

Issuer: Keong Hong Holdings Limited

Security: Keong Hong Holdings Limited

Meeting details:

Date: 24 January 2017

Time: 11:00H

Venue: Meeting Room 311, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

Company Description

Keong Hong Holdings Limited, an investment holding company, provides building construction services for residential, commercial, industrial, infrastructural, and institutional projects to the private and public sectors in Singapore and the Maldives. It operates through two segments, Construction and Property Development. The company undertakes conventional contracts, additions and alterations works, and design and build projects. Its building construction services include excavation, piling, substructures and superstructures works, architectural works, aluminum cladding and curtain walling, mechanical and electrical works, interior fitting-out works, external works, and landscaping. The company is also involved in real estate development activities; hotel building contracting activities; and the trade of building construction materials. It serves property owners and developers, government bodies, and statutory boards. Keong Hong Holdings Limited was founded in 1983 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5TT)

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?**
- b) **Has the response been up to management's expectation?**
- c) **Under what circumstances would the joint venture consider adjusting the average selling price to achieve better sales?**

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?**

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?**

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?**
- b) **Does the group still have on-going projects with the above-mentioned sub-contractor?**
- c) **Did this cause any detail to the construction of The Residence Maldives?**