



**FY2017**

# **RESULTS PRESENTATION**



**KEONG HONG HOLDINGS LIMITED**

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# 1. Group Overview



# Group Overview <sup>1</sup>

## 3 Growth Engines

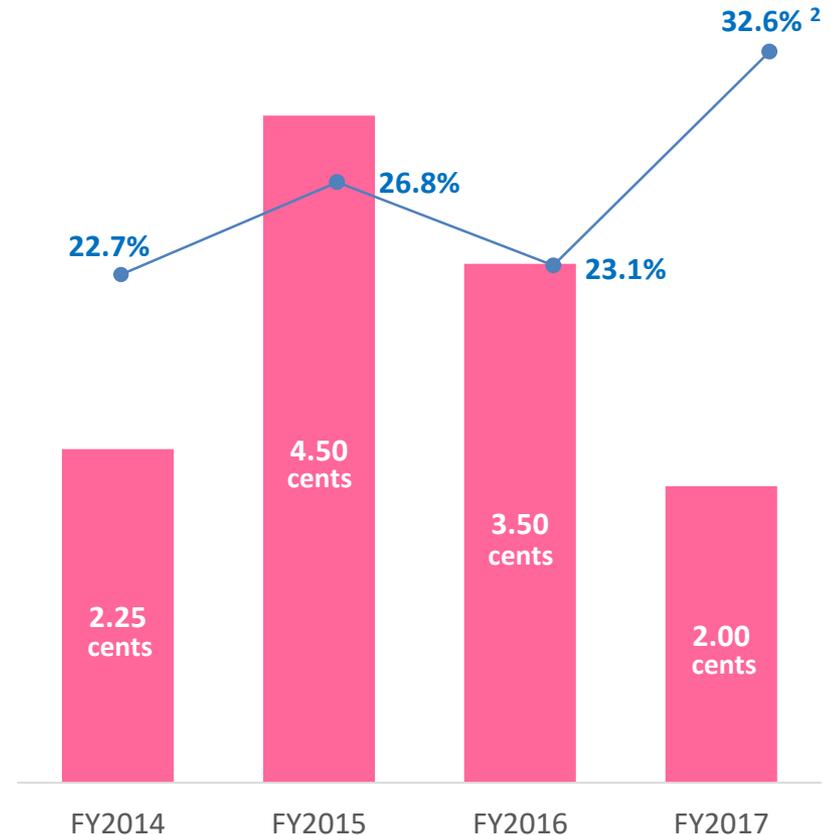
- Building Construction
- Property Development and Investment
- Hotel Development and Investment

Market capitalisation increased more than **3 times** since IPO

**> 99%** revenue from building construction, potential for growth in hotel and property investments

**S\$344 million** construction order book

**> 20%** dividend payout ratio



Note:

1. Based on unaudited FY2017 results released on 28 November 2017.
2. Based on profit attributable to owners before exceptional gain of S\$49.8 million.

# Year In Review

## March

Acquired 30.6% of the enlarged issued and paid-up share capital in Nuform System Asia Pte. Ltd. ("**Nuform**"), a supplier of metal formworks to the construction industry.

## April

Awarded S\$214.2 million contract for the construction of Seaside Residences.  
Launched Seaside Residences, a joint venture development with Frasers Centrepoint Limited and Sekisui House Ltd.

## August

Acquired 60.0% of the entire issued and paid-up share capital of Hansin Timber Specialist and Trading Pte. Ltd. ("**Hansin**"), which is engaged in the supplies and installation of timber floorings and exterior timber decking, trellis and roofing for residential and commercial development projects in Singapore.

## September

Issued S\$85 million 5.75% Series 2 Notes due 2021 and successfully redeemed all outstanding Series 1 Notes.

Grand opening of Mercure Maldives Kooldoo Hotel.

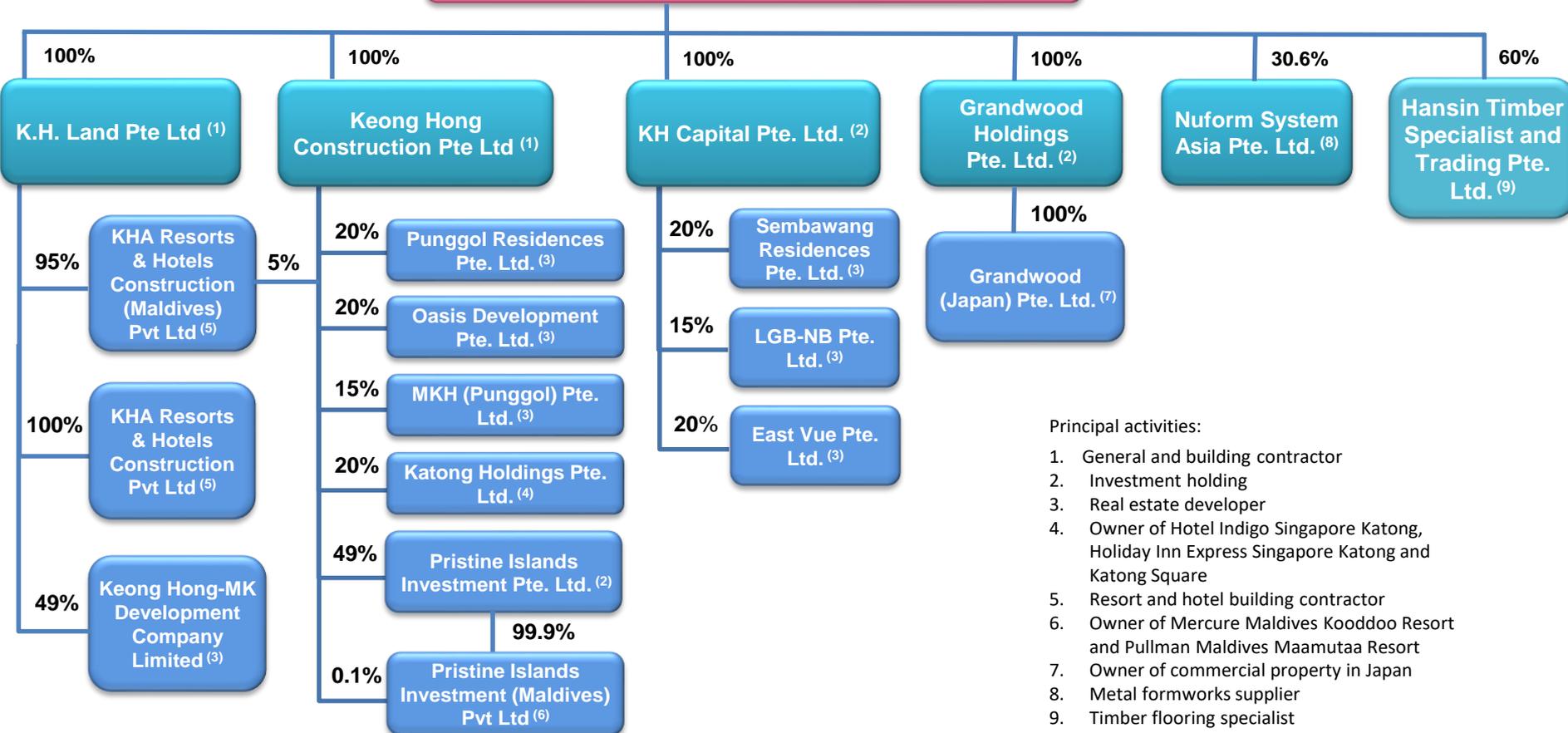
Acquired a second commercial property in Osaka, Japan.

## October

Acquired a 49.0% interest in an associated company in Vietnam to pursue property development opportunities.

# Corporate Structure

## Keong Hong Holdings Limited



### Principal activities:

1. General and building contractor
2. Investment holding
3. Real estate developer
4. Owner of Hotel Indigo Singapore Katong, Holiday Inn Express Singapore Katong and Katong Square
5. Resort and hotel building contractor
6. Owner of Mercure Maldives Kooddoo Resort and Pullman Maldives Maamutaa Resort
7. Owner of commercial property in Japan
8. Metal formworks supplier
9. Timber flooring specialist



## 2. Operations Review



# Building Construction Pipeline

- We have a healthy order book spread over the next three financial years.
- S\$344 million of construction order book includes unbilled revenue from Raffles Hospital Extension, Parc Life, Pullman Maldives Maamutaa Resort and Seaside Residences, to be recognised based on percentage of completion.



**Parc Life**

Expected Completion: 2018  
Contract Sum: S\$163.4 million



**Pullman Maldives Maamutaa Resort**

Expected Completion: 4Q2018  
Contract Sum: approximately S\$100 million



2017

2018

2020

**Raffles Hospital Extension**  
Expected Completion: 4Q2017  
Contract Sum: S\$107.5 million



**Seaside Residences**  
Expected Completion: 2020  
Contract Sum: S\$214.2 million



# Property Development and Investment

- Our strategy to partner reputable property developers and owners to jointly undertake residential development projects enables the Group to share resources with business partners and manage any business risks associated with the property development projects.
- We will continue to explore new opportunities in Singapore and overseas, such as Japan, Vietnam, Australia, Malaysia and Indonesia.
- The Group is appointed as the main contractor for all its joint venture residential developments:

|                                 | <b>Twin Waterfalls</b>   | <b>SkyPark Residences</b> | <b>Amore</b>  | <b>Parc Life</b>   | <b>Seaside Residences</b>                 |
|---------------------------------|--|---------------------------|---|--|---|
| <b>Joint venture partners</b>   | FCL Tampines Court Pte. Ltd.<br><i>(a subsidiary of Frasers Centrepoint Limited)</i> | JBE Holdings Pte. Ltd.    | Master Contract Services Pte Ltd and JBE Holdings Pte. Ltd. | FCL Tampines Court Pte. Ltd.<br><i>(a subsidiary of Frasers Centrepoint Limited)</i> | FCL Topaz Pte. Ltd. and Sekisui House Ltd |
| <b>Group's stake</b>            | 20%  | 20%                       | 15%   | 20%  | 20%                                       |
| <b>Group's share of profits</b> | S\$19.6 million (FY2015)   | S\$15.1 million (FY2016)  | To be recognised  | To be recognised   | To be recognised                          |
| <b>Main contract awarded</b>    | S\$162.3 million   | S\$149.9 million          | S\$118.0 million  | S\$163.4 million   | S\$214.2 million                          |

# Property Development Projects

## Twin Waterfalls



| Type                  | Executive Condominium |
|-----------------------|-----------------------|
| Total Units           | 728                   |
| Launch Date           | 18 February 2012      |
| Sales Status          | 100%                  |
| Average Selling Price | S\$698 psf            |
| Group's Stake         | 20%                   |
| TOP                   | 2 June 2015           |

## SkyPark Residences



| Type                  | Executive Condominium |
|-----------------------|-----------------------|
| Total Units           | 506                   |
| Launch Date           | 16 November 2013      |
| Sales Status          | 100%                  |
| Average Selling Price | S\$793 psf            |
| Group's Stake         | 20%                   |
| TOP                   | 10 August 2016        |

# Property Development Projects

## Amore



| Type                  | Executive Condominium |
|-----------------------|-----------------------|
| Total Units           | 378                   |
| Launch Date           | 17 January 2015       |
| Sales Status          | 100%                  |
| Average Selling Price | S\$795 psf            |
| Group's Stake         | 15%                   |
| TOP                   | 28 November 2016      |

## Parc Life



| Type                  | Executive Condominium |
|-----------------------|-----------------------|
| Total Units           | 628                   |
| Launch Date           | 16 April 2016         |
| Sales Status          | 79.0%                 |
| Average Selling Price | S\$770 – S\$800 psf   |
| Group's Stake         | 20%                   |
| Expected TOP          | 2018                  |

# Property Development Projects

## Seaside Residences



| Type                  | Private Condominium |
|-----------------------|---------------------|
| Total Units           | 841                 |
| Launch Date           | 22 April 2017       |
| Sales Status          | 65.0%               |
| Average Selling Price | S\$1,700 psf        |
| Group's Stake         | 20%                 |
| Expected TOP          | 2020                |

# Property Investment - Japan

- The Group continues to seek overseas property investment opportunities in mature and stable economies such as Japan and Australia as well as fast growing market like Vietnam.



**1-2-6 Minamihorie, Osaka**



**4-4-10 Honmachi, Osaka**

|                  |  |  |
|------------------|--|--|
| Acquisition Date | September 2017                           | February 2016                            |
| Property Type    | Commercial                               | Commercial                               |
| Occupancy Rate   | 100%<br>(tenants mainly company offices) | 100%<br>(tenants mainly company offices) |
| Consideration    | S\$11,843,000<br>(JPY950,000,000)        | S\$10,590,020<br>(JPY938,000,000)        |

# Hotel Development and Investment

- Expansion into hotel investment to provide the Group with a steady recurring income and an added engine of growth.
- We will continue to seek hotel development and investment opportunities and grow our hospitality assets to form a more substantial portion of our earnings.
- The Group has four hotel properties in Singapore and Maldives:

|                        | Singapore  | Maldives  |
|------------------------|--|---|
| Projects               | <ul style="list-style-type: none"> <li>• Hotel Indigo Singapore Katong</li> <li>• Holiday Inn Express Singapore Katong</li> <li>• Katong Square (F&amp;B, retail)</li> </ul> | <ul style="list-style-type: none"> <li>• Mercure Maldives Kooddoo Hotel</li> <li>• Pullman Maldives Maamutaa Resort</li> <li>• Kooddoo Airport</li> </ul> |
| Joint venture partners | Master Contract Services Pte Ltd   | Sansui Holding Pte Ltd, BRC Asia Limited, L3 Development Pte Ltd, Hotels & Resort Construction Pvt Ltd  |
| Hotel manager          | InterContinental Hotels Group (IHG)  | Accor   |
| Group stake            | 20%  | 49%   |



# Hotel Investment - Singapore

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**131-room Hotel Indigo  
Singapore Katong**



**451-room Holiday Inn Express  
Singapore Katong**

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Katong Square - Food and beverage outlets and retail shops

The two hotels are managed by InterContinental Hotels Group

Group holds 20% interest in this joint development

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# Hotel Development and Investment - Maldives

- Located in the south of Maldives, Kooddoo Island is just a short 55 minutes flight from Male
- Mercure Maldives Kooddoo is the only Maldivian beach resort directly accessible by domestic plane
- Managed by Accor, the 68-villa resort has commenced operations on 20 August 2017



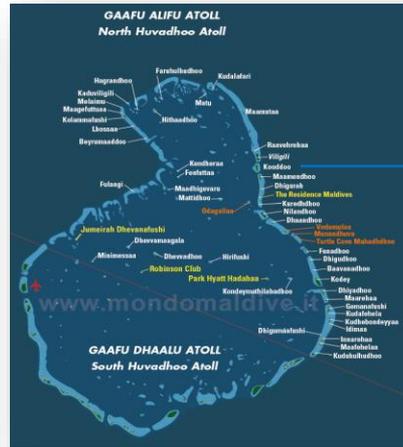
**Mercure Maldives Kooddoo Hotel**

# Hotel Development and Investment - Maldives



- 120-villa Pullman Maldives Maamutaa Resort
- The resort is a 15-minute speed boat ride from Kooddoo Island
- Managed by Accor, the resort is expected to commence operations in 2019

# Hotel Development and Investment - Maldives



- Expansion of the Kooddoo domestic airport, located on Kooddoo Island in Gaafu Alifu Atoll, involving infrastructural work for the extension of its existing runway from 1.2km to 1.8km at both ends of the runway.
- The extended runway was completed in July 2017 and the airport is able to accommodate private jet planes.

# 3. Financial Highlights



# Key Financials

| S\$ '000 / FYE 30 Sep          | FY2017<br>(Unaudited) | FY2016<br>(Audited) | Change (%) | Remarks  |
|--------------------------------|-----------------------|---------------------|------------|--|
| Revenue                        | <b>233,882</b>        | 248,014             | (5.7)      | <ul style="list-style-type: none"> <li>Decrease in revenue was mainly due to lower recognition of construction revenue from SkyPark Residences, Amore and J Gateway, which had largely been completed in FY2016.</li> <li>The decrease in revenue was partially offset by contribution from the construction of the two resorts in Maldives, Seaside Residences, Raffles Hospital Extension as well as variation orders received and final billings for projects that had already been completed, such as Twin Waterfalls, Alexandra Central and J Gateway.</li> </ul> |
| Gross profit                   | <b>35,386</b>         | 38,806              | (8.8)      |  |
| Gross profit margin (%)        | <b>15.1%</b>          | 15.6%               |            | <ul style="list-style-type: none"> <li>Despite lower revenue and gross profit, the Group is able to achieve a healthy gross profit margin, on account of good project management and prudent cost management.</li> </ul>   |
| Net profit before tax          | <b>70,197</b>         | 37,669              | 86.4       | <ul style="list-style-type: none"> <li>Increase in net profit was mainly due to an exceptional gain of S\$49.8 million on re-measurement of investment to fair value upon ceasing equity accounting in joint ventures. Without this exceptional gain, the Group registered operating profit of S\$20.4 million.</li> </ul>   |
| Net profit after tax           | <b>64,202</b>         | 33,061              | 94.2       | <ul style="list-style-type: none"> <li>Decrease in operating profit was mainly due to share of loss of joint ventures and associates and the absence of lump sum profits from property development.</li> </ul>   |
| Basic EPS (cents)              | <b>27.9</b>           | 15.2                | 83.6       |  |
| Gearing ratio (%) <sup>1</sup> | <b>40.3%</b>          | 45.6%               |            |  |

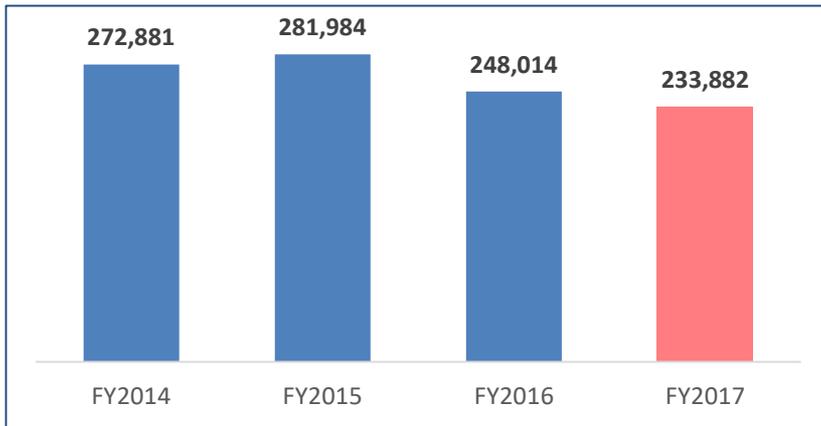
Note:

- Net debt divided by total capital (net debt plus total equity). Net debt is cash and cash equivalents minus the sum of bank borrowings, finance lease payables, medium term notes, and trade and other payables.

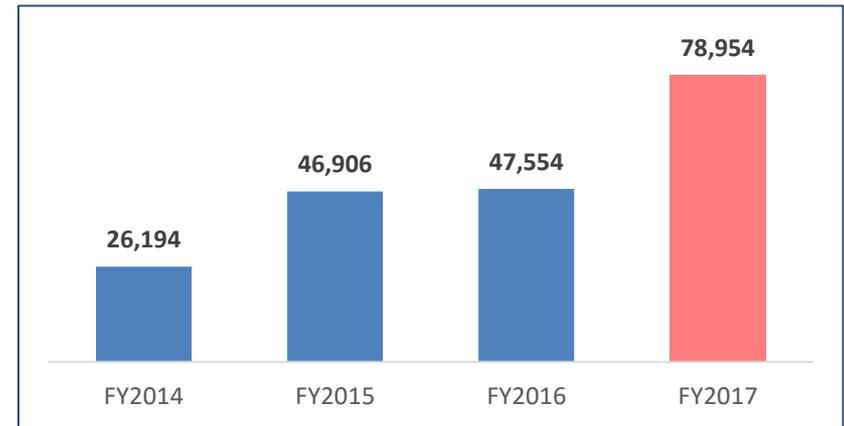


# Financial Summary – Income Statement

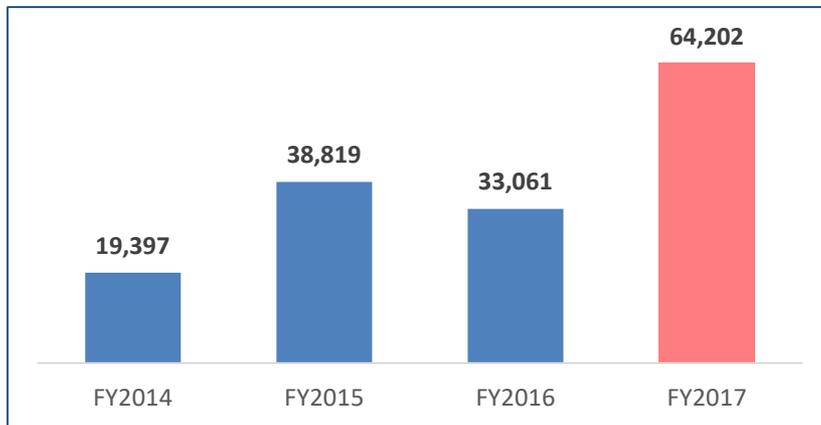
## Revenue (S\$'000)



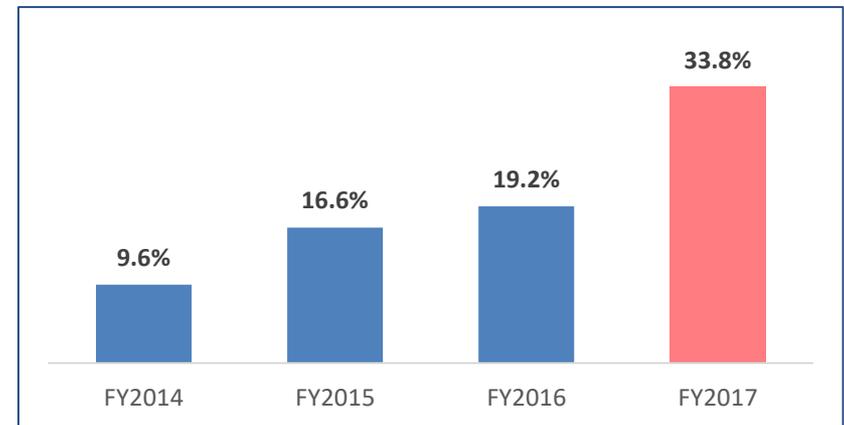
## EBITDA (S\$'000)



## NPAT (S\$'000)

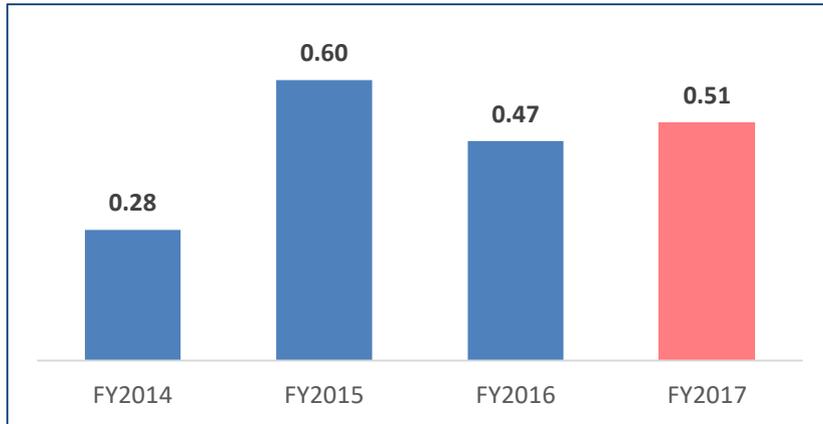


## EBITDA Margin

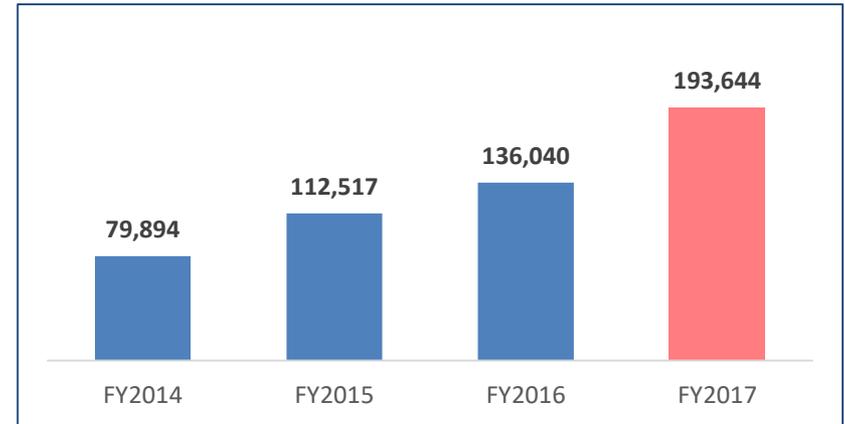


# Financial Summary – Key Financial Ratios

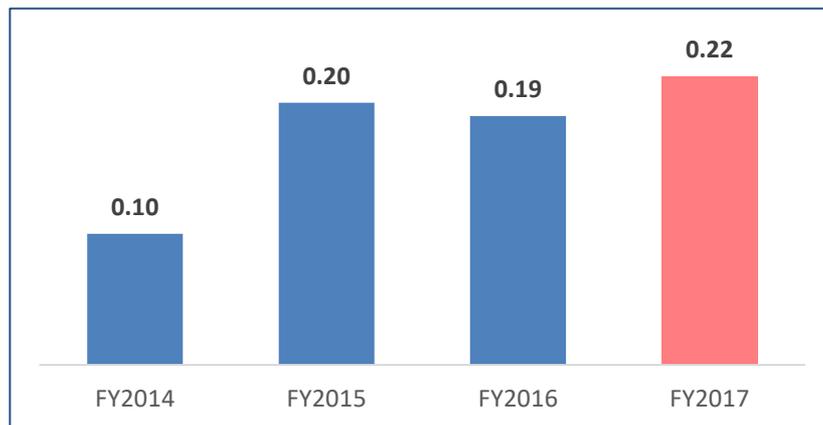
## Debt to Tangible Net Worth



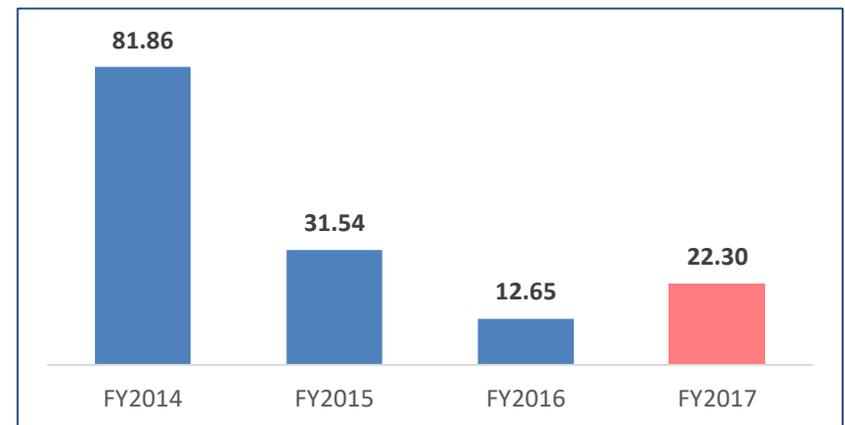
## Tangible Net Worth (\$\$'000s)



## Debt to Total Asset

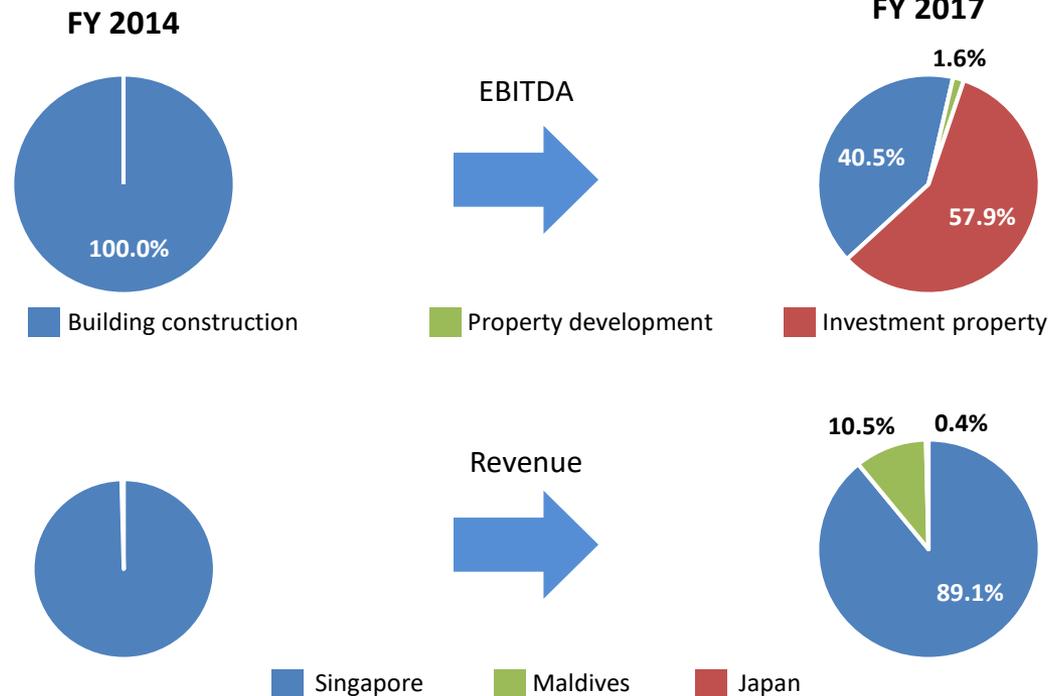


## EBITDA / Finance Costs



# Diversification of Earnings Sources

- The Group has diversified its earnings sources from pure building construction to hotel and property development and investment.
- Investments in hotel and property will provide the Group with a recurring income. Over time, the Group hopes to grow the contribution from hotel and property investment to form a more substantial portion of its earnings.
- The Group has also ventured overseas to counteract slowing growth in the Singapore market.
- Diversification of earnings sources will help smoothen and support growth of the Group's earnings.



## 4. Outlook and Strategies



# Outlook

## Singapore

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### Construction Industry

- Singapore's economy grew by 5.2% on a year-on-year basis in the third quarter of 2017. However, the construction sector has not performed well, contracting 7.6% on a year-on-year basis in the third quarter of 2017. The latest economic statistics released by the Ministry of Trade and Industry has attributed the contraction in the construction sector to the "weakness in both private and public sector construction activities"<sup>1</sup>.
- The industry continues to face headwinds such as rising competition, tightening of foreign labour, increasing workers' levies and adoption of new technologies.
- Public sector construction demand is expected to increase with a steady pipeline of new public housing developments, more healthcare and educational facilities as well as mega infrastructure projects for the MRT and Changi Airport Terminal 5.
- With the successful collective sales of 17 private residential estates year to date and the redevelopment of these en bloc projects, the supply of private homes will more than double over the next one to two years<sup>2</sup>. The Group looks forward to capitalising on this increased construction demand for private residential homes.

### Residential Property Market

- In 1H 2017, the market has seen strong buyer interest at property launches and 'land-hungry' developers bidding aggressively for residential sites and increased transactions for en bloc sale.
- Latest property statistics by the Urban Redevelopment Authority, indicate that prices of residential properties rose by 1.2% in the third quarter of 2017 compared with the 0.3% decrease in the previous quarter<sup>3</sup>. In 1H 2017, developers sold 73% more units than the same period last year.
- Going forward, developers' margins may come under pressure as land prices continue to increase in land-scarce Singapore.

Note:

1. Ministry of Trade and Industry, "MTI Forecasts GDP to Grow by "3.0 to 3.5 Per Cent" in 2017."
2. <http://www.channelnewsasia.com/news/business/supply-of-private-homes-to-double-in-next-1-to-2-years-lawrence-9406228>
3. Urban Redevelopment Authority, "Release of 3rd Quarter 2017 real estate statistics."

### Maldives Tourism Industry<sup>1</sup>

- Tourist arrivals to Maldives in 2016 registered a healthy 4.2% growth to 1.29 million. 1H 2017 tourist arrivals reached 657,540, registering an impressive growth of 6.1% compared with 1H 2016.
- Europe has remained the top source of visitor arrivals, accounting for 48.7% of visitor arrivals, and Asia Pacific currently accounts for around 42.8% of visitor arrivals (with China the number one source country).
- The top five tourist generating markets in 1H 2017 were China, Germany, United Kingdom, Italy and India.
- Further tourism gains are expected in 2018 with additional international and domestic flights anticipated and 30 resorts opening<sup>2</sup>.

Note:

1. Ministry of Tourism, Republic of Maldives.
2. Asian Development Bank, "Maldives: Economy."

# Business Strategies

**Focus on building construction projects in commercial, industrial and institutional sector**

To mitigate slowdown in private residential construction in Singapore

**Seek overseas investment opportunities in mature and stable economies such as Japan and Australia as well as fast growing market like Vietnam**

To explore overseas markets for business expansion, particularly in emerging markets

**Diversify portfolio earnings to include more hospitality assets and commercial properties**

To grow a sustainable source of cash flows and recurring income

To achieve a balanced portfolio to grow contribution from property and hotel investments

**Expansion through suitable joint ventures and acquisitions**

To widen synergistic investments and build strategic alliances which are complementary to the Group

To better manage development risks by leveraging on partners' local experiences to gain access to new markets



**BUILDING A SUSTAINABLE FUTURE**