



HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)

Reg. No. 199905292D

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OUTCOME OF THE WAIVER APPLICATION TO THE SGX-ST

1. INTRODUCTION

- 1.1. The Board of Directors (the “**Board**” and each director, a “**Director**”) of Hong Lai Huat Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 6 June 2021 (the “**SPA Announcement**”) in respect of the entry by the Company’s wholly-owned subsidiary, HLH Agri International Pte. Ltd. (the “**Vendor**”), into a sale and purchase agreement 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 “**SPA**”) (the “**Proposed Disposal**”).
- 1.2. Unless otherwise expressly defined herein, all capitalised terms and references used in this announcement shall have the meanings ascribed to them in the SPA Announcement.

2. WAIVER APPLICATION TO THE SGX-ST

- 2.1. As disclosed in paragraph 5.3 of the SPA Announcement, 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% of the consolidated net loss of the Group for FY2020 of S\$8,531,000.
- 2.2. As disclosed in paragraph 5.4 of the SPA announcement, 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 transaction 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” which must be made conditional upon approval by shareholders in general meeting.
- 2.3. 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:
 - 2.3.1. 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.
 - 2.3.2. 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:
 - (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



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- (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:

- (a) 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 Gallery (Singapore) Pte. Ltd. (“**Blue Dolphin**”), an unrelated third party, in 2018 to manage the Farm Resort.¹ 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
- (b) based on the latest audited consolidated financial statements of the Group for FY2020, the net asset value and net loss attributable to the Sale Shares 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 Sale Shares do not contribute more than 20% of the Group's net profits or total assets, and the Target would not be considered to be part of the Group's existing principal business.

2.3.3. There has not been and there will be no material change in the risk profile of the Group arising from the Proposed Disposal as:

- (a) based on the net asset value and net loss attributable to the Sale Shares and the Group's net asset value and net loss for FY2020 as highlighted in paragraph 2.3.2(b) 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;

¹ Pursuant to the Lease Agreement between the Target and Blue Dolphin, the Target has as at the date of the SPA Announcement collected, in aggregate, S\$2,990,000 in rental fees.



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- (b) 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
- (c) the Proposed Disposal will not result in an expansion into a new jurisdiction and will not expose the Group to significant new risks.

2.3.4. The Proposed Disposal is beneficial to the Company and its shareholders as:

- (a) the State Lease with the Singapore Land Authority ("SLA") in respect of the 20 years leasehold premises under the Target will expire on 25 March 2027 and SLA has confirmed that the State Lease cannot be extended beyond the abovementioned expiry date; and
- (b) there will be a positive impact on the Group's cash flow and earnings per share.

2.3.5. 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 paragraph 5.1 of the SPA Announcement for further information on the relative figures as computed on the bases set out in Rule 1006.

3. OUTCOME OF THE WAIVER APPLICATION

- 3.1. The SGX-ST has, on 21 June 2021, 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 is 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).
- 3.2. As the Waiver Application was not successful, the Company will be convening an extraordinary general meeting ("EGM") in due course to seek the approval of shareholders for the Proposed Disposal.

4. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal (including a circular to seek shareholders' approval for the Proposed Disposal at an EGM to be convened) as and when there are material developments.

BY ORDER OF THE BOARD

Ong Jia Jing

Group General Manager and Executive Director
22 June 2021