



KEONG HONG HOLDINGS LIMITED

Incorporated in the Republic of Singapore
(UEN: 200807303W)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “SGX-ST”) ON THE GROUP’S UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 30 SEPTEMBER 2023 (“FY2023 RESULTS”)

The Board of Directors of Keong Hong Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) refers to the queries raised by the SGX-ST on 6 February 2024 in relation to the Group’s unaudited condensed financial statements for the six months and full year ended 30 September 2023 (“FY2023”) announced on 31 January 2024, and wishes to provide its response as follows:

- 1) The Company recorded an impairment loss on investment in an associate of S\$8.5 million in FY2023. Please provide details and disclose the identity of the associate, the Company's interest in the associate, the factors that resulted in the significant impairment and the basis of the impairment loss.**

Company’s response

The Group has a 49% equity interest in Pristine Islands Investment Pte. Ltd. (“PIIPL”), an investment holding company with a wholly-owned subsidiary that operates and manages an airport, hotel and resort in the Republic of Maldives.

The Group performed an annual review on the estimated recoverable amount of the investments in associates based on value-in-use calculations derived from cash flow projections. Key assumptions adopted in the value-in-use calculations include revenue projections, gross margins, discount rates and terminal growth rate.

The key factors resulting in the reduction in recoverable amount were escalating operating costs and higher interest rates in the cash flow projections. The discount rate used in the current financial year of 17.9% is higher than the 14.5% from the prior year.

Based on the projections, the recoverable amount of PIIPL is less than the carrying amount, resulting in an impairment loss of S\$8.5 million recognised in FY2023.

- 2) The Company recorded 'other expenses' amounting to S\$3.5 million in FY2023 attributable to loss on liquidation of one of its subsidiary amounting to S\$1.8 million and impairment loss on investment in a Joint Venture of S\$1.7 million in FY2023. Please disclose the identity of the entities, the Company's interest in each entity and elaborate on the factors which resulted in and the basis for the loss on liquidation and impairment losses.

Company's response

i. Loss on liquidation of one of its subsidiaries amounting to S\$1.8 million

As announced by the Company on 11 August 2023, it was stated that the Company was placing one of its subsidiaries, namely Hansin Timber Specialist and Trading Pte. Ltd. into creditors' voluntary liquidation as the subsidiary could not by reasons of its liabilities continue its business due to its cash flows problems and its inability to pay its debts as and when they fall due.

As the Company loses control of the subsidiary upon placement of provisional creditors' voluntary liquidation, in accordance with the provisions of SFRS(I) 10 *Consolidated Financial Statements*, the Company

- derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant SFRS(I)s; and
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

Accordingly, loss on liquidation amounting to S\$1.8 million was recognised.

The Company has a 60% equity interest in the subsidiary.

ii. Impairment loss on investment in a Joint Venture of S\$1.7 million

The Group has a 30% equity interest in Hyundai-Keong Hong JV Limited Partnership ("Hyundai-KH"). During FY2023, additional contribution of S\$1.7 million was injected into Hyundai-KH to meet the working capital requirement of the joint venture construction project of a sports and recreation centre.

Based on financials to date and projections of Hyundai-KH, it is expected that the unavoidable costs of meeting the obligations under the contract of the joint venture construction project would exceed the economic benefits expected to be received under it. Accordingly, an impairment loss of S\$1.7 million was recognised.

3) The Company stated that the going concern assumption of the Group is appropriate due to (a) operating cash flows generated from the Company's core business, (b) continuing financial support from its ultimate shareholder LJHB Holdings (S) Pte Ltd and (c) continuing support from financial institutions with regards to the availability of credit facilities granted to the Group.

a. The Company recorded net operating cash outflow of S\$12.8 million in FY2023. Please explain how the Company's a negative operating cash flow supports the Company's going concern assumption. If the Company expects positive operating cash flow from its core business, please disclose with details and supporting information on the basis of the Company's expectations.

Company's response

The Group's core business is in building and constructions with four ongoing projects as at 30 September 2023 and a new project commenced in 2nd quarter of financial year ending 30 September 2024. Two of the projects are estimated to obtain TOP towards end of 2024.

Based on the Group's cash flow forecast for the next twelve months from February 2024 (taking into account the ongoing and new projects mentioned above), the Group is expected to receive proceeds from construction projects of approximately S\$227 million and accordingly should generate positive operating cash flows.

b. Please elaborate on the basis of the Company's view that there will be continuing financial support from its ultimate shareholder and quantify the financial support. Please also disclose whether the ultimate shareholder has provided an undertaking to the Company in this respect.

Company's response

As at this announcement date, the ultimate shareholder has not indicated that it will withdraw or cease continuing its financial support to the Company.

The Company is currently in the midst of obtaining the letter of undertaking from its ultimate shareholder.

c. Please elaborate on the basis of the Company's view that there will be continuing support from financial institutions with regard to the availability of credit facilities granted to the Group and quantify the credit facilities that are granted and available to the Group.

Company's response

As at 30 September 2023, the Group had undrawn banking and credit facilities of S\$43.3 million in respect of which all conditions precedent had been met.

BY ORDER OF THE BOARD

Heng Michelle Fiona / Lim Guek Hong
Company Secretaries

7 February 2024