



KEONG HONG HOLDINGS LIMITED

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

RESPONSE TO EMAIL FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

The Board of Directors (the “**Board**”) of Keong Hong Holdings Limited (“**Keong Hong**” or the “**Company**”) and together with its subsidiaries (the “**Group**”) refer to the email dated 17 January 2017 from Securities Investors Association (Singapore) in relation to the Company’s Annual Report for the Financial Year ended 30 September 2016 and append the requisite replies as follows:

Q1. The group’s recent property developments, SkyPark Residences and The Amore, were well received by the market and were effectively sold out soon after being launched. Parc Life, another joint venture development in which the group has a 20% stake, has achieved sales to date of 22% after its launch in April 2016.

a) How confident is the group (and its joint venture partner) to sell out the 660-units before TOP?

Answer:

We would like to clarify that based on the final design, total number of units at Parc Life is 628, not 660. Additionally, we would also like to clarify that the sales for SkyPark Residences and The Amore had picked up gradually after launch and had not sold out soon after being launched. Similarly, we believe the sales for Parc Life will pick up gradually, albeit possibly at a slower pace given the current weak economic condition in Singapore and the government’s various property cooling measures still firmly in place.

b) Has the response been up to management’s expectation?

Answer:

The response is within our expectation, given the current weak economic condition in Singapore and the government’s various property cooling measures still being firmly in place. We had made several adjustments to the marketing and sales campaign and the response has been encouraging so far.

c) Under what circumstances would the joint venture consider adjusting the average selling price to achieve better sales?

Answer:

At the moment, we have no plans to adjust the selling price of Parc Life.

Q2. The group has a 20% interest in Holiday Inn Express Singapore Katong and Hotel Indigo Singapore Katong. The two IHG-managed hotels opened in May and June 2016 respectively.

- a) **Can the company provide shareholders with an update on the operational performance of the two hotels?**

Answer:

The two hotels commenced operations in June 2016 and it usually takes at least a year for the business to be stabilised, which is common for most hotels. It will be pre-mature to share the performance of the hotels at this juncture.

In addition, Keong Hong is only holding a minority interest in Holiday Inn Express Singapore Katong and Hotel Indigo Singapore Katong, it would thus not be appropriate for us to comment on the operational performance of the two hotels without the approval of our joint venture partners.

The group's investment in the two hotels, through Katong Holdings Pte. Ltd, is treated as a joint venture. According to the accounting policies, joint ventures are accounted for using the equity method in which the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture.

On 11 April 2014, the Group subscribed for 200,000 ordinary shares, representing 20% of the issued share capital of Katong Holdings Pte Ltd at a cash consideration of \$200,000. In Note 8 (Investments in Joint Ventures – page 101), it was stated that:

The Group had not recognised losses relating to MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd where its share of losses exceed the Group's carrying amount of its investment. The Group's cumulative losses as at 30 September 2016 were \$585,345 (2015: \$925,060). The Group has no obligation in respect of those losses.

- b) **Could the company provide more clarity into the financial performance of Katong Holdings?**

Answer:

As mentioned in 2(a) above, it is pre-mature to share the performance of the hotels at this juncture as the hotels had only commenced operations for a few months. In addition, Keong Hong is only holding a minority interest in Katong Holdings Pte Ltd, it would thus not be appropriate for us to comment on its financial performance without the approval of our joint venture partners.

Q3. On 2 December 2016, the company posted a response to the queries from the Singapore Exchange Securities Trading Limited on the results announcement for the financial year ended 30 September 2016. The clarification posted by company provided the details of the third party doubtful debts of S\$1.9 million. Specifically, it was disclosed that "S\$1.52 million is related to amount due from one sub-contractor for our resort construction project, The Residence Maldives. The amount is mainly pertaining to material supplies and other costs paid on behalf by our subsidiary, Keong Hong Construction Pte Ltd."

- a) Can the company help shareholders understand the events leading up to the default? Is it common practice for the sub-contractor to be paid in advance?**

Answer:

The S\$1.52 million was an allowance for doubtful debts as explained in our response to the queries from the Singapore Exchange Securities Trading Limited dated 2 December 2016.

In some circumstances, the main contractor has to purchase the materials on behalf of the sub-contractors as the main contractor will usually get better terms from the suppliers. This is also necessary if the main contractor wants to ensure the project is delivered on time. In this particular case, the Company purchased some materials for the project, The Residence Maldives, on behalf of the sub-contractor for these reasons.

- b) Does the group still have on-going projects with the above-mentioned sub-contractor?**

Answer:

The Group does not have on-going projects with the above-mentioned sub-contractor.

- c) Did this cause any detail to the construction of The Residence Maldives?**

Answer:

We believe you meant "Did this cause any delay to the construction of The Residence Maldives". We confirm that it did not cause any delay to the construction of The Residence Maldives.

By Order of the Board

Lo Swee Oi
Company Secretary

24 January 2017