



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

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**PROPOSED DISPOSAL OF 20.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF  
KATONG HOLDINGS PTE. LTD. - ENTRY INTO AGREEMENT TO PURCHASE**

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## **1. INTRODUCTION**

The Board of Directors (the "**Board**") of Keong Hong Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Keong Hong Construction Pte Ltd (the "**Vendor**"), a wholly-owned subsidiary of the Company, had on 8 November 2024 entered into an indicative non-binding term sheet (the "**Term Sheet**") with MCSK Pte. Ltd. (the "**Purchaser**", together with the Vendor, the "**Parties**") in respect of the proposed (a) 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) 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, on the terms and subject to the conditions of the Term Sheet (the "**Proposed Disposal**"). Pursuant to the Term Sheet, the completion of the Proposed Disposal is subject to conditions precedent including, amongst others, entry into legal documentation.

In connection with the Proposed Disposal, the Parties have further on 3 December 2024 entered into an agreement to purchase ("**ATP**"), pursuant to which the Vendor agreed to arrange a definitive sale and purchase agreement to be entered into in relation to the Proposed Disposal (the "**Definitive Agreement**") which shall contain the terms set out in the Term Sheet, the ATP and such other customary terms of sale and purchase of the Sale Shares.

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**

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 hotel ownership and development.

### **2.2. Salient Terms of the Proposed Disposal as set out in the Term Sheet and the ATP**

Pursuant to the Term Sheet of which terms are intended to be incorporated in the Definitive Agreement, the Proposed Disposal is conditional upon, *inter alia*, the following conditions precedent:

- (a) entry by the Parties into legal documentation in a mutually agreed format, including but not limited to the Definitive Agreement; and

- (b) all necessary approvals, consents and waivers having been obtained 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 owned by the Parties, Katong Holdings or their respective affiliates or (ii) causing a default of potential event of default (in each case howsoever described) under any agreement, instrument or obligation to which the Parties, the Company or their respective affiliates or the assets of the foregoing persons are subject.

Further, pursuant to the ATP, the Parties acknowledge and agree that notwithstanding the payment of the Confirmation Fee (as defined below), the purchase of the Sale Shares and discharge of the Sale Loans by the Purchaser is conditional and remains subject to the entry into the Definitive Agreement by the Parties. The completion of the Definitive Agreement and the sale and purchase of the Sale Shares and discharge of the Sale Loans shall be conditional upon the satisfaction of certain conditions, including but not limited to approval by shareholders of each of the Vendor and its holding company and, to the extent required, approval from the SGX-ST.

Pursuant to the ATP, subject to the fulfilment of the relevant conditions as may be set out in the Definitive Agreement, the completion of the Proposed Disposal is expected to take place on or before 27 February 2025 or such later date as Parties may mutually agree, and on terms to be agreed and set out in the Definitive Agreement.

The Company wishes to highlight that the parties are still in negotiations on the terms and conditions of the Definitive Agreement. The Company will make an announcement when the Definitive Agreement has been entered into, which will set out the salient terms of the Definitive Agreement.

### 3. CONSIDERATION

Pursuant to the Term Sheet and the ATP, the consideration for the Proposed Disposal is S\$34,500,000 (the “**Consideration**”), of which S\$1,000,000 shall be payable upon acceptance of the ATP by the Purchaser in respect of the Sale Shares and Sale Loans (“**Confirmation Fee**”). The Confirmation Fee shall be refundable upon the occurrence of any of the following events after 27 February 2025:

- (a) approval of the shareholders of the Vendor or its holding company in respect of the Transaction (as defined in the Term Sheet) has not been obtained;
- (b) approval from the SGX-ST in respect of the Transaction (as defined in the Term Sheet) has not been obtained; and
- (c) the Definitive Agreement has not been entered into or executed due to the unreasonable non-cooperation of the Vendor,

upon which the Confirmation Fee shall be refundable by the Vendor to the Purchaser within a period of fourteen (14) days.

Pursuant to the Term Sheet, the remaining Consideration less the Confirmation Fee shall be paid to the Vendor in the following manner:

- (a) S\$14,000,000 on either (i) 27 February 2025 or (iii) EGM date, whichever is later (“**First Instalment**”); and
- (b) S\$19,500,000 to be disbursed within 18 months in 3 instalments in accordance with the following schedule:
- i. 1<sup>st</sup> instalment of S\$6,500,000 to be paid within 6 months from the First Instalment;
  - ii. 2<sup>nd</sup> instalment of \$6,500,000 to be paid within 6 months after (b)(i) above; and
  - iii. 3<sup>rd</sup> instalment of \$6,500,000 to be paid within 6 months after (b)(ii) above.

The Sale Shares shall be transferred to the Purchaser upon payment of the First Instalment. At the same time, S\$14,000,000 of the Sale Loans shall be deemed discharged and extinguished. The remaining amount of the Sale Loans shall be deemed discharged and extinguished by the equivalent amount of each of the instalments set out in subparagraph (b) above, upon receipt by the Vendor of such payments. Upon receipt of the entire amount of the Consideration, there shall be no further loans outstanding payable by Katong Holdings to the Vendor.

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, 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**") as provided for in the Group's latest audited financial statements for the financial year ended 30 September 2023. **Shareholders should note that 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. The Group will, therefore, be restating its financial statements for FY2022 and FY2023, whilst releasing its financial statements for FY2024 at a later date. The value of the Sale Shares and Sale Loans are therefore subject to change pursuant to such restatement. Please refer to the Company's announcement on 17 October 2024 for more information on ACRA's review.**

The Consideration represents a net deficit of S\$15.1 million over the aggregate book value or the NTA of the Sale Shares and Sale Loans. The net comprehensive loss attributable to the Sale Shares and the Sale Loans is also S\$15.1 million, which is made up of the Loss on De-recognition of Financial Assets at FVTOCI for Sale Shares of S\$29.8 million, offset by the Gain on Disposal of Financial Assets at FVTPL for the Sale Loans of S\$14.7 million. Accordingly, the loss on disposal will be S\$15.1 million.

The Group will be undertaking a valuation and will include such valuation in the circular to be despatched to Shareholders in respect of the Proposed Disposal.

#### **4. RATIONALE AND USE OF PROCEEDS**

The Proposed Disposal allows the Group to divest and realize its non-controlling interest from its investments. The significant attention required for this investment has not yielded strategic advantages for the Group in terms of compliance and expected returns. Accordingly, in order to achieve better overall governance both within the Group and for Katong Holdings, the Group has decided to divest such non-controlling interests to the Purchaser to allow it to wholly manage Katong Holdings. This will also enable the Group's management to focus on the other core aspects of its business as well as other strategic endeavours.

The Group estimates there will be total net proceeds of approximately S\$34.3 million from the Proposed Disposal, being the Consideration from the Proposed Disposal less estimated expenses of approximately S\$200,000.

The Group intends to utilize the net proceeds from the Proposed Disposal for its working capital requirements and potential business opportunity.

## 5. 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 half year ended 31 March 2024 are as follows:

Rule	Basis	Relative Figure
1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	89.20% <sup>(1)</sup>
1006(b)	Net profits attributable to the assets disposed of, compared with the group's net profits <sup>(2)</sup>	158.28%
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 <sup>(3)</sup>	183.50%
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 <sup>(4)</sup>
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 <sup>(5)</sup>

### 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\$55.6 million as at 31 March 2024 and the net asset value of the Sale Shares and Sale Loans of S\$49.6 million as at 31 March 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 loss of S\$9.5 million for the half year ended 31 March 2024 and the net comprehensive loss attributable to the Sale Shares and Sale Loans of S\$15.1 million. Pursuant to Practice Note 10.1 of the Listing Manual, as none of the situations in paragraphs 4.3 and 4.4 of Practice Note 10.1 applies, Rule 1014 shall apply.
- (3) Based on the Consideration of S\$34,500,000 and the Company's market capitalisation of approximately S\$18.8 million (being the full market day preceding the date of the ATP). 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\$0.08 per Share on 2 December 2024.
- (4) The Proposed Disposal is not an acquisition of assets.
- (5) The Company is not a mineral, oil or gas company.

As the relative figure computed under Rule 1006(a) and Rule 1006(c) of the Listing Manual exceeds 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.

## 6. 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 3 above, the Group will be restating its financial statements for FY2022 and FY2023, whilst releasing its financial statements for FY2024 at a later date. Accordingly, no representation is made as to the actual financial position and/or results of the Group after the completion of the Proposed Disposal.

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 2023 (“FY2023”) and the following bases and assumptions:

- (a) The financial effect on the NTA per Share is computed based on the assumption that the Proposed Disposal was completed on 30 September 2023; 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 2022.

### NTA per Share

	<b>Before Proposed Disposal</b>	<b>After Proposed Disposal</b>
NTA (S\$'000)	64,269	49,202
Number of issued Shares ('000)	235,010	235,010
NTA per Share (cents)	0.27	0.21

### Earnings per Share / (Loss per Share (“LPS”))

	<b>Before Proposed Disposal</b>	<b>After Proposed Disposal</b>
Loss attributable to equity holders of the Company (S\$'000)	(49,488)	(34,796)
Weighted average number of issued Shares ('000)	235,010	235,010
LPS (cents)	(21.06)	(14.81)

Please also refer paragraph 3 above on the restatement of the Company’s prior year financial statements.

## 7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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).

## 8. SERVICE AGREEMENTS

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.

## 9. 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.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Term Sheet and the ATP 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.

## **11. FURTHER ANNOUNCEMENTS**

The Company will make further announcements, in compliance with the requirements of the Listing Rules, upon the execution of the Definitive Agreement subsequent to the Term Sheet and ATP and/or when there are material developments in respect of the Proposed Disposal.

## **12. 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  
10 December 2024