

# KEONG HONG HOLDINGS LIMITED

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## Unaudited Financial Statement For The Second Quarter and Half Year Ended 31 March 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms. Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 , telephone (65) 62298088.*

**PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENT**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group Second quarter ended			Group First Half ended		
	31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000	+(-) %	31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000	+(-) %
<b>Revenue</b>	68,189	56,439	20.8%	141,386	118,030	19.8%
Cost of sales	(61,644)	(51,129)	20.1%	(127,282)	(104,290)	22.0%
Gross profit	6,545	5,310	23.3%	14,104	13,740	2.6%
Other income	1,082	584	85.3%	2,278	870	n.m.
Administration expenses	(2,896)	(2,333)	24.1%	(4,575)	(3,620)	26.4%
Finance costs	(96)	(73)	31.5%	(249)	(106)	n.m.
Share of results of joint ventures, net of tax	-	(150)	n.m.	-	(350)	n.m.
Share of results of associate, net of tax	(146)	4	n.m.	(271)	4	n.m.
<b>Profit before income tax</b>	<b>4,489</b>	<b>3,342</b>	<b>34.3%</b>	<b>11,287</b>	<b>10,538</b>	<b>7.1%</b>
Income tax expense	(996)	(188)	n.m.	(2,120)	(1,285)	65.0%
<b>Profit after tax for the financial year</b>	<b>3,493</b>	<b>3,154</b>	<b>10.7%</b>	<b>9,167</b>	<b>9,253</b>	<b>(0.9%)</b>
<b>Other comprehensive income:</b> <i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences on translating of foreign operations	8	(9)	n.m.	36	3	n.m.
Other comprehensive income for the financial year, net of tax	8	(9)	n.m.	36	3	n.m.
<b>Total comprehensive income for the financial year</b>	<b>3,501</b>	<b>3,145</b>	<b>11.3%</b>	<b>9,203</b>	<b>9,256</b>	<b>(0.6%)</b>
<b>Profit attributable to:</b>						
Owners of the parent	3,590	3,180	12.9%	9,261	9,474	(2.2%)
Non-controlling interests	(97)	(26)	n.m.	(94)	(221)	(57.5%)
	<b>3,493</b>	<b>3,154</b>	<b>10.7%</b>	<b>9,167</b>	<b>9,253</b>	<b>(0.9%)</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	3,594	3,175	13.2%	9,279	9,475	(2.1%)
Non-controlling interests	(93)	(30)	n.m.	(76)	(219)	(65.3%)
	<b>3,501</b>	<b>3,145</b>	<b>(0.6%)</b>	<b>9,203</b>	<b>9,256</b>	<b>(0.6%)</b>

*n.m. denotes not meaningful*

**1(a)(ii) Profit for the financial year is stated after charging/(crediting):**

	Group Second quarter ended			Group First Half ended		
	31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000	+(-) %	31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000	+(-) %
Depreciation of plant and equipment	1,065	545	95.4%	1,694	1,082	56.6%
Amortisation of intangible asset	4	3	33.3%	8	5	60.0%
Operating lease expenses	141	246	(42.7%)	281	297	(5.4%)
Professional fees	142	117	(21.4%)	230	268	(14.2%)
Fair value loss on financial assets						
at fair value through profit or loss	-	40	n.m.	-	40	n.m.
Fair value (gain)/loss on derivative on convertible bond	(136)	403	n.m.	(136)	403	n.m.
Share option expense	254	235	8.1%	254	235	8.1%
Gain on disposal of plant and equipment	-	(1)	n.m.	(133)	(1)	n.m.
Under/(Over) provision of tax in respect of prior years	872	-	n.m.	874	-	n.m.
Interest income	(569)	(367)	54.6%	(1,014)	(390)	n.m.

*n.m. denotes not meaningful*

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group As at		Company As at	
	31/03/2015 Unaudited S\$'000	30/09/2014 Audited S\$'000	31/03/2015 Unaudited S\$'000	30/09/2014 Audited S\$'000
<b>Non-current assets</b>				
Plant and equipment	24,115	15,194	-	-
Investment in associate	5,482	5,752	-	-
Investments in joint ventures	90	90	-	-
Investments in subsidiaries	-	-	21,574	21,574
Intangible assets	234	243	-	-
Convertible bond	4,720	4,633	4,720	4,633
Derivative on convertible bond	443	307	443	307
Financial assets, available for sale	6,825	-	6,825	-
<b>Total non-current assets</b>	<b>41,909</b>	<b>26,219</b>	<b>33,562</b>	<b>26,514</b>
<b>Current assets</b>				
Trade and other receivables	151,334	144,228	1,663	250
Due from contract customers	19,899	12,464	-	-
Current income tax recoverable	306	293	-	-
Prepayments	177	168	14	8
Cash and cash equivalents	31,358	38,726	1,825	5,092
<b>Total current assets</b>	<b>203,074</b>	<b>195,879</b>	<b>3,502</b>	<b>5,350</b>
<b>Total assets</b>	<b>244,983</b>	<b>222,098</b>	<b>37,064</b>	<b>31,864</b>
<b>Equity</b>				
Share capital	23,836	23,836	23,836	23,836
Treasury shares	(2,537)	(2,425)	(2,537)	(2,425)
Other reserves	(4,067)	(4,339)	733	479
Retained earnings	68,916	62,567	1,521	3,356
Equity attributable to owners of the parent	86,148	79,639	23,553	25,246
Non-controlling interests	421	497	-	-
<b>Total equity</b>	<b>86,569</b>	<b>80,136</b>	<b>23,553</b>	<b>25,246</b>
<b>Non-current liabilities</b>				
Bank borrowings	5,128	2,495	-	-
Finance lease payables	304	326	-	-
Deferred tax liabilities	167	167	-	-
<b>Total non-current liabilities</b>	<b>5,599</b>	<b>2,988</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Due to contract customers	20,615	17,127	-	-
Due to subsidiaries	-	-	13,375	6,375
Trade and other payables	113,270	97,862	136	243
Bank borrowings	14,556	18,918	-	-
Finance lease payables	468	604	-	-
Current income tax payable	3,906	4,463	-	-
<b>Total current liabilities</b>	<b>152,815</b>	<b>138,974</b>	<b>13,511</b>	<b>6,618</b>
<b>Total liabilities</b>	<b>158,414</b>	<b>141,962</b>	<b>13,511</b>	<b>6,618</b>
<b>Total equity and liabilities</b>	<b>244,983</b>	<b>222,098</b>	<b>37,064</b>	<b>31,864</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

<b>As at 31/03/2015 Unaudited</b>		<b>As at 30/9/2014 Audited</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
14,556	-	18,918	-

**Amount repayable after one year**

<b>As at 31/03/2015 Unaudited</b>		<b>As at 30/9/2014 Audited</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
5,128	-	2,495	-

Details of collateral:

The bank borrowings are secured by a corporate guarantee, a property and project proceeds in respect of the Company's construction projects.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group		Group	
	Second Quarter ended 31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000	First Half ended 31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000
<b>Operating activities</b>				
Profit before income tax	4,489	3,342	11,287	10,538
Adjustments for:				
Amortisation of intangible assets	4	3	8	5
Depreciation of plant and equipment	1,065	545	1,694	1,082
Fair value loss on financial assets at fair value through profit or loss	-	40	-	40
Fair value (gain)/loss on derivative on convertible bond	(136)	403	(136)	403
Gain on disposal of plant and equipment	-	(1)	(133)	(1)
Share option expense	254	235	254	235
Interest income	(569)	(367)	(1,014)	(390)
Interest expenses	96	73	249	106
Accretion of convertible bond discount	(42)	(81)	(87)	(81)
Share of result of joint ventures	-	150	-	350
Share of result of associates	146	(4)	271	(4)
<b>Operating cash flows before movements in working capital</b>	<b>5,307</b>	<b>4,338</b>	<b>12,393</b>	<b>12,283</b>
Working Capital Changes:				
Trade and other receivables	24,652	1,111	6,279	(15,972)
Due from contract customers	(9,666)	-	(7,435)	-
Prepayments	(47)	(25)	(9)	(30)
Due to contract customers	1,674	1,538	3,488	4,851
Trade and other payables	1,638	(1,780)	15,409	17,696
<b>Cash generated from operations</b>	<b>23,558</b>	<b>5,182</b>	<b>30,125</b>	<b>18,828</b>
Income tax paid	(2,674)	(1,901)	(2,677)	(1,952)
<b>Net cash generated from operating activities</b>	<b>20,884</b>	<b>3,281</b>	<b>27,448</b>	<b>16,876</b>
<b>Investing activities</b>				
Investment in joint ventures			-	(150)
Purchase of plant and equipment	(7,296)	(2,160)	(10,623)	(2,787)
Purchase of intangible assets	-	(3)	-	(10)
Purchase of financial assets, available for sale	(6,825)	-	(6,825)	-
Proceeds from disposal of plant and equipment	-	1	154	1
Loan to associates	(4,779)	(43)	(10,300)	(43)
Loan to joint ventures	(1,802)	(21,726)	(3,085)	(23,239)
Repayment of loan from joint ventures	-	2,700	-	9,251
Interest received	569	367	1,014	390
<b>Net cash used in investing activities</b>	<b>(20,133)</b>	<b>(20,864)</b>	<b>(29,665)</b>	<b>(16,587)</b>

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

	Group Second Quarter ended		Group First Half ended	
	31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000	31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000
<b>Financing activities</b>				
Fixed deposit pledged with financial institutions	-	(3)	(1)	(6)
Proceeds from bank borrowings	3,431	9,505	4,633	9,528
Repayments of bank borrowings	(1,453)		(6,362)	-
Purchase of treasury shares	-	(285)	(113)	(285)
Repayments of finance lease payables	(152)	(145)	(158)	(290)
Dividend paid	(2,912)	(3,120)	(2,912)	(3,120)
Interest paid	(96)	(73)	(249)	(106)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(1,182)</b>	<b>5,879</b>	<b>(5,162)</b>	<b>5,721</b>
Net change in cash and cash equivalents	(431)	(11,704)	(7,379)	6,010
Cash and cash equivalents at the beginning of the financial year	31,556	34,695	38,498	16,973
Exchange difference on cash and cash equivalents	4	(6)	10	2
<b>Cash and cash equivalents at end of the financial year</b>	<b>31,129</b>	<b>22,985</b>	<b>31,129</b>	<b>22,985</b>

Cash and cash equivalents comprised of:

	31/03/2015 Unaudited S\$'000	31/03/2014 Unaudited S\$'000
Fixed deposits, cash and bank balances	31,358	24,235
Fixed deposits pledged	(229)	(1,250)
	<b>31,129</b>	<b>22,985</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>Group (Unaudited)</b>	<b>Share capital</b>	<b>Treasury Shares</b>	<b>Foreign currency translation account</b>	<b>Share option reserve</b>	<b>Merger reserve</b>	<b>Retained earnings</b>	<b>Equity attributable to owners of the parent</b>	<b>Non- controlling interests</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Balance at 1 October 2014	23,836	(2,425)	(24)	479	(4,794)	62,567	79,639	497	80,136
Profit for the financial period	-	-	-	-	-	9,261	9,261	(94)	9,167
Other comprehensive income for the financial period:									
Exchange differences on translating foreign operations	-	-	18	-	-	-	18	18	36
Total comprehensive income for the period	-	-	18	-	-	9,261	9,279	(76)	9,203
Contribution by and distribution to owners of the parent:									
Dividends	-	-	-	-	-	(2,912)	(2,912)	-	(2,912)
Purchase of treasury shares	-	(112)	-	-	-	-	(112)	-	(112)
Grant of share options to employees	-	-	-	254	-	-	254	-	254
Total transactions with owners of the parent	-	(112)	-	254	-	(2,912)	(2,770)	-	(2,770)
Balance at 31 March 2015	23,836	(2,537)	(6)	733	(4,794)	68,916	86,148	421	86,569



**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)**

<b>Group (Unaudited)</b>	<b>Share capital</b>	<b>Treasury Shares</b>	<b>Foreign currency translation account</b>	<b>Share option reserve</b>	<b>Merger reserve</b>	<b>Retained earnings</b>	<b>Equity attributable to owners of the parent</b>	<b>Non- controlling interests</b>	<b>Total</b>
Balance at 1 October 2013	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	23,836	(2,140)	(31)	-	(4,794)	47,569	64,440	768	65,208
Profit for the financial period	-	-	-	-	-	9,474	9,474	(221)	9,253
Other comprehensive income for the financial period:									
Exchange differences on translating foreign operations	-	-	1	-	-	-	1	2	3
Total comprehensive income for the period	-	-	1	-	-	9,474	9,475	(219)	9,256
Contribution by and distribution to owners of the parent:									
Dividends	-	-	-	-	-	(3,120)	(3,120)	-	(3,210)
Purchase of treasury shares	-	(285)	-	-	-	-	(285)	-	(285)
Grant of share options to employees	-	-	-	235	-	-	235	-	235
Total transactions with owners of the parent	-	(285)	-	235	-	(3,120)	(3,170)	-	(3,170)
Balance at 31 March 2014	23,836	(2,425)	(30)	235	(4,794)	53,922	70,744	549	71,293

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)**

	Share capital S\$'000	Treasury Shares S\$'000	Share option reserve S\$'000	Retained earnings S\$'000	Total S\$'000
<b>Company (Unaudited)</b>					
Balance at 1 October 2014	23,836	(2,425)	479	3,356	25,246
Total comprehensive income for the period	-	-	-	1,077	1,077
Dividends	-	-	-	(2,912)	(2,912)
Grant of share options to employees	-	-	254	-	254
Purchase of treasury shares	-	(112)	-	-	(112)
Balance at 31 March 2015	<b>23,836</b>	<b>(2,537)</b>	<b>733</b>	<b>1,521</b>	<b>23,553</b>
Balance at 1 October 2013	23,836	(2,140)	-	3,686	25,382
Total comprehensive income for the period	-	-	-	1,069	1,069
Dividends	-	-	-	(3,120)	(3,120)
Grant of share options to employees	-	-	235	-	235
Purchase of treasury shares	-	(285)	-	-	(285)
Balance at 31 March 2014	<b>23,836</b>	<b>(2,425)</b>	<b>235</b>	<b>1,635</b>	<b>23,281</b>

**1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares of the issuer, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	<b>Number of shares</b>	<b>Share capital (S\$)</b>
As at 1 January 2015	232,950,000	23,836,074
As at 31 March 2015	232,950,000	23,836,074

As at 31 March 2015, the Company held 7,050,000 treasury shares (31 March 2014: 4,500,000 treasury shares). The total number of issued shares (excluding treasury shares) of the Company was 232,950,000 as at 31 March 2015 and 155,500,000 as at 31 March 2014.

**Employee Share Option Scheme (the "Options")**

As at 31 March 2015, the number of Options of the Company outstanding was 6,825,000 (31 March 2014: 4,000,000). During the period January to March 2015, no Options were exercised under the Employee Share Option Scheme.

Save for the Options, the Company did not have any outstanding convertibles as at 31 March 2015 and 31 March 2014.

**1(d)(iii) To show the number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	<b>31/03/2015 Unaudited</b>	<b>30/9/2014 Audited</b>
Total number of issued shares	240,000,000	240,000,000
Bonus shares		
Treasury shares	(7,050,000)	(6,750,000)
Total number of issued shares, excluding treasury shares	232,950,000	233,250,000

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

There were no sales, transfers, disposals, cancellation and/or use of treasury shares during and as at the end of the current financial year reported on.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in note (5) below, the financial results for the current financial year reported on have been presented using the same accounting policies and methods of computation as in the Company's most recently audited financial statement as set out in the Annual Report for the financial year ended 30 September 2014.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted all new and revised Financial Reporting Standard ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 October 2014, where applicable.

The adoption of these new/revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies and has no material/significant impact on the financial statements of the Group for the current reporting period or prior years reporting period.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

- (a) Based on the weighted average number of ordinary shares on issue; and  
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Group			
	Second quarter ended		First Half ended	
	31/03/2015 Unaudited	31/03/2014 Unaudited	31/03/2015 Unaudited	31/03/2014 Unaudited
Profit attributable to owners of the parent (S\$'000)	3,590	3,180	9,261	9,474
(i) Earnings per share ("EPS") - Basic (Singapore cents) <sup>(1)</sup>	1.54	1.36	3.97	4.05
Weighted average number of ordinary shares <sup>(3)</sup>	232,950,000	233,586,489	232,981,319	233,669,143
(ii) Earnings per share ("EPS") – Diluted (Singapore cents) <sup>(2)</sup>	1.50	1.34	3.87	3.99
Weighted average number of ordinary shares <sup>(3)</sup>	239,498,489	237,586,489	239,529,808	237,669,143

Notes:

- (1) The calculation for the basic EPS for the relevant financial periods is based on the weighted average number of ordinary shares of the Company.  
(2) The calculation for the diluted EPS is based on the weighted average number of ordinary shares of the Company after adjusting for dilution assuming the Options are fully exercised into ordinary shares of the Company.  
(3) The figure was computed taking into account the shares bought back during the relevant financial period.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	31/03/2015 Unaudited	30/09/2014 Audited	31/03/2015 Unaudited	30/09/2014 Audited
Net asset value per ordinary share (Singapore cents)	37.0	34.1	10.1	10.8
Number of issued shares excluding treasury shares at the end of the financial year	232,950,000	233,250,000	232,950,000	233,250,000

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

#### **Review of the performance**

##### **Revenue**

Revenue increase by 20.8 % in second quarter ended 31 March 2015 (“**2Q2015**”) to S\$68.2 million as compared to S\$56.4 million in second quarter ended 31 March 2014 (“**2Q2014**”). For the 6 months ended 31 March 2015 (“**1H2015**”), the Group recorded a 19.8% increase in revenue to S\$141.4 million as compared to S\$118.0 million in the corresponding period ended 31 March 2014 (“**1H2014**”). The increase of revenue in 2Q2015 and 1H2015 was due to higher revenue recognition for ongoing projects such as Alexandra Central, J Gateway, Skypark Residences and The Amore at Edgedale Plains/Punggol Central.

##### **Gross Profit & Gross Profit Margin**

Gross profit in 2Q2015 increased by 23.3% to approximately S\$6.5 million. For 1H2015, gross profit increased 2.6% from S\$13.7 million in 1H2014 to S\$14.1 million in 1H2015.

Gross profit margin increased marginally from 9.4% in 2Q2014 to 9.6% in 2Q2015. For 1H2015, gross profit margin was 10.0% as compared to 11.6% in 1H2014. The lower gross profit margin in 1H2015 was due mainly to higher operating costs such as higher wages, labour levies, safety compliance and staff training and development. Lower margin from projects that are in their early stage of construction, such as The Amore Edgedale Plains/Punggol Central and J Gateway, also contributed to the decrease in gross margin.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)**

### **Other Income**

Other income increased from S\$0.6 million in 2Q2014 to S\$1.1 million in 2Q2015, and from S\$0.9 million in 1H2014 to S\$2.3 million in 1H2015. The increase was due mainly to higher interest income, project management fee, fair value gain on derivatives on convertible bonds and equipment rental income.

### **Administration Expenses**

Administration expenses increased by 24.1% or S\$0.6 million to S\$2.9 million in 2Q2015. For 1H2015, administration expenses increased by 26.4% or S\$1.0 million to S\$4.3 million in 1H2015. The increase in 2Q2015 and 1H2015 was due mainly to higher depreciation expense as a result of higher carrying amount of plant and equipment, project management fee incurred for our projects in Maldives, higher staff cost and professional fee.

### **Finance Costs**

Due to higher bank borrowings, finance costs increased by S\$0.02 million in 2Q2015 and by approximately S\$0.1 million in 1H2015.

### **Profit before income tax**

On the back of higher revenue and other income, the Group's net profit before tax increased by S\$1.1 million or 34.3% to S\$4.5 million in 2Q2015 as compared to S\$3.3 million in 1Q2014. For 1H2015, net profit before tax increased by 7.1% to S\$11.3 million as compared to S\$10.5 million in 1H2014.

### **Review of Financial Position**

#### **Non-Current Assets**

Plant and equipment increased from S\$15.2 million as at 30 September 2014 to S\$24.1 million as at 31 March 2015. The increase of S\$8.9 million was attributable to capital expenditure of S\$10.6 million on acquisition of plant and equipment as well as the development cost for the Company's light industry factory at Sungei Kadut that is currently in progress. The increase was partially offset by depreciation expense of S\$1.7 million.

In addition, the Company acquired 15 million shares in Kori Holdings Ltd on 17 March 2015. The investment amount of \$6.8 million was classified as financial assets, available for sale as at 1H2015.

#### **Current Assets**

Trade and other receivables and amount due from contract customers increased by S\$14.5 million from S\$156.7 million as at 30 September 2014 to S\$171.2 million as at 31 March 2015. The increase was mainly due to increase in retention sum receivable and additional shareholder's loan of S\$13.4 million extended to associates and joint ventures.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)**

#### **Current Liabilities**

Current liabilities increased by S\$13.8 million from S\$139.0 million as at 30 September 2014 to S\$152.8 million as at 31 March 2015. This was attributable mainly to increase in trade and other payables and amount due to contract customers of S\$15.4 million and S\$3.5 million respectively as a result of higher volume of work carried out for on-going projects on hand. The increase was partially offset by a decrease in bank borrowings and finance lease payable of S\$4.4 million and S\$0.1 million respectively as well as decrease in current income tax payable of S\$ 0.6 million.

The working capital of the Group reduced by S\$6.6 million from S\$56.9 million as at 30 September 2014 to S\$50.3 million as at 31 March 2015.

#### **Non-Current Liabilities**

The increase in non-current liabilities of S\$2.6 million from S\$3.0 million as at 30 September 2014 to S\$5.6 million as at 31 March 2015 was mainly due to bank borrowings for the development cost of the Company's light industry factory at Sungei Kadut.

#### **Review of Cash Flow Statement**

For 2Q2015, the Group generated positive operating cash flows of S\$5.3 million before movements in working capital. After taking into consideration of changes in working capital, which included mainly the increase in trade and other receivables of S\$24.7 million, decrease in amount due from contract customers of S\$9.7 million, increase in trade and other payables and amount due to contract customers totaling S\$3.3 million, the Group generated a net cash inflow from operating activities of S\$20.9 million.

Net cash used in investing activities of S\$20.1 million in 2Q2015 was attributable mainly to capital expenditure of S\$7.3 million for acquisition of plant and equipment and development cost for the construction of the Company's light industry factory at Sungei Kadut, additional loans made to associates and joint ventures of S\$6.6 million as well as acquisition of 15 million shares in Kori holdings Ltd amounted to S\$6.8 million. In 2Q2015, the Group recorded interest income of S\$0.6 million.

Net cash used in financing activities of S\$1.2 million in 2Q2015 was due mainly to repayment of bank borrowings and financial lease payables of S\$1.6 million, dividend payment to shareholders of S\$2.9 million as well as interest payment of approximately S\$0.1 million. This was partially offset by the proceeds from bank borrowings of S\$3.4 million.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable as no forecast or prospect statement has been previously disclosed to shareholders.

10. **A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

### **Building Construction**

Alexandra Central Phase 2 (Park Hotel Alexandra) has obtained Temporary occupation Permits (“TOP”) on 17 April 2015. Twin Waterfalls and Paterson Collection is expected to obtain TOP in the current financial year. SkyPark Residences, The Amore and J Gateway are expected to be completed by end 2016.

As of 31 March 2015, the Group has a healthy construction pipeline with outstanding construction order book at \$322.0 million. The Group will continue to leverage on its track record and reputation as a reliable and quality provider of building construction services to seek new contracts to replenish its order books and to explore opportunities to grow its construction business.

### **Property Development**

Prices of private residential properties in Singapore decreased by 1.0% in first quarter of 2015<sup>(1)</sup>, this is the sixth consecutive quarter of price decline attributed to weaker demand amid tighter restrictions on the property market. Moving forward, the Group expects the private residential property market in Singapore to be more challenging as the cooling measures continue to take its toll on demand. Against this backdrop, the Group will continue to look for potential partners to jointly undertake property development projects in Singapore as well as other countries in the Asia Pacific region. The joint ventures benefit the Group as we are able to share resources with business partners and manage any business risks associated with the property development projects.

The Group’s first joint venture property development project, Twin Waterfalls is expected to obtain TOP in the current financial year. Gains from our 20% stake in the fully sold Twin Waterfalls will be recognised in FY2015 following the TOP.

The Group intends to launch its fourth Executive Condominium development before the end of this year. The project will be jointly developed by the Group and FCL Tampines Court Pte. Ltd., a wholly-owned subsidiary of Frasers Centrepoint Limited. The Group will also be undertaking the main contract work for this project.

### **Hotel and Resort Development**

The Group's first hotel property development in Singapore will comprise Hotel Indigo Singapore Katong with 131 rooms, Holiday Inn Express Singapore Katong with 451 rooms and food and beverage outlets and retail shops. The hotels will be managed by the InterContinental Hotels Group. Construction on the hotel and mixed-used development, which the Group has a 20% stake, has commenced and the hotels are expected to commence operations in 2016.

Outside Singapore, the Group will undertake the development of a midscale airport hotel on Kooddoo Island and an upscale resort hotel on Maamutaa Island, Maldives. The Group has appointed Accor to manage the 68-villa Mercure Maldives Kooddoo Resort and the 120-villa Pullman Maldives Maamutaa Resort, the hotels are expected to commence operations in 2016 and 2018 respectively. The Group owns 45% of the shareholding in this joint venture development, which also includes the development and operation of Kooddoo Airport.

1. URA Media Release, “Release of 1st Quarter 2015 real estate statistics”; <https://www.ura.gov.sg/uol/media-room/news/2015/apr/pr15-18.aspx>



**11. Dividend**

**(a) Current Financial Period Reported On**

Name of Dividend	<b>Interim</b>
Type of Dividend	Cash
Dividend Amount per share	0.5 cents
Tax rate	Tax exempt (one-tier)

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Name of Dividend	<b>Interim</b>
Type of Dividend	Cash
Dividend Amount per share	1.0 cents
Tax rate	Tax exempt (one-tier)

**(c) Date payable**

To be announced at a later date.

**(d) Books closure date**

Notice will be given at a later date on the closure of the Share Transfer Books and Register of Members of the Company to determine members' entitlement to the dividend.

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a general mandate for IPT. There was no IPT for 2Q2015.

**14. Confirmation Pursuant to Rule 705(5) of the Listing Manual**

To the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Company and the Group for the second quarter and half year ended 31 March 2015 presented in this announcement, to be false or misleading in any material aspect.

**By Order of the Board**

Leo Ting Ping Ronald  
Executive Chairman and Chief Executive Officer  
12 May 2015