



**逢來發集團有限公司**  
**HONG LAI HUAT GROUP LIMITED**  
(Incorporated in the Republic of Singapore)  
Reg. No. 199905292D  
Listed on SGX Mainboard (CTO.SI)

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**RESPONSES TO SGX-ST's QUERIES IN RELATION TO JV AGREEMENT WITH HSC GROUP**

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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 has received queries from the Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Queries") in relation to Company's announcement dated 18 October 2021 in respect of the Company's Joint Venture Agreement with HSC Group for the exploration and mining of mineral resources in its Cambodia-Singapore Agricultural Hub ("Agri Hub"). The Board wishes to respond to the Queries as follows:

**Query 1:**

What is the name of the joint venture company and where is it incorporated? What is its registered share capital, and shareholding proportions? What are the principal activities of the joint venture company?

**Response:**

The proposed name of the joint venture company ("JVC") is still being deliberated by the parties. It is intended to be incorporated in Cambodia with a share capital of US\$5,000 with the Company subscribing to 35% of its share capital at an aggregate subscription price of US\$1,750 and HSC Group subscribing to the remaining 65%. The principal activities of the JVC will be that of exploration, mining and production of minerals for sale.

**Query 2:**

Provide details of HSC Group, including its principal activities, substantial shareholders, and whether its directors, controlling shareholders or substantial shareholders have any relations with the Company and its directors, controlling shareholders or substantial shareholders. Do any of the directors, controlling shareholders or substantial shareholders of the Company have any interest, direct or indirect, in the joint venture company, other than through their respective shareholdings in the Company?

Provide additional details on the HSC Group, including its ultimate shareholders, its directors and its size. What is its track record in exploration and mining of mineral resources? Provide details of the expertise within HSCG in relation to exploration and mining of mineral resources.

**Response:**

HSC Group is a company set up in Cambodia in 2007 by Oknha SOK HONG. The Group has various business divisions, including but not limited to Dredge and Reclamation, Heavy Equipment, Trading, F&B and Décor. More information on the businesses of HSC Group can be found on its website at the URL <https://www.hsc.com.kh/hsc-group-about-us/>



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Oknha SOK HONG is a prominent business man in Cambodia and is the key director and sole shareholder of HSC Group (hereinafter “Key HSC Executive”).

To the best of the knowledge of the Directors, neither HSC Group nor the Key HSC Executive have any relations with the Company and its Directors, controlling shareholders or substantial shareholders.

None of the Directors, controlling shareholders or substantial shareholders of the Company have any interest, direct or indirect in the joint venture company, other than in their capacity as Director or shareholder of the Company.

Shareholders should note that information relating to HSC Group and Key HSC Executive in this section and elsewhere in this announcement was provided by HSC Group. The Company and the Directors have not independently verified the accuracy and correctness of such information herein.

**Query 3:**

How will the Company fund its subscription in the joint venture company? Clearly state the financial impact arising from the transaction or, if there is no material impact, provide a statement to that effect.

Response:

The subscription price of US\$1,750 is intended to be funded internally by the Company in cash. The Company’s joint venture with HSC Group is not expected to have any material impact on the Group’s earnings per share and/or net tangible assets per share for the financial year ending 31 December 2021.

**Query 4:**

Are there any shareholders' loans and/or guarantees given?

Response:

As at the date of this announcement, there are no shareholders’ loans and/or guarantees to be given by the Group.

**Query 5:**

Disclose the potential costs of the joint venture in the exploration and mining of mineral resources, and explain how significant this is in relation to the Company's NAV. What are the costs expected in such collaboration, exploration and mining?

Response:

Other than the subscription price of US\$1,750 which is intended to be funded internally in cash by the Company, the Company’s contribution to the joint venture is the grant of land use right over 100 hectares of land in its Agri Hub for exploration and mining activities.

Costs relating to exploration and mining of mineral resources shall be borne entirely by a qualified mining sub-contractor/investor/successful tenderer to be appointed upon binding joint cooperation with the JVC.



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**Query 6:**

Provide details of the mineral resources at the Agri Hub, including what are the reserves and resources in the Agri Hub? Who has the licenses and approvals for the exploration and mining of these mineral resources? If none, what are the processes for obtaining the relevant approvals and permits and how long will it take? Who will HSCG obtain the local regulatory approval required for the mining operation from?

**Response:**

Preliminary drilling reports indicated granite and limestone deposits at the designated site. An application is intended to be made by HSC Group to the Ministry of Mining and Energy of Cambodia for mining license in respect of the designated site to be granted to the JVC. HSC Group shall be responsible for management of the JVC and bear all costs relating to the mining license/permit. The timeline for the obtaining of the license will be determined by the Ministry of Mining and Energy in accordance with its internal procedure.

**Query 7:**

Will the Company be seeking shareholders' approval for the diversification of business?

**Response:**

The Group is in the Property, Real Estate and Agricultural business. There is no change to the core business of the Group. Given the joint venture framework as explained in this announcement, the Company believes that there is also no material change to the risk profile of the Group. The Company will not be involved in the exploration nor the management of the mining operations. It is investing in the JVC to widen its earnings base through profit sharing and with a view to off-take for purposes of utilizing the mineral resources found within the designated site for the construction of infrastructure, factories and buildings in the Agri Hub.

**Query 8:**

In the Company's announcement on 16 June 2021, it is stated "...has secured the official approval from the Royal Government of Cambodia to convert its existing agriculture land into a mixed-use development land for the Group to develop the mega Cambodia-Singapore Agriculture Hub ("Agri Hub")" and "The Agri Hub which has a total land size of approximately 100,000,000sqm will be develop in several phases, in accordance with the master blueprint approved by the Royal Government of Cambodia. Under the phase one of the development which is slated to begin at Q4 of FY2021, the Group would commence the infrastructure upgrading works inside the Agri Hub such as the internal road networks, electrical cables as well as water supply." Explain how the Company will be able to mine the mineral resources if the land has already been converted to mixed-used development land, none of which is for mining of minerals. Also explain how the mining of minerals in the midst of the mixed-used development will affect the potential sale of the development.

**Response:**

There are different zoning under the official approval from the Royal Government of Cambodia in respect of the development of the Agri Hub. Mining activities are permitted under the construction material zone.

By way of further elaboration, the Company intends to utilize the mineral resources found within the designated site for the construction of infrastructure, factories and buildings in the Agri Hub as well as supply to the growing construction industry in Cambodia. The joint venture with HSC Group is also expected to create more job opportunities especially for the locals residing in the Aoral District,



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Kampong Speu Province. The Company believes that this will further attract potential investments into the different zoning of the Agri Hub.

**Query 9:**

In the Company's announcement on 16 June 2021, it was disclosed that "The different zoning of the Agri Hub will include value added food processing factories, warehousing facilities and logistic hub, renewable energy (like solar power), livestock farms, construction material zone, plantation zone, aquaponics, water treatment facilities, light industry zone, commercial and community living concepts" and "As at the date of this announcement, the Group has secured three companies who had registered their interest with the potential investment value totalling up to USD 225 million." Provide an update on these 3 companies' interests, and quantify the potential investment value under consideration, and when such developments will commence.

**Response:**

The Company refers to its announcements on:

- i) 22 March 2021 and 12 April 2021 in relation to its collaboration with Joe Green Pte Ltd on the development of a light-weight concrete panel manufacturing plant sited within the construction material zone of the Agri Hub (the "Light-Weight Concrete Project");
- ii) 26 April 2021 in relation to a non-binding MOU with Hong Kong mainboard listed China Machinery Engineering Corporation on the development and operation of a solar farm sited within the solar energy zone of the Agri Hub (the "Solar Farm Project"); and
- iii) 8 June 2021 in relation to an MOU with Cambodia Hei Shi Mineral Co., Ltd ("HSM") for the exploration and mining of mineral resources sited within the construction material zone of the Agri Hub (the "HSM Project").

The Company provides the following updates:

- i) In respect of the Light-Weight Concrete Project, construction of the manufacturing plant which will occupy a land area of approximately 20,000sqm in the construction material zone of the Agri Hub is underway. However, progress is slow and adversely impacted by the Covid-19 pandemic. The potential investment value is expected to be approximately S\$6 million for building construction, precast manufacturing materials, equipment set up and manpower allocation.
- ii) In respect of the Solar Farm Project, negotiation on the binding terms to the collaboration has been put on hold temporarily also as a result of continuing travel restrictions and border closures brought about by the Covid-19 pandemic affecting both Cambodia and China. The estimated investment value for the engineering, procurement, construction, financing, operation, and maintenance of the Solar Farm Project is approximately S\$265.8 million (US\$200 million).
- iii) In respect of the HSM Project, there has been slow progress between the parties in concluding the definitive agreement due to ongoing Covid-19 pandemic and continuing border restrictions imposed in Cambodia. The potential investment value of the HSM Project will be subject to a feasibility report which is yet to be completed by HSM due to the reasons mentioned above.

**By Order of the Board**

Ong Jia Jing  
Group Executive Director  
22 October 2021