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Issuer: Hong Lai Huat Group Limited

Stock code: CTO

Meeting details:

Date: 30 Apr 2024

Time: 10.30 a.m.

Venue: Raffles Town Club, 1 Plymouth Avenue Singapore 297753

Q1. Would the board/management provide clarity on the following operational and financial matters? Specifically:

- (i) **D'Seaview:** In the 2022 annual report, the company stated that “*around 80% of the project has been sold and balance 20% are being progressively furnish and fitted out for serviced apartment rental or direct sale depending on market demand post pandemic*”¹. The company repeated the same statement in the 2023 annual report. **Has the group made significant progress in selling the remaining units (estimated at 140-150) since 2022? Based on Note 18 Development properties, the group had \$17.24 million of completed development properties held for sale (2022: \$17.45 million). How many of these units are currently rented?**
- (ii) **Royal Platinum (residential):** The chairman has disclosed that the sales of the residential units “*remains slow but has seen improvement in FY2023*”. **How many of the 851 residential units have been sold and what are the buyer profiles? What is management’s strategy to sell the remaining units, thus allowing the group to deleverage and to derisk itself? What are the recent trends in residential property prices in Phnom Penh since COVID?**
- (iii) **Royal Platinum (commercial):** Similarly, how many of the 50 commercial units have been sold? Are there challenges encountered during the handover process of these units?
- (iv) **Royal Platinum (funding):** Has the group secured the approximately US\$20 million needed to cover the remaining construction costs?
- (v) **Land bank:** The group has a third plot of land measuring 11,000 sqm in the Toul Kork district in Phnom Penh and an interest in a fourth plot of land of 150,000 sqm in Sihanoukville. These were acquired in 2020-2021. **What criteria will management use to determine the timing of the next project? What are the costs to holding these plots of land?**

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<https://links.sgx.com/FileOpen/Hong%20Lai%20Huat%20Group%20Limited%20Annual%20Report%202022.ashx?App=Announcement&FileID=752815>

Q2. On 5 February 2024, the company announced that proposed sale of the agriculture business in Cambodia for a consideration of US\$37.5 million (Note 40 Subsequent events). The proposed disposal of the agriculture business was also the subject of two queries by SGX. In addition, the company has said that the estimated costs of disposal will be approximately \$5.2 million.

- (i) **Can management/audit committee help shareholders better understand why the financial statements were not prepared to show the agriculture business as discontinued operations and classified as a disposal group held for sale? Would SFRS(I) 5 be applicable in this situation?**
- (ii) **In addition, what were the reasons for the high transaction costs, which included a commission of 10% of the price? How was the consultant who facilitated the transaction introduced to the group?**
- (iii) **When does the company expect to hold the EGM?**
- (iv) Separately, as shown in Note 41 (page 94), the group made a prior year adjustment to adjust the share of results of the joint venture (JV). This was due to management's new assessment of revenue recognition related to the Royal Platinum JV. **Could the audit committee provide insights into the factors that led to the need for a prior year adjustment in Note 41, particularly regarding the share of results from the Royal Platinum JV? What has changed that necessitated this adjustment?**

Q3. On 15 April 2024, the company announced the cessation of Dr Wang Kai Yuen as independent director, chairman of the board and audit committee, and member of the remuneration committee and nominating committee, with effect from 30 April 2024.

Dr Wang Kai Yuen was first appointed to the board on 1 May 2006. A chart of the company's share price is shown below:



(Source: <https://sg.finance.yahoo.com/quote/CTO.SI/>)

As at 31 December 2023, the group and company have accumulated losses of \$(4.9) million and \$(16.6) million respectively. The company was first listed on SGX-ST on 21 June 2000.

- (i) **What is the total shareholder return (TSR) over the past 5, 10, 20 years, and since the IPO on 21 June 2000?**
- (ii) **Has the board monitored and tracked the returns it delivered to shareholders, including using TSR as one of the metrics in its assessment?**
- (iii) **How is the board conducting its search for a new chairman? What criteria will the nominating committee use to shortlist the chairman candidates?**
- (iv) **How does the nominating committee select an incoming chairman with a strong track record of creating and delivering long-term value for shareholders, especially minority shareholders?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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