



KEONG HONG HOLDINGS LIMITED
Incorporated in the Republic of Singapore
(Company Registration Number: 200807303W)

PROPOSED DISPOSAL OF PROPERTY BY INDIRECT WHOLLY-OWNED SUBSIDIARY - GRANDWOOD (JAPAN) PTE. LTD.

The Board of Directors of Keong Hong Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its indirect wholly-owned subsidiary Grandwood (Japan) Pte. Ltd. (“**Seller**”), had on 7 February 2023 entered into a Sale and Purchase Agreement (“**SPA**”) with Tatsumi Tatemono Sogo Kanri Co., Ltd (“**Purchaser**”) for the sale of property as described below for a cash consideration of JPY1,200,000,000 (approximately S\$11,888,000 based on an exchange rate of S\$1: JPY100.94) (“**Consideration**”) upon the terms and conditions of the SPA. (“**Proposed Disposal**”).

1) INFORMATION ON THE PROPERTY

The property is a freehold land and commercial building situated at Osaka-shi Minamihorie 8-6, 1-chrome, Japan, located to the south of Yotsubashi Station on the Osaka Metro Yotsubashi Line (the “**Property**”).

The land size is approximately 293.65 square meters and the building is a 9-storey rental retail cum office building with one (1) basement with gross floor area of 2,494.95 square meters and net rentable area of 1,522.20 square meters.

Although there is no valuation commissioned by the Group for the Proposed Disposal, an independent valuation was conducted by an independent professional valuation firm with appropriate recognised professional qualifications and experience in the location and category of the Property held by the Group to determine the fair value of the Property for financial reporting purposes.

The fair value of the Property was JPY974,000,000 (approximately S\$9,649,000 based on an exchange rate of S\$1: JPY100.94) as at 30 September 2022 and was determined by applying the income approach using the discounted cash flow method and the direct capitalisation method.

2) INFORMATION ON THE PURCHASER

The Purchaser, Tatsumi Tatemono Sogo Kanri Co., Ltd, is a company established in Japan since 1993, with headquarters in Hirano-ku, Osaka, Japan. Its main business activities include general real estate business (investment in income-producing real estate, buying and selling of

real estate properties, M&A, etc.), sports-related business, hotel business, solar power generation business, entertainment business and statutory rebuilding business

The Purchaser is an independent third party and is not related to the Group, Company's Directors or controlling shareholders and their respective associates.

3) RATIONALE FOR THE PROPOSED DISPOSAL

The Property is a non-core asset of the Group, generating rental income and the Board is of the view that the Proposed Disposal is in the best interest of the Group as it will enable the Group to realise the value of the Property, improve its liquidity, provide additional working capital and/or to pursue opportunities to acquire other investment properties and/or development of hotel properties which may have better upside potential in terms of yield and/or capital appreciation.

The Disposal is in the ordinary course of business as the Seller is an investment holding company primarily to hold properties in Japan for long-term investment purposes and for rental income generation. The Property was acquired in 2017. The offer, when received, was carefully evaluated and it was felt that it would be opportune to realise the capital appreciation for the Property. In addition, the Disposal does not change the Group's risk profile as it will not result in the reduction of net profits or net asset value of the Group by 20% or more.

4) SALIENT TERMS OF THE PROPOSED DISPOSAL

The salient terms of SPA are, *inter alia*, as follows:

- (a) The Consideration for the Property is JPY1,200,000,000 (approximately S\$11,888,000 based on an exchange rate of S\$1: JPY100.94) on an "as is" basis, and was arrived at after arm's length negotiations with the Purchaser on a willing buyer willing seller basis, after taking into consideration, *inter alia*, factors such as the age of the building, prevailing market conditions, current market prices of the properties in the surrounding vicinity of the Property, capitalization rate, etc.
- (b) Upon execution of the SPA, the Purchaser shall pay a sum of JPY63,500,000, being the deposit or partial payment.
- (c) The balance sum of JPY1,136,500,000 shall be paid on completion date, which is no later than 31 March 2023.
- (d) The ownership of the Property shall be transferred from the Seller to the Purchaser upon completion of payment of the Consideration.

5) RELATIVE FIGURES UNDER RULE 1006 OF THE MAINBOARD RULES IN RELATION TO THE PROPOSED DISPOSAL

The relative figures for the Proposed Disposal as computed on the bases set out in Rule 1006 of the Mainboard Rules and the audited consolidated financial statements of the Group for the financial year ended 30 September 2022 ("**FY2022**") are as follows:

Rule	Bases	Relative Figures
1006 (a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	7.8% ⁽¹⁾
1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits	-6.3% ⁽²⁾
1006 (c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	18.1% ⁽³⁾
Rule	Bases	Relative Figures
1006 (d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable ⁽⁵⁾

Notes:

- (1) The net asset value of the Property and the Group as at 30 September 2022 was S\$8,608,000 and S\$111,027,000 respectively.
- (2) The net profit attributable to the assets being disposed of is the amount of gain on disposal before taxes estimated to be approximately S\$2,902,000. For the financial year ended 30 September 2022, Group's audited net loss before tax and non-controlling interest amounted to S\$45,934,000.
- (3) Based on the consideration of JPY1,200,000 (approximately S\$11,888,000) and the Company's market capitalisation of approximately S\$65,803,000, being the issued ordinary share capital (excluding treasury shares) of 235,010,000 shares at the volume weighted average price of S\$0.28 per share on 6 February 2023, being the market day preceding the date of the SPA.
- (4) This basis is not applicable as it is not an acquisition.
- (5) This basis is not applicable as the Company is not a mineral, oil and gas company.

Based on the relative figure computed under each of Rule 1006 (a) to Rule 1006 (c), the Proposed Disposal is a discloseable transaction as one of the relative figures exceed 5% but does not exceed 20%, as defined under Rule 1010 of the Mainboard Rules.

6) FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and do not reflect the actual results and financial position of the Group after the completion of the Proposed Disposal. These financial effects have been computed based on the consolidated financial statements of the Group for the financial year ended 30 September 2022.

Effects on net tangible assets (“NTA”) per share

For illustrative purposes only, had the Proposed Disposal been completed on 30 September 2022, the financial effect on the Group’s NTA per share is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$’000)	110,862	112,549
Number of issued shares excluding treasury shares	235,010,000	235,010,000
NTA per share (cents)	47.2	47.9

Effects on Loss per share

For illustrative purposes only, had the Proposed Disposal been completed on 1 October 2021, the financial effect on the Group’s Loss per share is as follows

	Before the Proposed Disposal	After the Proposed Disposal
Loss after tax attributable to equity holders of the Company (S\$’000)	(45,901)	(44,333)
Number of issued shares excluding treasury shares	235,010,000	235,010,000
Loss per share (cents)	(19.53)	(18.86)

7) INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and their respective associates, and to the best of the Directors’ knowledge, none of the controlling shareholders of the Company, as well as their respective associates, has any interest, whether direct or indirect, in the Proposed Disposal (other than through their shareholdings in the Company, if any).

8) SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9) DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection during normal business hours at the registered office of the Company at 9 Sungei Kadut Street 2, Singapore 729230 for a period of three (3) months from the date of this announcement.

All Shareholders are to register their intention to inspect the said document at least five (5) business days before the date of their appointment, via the Company's email address ir@keonghong.com.

10) DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Heng Michelle Fiona / Lim Guek Hong
Company Secretaries

7 February 2023