

# Valuation Report Summary.

Property 1: HLH (Agriculture) Cambodia Co., Ltd [A parcel of 50-year leasehold agriculture land];

Property 2: HLHI (Cambodia) Company Limited [A parcel of freehold agriculture land];

Both within Communes of Sangkae Satob/Trapeang Chou, District of Aoral, Province of Kampong Speu, Kingdom of Cambodia

Prepared for Honn Lai Huat Group Limited

***Important Notice to all readers of this report***

*Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank (Cambodia) Pte Ltd does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.*

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For the attention of Dato Dr Johnny Ong Bee Huat / Mr. Dylan Ong Jia Jing / Ms Hou Lida  
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Your ref: -  
Our ref: 24-V-061

Date of issue: 16 May 2024

Dear Sirs / Madam

## Valuation Report Summary -

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**Property 2: HLHI (Cambodia) Company Limited [A parcel of freehold agriculture land];**

**Both within Communes of Sangkae Satob/Trapeang Chou, District of Aoral, Province of Kampong Speu, Kingdom of Cambodia**

Further to your instructions, we are pleased to provide our Valuation Report in respect of the above property. If you have any queries regarding this report, please let us know as soon as possible.

## Signed for and on behalf of Knight Frank (Cambodia) Pte Ltd



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**Note:** Please note that this report shall only be valid provided always that a signature of our authorised signatory and an official seal have been affixed hereto.

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Your partners in property

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# 1. Terms of engagement

## Engagement of Knight Frank (Cambodia) Pte Ltd

1.1 This valuation report (the “Valuation”) has been prepared in accordance with our Terms of Engagement letter dated 24 April 2024 and our General Terms of Business for Valuation Services and the General Scope of Valuation Work (together the “Agreement”). A copy of the Agreement is attached at Appendix 1.

### **Client**

1.2 We have been instructed to prepare the Valuation by Hong Lai Huat Group Limited (the “Client”).

### **Valuation standards**

1.3 This valuation has been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards (the “Red Book Global”) or the International Valuation Standards (the “IVS”). As required by the Red Book / IVS, some key matters relating to this instruction are set out below.

## Independence and expertise

### **Disclosure of any conflicts of interest**

1.4 We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.

### **Valuer and expertise**

1.5 The valuer, on behalf of Knight Frank (Cambodia) Pte Ltd, with the responsibility for this report is Law Kheng Fong, MRICS, RICS Registered Valuer. Parts of this valuation have been undertaken by additional valuers as listed on our file.

1.6 We confirm that the valuer and additional valuers meet the requirements of the Red Book Global / IVS, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

1.7 We are appointed as your valuation advisers; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.

1.8 For the purposes of the Red Book Global / IVS, we are acting as External Valuer.

1.9 This report has been vetted and peer reviewed as part of Knight Frank (Cambodia) Pte Ltd quality assurance procedures.

## Use of this Valuation

### Purpose of valuation

1.10 This Valuation is provided solely for the following purposes (the “Purpose”) only and may not be used for any other purpose without our express written consent:-

- Plantation asset declaration to the Singapore Exchange (SGX);
- Public disclosure to seek for Shareholder’s approval for a proposed disposal.

### Reliance

1.11 Our valuation report is only for the use of our Client and the following parties:

- Affiliates and subsidiaries of Hong Lai Huat Group Limited;
- HLH Agriculture (Cambodia) Co., Ltd; and
- HLHI (Cambodia) Company Limited.

1.12 No other person is entitled to rely on the Valuation for any purpose. We accept no liability to anyone for any improper or unauthorised reliance on this Valuation.

### Disclosure & publication

1.13 Except as stated below, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear:

- This valuation report has been prepared for submission to the Singapore Exchange (SGX), therefore it can be included in all published document, circular or statement of Hong Lai Huat Group Limited, HLH Agriculture (Cambodia) Co., Ltd and/or HLHI (Cambodia) Company Limited.

## Limitations on liability

1.14 Knight Frank (Cambodia) Pte Ltd total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of the Agreement. Knight Frank (Cambodia) Pte Ltd accepts no liability for any indirect or consequential loss or for loss of profits.

1.15 We confirm that we hold adequate and appropriate PII cover for this instruction.

1.16 No claim arising out of or in connection with this Valuation may be brought against any employee, director, member, partner or consultant of Knight Frank (Cambodia) Pte Ltd. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank (Cambodia) Pte Ltd.

1.17 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

## Scope of work

### Inspection

1.18 We were instructed to carry out an internal and external inspection of the property. Our inspection of the properties were undertaken on 26 April 2024.

### Information provided to us which we have relied upon

1.19 In this report we have been provided with the following information by you, your advisers or other third parties and we have relied upon this information as being materially correct in all aspects.

1.20 In particular, we detail the following:

- Previous (land and building) valuation reports dated 31 December 2023, 31 December 2022, 31 December 2021 and 31 December 2020;
- Previous (biological asset) valuation reports dated 31 December 2023, 31 December 2022, 31 December 2021 and 31 December 2020;
- Announcement from the Office of the Council of Ministers No. 311 SCN:-
  - to develop the Economic Land Concession (ELC) land for the purpose of Cambodia-Singapore Agriculture Hub project;
  - to continue co-operation with the Council for the Development of Cambodia (CDC) and other relevant ministries and institutions in respective jurisdictions;
  - to establish an inter-ministerial committee or working group under Economic & Financial Policy committee to facilitate and promote this investment project;
- Announcement from the Office of the Council of Ministers No. 1185 SCN:-
  - restriction-in-interests of disposing, transfer or sale of the ELC land for profit and that the Government reserves the right to reclaim the land;
  - to agree to pay for the ELC land based on the land area stipulated and demarcated by the Government for land clearance and cultivation;
  - to agree to prepare a joint proclamation with the Ministry of Economy and Finance (MOEF) and Ministry of Agriculture, Forestry and Fisheries (MAFF) and Ministry of Environment on the sale and transfer of land concessions/economic land concessions;
- Economic land concession right titles;
- Title documents (LMap hard titles) and letters of ownership transfers (soft titles);
- Promotional materials of Cambodia-Singapore Agriculture Hub master plan, land use, design/theme, roads, program overview, prospective and strategies;
- Master layout plans.

1.21 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

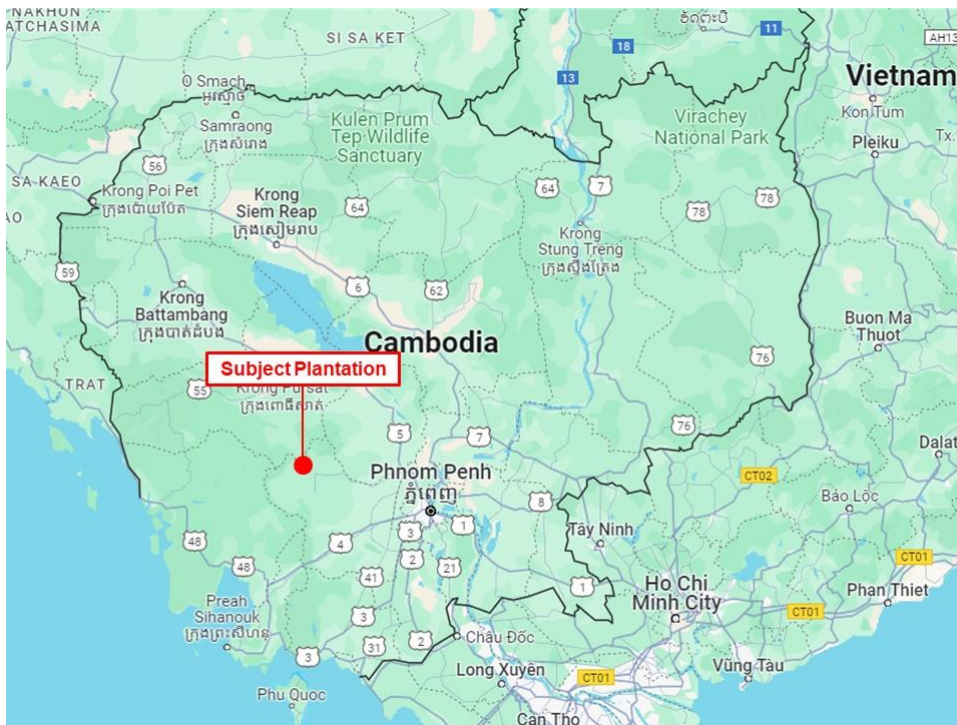
**Investigations carried out by us**

- 1.22 In carrying out this Valuation we have undertaken verbal and web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

## 2. The Properties

### Location

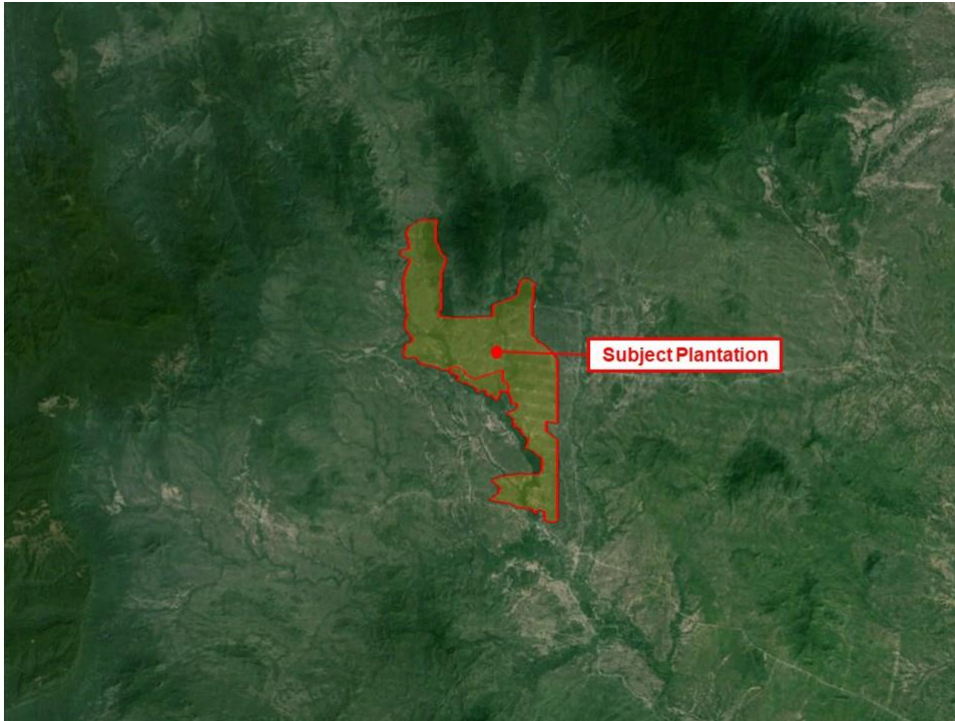
2.1 The subject plantation is made-up of two properties; Property 1 [held by HLH (Agriculture) Cambodia Co., Ltd] hereinafter referred to as HLHA] and Property 2 [held by HLHI (Cambodia) Company Limited hereinafter referred to as HLHI]. Property 1 is located along a motorable laterite road (road reserve) whilst Property 2 is located along a motorable laterite road (non-road reserve), off Road 44 and Road 132, within Communes of Sangkae Satob/Trapeang Chou, District of Aoral, Province of Kampong Speu, Kingdom of Cambodia. It is approximately 13 kilometres to the north-west of the Domrei Roundabout and Aoral village centre, by roads. Further away, the Chbar Mon town centre is approximately 65 kilometres to the south-east of the subject plantation whilst the Phnom Penh International Airport and Phnom Penh city centre is located approximately 105 kilometres and 115 kilometres to the south-east of the subject plantation, respectively, by roads.



Location plan (Source: Google Maps)

2.2 The street plan overleaf shows the location of the property.





Street Plan (Source: Google Maps)

## Site

2.3 The subject plantation is made-up of two properties; Property 1 and Property 2. Property 1 is a parcel of 50-year leasehold agriculture land (held by HLHA) whilst Property 2 is a parcel of freehold agriculture land (held by HLHI), made-up as follows:-

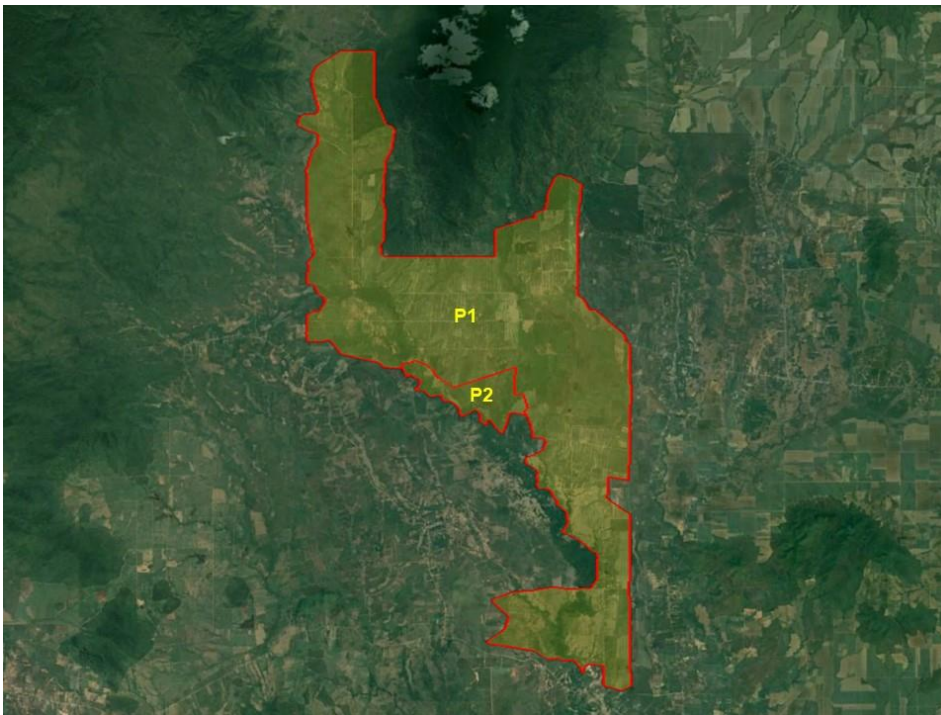
Property	Holding Company	Tenure	Land Area
Property 1	HLH (Agriculture) Cambodia Co., Ltd (HLHA)	50-year leasehold interest commencing from 21 May 2010 and expiring on 21 May 2060, thus having an unexpired term of about 36 years as at the date of valuation (as per economic land concession right titles provided by the Instructing Party).	8,999.9500 hectares or 89,999,500 square metres
Property 2	HLHI (Cambodia) Company Limited (HLHI)	Freehold (as per title documents and letters of ownership transfers provided by the Instructing Party).	442.5370 hectares or 4,425,370 square metres

2.4 **Property 1 (HLHA) fronts onto a motorable laterite road (road reserve) whilst Property 2 (HLHI) fronts onto a motorable laterite road (non-road reserve). The entire south-western boundary of Property 2 (HLHI) runs along a canal and it is only accessible via Property 1 (HLHA). Therefore, we wish to highlight that Property 2 (HLHI) does not come with any legal access and access is only possible via cutting across neighbouring plots.**

2.5 Generally, the site perimeters of the subject plantation are demarcated by partly barbed wire fencing, partly plastered brickwalls and partly not demarcated with any forms of fencing.

#### **Site plan**

2.6 The plantation is identified on the Google plan and the site plan below, showing our understanding of the boundaries, for Property 1 (HLHA) and Property 2 (HLHI), outlined in red.



Site Plan (Source: Google Maps)

## **Building**

2.7 Buildings erected thereon [Property 1 (HLHA)] comprises offices, factories and warehouses as well as other supporting buildings/structures to support the facilities and operation within the subject plantation. As per our measurement taken during site inspection, the total gross floor area (GFA) of the buildings are approximately 15,134 square metres.

2.8 For the purpose of the valuation, we have been instructed by the client to provide our opinion of Market Value of the unexpired leasehold interest (HLHA) and freehold interest (HLHI) in the properties, in its existing condition with vacant possession and subject to its titles being free from encumbrances and registrable.

<b>Zone</b>	<b>Improved Area (sq m)</b>	<b>Gross Floor Area (sq m)</b>
Aoral 1 (comprises double-storey office building, open-sided warehouses, single-storey store rooms, open-sided workshops, as well as other supporting buildings/structures)	80 sq. m	8,048 sq. m
Aoral 2 (comprising single-storey warehouses, single-storey factories, single-storey store rooms, water treatment plant, as well as other supporting buildings/structures)	410 sq. m	4,528 sq. m
Aoral 3 (comprising open-sided warehouses, single-storey warehouses, as well as other supporting buildings/structures)	80 sq. m	1,694 sq. m
Aoral 4 (comprising a single-storey warehouse and a single-storey workers' dormitory)	0 sq. m	376 sq. m
Aoral 5 (comprising a single-storey warehouse, two open-sided sheds and a single-storey water tank room)	0 sq. m	488 sq. m
<b>Total Gross Floor Area:</b>	<b>1,140 sq m</b>	<b>15,134 sq. m</b>

- 2.9 The abovementioned structures are of either brick and mortar, metal structures or open-sided structures.
- 2.10 Detailed building description is described in our full Valuation Report bearing Reference No. 24-V-061.

## 3. Valuation

### Methodology

3.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

#### **Comparative method**

3.2 In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, aspect and other material factors.

#### **Depreciated replacement cost method**

3.3 Our valuation has been undertaken using the Depreciated Replacement Cost (DRC) method. The DRC method is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The DRC method is used for certain types of properties which are rarely, if ever, sold in the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from the specialised nature and design of the buildings, their configuration, size, location or otherwise.

### Valuation bases

#### **Market Value**

3.4 Market Value is defined within **RICS Valuation - Global Standards / IVS** as:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

#### **Portfolios**

3.6 In a valuation of a property portfolio, we have valued the individual properties separately and we have assumed that the individual properties have been marketed in an orderly way.

### Market Value

#### **Assumptions**

3.7 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our Terms of Engagement letter and within this report.

#### **Market Value**

3.8 We are of the opinion that the **Market Value of the unexpired leasehold interest (HLHA) and freehold interest (HLHI) in the properties**, in its existing condition with vacant possession and subject to its titles being free from encumbrances and registrable, at the valuation date is:

Property	Holding Company	Market Value (US\$)
Property 1	HLH (Agriculture) Cambodia Co., Ltd (HLHA)	<b>US\$37,920,000 (Thirty-Seven Million Nine Hundred And Twenty Thousand United States Dollars Only)</b>
Property 2	HLHI (Cambodia) Company Limited (HLHI)	<b>US\$3,795,000 (Three Million Seven Hundred And Ninety-Five Thousand United States Dollars Only)</b>

3.9 Our Market Value reported are rounded to the nearest US\$5,000.

3.10 Please note that our opinion of Market Value has been arrived at, assuming sales on a site by site basis.

3.11 For all intents and purposes, this Valuation Report Summary should be read in conjunction with our detailed Valuation Reports of the Subject Properties bearing the corresponding reference numbers submitted in due course.

3.12 Our firm will not be responsible for any representation vide this report summary other than for the purpose stated in 1.10.

#### Valuation analysis

3.13 The breakdown value may be apportioned as follows:-

#### Property 1 - HLH (Agriculture) Cambodia Co., Ltd

Component	Area (sq.m)	Analysed (US\$/ sq.m)	Estimated Value
Land	89,999,500	US\$0.41	US\$36,830,000
Building	15,134	US\$72.02	US\$1,090,000
<b>Concluded Market Value (MV)</b>			<b>US\$37,920,000</b>

3.14 We wish to highlight that the above apportioned amounts do not necessarily represent the respective values of the elements – Land and Building – taken and considered separately.

#### Property 2 - HLHI (Cambodia) Company Limited

3.15 Our opinion of Market Value equates to a capital value of US\$0.86 per square metre of the land area.

## 4. Property risk analysis

### General comments

#### General comments

- 4.1 In this section of our report we summarise the property related risks which we have identified as part of our valuation report and which we consider should be drawn to your attention. This summary should not be taken to be exhaustive and must be considered in conjunction with the remainder of the report. Nothing in this section should be construed as being a recommendation of taking any particular course of action.

### Risks relating to the property

#### High voltage equipment

- 4.2 There is high voltage electrical supply equipment close to the property. The possible effects of electric and magnetic fields have been the subject of media coverage, with the result that where there is high-voltage electrical supply equipment close to the property, there is a risk that public perception may affect marketability and value.
- 4.3 We wish to highlight that we noted that two (2) high-voltage transmission pylons erected on the subject plantation towards the south-eastern portion. The two (2) high-voltage transmission pylons are yet to be installed with high-voltage transmission cables and appeared to be not operational.
- 4.4 Due to the large quantum of the properties, extending to 8,999.9500 hectares and 442.5370 hectares, this adverse condition has minimal impact on marketability of the properties as any agriculture investors can still construct buildings/structures away from the affected portions.

### Economic & property market risks

#### Macro-economic risks

- 4.5 The world economy is experiencing an economic headwind initiated by the pandemic and compounded by ongoing geopolitical tensions in Europe and Asia that has led to a high inflationary environment.
- 4.6 As a result of increasing oil and gas prices, the on-going Russia-Ukraine war weighed down on market sentiment and pushed inflation to a decade-long high during 2022 and 2023.

#### Investor demand

- 4.7 Investors and businessmen from China was previously pouring in foreign direct investments into the country during pre-covid. Incorporated within part of the recovery plans over post-covid was these highly anticipated investments which plummeted, partly due to the global economic headwinds which is then exacerbated by the Russia-Ukraine war and now the Israel-Hamas armed conflict.
- 4.8 All property owners in Cambodia remained moderately flexible with asking prices and rents.

**Supply of similar properties**

- 4.9 An unusually large land which translates to large capital investment is likely to attract a limited number of buyers or investors and this may hamper liquidity of the property during disposal.
- 4.10 Therefore, the property may take an unusually long time to dispose.

**Availability of finance**

- 4.11 As a highly-dollarised economy, any decisions on the US monetary policy bears a direct impact in Cambodia's liquidity and economy.
- 4.12 To cushion the global inflation, US's Federal Reserve began tightening its monetary policy by increasing interest rates, thus leading to a rise in cost of borrowing and a liquidity crunch in Cambodia on a nationwide scale.
- 4.13 Most financial institutions including microfinances were initially able to absorb the rise in cost. However, as the rates kept rising through 2022. By the first half of 2023, the Federal Reserve's interest rate was already at decade-long high which prompted many financial institutions, unable to absorb further costs, to begin reducing loan disbursements and increasing deposit interest rates to improve their liquidity and buffer.
- 4.14 In addition, the rising cost of financing correlated to the rising cost of late repayments and non-performing loan which tighten bank's lending appetite even further.

**Valuation risks****Quality / quantity of comparables**

- 4.15 Due to the lack of transparency and limited transactional data within the market, in certain instances, we have had to rely on asking prices and anecdotal evidence of transactions. We have assumed that all asking prices and/or sales prices provided are true and correct and are/will be of arm's length transactions between a willing buyer and willing seller, whereby both parties have/will have acted knowledgeably, prudently and without compulsion.
- 4.16 Key variables for adjustments include location, accessibility, frontage, size (quantum adjustment), buildings/facilities erected thereon, terrain, tenure, land use, restriction, etc.