



## KEONG HONG HOLDINGS LIMITED

Incorporated in the Republic of Singapore  
(UEN 200807303W)

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### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY INDEPENDENT AUDITORS' ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

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Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the board of directors (the “**Board**”) of Keong Hong Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that its independent auditor, Mazars LLP, has included a section on “Material Uncertainty Related to Going Concern” in their Independent Auditors’ Report dated 6 March 2024 (the “**Independent Auditors’ Report**”) on the audited financial statements of the Group for the financial year ended 30 September 2023 (the “**FY2023 Financial Statements**”). The Independent Auditors’ Report and the FY2023 Financial Statements will form part of the Company’s Annual Report for FY2023 (the “**FY2023 Annual Report**”). **The opinion of the Auditors’ is not modified in respect of this matter.**

A copy of the Independent Auditors’ Report, together with an extract of the relevant note to the FY2023 Financial Statements, are attached to this announcement as Appendix 1 and Appendix 2, for reference. Notwithstanding the above comments from the Auditors’, the Board in assessing the appropriateness of the going concern assumption of the Group, is of the view that the use of going concern assumption to prepare the FY2023 Financial Statements is appropriate based on the following factors:

- (a) Continuing support from financial institutions with regard to the availability of credit facilities granted to the Group as well as financial support from its ultimate holding company and a shareholder; and
- (b) Achieving the forecasted operating cashflows from its core business comprising but not limited to improvement of the profit margin by streamlining the business operations, timeliness in the completion of the construction projects, and improved liquidity management.

Should any of the above factors fail to materialise, the Directors are of the view that material uncertainty may exist that may cast significant doubt on the Group’s ability to continue as a going concern.

The Board confirms that to the best of its knowledge and belief, all material and sufficient information has been disclosed and announced for trading of the Company's shares to continue in an orderly manner and confirm that all material disclosures have been provided for trading of the Company's shares to continue.

Shareholders of the Company are advised to read the Independent Auditors' Report together with the FY2023 Audited Financial Statements of the Group in the Company's FY2023 Annual Report, which will be released to the SGX-ST via SGXNet in due course.

In the meantime, the Board wishes to advise Shareholders and potential investors to execute caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Heng Michelle Fiona / Lim Guek Hong  
Company Secretaries

7 March 2024

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Report on the Audit of Financial Statements (Continued)

### Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates to be made by directors.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Key audit matter 1	Audit response
<b>Accounting for construction contracts (Refer to Notes 3.2, 5 and 21 to the financial statements)</b>	
<p>Revenue from construction contracts amounted to approximately \$175,479,000 and it represented 99% of the total revenue of the Group for the financial year ended 30 September 2023. As at the financial year end, the Group provided \$4,483,000 for the unavoidable costs of fulfilling certain construction contracts with customers, that were in excess of the economic benefits expected to be received under the contract. The provision for the onerous contracts is expected to be utilised throughout the remaining contract period.</p> <p>The Group's core businesses are those of general and building contractors. Revenue from construction contracts is recognised by applying the cost-based input method that reflects the over-time transfer of control to its customers. The amount of revenue recognised is dependent on the stage of completion of the construction contracts, which is measured based on the proportion of contract costs incurred to date over the estimated total contract costs for each construction contract. The Group's accounting policy on revenue recognition from construction contracts is set out in Note 2.4 to the financial statements.</p> <p>Significant judgement is required to estimate the total construction contract costs, variations or claims recognised as contract revenue, as well as provision for liquidated damages. These will affect the measure of progress and revenue and profit margins recognised from construction contracts.</p> <p>Accordingly, we have identified this area as a key audit matter.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• Understood and evaluated the Group's design and implementation of its system of internal controls relating to revenue recognition, with a focus on key controls;</li> <li>• Agreed the variation orders sum to the approved variation orders by customers;</li> <li>• Assessed the adequacy of provision for liquidated damages to be net off against contract revenue recognised (where relevant);</li> <li>• Tested the costs incurred for projects on a sample basis by checking that the costs are properly allocated to their respective contracts and that these costs are directly attributable to costs supported by suppliers' invoices or other supporting documents;</li> <li>• Reviewed and assessed the estimated costs-to-complete for significant ongoing construction contracts by evaluating the reasonableness of the subcontractors' expenses, estimated labour hours, estimated labour rates, materials costs, and overhead expenses;</li> <li>• Evaluated the reasonableness of the management's budgets by comparing budgeted contract costs against actual contract costs for completed projects;</li> <li>• Obtained an understanding of the Group's consideration of SFRS(I) 1-37 in their application of the corresponding requirements of the standard and assess the appropriateness thereof;</li> <li>• Checked the arithmetical accuracy of the revenue recognised based on the input method computations; and</li> <li>• Reviewed the completeness and appropriateness of corresponding disclosures made in the financial statements.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Report on the Audit of Financial Statements (Continued)

### Key Audit Matters (Continued)

Key audit matter 2	Audit response
<b>Impairment of investment in associates (Refer to Notes 3.2, 15, 22 and 40 to the financial statements)</b>	
<p>The Group's investments in associates comprise investments in equity interests and amounts due from the associates. The associates of the Group are mainly in the business of hospitality operations and construction services.</p> <p>As at financial year end, the Group applied the general approach to measure the expected credit losses on the amounts due from associates and determined the loss allowance based on 12-month expected credit loss ("ECL"). We have summarised the carrying value for costs of investments in associates and their corresponding net assets/liabilities as at 30 September 2023.</p> <p>During the financial year, the management identified indicators of impairment in the associates and carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements.</p> <p>Management has determined the recoverable amounts using the value-in-use method by estimating the present value of future cash flows of the associates, additional impairment loss of \$8,532,000 was recognised for the current financial year.</p> <p>We focused on this area as a key audit matter due to significant management judgements and estimates involved in determining the present value of future cash flows from the associates.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluated management's assessment of whether the credit risk of the amounts due from associates have increased significantly;</li> <li>• Reviewed the adequacy of ECL allowance at end of the financial year, including assessing whether management's approach is consistent with SFRS(I) 9 requirements;</li> <li>• Assessed the reasonableness of the key assumptions and estimates used in the future cash flows, including the revenue growth rates, discount rates and terminal growth rates used;</li> <li>• Engaged our internal valuation specialist to independently develop expectations on the discount rates and terminal growth rates applied;</li> <li>• Carried out sensitivity analysis on revenue growth rates, discount rates and terminal growth rates applied by management to determine the impact on the carrying amount of the investments in associates; and</li> <li>• Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Report on the Audit of Financial Statements (Continued)

### *Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## **Report on the Audit of Financial Statements** (Continued)

### *Auditors' Responsibilities for the Audit of the Financial Statements* (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Zhang Liang.

### **MAZARS LLP**

Public Accountants and  
Chartered Accountants

Singapore

6 March 2024

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

## 4. GOING CONCERN

The Group has faced delays in its construction projects during the COVID-19 outbreak. However, the Group has gradually resumed its construction activities with its customers. For the financial year ended 30 September 2023, the Group incurred loss for the financial year of approximately \$50,804,000 (2022: \$46,591,000), with an operating cash outflow of approximately \$12,753,000 (2022: \$21,761,000).

These conditions may cast significant doubt on the Group's abilities to continue as a going concern.

In assessing the appropriateness of the going concern assumptions of the Group, the Directors are of the view that the use of going concern assumption to prepare the consolidated financial statements is appropriate based on the following factors:

- (a) Continuing support from financial institutions with regard to the availability of credit facilities granted to the Group and financial support from its ultimate holding company and a shareholder; and
- (b) Achieving the forecasted operating cashflows from the Group's core business comprising but not limited to improvement of the profit margin by streamlining the business operations, timeliness in the completion of the construction projects, and improved liquidity management.

Should any of the factors fail to materialise, the Directors are of the view that material uncertainty may exist that may cast significant doubt on the Group's ability to continue as a going concern.

In the event that the Group is unable to continue in operational existence for at least twelve months from the report date, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.