,071,854 as at 30 June 2023 after adjusting for the capitalisation of shareholders' loans or advances from its holding company amounting in aggregate US\$30,329,106, which will be effected in 2024.
- (f) the NTA per Share and NAV per Share are computed based on the 517,844,114 shares in issue, as at 31 December 2022. There is no change in the number of issued shares since 31 December 2022 to the date of this announcement;
- (g) expenses incurred by the Company in relation to the Proposed Disposals are estimated to be approximately S\$5,231,205 in aggregate, comprising legal, valuer and administrative fees and expenses, and consultancy fees payable to a consultant for advising the Parties on the Proposal Disposals;

- (h) an exchange rate of USD 1.00 : SGD 1.34143 as at 31 December 2022 for the purposes of illustrating NTA/NAV and an exchange rate of USD 1.00 : SGD 1.37894 as at 31 December 2022 for the purposes of illustrating losses; and
- (i) the illustration of financial effects under “After the Proposed HLHI Disposal” assumes the completion of the Proposed HLHI Disposal alone while the illustration of financial effects under “After Proposed Disposals” assumes the completion of the Proposed HLHI Disposal and Proposed HLHA Disposal on an aggregate basis. For the avoidance of doubt, the HLHI SPA and the HLHA SPA are not inter-conditional and the performance or completion of the Proposed HLHI Disposal is not contingent and/or conditional upon the Proposed HLHA Disposal or *vice versa*.

12.2 NTA / NAV of the Group

(SGD)	Before the Proposed Disposals	After the Proposed HLHI Disposal	After the Proposed Disposals
NTA/NAV	137,843,000	137,843,000	137,843,000
Less: Effects of Proposed Disposals	-	(1,904,051)	(18,993,335) ⁽¹⁾
Resultant NTA/NAV	<u>137,843,000</u>	<u>135,938,949</u>	<u>118,849,665</u>
NTA/NAV per Share (SGD)	0.27	0.26	0.23

Notes:

1. The NTA/NAV of the Group will decrease by approximately S\$1,904,051 after the Proposed HLHI Disposal due mainly to the HLHI Disposal Consideration being at a discount to the NTA/NAV of the HLHI Sale Shares as at 30 June 2023 and the NTA/NAV of the Group will decrease by an aggregate of approximately S\$18,993,335 after the Proposed Disposals due mainly to the aggregate of the HLHA Disposal Consideration and HLHI Disposal Consideration being at a discount to the NTA/NAV of the HLHA Sale Shares and HLHI Sale Shares and estimated expenses in relation to the Proposed Disposals.

12.3 Losses of the Group

(SGD)	Before the Proposed Disposals	After the Proposed HLHI Disposal	After the Proposed Disposals
Loss attributable to Shareholders	(10,402,000)	(10,402,000)	(10,402,000)
Less: Effects of Proposed Disposals		138,000 ⁽²⁾	8,483,000 ⁽³⁾
Less: Effects of Proposed Disposals	-	(1,904,051) ⁽⁴⁾	(18,993,335) ⁽⁵⁾
Resultant loss attributable to Shareholders	<u>(10,402,000)</u>	<u>(12,168,051)</u>	<u>(20,912,335)</u>
Loss per Share (SGD)	(0.020)	(0.023)	(0.040)

Notes:

2. Deduction of the loss attributable to HLHI for FY2022, assuming the Proposed HLHI Disposal has been completed as at 1 January 2022.
3. Deduction of the aggregate loss attributable to HLHI and HLHA for FY2022 assuming the Proposed Disposals were completed as at 1 January 2022.
4. Taking into account loss on disposal at Group level arising from the Proposed HLHI Disposal.
5. Taking into account the aggregate loss on disposal at Group level arising from the Proposed Disposals.

12.4 Gearing of the Group

(SGD)	Before the Proposed Disposals	After the Proposed HLHI Disposal	After the Proposed Disposals
Total borrowings	10,938,000	10,938,000	10,938,000
Total assets	136,691,000	135,938,949	118,849,665 ⁽⁷⁾
Gearing (times)⁽⁶⁾	0.08	0.08	0.09

Notes:

6. Gearing is determined based on total bank borrowings divided by total assets.
7. Total assets exclude the HLHI Sale Shares and HLHA Sale Shares but include the aggregate of HLHI Disposal Consideration and HLHA Disposal Consideration less the estimated expenses relating to the Proposed Disposals.

12.5 Share Capital of the Company

(SGD)	Before the Proposed Disposals	After the Proposed HLHI Disposal	After the Proposed Disposals
Paid-up share capital	121,023,000	121,023,000	121,023,000
Number of issued Shares	517,844,114	517,844,114	517,844,114

13. SERVICE AGREEMENTS

No additional or new Director(s) will be appointed to the Board pursuant to the Proposed Disposals.

14. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors and controlling shareholder(s) have any interest, direct or indirect, in the Proposed Disposals other than through their respective shareholdings in the Company (as the case may be).

15. EGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed HLHA Disposal and a circular ("**Circular**") containing, *inter alia*, details thereof, and enclosing the notice of EGM in connection therewith, will be despatched to the Shareholders in due course.

16. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the HLHA SPA and HLHI SPA will be available for inspection during normal business hours at the Company's registered office 10 Bukit Batok Crescent #13-05, The Spire Building, Singapore 658079 for a period of three (3) months from the date of this announcement.

Shareholders who wish to inspect the aforementioned document at the registered office are required to send an email request to dylanong@hlh.com.sg to make an appointment in advance.

17. DIRECTORS' RESPONSIBILITY STATEMENT

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

Where information in this announcement 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 announcement in its proper form and context.

18. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the HLHI SPA, HLHA SPA, the Proposed HLHI Disposal and the Proposed HLHA Disposal as appropriate or when there are further developments.

19. CAUTION IN TRADING

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Disposals will proceed to completion, as their completion is subject to, *inter alia*, the fulfilment of the Principal Terms of the HLHI SPA and the Principal Terms of the HLHA SPA respectively. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements and the Circular by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

BY ORDER OF THE BOARD

Dato Dr Ong Bee Huat
Executive Deputy Chairman and Chief Executive Officer
5 February 2024