



KEONG HONG HOLDINGS LIMITED

Incorporated in the Republic of Singapore
(Company Registration Number: 200807303W)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

The Board of Directors (the “**Board**”) of Keong Hong Holdings Limited (the “**Company**”) refers to the Results Announcement released on 28 November 2016. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 30 November 2016 (each, a “**SGX Query**”) as follows:

SGX Query 1

We refer to page 17 of the Results Announcement and note that administrative expenses increased by 36.5% or S\$2.0 million to S\$7.3 million in 4Q2016 and the increase was mainly due to allowance made for third party doubtful debts of S\$1.9 million and an increase of S\$0.6 million in depreciation expense for the Company’s light industry factory at Sungei Kadut and additional office equipment. Please provide details of this third party doubtful debts of S\$1.9 million.

Company’s Response to SGX Query

The details of the third party doubtful debts of S\$1.9 million are as follow:

- Approximately S\$380,000 is pertaining to invoices billed to two sub-contractors by our subsidiary, Keong Hong Construction Pte Ltd, for supplies of materials and ratification of defects;
- S\$1.52 million is related to amount due from one sub-contractor for our resort construction project, The Residence Maldives. The amount is mainly pertaining to material supplies and other costs paid on behalf by our subsidiary, Keong Hong Construction Pte Ltd.

In the annual review of the receivables, Management had decided to make a provision for the above sums as doubtful debts due to uncertainty of collection.

SGX Query 2

We refer to page 17 of the Results Announcement and note that for 12M2016, administrative expenses increased by 47.9%, or S\$5.6 million from S\$11.7 million in 12M2015 to S\$17.3 million in 12M2016 and the increase was due mainly to increase in depreciation expense and legal & professional fees of S\$2.2 million and S\$0.8 million respectively, provision of doubtful debts of S\$1.9 million and foreign exchange loss of S\$1.1 million. Please provide details of increase in legal & professional fees of S\$0.8 million and provision of doubtful debts of S\$1.9 million and the reason for the increase in legal & professional fees.

Company's Response to SGX Query

The increase in legal and professional fees of S\$0.8 million was mainly due to legal fees related to the Company's claim against one of the customers in respect of the building construction works on one of the completed projects (please refer to page 102, Note 33 of the Company's 2013 Annual Report). The claim is currently under arbitration.

The provision for doubtful debts of S\$1.9 million is explained in our reply to Query 1 above.

By Order of the Board

Lo Swee Oi
Company Secretary

2 December 2016