



KEONG HONG HOLDINGS LIMITED

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

RESPONSES TO QUESTIONS RAISED BY SHAREHOLDERS ON KEONG HONG'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

The Board of Directors of Keong Hong Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by way of electronic means on 28 January 2021.

The responses to the questions are set out below:

1. **What is Nuform business about and what is its contribution to the group?**

Our associated company, Nuform System Asia Pte Ltd (“Nuform”), is principally engaged in the business of supplying aluminium formworks to the construction industry. Our investment in Nuform strengthens the strategic ties between the Group and Nuform, and allows the Group to reap synergistic benefits.

Nuform has completed several hotel projects in Singapore, including Pan Pacific Hotel, Artyzen Hotel and Boulevard 88. The company has also secured a number of projects in the local commercial and residential arena such as Defu Industrial City, IOI @ Central Boulevard, SIT Campus, The Tre Ver, Jade Scape, Guoco Midtown, The Florence Residences, Sky Everton, Riviere and OLA Executive Condominium, these projects are using its solutions such as the Nuform Auto-Climb Hydraulic Jack system, Nuform Aluminium Formwork and Truss Table. These system formworks with high productivity are now commonly used in many building construction projects in Singapore.

Nuform’s business was affected for about six months last year due to the suspension of all construction activities during the Covid-19 circuit breaker and the slow start of construction work thereafter.

2. **For Hotel operations in Maldives, what is the current occupancy rate and what is the break- even occupancy going forward? Additionally, what strategies is Keong Hong taking to address the slump in tourism in Maldives?**

Due to the pandemic, both our Maldivian hotels were closed since April 2020. Mercure Maldives Kooddoo Hotel and Pullman Maldives Maamutaa Resort were reopened in August and September respectively, and operated with low occupancies. In recent months, we have seen improvement in bookings, as occupancy rate for Mercure Maldives Kooddoo Hotel climbed to approximately 40% in December 2020 and Pullman Maldives Maamutaa Resort registered 60% occupancy for the same month. The hotels are expecting to see healthy occupancy rates in the first quarter of 2021.

Our hotel operator, Accor, has been running marketing campaigns and promotions since the hotels reopened after the lockdown. Going forward, the Maldivian tourism authority has a positive outlook for the industry given the effective control of Covid-19 in the country.

3. What is the long term goal of the offices in Japan, Osaka? Who are the tenants? Noted that one property is currently tenanted at 72%, why not 100%?

The property investments in Osaka, Japan were made to provide the Group with a recurring income stream through rental income. The tenants are mainly small to medium sized companies. The office building in Minamihorie is fully tenanted, while the office building in Honmachi was fully tenanted until last quarter of FY2020. Three tenants terminated their tenancy due to the Covid-19 pandemic, resulting in the decrease in occupancy rate to 72%. Our agent in Osaka is actively looking for new tenants.

4. Noted LJHB is a new substantial shareholder. What is their rationale for the investment? Where is their footprint?

LJHB is primarily in the asset investment business in real estate, hospitality and travel related sectors in the region, and investing in Keong Hong will provide a platform for their future real estate projects in Singapore. Similarly, Keong Hong will also be able to leverage on LJHB's wide business network to enhance its regional expansion plans and competitiveness.

5. Note 41 of the audited financial statements ("FS") on segment information - Why was there a loss of S\$21.95m recorded on property development (results from associate)?

These were mainly attributable to the losses related to our property investments in the Maldives, which also included impairment losses.

6. Note 41 and 42 of the FS - could you provide who are the customers who owe trade receivables? What is the difference between trade receivables and total retention sum?

Trade receivables are amount we billed to clients that are based on certified claims on the building construction works but has not been paid.

Retention sum is an amount held back from a payment made under a construction contract. It is an industry practice for the developer to withhold an agreed percentage of the contract sum after completion as retention monies and is generally held to ensure that a contractor performs all of its obligations under the contract. It is then released either on practical completion or after the end of a defects liability period of typically 12 to 18 months after the official hand-over of a project.

Due to confidentiality, we cannot provide the list of customers who have outstanding trade receivables.

7. Refer to page 65 of the FS, the consolidated statement of cash flow, may the board provide additional information on the cause as well as the entity or project that result of the following items or losses:

i) Impairment loss on investment in an associate of \$11.603 million. The company incurred impairment loss of associate happened for the last 2 years of \$7.15m and \$11.6m and probably not a result of the current pandemic. What the company are doing to prevent further impairment loss?

The impairment loss which was related to the property investments in Maldives for the last two years was a result of low hotel occupancies and rates during the initial opening phase and further aggravated by the Covid-19 pandemic. Impairment loss is a result of the hotels' performance which is closely related to the tourist arrivals in Maldives. Going forward, the Maldivian tourism authority has a positive outlook for the tourism sector post-Covid 19.

ii) Fair value changes on financial asset at FVTPL of \$7.660 million

This was related to our investments in Holiday Inn Express Singapore Katong, Hotel Indigo Singapore Katong and Katong Square, which businesses have been impacted by the Covid-19 pandemic.

iii) Provision for onerous contract of \$2.717 million

The Group conducts regular review of project costing and budget for all our construction contracts. This provision is related to foreseeable losses of certain construction contract as a result of the review carried out at the end of FY2020.

8. Refer to page 12 and 13 "Financial highlights" in the FS, the Revenue, ROE and EPS for the company in the last 4 years has been in a decreasing trend. What are the plans for the company to reverse this downtrend and resume dividend payment for shareholders?

The Group has been diversifying its operations and investments over the last few years to include construction-related businesses in Singapore, commercial properties in Japan, hotel properties in the Maldives and Singapore, as these are long term investments, it will take a longer time to realise the returns.

The Group's dividend payout ratio has increased from 7.4% in FY2017 to 25.2% in FY2019. However, the Group decided not to declare any dividends in FY2020, as we need to maintain financial prudence and conserve cash during this challenging period. The Group will consider resuming its dividend payments when we are able to achieve positive results post Covid-19 pandemic.

BY ORDER OF THE BOARD

Lo Swee Oi
Company Secretary

Date: 27 January 2021