



**KEONG HONG HOLDINGS LIMITED**

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

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**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

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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, BDO LLP, has included a Material Uncertainty Related to Going Concern section in their Independent Auditor’s Report dated 28 February 2022 (the “**Independent Auditor’s Report**”) on the audited financial statements of the Group for the financial year ended 30 September 2021 (the “**FY2021 Financial Statements**”). The Independent Auditor’s Report and the FY2021 Financial Statements will form part of the Company’s Annual Report for FY2021 (the “**FY2021 Annual Report**”). **The opinion of the Auditor is not modified in respect of this matter.**

A copy of the Independent Auditor’s Report, together with an extract of the relevant note to the FY2021 Financial Statements, are attached to this announcement as Appendix 1 and Appendix 2, for reference. Notwithstanding the above comments from the Auditor, the Board in assessing the appropriateness of the going concern assumptions of the Group and the Company, is of the view that the use of going concern assumption to prepare the FY2021 Financial Statements are appropriate based on the following factors:

- i) The Directors are of the view that continuing financial support from the ultimate holding company, LJHB Holdings (S) Pte. Ltd. (“**LJHB Holdings**”) of the controlling shareholder, LJHB Capital Pte. Ltd. (“**LJHB Capital**”), will be forthcoming on any subsequent payment on 18 April 2022 (if necessary) on any redemption of the Medium Term Notes Series 3 on 10 March 2022. LJHB Capital is a wholly-owned subsidiary of Forevertrust International (S) Pte. Ltd. (“**Forevertrust**”) whereas Forevertrust is a wholly-owned subsidiary of LJHB Holdings. LJHB Holdings’ ultimate and sole shareholder is Ms. Liu Haiyan. The letter of financial support was received and announced to the SGX-ST via SGXNET on 24 February 2022;
- ii) The Directors are of the view that the dividend payment by its joint venture will be received in tranches up till June 2022 which is within the next nine months from the financial year ended 30 September 2021; and
- iii) The Directors are of the view that continuing support from its bankers on the existing unutilised banking facilities amounting to \$52,800,000 will be forthcoming.

Notwithstanding the above, the Directors acknowledge that a condition of material uncertainty exists that may cast doubt on the Group’s and the Company’s ability to continue as going concerns, which is highly dependent on the Group’s and Company’s ability to receive continuing financial support by LJHB Holdings, dividend payment from its joint venture and continued availability of adequate banking facilities for drawdown.

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 has been provided for trading of the Company's shares to continue.

Shareholders of the Company are advised to read the Independent Auditor's Report together with the FY2021 Audited Financial Statements of the Group in the Company's FY2021 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 exercise 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

Lo Swee Oi  
Company Secretary

1 March 2022

## Appendix 1 : Independent Auditor's Report

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2021;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2021, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the statement of changes in equity of the Company for the financial year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 4 to the financial statements, which indicates that the Group incurred a net loss of \$20,180,000 for the financial year ended 30 September 2021. As at 30 September 2021, the Group and the Company is in a net current liabilities position of \$26,205,000 and \$25,231,000 respectively.

As at 30 September 2021, the Group and the Company have obligations in the form of Medium Term Notes ("MTN") amounting to \$47,955,000 referred to in Note 28 to the financial statements. Due to the breach of the interest coverage ratio, the MTN which fall due on 19 August 2023 ("Maturity Date") have been classified as current liabilities. Arising from the change of controlling shareholder of the Company subsequent to the financial year ended 30 September 2021, the MTN holders may also exercise the option to request redemption of the MTN by the Company before the maturity date.

As announced on the Singapore Exchange on 24 February 2022, the Group and the Company have received the letter of financial support from the ultimate holding company, LJHB Holdings (S) Pte. Ltd..

The ability of the Group and the Company to continue as a going concern is dependent on continuing financial support by LJHB Holdings (S) Pte. Ltd., receipt of dividends from its joint venture and continuing support from its bankers.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## 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 period. 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.

## KEY AUDIT MATTERS

## AUDIT RESPONSE

### 1 Accounting for construction contracts

Revenue from construction contracts amounted to \$75,411,000 and it represented 98% of the total revenue of the Group for the financial year ended 30 September 2021.

The Group's core businesses are those of general and building contractors. Revenue from construction contracts are 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 2.16 to the financial statements.

Significant judgement is required to estimate the total construction contract costs that will affect the measure of progress and revenue and profit margins recognised from construction contracts.

In addition, there was an increase in the level of estimation uncertainty and judgement in determining the total estimated construction contract costs for ongoing contracts as at 30 September 2021 arising from the disruption to the supply chain for construction materials, supply of foreign construction workers and volatile economic conditions brought on by the COVID-19 endemic.

Accordingly, we have identified this area as a key audit matter.

Refer to Notes 3.2(i), 17 and 31 of the accompanying financial statements.

We performed the following audit procedures, amongst others:

- Assessed the Group's internal controls over the recording of revenue and costs for construction contracts;
- Traced approved variation orders included in total contract sums to surveyor/architect's certification;
- Traced the estimated cost to complete for significant contracts on a sample basis by substantiating costs that have been committed to sub-contractor quotations and contracts entered;
- Reviewed the revisions made to budgeted project costs by project quantity surveyors and management due to impact of COVID-19 endemic and assessed the reasonableness of such revisions;
- Tested the costs incurred for all projects on a sample basis by checking that the costs were properly allocated to their respective contracts and that these costs were directly attributable costs supported by suppliers invoices or other supporting documents;
- Reviewed management's identification of loss making construction contracts and assessed the reasonableness of the provision for onerous contracts determined by management;
- Checked the arithmetical accuracy of the revenue recognised based on the input method computations;
- Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Key Audit Matters (Continued)

KEY AUDIT MATTERS	AUDIT RESPONSE
<p><b>2</b> <b>Impairment assessment of investments in associates</b></p> <p>The Group's investments in associates comprise of 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. As at 30 September 2021, management considered the changes in credit risk of the associates and determined the loss allowance based on 12-month expected credit loss ("ECL").</p> <p>ECL of \$2,990,000 was reversed during the financial year.</p> <p>Additionally during the financial year, arising from indicators of impairment in the associates, the management carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements.</p> <p>The recoverability of the interest in these associates are dependent on the profitability from its hospitality operations and construction services.</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 and no additional impairment loss 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. In addition, there was an increase in the level of estimation uncertainty in determining the profitability of the associate's hospitality operations and construction services as at 30 September 2021 arising from the volatility in economic conditions brought on by the COVID-19 endemic.</p> <p>Refer to Notes 3.2(ii), 9, 14 and 42.1 of the accompanying financial statements.</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>• Discussed with management and evaluated the reasonableness of the key assumptions made by management in preparing the discounted cash flows taking into consideration the current economic and business environment which are affected by COVID-19 endemic, including performing analytical procedures and comparing the revenue growth rates against historical performance and industry outlook, as appropriate;</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>

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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 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, 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.

## 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 a 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.

## Auditor's 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

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 period 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 auditor's report is Lee Kuang Hon.

### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
28 February 2022

**Appendix 2 : Relevant Note to the Audited Financial Statements****NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

**4. GOING CONCERN**

The Group incurred a net loss of \$20,180,000 for the financial year ended 30 September 2021. As at 30 September 2021, the Group and the Company is in a net current liabilities position of \$26,205,000 and \$25,231,000 respectively.

The Group has not been able to maintain a ratio of EBITDA to interest expenses of not less than 2:00 as at 31 March 2021 and 30 September 2021. The non-compliance constitutes an Event of Default (as defined in the Trust Deed) in connection with the S\$48,000,000 6.25 per cent Notes due 2023 under Series 003 (the "MTN 3") issued pursuant to the S\$200,000,000 Multicurrency Medium Term Note Programme of the Company (Note 28).

Consequent to the above conditions, the Group and the Company reclassified the MTN 3 due payable on 19 August 2023 from non-current liabilities to current liabilities. Subsequent to the financial year end, through a Consent Solicitation Exercise on 28 January 2022, the Group obtained the consent of its Noteholders to (a) include a cure mechanism (by way of an interest service reserve account for the Notes) in respect of any non-compliance with the required threshold for the ratio of EBITA to Interest Expense; (b) waive certain provisions of the Trust Deed and the Conditions as a result of any non-compliance with the EBITA-Interest Threshold in respect of financial period ended 31 March 2021 and financial period ended 30 September 2021; and (c) waive the occurrence of any Event(s) of Default or Potential Event(s) of Default as a result of any non-compliance with the EBITA-Interest Threshold in respect of financial period ended 31 March 2021 and financial period ended 30 September 2021.

Subsequent to the financial year ended 30 September 2021, the Group's 2<sup>nd</sup> largest shareholder LJHB Capital, entered into a sale and purchase agreement with Mr Leo Ting Ping Ronald in relation to acquisition of an aggregate of 44,763,220 ordinary shares of the Group representing 19.05% of the total number of ordinary shares on 21 January 2022. The acquisition was completed on 11 February 2022 resulting LJHB Capital holding an aggregate of 107,580,420 ordinary shares, representing 45.78% of the total number of ordinary shares. This led to a change in control of the Group that triggered the early redemption clause attached to the MTN 3.

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

- i) The Directors are of the view that continuing financial support from the ultimate holding company, LJHB Holdings of the controlling shareholder, LJHB Capital will be forthcoming on any subsequent payment on 18 April 2022 (if necessary) on any redemption of the MTN 3 on 10 March 2022. LJHB Capital is a wholly-owned subsidiary of Forever Trust International (S) Pte. Ltd. (the "Forevertrust"). Forevertrust is a wholly-owned subsidiary of LJHB Holdings. LJHB Holdings' ultimate and sole shareholder is Ms Liu Haiyan. The letter of financial support was received and announced on the Singapore Exchange on 24 February 2022;
- ii) The Directors are of the view that the dividend payment by its joint venture will be received in tranches up till June 2022 which is within the next nine months from the financial year ended 30 September 2021; and
- iii) The Directors are of the view that continuing support from its bankers on the existing unutilised banking facilities amounting to \$52,800,000 will be forthcoming.

Notwithstanding the above, the Directors acknowledge that a condition of material uncertainty exists that may cast doubt on the Group's and the company's ability to continue as going concerns, which is highly dependent on the Group's and Company's ability to receive continuing financial support by LJHB Holdings, dividend payment from its joint venture and continued availability of adequate banking facilities to drawdown.

Should the Group and the Company be unable to discharge their liabilities in the normal course of business which may lead to the Group and the Company being unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.