



## HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)

Reg. No. 199905292D

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### RESPONSE TO SGX-ST'S QUERIES

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The board of directors (the “**Board**”) of Hong Lai Huat Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it had received queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Queries**”) in relation to Company’s announcement dated, 15 September 2023 in respect of our response to SGX-ST Queries. The Board wishes to respond to the Queries as follows:

#### Query 1

In the Company’s Announcement on 15 September 2023 in response to Query 1, the Company did not disclose details of the Company’s delisting from Frankfurt Stock Exchange as requested. Please disclose details of the following:

- a. The Company mentioned that the purpose of the dual listing was “to diversify shareholder portfolio, improve liquidity on the stock as well as company brand exposure”. Please explain why the Company was delisted so shortly after listing on the FSE.
- b. To disclose the delisting date of the Company from FSE.
- c. The Company stated that the delisting was voluntary. Please detail the factors of consideration that led to the delisting decision by the Company and when the application for the delisting was made by the Company and whether the Board was aware of the delisting.
- d. The Company disclosed its listing on the Frankfurt Stock Exchange. However, the Board took the view not to announce its delisting from the Frankfurt Stock Exchange and explained that as “SGX approval was not required initially to be dual traded on SGX and FSE” and “there were no new shares issued for the dual trading on FSE hence there are no material impact on the group overall market cap or financial as well as anything significant required to make relevant announcements on the delisting from FSE”. In view that the Board had deemed it in the interest of the Company to list on the Frankfurt Stock Exchange and had disclosed its listing, kindly ensure the market is promptly updated on the details of the change in circumstances in its Dual Listing announcement to avoid the establishment of a false market in the Company’s securities under Listing Rule 703.



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### Query 1 (continued)

#### Company's Response

- a. The Company appointed Investor Relations representative was not performing well in terms of the roadshows arranged or other investors engagement online presentation which resulted in no improvement of liquidity of the existing shares traded on SGX. Hence the company deems that it should not spend any further costs to maintain the duo quoted counter on FSE.
- b. The Company was delisted from FSE on August 2022.
- c. Please refer to response 1(a) for the factors of consideration that led to the delisting decision by the Company. The Board was aware of the delisting.
- d. The Company has no intention to establish a false market in the Company's securities under Listing Rule 703. However, the Company will continue to apply the principles outlined in the Listing Rule 703. In case of doubt, the Company will consult the Exchange with respect to the application of the rules.

### Query 2

With respect to Query 2 on the status update of the US\$50 Million sale of Property Units in D'Seaview, the Company mentioned that the "agreement lapsed as the buyer was not able to raise the fund required to complete the transaction." The Company did not disclose the lapse of the agreement earlier and explained that it had assessed "there is no material impact on the group overall market cap or financial as well as anything significant required to make relevant announcement for buyer failure to raise the fund required for the transaction". However, we note that US\$50 Million is material when compared to the Company's audited FY2022 revenue of \$1,641,000 and HY2023 Revenue of S\$214,000 and thus, the failure to proceed with the sales agreement that was previously announced by the Company on 4 May 2022 would constitute a material development under Listing Rules 703. It is further noted that the value of the agreement was US\$50 million that is approximately 2x the value of the Company's current market capitalization. Please proceed to disclose with the necessary details on the agreement termination to avoid the establishment of a false market in the issuer's securities under Listing Rule 703 and reasons why the US\$50 million sale was unable to proceed. To provide disclosure as to the current market value of the US\$50 million Property Units in D'Seaview and how much of these units have since been sold and for how much. To also disclose how much of these subsequent sales have been collected to-date.



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### Query 2 (continued)

#### Company's Response

The Company refers announcement on 4 May 2022 in relation to the Group enters into a term sheet with Fabi Capital Limited ("Fabi") to sell up to US\$50 million worth of units in D'Seaview.

There was no **legal sales and purchase agreement** being entered into, it was a term sheet with a 'right' granted for Fabi to raise funds for the property acquisition through the sale of tokens and non-fungible tokens and if successful they would be able to pay the Company to acquire the units of D'Seaview. Only if Fabi manages to raise the capital required, then they will enter into sales and purchase agreement like any normal buyer does in purchasing properties from the company. As Fabi failed to raise the capital for the purchases by the stipulated date of 31 December 2022, the term sheet was lapsed.

As at 30 June 2023, the market value of the Group's property units in D'Seaview was approximately US\$47 million. The market value has been determined on the basis of valuation carried out by independent professional valuer.

There were no sales of the Group's property units in D'Seaview in FY2023.

### Query 3

With respect to Query 3, the Company disclosed that it entered into a settlement agreement with the Buyer, Sihahotel Group Co., Ltd on 27 May 2021, and recovered the balance US\$7.4 million of the purchase consideration in FY2021. If that was the case, please explain and reconcile the reason for the "90% year-on-year decline in revenue to S\$1.6 million" reported on 29 Mar 2023 in the Company's FY2022 Financial Statements when the purchase consideration for the S&P Agreement was already recovered in FY2021. To disclose how much of the settlement sum has been collected to date, when the amounts were paid and the financial year(s) and how the amount has been recognized.

#### Company's Response

##### Purchase consideration

The purchase consideration for the hotel in D'Seaview is US\$11,600,000. The Group's subsidiary PH One Development (Cambodia) Limited ("PH One") has **collected the purchase consideration in full** as follow:

- i. US\$4,200,000 in accordance with the Sale & Purchase Agreement ("SPA") payment schedule in FY2018; and
- ii. US\$7,400,000 in accordance with the Settlement Agreement payment schedule in FY2021.



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### Query 3 (continued)

#### Company's Response

##### Revenue recognition

For sale of completed development properties, revenue is recognized at a point in time when the control of the property is transferred to the customers. Control of the property is transferred upon signing of the SPA with the buyers.

- i. The Group has recognized US\$4,200,000 (equivalent to S\$5,657,000 based on an exchange rate US\$1 : S\$1.34700) as Other Income in FY2018. The SPA was terminated due to the buyer has failed to make the requisite payments for the purchase of the hotel in FY2018.
- ii. The Group has recognized US\$7,400,000 (equivalent to S\$9,911,000 based on an exchange rate US\$1 : S\$1.33926) as Revenue in FY2021 upon the finalization of the Settlement Agreement in FY2021.

#### 90% year-on-year decline in revenue to S\$1.6 million in the Company's FY2022 Financial Statements

	Group			
	2022	2021	Change	
	S\$'000	S\$'000	S\$'000	
<u>Revenue</u>				
Sale of crops	973	1,443	(470)	
<b>Sale of completed development properties*</b>	<b>668</b>	<b>15,284</b>	<b>(14,616)</b>	<b>Note A</b>
	<u>1,641</u>	<u>16,727</u>	<u>(15,086)</u>	

#### Note A

Hotel sale (Settlement Agreement)	-	9,911	(9,911)
Residential & office sale	668	5,373	(4,705)
<b>Sale of completed development properties*</b>	<b>668</b>	<b>15,284</b>	<b>(14,616)</b>

Factors which caused the 90% FY2022 year-on-year decline in revenue to S\$1.6 million are mainly due to the followings:

- a. Sale of the Group's D'Seaview hotel in accordance with the Settlement Agreement in **FY2021**.
- b. Negative sentiment of kidnapping, human trafficking and industrial-scale scam centers in Sihanoukville, Cambodia has affected our D'Seaview sales significantly in FY2022.

#### **By Order of the Board**

Dato Dr. Ong Bee Huat

Executive Deputy Chairman & Group Chief Executive Officer

20 September 2023