



KEONG HONG HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(UEN: 200807303W)

**PROPOSED DISPOSAL OF 20.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF
KATONG HOLDINGS PTE. LTD. - ENTRY INTO SALE AND PURCHASE AGREEMENT, DEED OF
NOVATION AND DEED OF PERSONAL GUARANTEE**

1. INTRODUCTION

The Board of Directors (the "**Board**") of Keong Hong Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 10 December 2024 ("**Announcement**") relating to the entry by Keong Hong Construction Pte Ltd (the "**Vendor**"), a wholly-owned subsidiary of the Company, into an indicative non-binding term sheet (the "**Term Sheet**") and a binding agreement to purchase ("**ATP**") with MCSK Pte. Ltd. (the "**Purchaser**", together with the Vendor, the "**Parties**") relating to (a) the proposed disposal by the Vendor of its entire shareholding interest, being 200,000 ordinary shares, in the capital of Katong Holdings Pte. Ltd. ("**Katong Holdings**") (the "**Sale Shares**"), and (b) the proposed discharge of the loans extended by the Vendor to Katong Holdings and any interest accrued or accruing (the "**Sale Loans**") to the Purchaser for an aggregate consideration of S\$34,500,000 payable by the Purchaser, on the terms and subject to the conditions of the Term Sheet (the "**Proposed Disposal**").

The Board wishes to announce that the Vendor has, on 19 February 2025, entered into a sale and purchase agreement ("**SPA**") with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, and the Vendor has agreed to discharge the Sale Loans, for an aggregate consideration of S\$34,500,000.

Pursuant to the SPA, the Parties have agreed to novate the Sale Loans from the Vendor to the Purchaser entirely in a single tranche, instead of discharging and extinguishing the Sale Loans amount through installments corresponding to the consideration payment structure, as was previously contemplated by the Term Sheet and the ATP and disclosed in the Announcement.

In connection with the above, the Vendor and the Purchaser have on 19 February 2025 entered into a Deed of Novation (as defined below) in relation to the Sale Loans. The Vendor has also, on 19 February 2025, entered into a Deed of Personal Guarantee (as defined below) with Mr. Leow Ban Leong, director cum shareholder of the Purchaser, in relation to the Sale Loans, details of which are set out below.

The Proposed Disposal, if undertaken and completed, shall constitute a "major transaction" as defined under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"). Accordingly, the Proposed Disposal shall be conditional upon the approval of shareholders of the Company ("**Shareholders**") under Rule 1014 of the Listing Manual. The Company will be seeking the approval of its Shareholders for the Proposed Disposal at an extraordinary general meeting ("**EGM**") to be convened.

2. INFORMATION RELATING TO THE PROPOSED DISPOSAL

2.1. Information on Katong Holdings

As disclosed in the Announcement, Katong Holdings is a Singapore-incorporated company owned by the Vendor (20%) and the Purchaser (80%). Katong Holdings was incorporated on 13 February 2014 and is primarily engaged in the business of property and ownership and development of hotels, namely

two hotels, Hotel Indigo Singapore Katong, Holiday Inn Express Singapore Katong and a retail component, Katong Square.

2.2. Salient Terms of the Proposed Disposal

2.2.1. Conditions Precedent

The Proposed Disposal is conditional upon, *inter alia*, the following conditions precedent (the “**Conditions Precedent**”):

- (a) receipt by the Vendor of the full sum of the First Instalment (defined below) to the bank account of the Vendor;
- (b) documentary evidence, in form and substance satisfactory to the Vendor, of the discharge, release, cancellation and de-registration of any security or guarantee provided by the Vendor or any of its shareholders in connection with any borrowing or financing granted to Katong Holdings or any of its subsidiaries, including but not limited to:
 - a. the deed of guarantee and indemnity dated 16 March 2023 executed by the Company and Master Contract Services Pte Ltd in favour of Oversea-Chinese Banking Corporation Limited;
 - b. the charge over shares dated 16 March 2023 executed by the Vendor and the Purchaser in favour of Oversea-Chinese Banking Corporation Limited; and
 - c. the deed of subordination dated 16 March 2023 executed by the Vendor, the Purchaser and Katong Holdings in favour of Oversea-Chinese Banking Corporation Limited;
- (c) the approval of SGX-ST in connection with the Proposed Disposal;
- (d) the approval of the shareholders of the Vendor in connection with the Proposed Disposal;
- (e) the approval of the shareholders of the Company pursuant to Rule 1014 of the Listing Manual of SGX-ST;
- (f) deed of personal guarantee dated on or around the date of the SPA duly executed by Mr. Leow Ban Leong in favour of the Vendor, in such form and substance satisfactory to the Vendor; and
- (g) all necessary approvals, consents and waivers to consummate the Proposed Disposal (including, without limitation, such as may be necessary to avoid (i) contravening any pre-emption right or tag along right or any other obligations owed by the Parties, Katong Holdings or their respective affiliates or (ii) causing a default or potential event of default (in each case howsoever described) under any agreement, instrument or obligation to which the Parties, Katong Holdings or their respective affiliates or the assets of the foregoing persons are subject.

For the avoidance of doubt, non-satisfaction of any of the Conditions Precedent shall not be a breach of the SPA. In the event the approvals under paragraphs 2.2.1 (c), (d) and (e) above have not been obtained by the Completion Date, the Confirmation Fee shall be refunded by the Vendor to the Purchaser within 14 days of the Completion Date. This paragraph supersedes any previous agreement, provision or clauses, whether express or implied, between the Parties in relation to the conditions of refund of the Confirmation Fee.

2.2.2. Completion

2.2.2.1. Date of Completion

Subject to the fulfilment of the Conditions Precedent, completion shall take place on or before 30 April 2025 or such later date as Parties may mutually agree in writing (the “**Completion Date**”), instead of

27 February 2025, as was previously contemplated by the Term Sheet and the ATP and disclosed in the Announcement.

2.2.2.2. Payment of Consideration

The Purchaser undertakes to make payment of the sums set out under paragraph 4 of this announcement below to the Vendor in the manner as set out thereunder and in accordance with the terms of the SPA. Subject to the satisfaction of the conditions precedent set out in paragraph 2.2.1 of this announcement above, if the Purchaser fails to pay any amount payable by it under the SPA on the relevant due date in full, interest shall accrue on the overdue amount from such due date up to the date of actual payment (both before and after judgement) at a rate of six per cent. (6%) per annum. Any interest accruing shall be immediately payable by the Purchaser on demand. Interest (if unpaid) arising on an overdue amount will be compounded on a monthly basis with the overdue amount but will remain immediately due and payable.

2.2.2.3. Sale Loans

On Completion, the outstanding amount of the Sale Loans shall be novated by the Vendor to the Purchaser pursuant to a deed of novation to be made between, amongst others, the Vendor and the Purchaser, on terms satisfactory to the Parties (the "**Deed of Novation**"). Accordingly, no amounts will remain outstanding between the Company and the Vendor and the Sale Loans shall be deemed discharged and distinguished vis a vis the Vendor.

3. **DEED OF PERSONAL GUARANTEE**

To guarantee all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Purchaser to the Vendor under the SPA, including the obligation of the Purchaser to pay the S\$19,500,000 sum referred to in paragraph 4(c) above in three (3) instalments after the Completion Date to the Vendor (the "**Guaranteed Liabilities**"), Mr. Leow Ban Leong (the "**Guarantor**") has on 19 February 2025 executed a deed of personal guarantee (the "**Deed of Personal Guarantee**") as guarantor in favour of the Vendor, pursuant to which the Guarantor irrevocably and unconditionally: (a) as principal obligor guarantees to the Vendor prompt performance by the Purchaser of all of the Guaranteed Liabilities; and (b) undertakes with the Vendor that whenever the Purchaser does not pay any amount when due under or in connection with the SPA, the Guarantor shall forthwith on demand by the Vendor pay that amount as if the Guarantor instead of the Purchaser were expressed to be the principal obligor.

The Deed of Personal Guarantee also provides that it shall be a continuing guarantee and will extend to the ultimate balance of all sums payable by the Purchaser under the SPA, regardless of any intermediate payment or discharge in whole or in part.

Further, the Guarantor waives any right he may have of first requiring the Vendor (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor pursuant to the Deed of Personal Guarantee.

4. **CONSIDERATION**

The consideration for the Proposed Disposal is an aggregate cash sum of S\$34,500,000 (the "**Consideration**"), which comprises:

- (a) S\$1,000,000 (the "**Confirmation Fee**") which has been paid upon acceptance of the ATP by the Purchaser in respect of the Sale Shares and the Sale Loans on 3 December 2024;
- (b) S\$14,000,000 which shall be payable on or before the Completion Date (the "**First Instalment**");
- (c) S\$19,500,000 to be disbursed within 18 months in 3 instalments in accordance with the following schedule:

- i. 1st instalment of S\$6,500,000 to be paid within 6 months from the Completion Date;
- ii. 2nd instalment of \$6,500,000 to be paid within 12 months from the Completion Date; and
- iii. 3rd instalment of \$6,500,000 to be paid within 18 months from the Completion Date.

As disclosed in the Announcement, the Consideration, which was arrived at after arm's length negotiations and on a willing-buyer willing-seller basis, is based on a discount to (a) the original amount of shareholders' loans extended to Katong Holdings of S\$34.6 million before impairment and (b) the issued and paid-up share capital of Katong Holdings. The discount was agreed upon by the Parties, after taking into consideration that there had been no dividends distributed by Katong Holdings since incorporation and no repayment of shareholders' loans in the last seven (7) years. Further, additional capital investment has been requested by Katong Holdings from its shareholders given its heavy financing costs as well as its increasing operating cost and overheads.

For completeness, as disclosed in the Announcement, the book value or the net tangible asset value ("**NTA**") of the Sale Shares of S\$30.0 million (classified under Financial Assets at Fair Value through Other Comprehensive Income ("**FVTOCI**")) and the impaired Sale Loans of S\$19.6 million (classified under Financial Assets at Fair Value through Profit or Loss ("**FVTPL**")) was as provided for in the Group's latest audited financial statements for the financial year ended 30 September 2023. **Notwithstanding this, as set out in the Announcement, a review undertaken by the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") found that the Company had incorrectly classified its investments in Katong Holdings under FVTOCI instead of as an associate. Please also refer to the Company's announcements on 17 October 2024 for more information on ACRA's review.**

The Group, had therefore, restated its financial statements for FY2022 and FY2023, whilst releasing its unaudited financial statements for FY2024 on 28 January 2025. Accordingly, based on the restated financial statements for FY2023 and the unaudited financial statements of the Group for FY2024, the book value or NTA of the Sale Shares and Sale Loans collectively is S\$34.1 million.

The Consideration represents a net surplus of S\$0.4 million over the aggregate book value or the NTA of the Sale Shares and Sale Loans. The net gain on disposal attributable to the Sale Shares and the Sale Loans is also S\$0.4 million, which is made up of the De-recognition of Non-Current Assets Classified As Held for Sale Shares of S\$34.1 million.

The Group had engaged Cushman & Wakefield VHS Pte. Ltd. to undertake a valuation of the recoverable amount of 20.0% equity interest in Katong Holdings (the "**Target Asset**") as at 30 September 2024 for financial reporting purpose. The valuation of the Target Asset was carried out on a fair value less costs of disposal basis, where fair value is defined as "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date". Based on the valuation report dated 14 February 2025 ("**Valuation Report**"), the fair value less cost of disposal of the Target Asset (being the Sale Shares) as at 30 September 2024 is S\$21.0 million.

5. RATIONALE AND USE OF PROCEEDS

Please refer to the Announcement for the rationale for, and the use of proceeds from, the Proposed Disposal.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures as computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal and based on the latest unaudited consolidated financial statements of the Group for the full year ended 30 September 2024 are below. These have been updated from the Announcement given the release of the unaudited consolidated financial statements of the Group for FY2024.

Rule	Basis	Relative Figure
1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	61.47% ⁽¹⁾
1006(b)	Net profits attributable to the assets disposed of, compared with the group's net profits ⁽²⁾	35.33%
1006(c)	Aggregate value of the Consideration received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares ⁽³⁾	146.80%
1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable ⁽⁵⁾

Notes:

- (1) Under Rule 1002(3)(a), "net assets" means total assets less liabilities. Based on the net asset value of the Group of S\$55.5 million as at 30 September 2024 and the net asset value of the Sale Shares and Sale Loans of S\$34.1 million as at 30 September 2024.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit (or loss) before income tax, minority interests and extraordinary loans. Based on the Group's net profit of S\$1.1 million for the full year ended 30 September 2024 and the net profit attributable to the Sale Shares and Sale Loans of S\$0.4 million.
- (3) Based on the Consideration of S\$34,500,000 and the Company's market capitalisation of approximately S\$23.5 million (being the full market day preceding the date of the SPA). The market capitalization of the Company is determined by multiplying the number of shares in issue excluding treasury shares, being 235,010,000 ordinary shares, and the volume weighted average price of S\$0.10 per Share on 18 February 2025.
- (4) The Proposed Disposal is not an acquisition of assets.
- (5) The Company is not a mineral, oil or gas company.

As the relative figures computed under Rule 1006(a), Rule 1006(b) and Rule 1006(c) of the Listing Manual exceed 20.0%, the Proposed Disposal is a "major transaction" as defined under Chapter 10 of the Listing Manual. Accordingly, the approval of the Shareholders at an EGM is required for the Proposed Disposal.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial figures set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Proposed Disposal. As mentioned in paragraph 4 above, the Group has restated its financial statements for FY2022 and FY2023, and has released its unaudited financial statements for FY2024 on 28 January 2025.

Accordingly, the following financial effects of the Proposed Disposal are computed based on the latest unaudited consolidated financial statements of the Group for the financial year ended 30 September 2024 (“FY2024”) and the following bases and assumptions (and are therefore updated from the previous Announcement):

- (a) The financial effect on the NTA per Share is computed based on the assumption that the Proposed Disposal was completed on 30 September 2024; and
- (b) The financial effect on the Earnings per Share is computed based on the assumption that the Proposed Disposal was completed on 1 October 2023.

NTA per Share

	Before Proposed Disposal	After Proposed Disposal
NTA (S\$'000)	55,458	55,841
Number of issued Shares ('000)	235,010	235,010
NTA per Share (cents)	23.60	23.76

Earnings per Share (“EPS”)

	Before Proposed Disposal	After Proposed Disposal
Profit attributable to equity holders of the Company (S\$'000)	1,084	1,467
Weighted average number of issued Shares ('000)	235,010	235,010
EPS (cents)	0.46	0.62

Please also refer paragraph 4 above on the restatement of the Company’s prior year financial statements.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As set out in the Announcement, none of the Directors or Controlling Shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholdings in the Company, if any).

9. SERVICE AGREEMENTS

As set out in the Announcement, no new directors are proposed to be appointed to the board of directors in connection with the Proposed Disposal. Accordingly, no service agreements will be entered into with any new director of the Company in connection with the Proposed Disposal.

10. CIRCULAR TO SHAREHOLDERS

A circular to Shareholders setting out, among others, further information on the Proposed Disposal, together with the notice of EGM to be convened, will be dispatched to Shareholders in due course.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the Valuation Report will be made available for inspection during normal business hours at the Company's place of business at 9 Sungei Kadut Street 2, Singapore 729230 for a period of three (3) months from the date of this announcement.

12. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Rules, when there are material developments in respect of the Proposed Disposal.

13. CAUTION IN TRADING

Shareholders and potential investors of the Company should note that the Proposed Disposal is subject to the fulfilment of certain conditions precedent.

Shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the shares of the Company. In particular, Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Leo Ting Ping Ronald
Chairman and Executive Officer
19 February 2025