



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 2018

The Board of Directors (the “**Board**”) of Keong Hong Holdings Limited (the “**Company**”) refers to the Results Announcement released on 27 November 2018. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 7 December 2018 (each, a “**SGX Query**”) as follows:

SGX Query 1

Investment in associates had increased \$18.4 million to \$48.3 million from \$29.8 million (as at 30 September 2017). We note from the income statement that the Group reported a loss from associated companies of \$3.5 million while the Company had on 24 October 2017 disclosed an acquisition of an associated company (Keong Hong-MK Development Company Limited) for a cash consideration of only \$587,859. Therefore, please elaborate on the increase of \$18.4 million. If there are further acquisitions, please make the necessary announcements under Listing Rule 704(17)(d) if they not been made.

Company’s Response

Investment in associates increased from S\$29.83 million as at 30 September 2017 to S\$48.28 million as at 30 September 2018 was due mainly to:

	Amount (S\$)
Share of net gain from Associates - Pristine Island Investments Holding Pte Ltd, Pristine Island Investment (Maldives) Pvt Ltd (“ Pristine Group ” or “ Pristine ”), MKH (Punggol) Development Pte Ltd, Sembawang Residences Pte Ltd, Nuform Systems Asia Pte Ltd (“ Nuform ”)	2.8 million
Share of other comprehensive income from Associates - Nuform	1.1 million
Foreign exchange alignment on Associates	(0.2 million)
Reclassification of shareholders’ loan to Pristine - from short-term receivables to Investment in associates	14.7 million

The Company performs periodic assessment of its receivables to ensure measurement and classification of the receivables in accordance with their accounting substance. The shareholder’s loan to Pristine Group is mainly for the construction and development of two resorts in the Republic of Maldives, namely Mercure Maldives Kooddoo and Pullman Maldives Maamutaa. Mercure Maldives Kooddoo commenced its operation in October 2017 while Pullman Maldives Maamutaa is still under construction. During the financial review in FY2018, Management took the view that the shareholder’s loan to Pristine Group is for long haul and repayment of loan is only possible a few years after both resorts commence their business. This loan is akin to equity investment and thus Management had decided to reclassify the loan from short-term receivables to Investment in Associates.

This is purely an accounting reclassification for presentation purposes and does not involve any change of interest in Pristine and the Company's interest in Pristine remains at 49%. The Company is of the view that no announcement is required to be made under Listing Rule 704(17)(d).

SGX Query 2

The Company disclosed that long-term receivables increased to \$121,848,000. Please clarify why there is an increase. Please also elaborate on what is the nature of transaction that results in the collection being classified as "long-term" assets. What are the collection terms and ability to pay the significant amount at maturity?

Company's Response

The increase in long-term receivables was mainly due to the reclassification of shareholders' loans to FSKH Development Pte Ltd (for Mattar Road joint residential development), Katong Holdings Pte Ltd (Holiday Inn Express Katong, Indigo Hotel Katong and Katong Square) and East Vue Pte Ltd (for Seaside Residences Condominium). from short-term receivables to long-term receivables.

As mentioned above, the Company performs periodic assessment of its receivables and during the financial review in FY2018, Management took the view that the above shareholders' loans are likely to be repaid later than 12 months after the end of financial year 2018. Thus, the Company had decided to reclassify the shareholders' loans from short-term receivables to long-term receivables.

To-date, Seaside Residences condominium is more than 85% sold and the sales of Mattar Road condominium is expected to be launched in the first half of 2019. Management expects to receive payments from these two development projects after their completion which is anticipated to be in 2020 and 2021 respectively.

Businesses in both hotels in Katong have stabilized since their opening in 2016. Occupancy rate and average room rate have also improved. Management expects the repayment of shareholders loan to be after the next 12 months as Katong Holdings Pte Ltd has to repay the remaining bank loan first before the shareholders' loan can be repaid.

By Order of the Board

Lo Swee Oi
Company Secretary

10 December 2018