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Issuer: Keong Hong Holdings Limited

Stock code: 5TT

Meeting details:

Date: 28 January 2021

Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. On 16 December 2020, the company announced that LJHB Holdings (S) Pte. Ltd. became a new substantial shareholder following the acquisition of a 21% stake from the group's chairman and chief executive officer, Mr Ronald Leo.

Following the transaction, Mr Ronald Leo remains the single largest shareholder with a 30.85% shareholding in the company.

As disclosed, LJHB is primarily in the asset investment business in real estate and hospitality related sectors in the region. The strategic investment into the company will provide a platform for LJHB's future real estate projects in Singapore. It is envisaged that the group will also be able to leverage LJHB's wide business network to enhance its regional expansion plans and competitiveness.

- (i) **Can the company elaborate further on the potential pipeline of real estate projects from LJHB?**
- (ii) **Has the board engaged the new substantial shareholder constructively to finetune and re-strategise the group's growth plans, especially as the world has changed so much due to a protracted COVID-19 pandemic?**
- (iii) **Can the company provide greater clarity on how it may be able to leverage LJHB's wide business network for its regional expansion plans? Would that alter the group's risk profile?**

The chairman noted in his message that the group has maintained a healthy balance sheet and net asset value per share stood at 79.8 cents as at 30 September 2020. It is observed that the new substantial shareholder acquired ~40% of the chairman's stake at 38.4 cents per share which is less than half the net asset value per share.

- (iv) **What assurance can shareholders get from the chairman that he is firmly committed to lead the group out of the current challenging environment caused by COVID-19 and to emerge stronger in the future?** Mr Leo Ting Ping Ronald would be seeking his re-election at the annual general meeting scheduled to be held on 28 January 2021.

Q2. Would the board/management provide shareholders with greater clarity on the following operational/financial matters? Specifically:

- (i) **Cost pressure and productivity:** The chairman stated that the operating environment for the construction industry has become "incredibly challenging" in the face of the ongoing Covid-19 pandemic (page 5). **Has management been able to quantify the increases in cost and projected delivery time?**

- (ii) **Profitability: Does management expect the construction projects won in early 2020 to remain profitable given the challenges caused by COVID-19?**
- (iii) **Maldives:** The group recognised an impairment of \$11.6 million related to its hotel investments in Maldives. As shown in Note 9 (page 100 – Investments in associates), the Pristine Islands Investment Pte. Ltd. and its subsidiary (“PIIPL Group”) have net liabilities amounting to \$(65.5) million. Loss for the year was \$(44.0) million. Even before the COVID-19 pandemic, the group had recognised an impairment loss of \$(7.15) million and the elimination of unrealised profit of \$(9.18) million in FY2019. **Is it opportune for the board to carry out a strategic review of PIIPL and to evaluate the options available to safeguard the group’s interest?**
- (iv) **Loans to third party:** At the end of the previous financial year, the group had financial assets at fair value through profit or loss of \$30.1 million (page 107). These appear to be non-trade loans to third party and are classified under Level 3 of the fair value hierarchy. In FY2020, the group continued to make additional loans of \$0.96 million although the group recognised fair value losses of \$(7.66) million on the FVTPL for the financial year. As at 30 September 2020, the carrying value of the loans stood at \$23.4 million. **Can the board/management help shareholders understand the reasons for the loans to third party? Can management (re)state the commercial arrangements, if any, related to the loans? On page 147, it is stated that the discounted cash flow method was used to value the loans. Can management identify the investee and the underlying assets? Given that the creditworthiness has deteriorated, what are some covenants or safeguards (e.g. collaterals/securities) that would protect the interests of the company? In FY2019, the group had also waived interest receivables from third party amounting to \$918,000. What was the basis of the waiver of interest?**

Q3. In Note 4 (page 90 – Going concern), the company disclosed that net loss for FY2020 was \$(18.8) million and that the group and the company have cash and cash equivalents of \$40.0 million and \$14.7 million respectively as at 30 September 2020.

The remaining amount of \$51.25 million of Series 2 Medium Term Notes will be repayable in September 2021. The original amount of \$85 million has been reduced by \$33.75 million following a swap of the Series 2 notes with Series 3 MTN which was issued in August 2020.

The group expects that one of its joint ventures, East Vue Pte Ltd, to attain temporary occupational permit of Seaside Residences to trigger the drawdown of approximately 60% of the remaining selling prices for the development units sold. The subsequent disbursements of the funds to the group as repayment for shareholder loans amounting to \$67 million is expected to be completed by 30 June 2021.

- (i) **How confident is management that the joint venture company will be able to disburse the funds in time for the company to redeem the Series 2 MTN?**
- (ii) **Can management provide shareholders with an update on the progress made by the joint venture company in obtaining the TOP and in handing over the keys to the buyers?**

The chairman has stated that the group has put on hold its overseas investments although it is open to attractively priced, yield-accretive assets in selected cities such as Osaka, London, Jakarta, Ho Chi Minh, Hoi An, Sydney and Melbourne.

- (iii) **Has the board determined a targeted capital allocation for the group's investment properties that are held for recurring income? What is management's target/envisaged contribution from the investment property segment?**
- (iv) **In addition, has the board set a target/limit for the group's investments overseas?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)