



HONG LAI HUAT GROUP LIMITED

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

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RESPONSE TO SGX-ST'S QUERIES IN RELATED TO THE UNAUDITED HALF YEAR FINANCIAL RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020

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 11 August 2020 in respect of the Company’s unaudited half year financial results for the period ended 30 June 2020. The Board wishes to respond to the Queries as follows:

Query 1

Page 3: Biological assets of \$5,887,000

Provide a detailed explanation of these assets. How was assessment of fair value made by the directors and what was taken into account in arriving at this fair value amount, in view of the current Covid-19 situation?

Company’s Response

Biological assets relate to immature cassava that have yet to be harvested.

The immature cassava plantation costs consist of field preparation, planting, fertilising and maintenance and an allocation of other related costs. In general, a cassava plantation takes about ten months to reach maturity from the time the seedlings are planted.

Biological assets are measured at fair value less estimated point-of-sale costs. The fair value was determined based on the actual selling prices in the local market approximating those at period end and less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the assets.

The Board is of the opinion that the reasonableness of the methodologies used to determine the carrying value of biological assets is satisfactory.

Query 2

Page 3: Properties held for sale of \$25,173,000

Please clarify if the Company has assessed the value of these properties and its basis of assessment. Please explain how the Board has applied its mind to the carrying value of its properties and decided if any material change is required, in view of the current Covid-19 situation.

Company's Response

Properties held for sale are properties being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation. Properties held for sale are held as inventories and are measured at the lower of cost and net realisable value.

The costs of properties held for sale include:

- Freehold rights for land;
- Amounts paid to contractors for construction; and
- Planning and design costs, costs of site preparation, professional fees for legal services, construction overheads and other related costs.

Net realisable value of properties held for sale is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period, less the estimated costs necessary to make the sale.

It is the Group's policy to engage external valuation experts to perform the valuation of the properties held for sale. The fair values of the Group's properties held for sale at 30 June 2020 has been determined on the basis of valuations carried out at the period end dates by independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the Group. In estimating the fair values of the properties, the most probable price that a property should bring in a competitive and open market under its current condition requisite to a fair sale, the buyer and seller each acting prudently, willingly and knowledgeably.

The Board is of the opinion that the reasonableness of the methodologies used to determine the carrying value of properties held for sale is satisfactory.

Query 3

Page 5: Foreign exchange adjustments of \$1,012,000

Elaborate on how these arose and the factors that resulted in this adjustment amount. Quantify the underlying transactions and the forex movements which gave rise to the forex adjustments. Clarify whether this is a gain or loss.

Company's Response

The Group's foreign operations (function currency denominated in US dollar) are translated to the presentation currency (Singapore dollar) so that the foreign operations can be included in the financial statements of the Group by consolidation.

The foreign exchange adjustments refer to unrealised gains and losses arising from changes in foreign currency exchange rates that are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. It arose primary from appreciation of US dollar against Singapore dollar for the reporting period.

Foreign exchange adjustments relating to:

	S\$('000)
Statements of equity:	
Gain in translation of foreign operations	2,572
Statements of financial position:	
<u>Gain in translation of Assets</u>	
Cash and cash balances	(971)
Property, plant and equipment	(404)
Right-of-use assets	(2,489)
Investment in joint venture	(120)
<u>Gain in translation of Liabilities</u>	
Deferred tax liabilities	431
Other individually immaterial items	(31)
	<u>(1,012)</u>

By Order of the Board

Dato Dr. Ong Bee Huat
Executive Deputy Chairman & CEO
24 September 2020