KEONG HONG HOLDINGS LIMITED
强枫控股有限公司

FORTIFYING OUR **CORE STRENGTHS**
EXPANDING OUR **BOUNDARIES**

ANNUAL REPORT 2015

CONTENTS

YEAR IN REVIEW

October 2014

Our joint venture company appointed InterContinental Hotels Group to manage our first hotel property in Singapore

March 2015

Acquired 15.12% of Kori Holdings Limited

April 2015

Our joint venture company appointed Accor to manage our first two hotel properties in the Maldives

Establishment of S$150 million multicurrency medium term note programme

June 2015

Issued S$50 million 6.00 per cent term notes due 2018

July 2015

Awarded S$163.4 million contract for the construction of Parc Life Executive Condominium

August 2015

Awarded S$107.5 million contract for the construction of Raffles Hospital's 20-storey medical building

September 2015

Net profit after tax surged 100% to S$38.8 million for financial year 2015

Robust construction order book of S$462 million

BUILDING CONSTRUCTION

Our construction business has a track record of over 30 years in Singapore. We provide a broad range of building construction services for residential, commercial, industrial, infrastructural and institutional projects in the private and public sectors.

The Group's diversified portfolio of projects include Hotel Ibis Singapore on Bencoolen, Singapore Institute of Management, Sime Darby Performance Centre, Martin Place Residences, Paterson Collection, J Gateway, Twin Waterfalls Executive Condominium ("EC"), SkyPark Residences EC, The Amore EC, Parc Life EC, Alexandra Central Mall, Park Hotel Alexandra, Raffles Hospital's new medical building, The Residences Maldives and Kooddoo domestic airport in the Maldives.

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to present to you our Annual Report 2015. Keong Hong Holdings Limited ("**Keong Hong**" or "**the Group**") has achieved a strong set of results for the financial year ended 30 September 2015 ("**FY2015**") in which we registered both improved revenues as well as net profit. Our performance is all the more noteworthy given the difficult economic conditions in Singapore, in particular pertaining to the property sector. Singapore skirted a technical recession in the third quarter of 2015, impacted by the weak external environment, namely the slowing Chinese and Japanese economy, tepid US and EU economic recovery and weakening Russian financial standing. With no end in sight to the government's property cooling measures, the property sector's performance continued to be weighed down. Consequently, the private sector construction output slowed due to weaker private sector construction activities following slow private home sales. Singapore's construction sector was largely driven by the public sector including industrial projects, institutional and civil engineering works. Nevertheless, there was also a contraction in public sector works in the third quarter of 2015 [1].

FINANCIAL SNAPSHOT

Group revenue improved by 3.3% to S$282.0 million as compared to S$272.9 million for the financial period ended 30 September 2014 ("**FY2014**"). The improved revenue was on account of higher revenue recognition from the Group's projects such as *J Gateway*, *SkyPark Residences*, *The Amore* and *Parc Life*. Gross profit weakened by 2.3% to S$29.9 million. Consequently, gross profit margin decreased to 10.6% from 11.2% for the corresponding period last year on account of higher operating costs such as higher wages, labour levies, safety compliance costs and higher depreciation expenses from increased plant and machinery. The share of result from the Group's associate, Punggol Residences Pte Ltd, due to the attainment of the Temporary Occupation Permit ("TOP") of *The Twin Waterfalls* in June 2015, resulted in Group net profit growing significantly. Net profit improved by 100.1% to S$38.8 million from S$19.4 million in the corresponding period in FY2014.

Our balance sheet remained strong, with cash and cash equivalents of S$100.6 million as at the end of the financial period under review with positive net cash generated from operations of S$54.0 million after changes in working capital. Our net asset value per share was 49.3 cents as at 30 September 2015.

REWARDING OUR SHAREHOLDERS

In light of the Group's stellar performance for FY2015, the Board is recommending a one-tier tax-exempt final dividend of 4.0 Singapore cents per share which, if approved at the Company's forthcoming Annual General Meeting, will be paid in 2016. This will bring the full-year payout to 4.5 cents per share which yields a dividend payout ratio of 26.8%.

FORTIFYING OUR FOUNDATIONS

Building and construction has been the foundation on which the Group has grown and we have always sought to ensure the continued strength of this core business. Some of the building and construction projects we have embarked on are those in which we have a stake as a developer as we extend our property and hotel development portfolio and intensify our strategic investment activities. This is to facilitate our diversification into complementary and synergistic areas which leverage on our competencies in the building and construction field.

[1] Ministry of Trade and Industry, "Economic Survey of Singapore, Third Quarter 2015". Available: https://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2015/FullReport_3Q15.pdf.

CHAIRMAN'S MESSAGE

We secured a S$163.4 million contract for the construction of an executive condominium development at Sembawang Crescent, *Parc Life*. The Group has a 20% stake in this development with the launch targeted for the second quarter of financial year ended 30 September 2016 ("**FY2016**") and an estimated completion date in 2018. This project further boosts our property development portfolio, which has been gaining momentum since our foray into this sector four years ago. Our executive condominium project, *SkyPark Residences*, in which we have a 20% stake, is on course to receive its TOP in the third quarter of FY2016 and has achieved sales of 94% of its units. *The Amore*, at Edgedale Plains in Punggol Central, in which we have a 15% interest and is also the main building contractor, is expected to obtain TOP in the first quarter of the financial year ended 30 September 2017 ("**FY2017**"). *J Gateway* is on track for completion in the fourth quarter of FY2016.

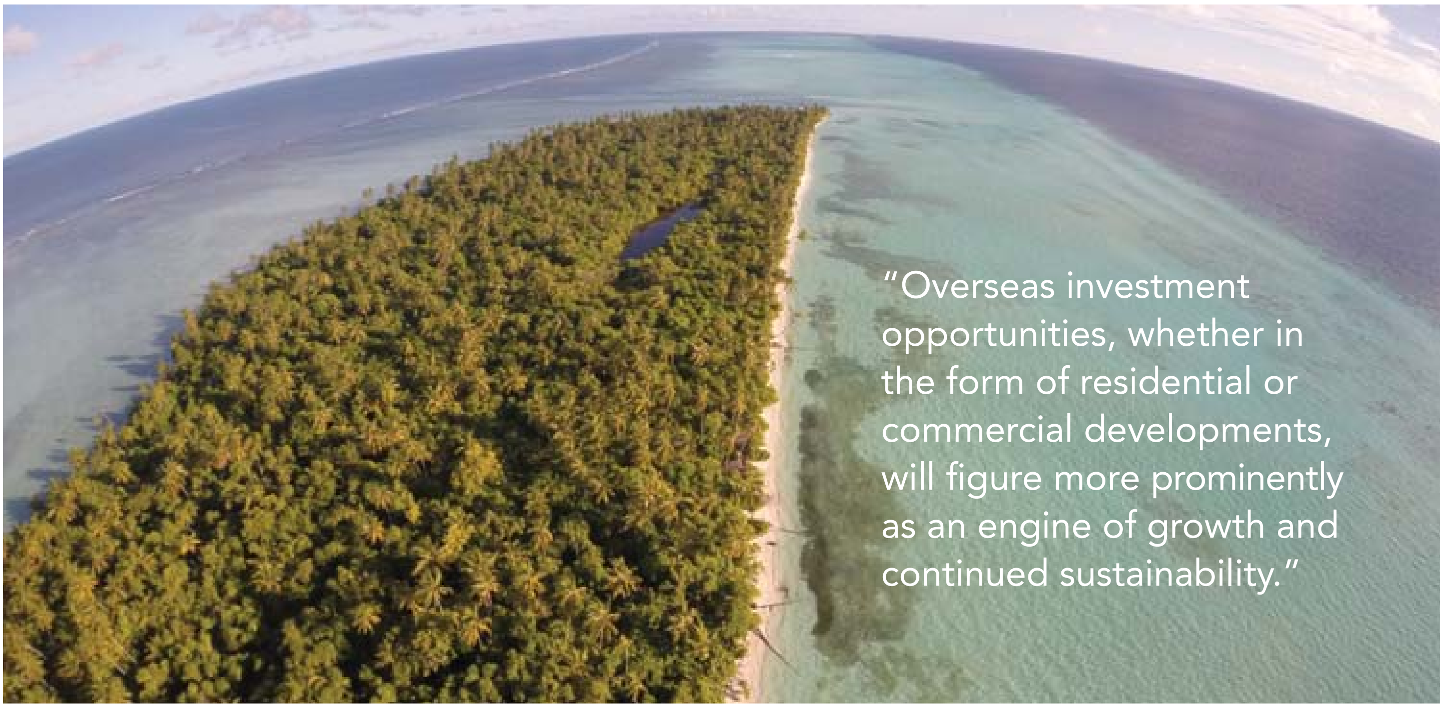
Given that the Building and Construction Authority ("**BCA**") forecast that average construction demand for 2016 and 2017 is expected to be sustained between S$27 billion to S$36 billion in view of ongoing mega public sector infrastructure projects [2], we have stepped up our efforts at securing public sector works.

We have specifically targeted the institutional and healthcare sectors which is in line with our strategic direction to have a diversified range of construction projects, aside from residential and hotel construction. Towards this end, our wholly-owned subsidiary, Keong Hong Construction Pte Ltd, secured a S$107.5 million contract by Raffles Hospital Properties Pte Ltd for the construction of a 20-storey medical building extension with two basements at Victoria Street/North Bridge Road.

Further afield, we have been undertaking three projects in the Maldives, namely, the expansion, development and operation of the Kooddoo Airport, and the development and operation of the 68-villa Mercure Maldives Kooddoo Resort and the 120-villa Pullman Maldives Maamutaa Resort. The works to the Kooddoo Airport and the Mercure Maldives Koodoo Resort are expected to be completed in the third quarter of FY2016 and the Pullman Maldives Maamutaa Resort in 2018. Our hotel construction and development activities closer to home are progressing well. Hotel Indigo Singapore Katong and Holiday Inn Express Singapore Katong are both slated to open their doors in the second quarter of FY2016.

In total, our order book on construction projects as at the end of FY2015 stands at approximately S$462.0 million.

[2] Building and Construction Authority Press Release, "Public sector projects to sustain construction demand in 2015." Available: http://www.bca.gov.sg/Newsroom/pr08012015_BCA.HTML.



EXPANDING OUR BOUNDARIES, EXTENDING OUR EXPERTISE

We remain committed to increasing our land bank for residential development in Singapore. We will continue to adopt a conservative approach by partnering with established property development players in the market to tender for coveted land sales. We will balance the need to proactively ensure a future pipeline of development projects and competing investment opportunities both in Singapore and abroad, with the financial resources at hand.

Overseas investment opportunities, whether in the form of residential or commercial developments or related and synergistic strategic investments, will figure more prominently as an engine of growth and continued sustainability. In particular, the hotel development sector offers an interesting proposition as tourism continues to be a major contributor to the global economy. Aside from the Maldives, which remains an important market for us, we are seeking opportunities in Japan, Australia, Vietnam and Malaysia in order to grow our business further. We have invested in Vietnam, a country with a young and growing middle class population. Replicating our property development model in Singapore, we have taken a 15% stake in a residential development in Nha Be, Ho Chi Minh City which is a joint venture project with other established property developers such as Chip Eng Seng Corporation Ltd, Lian Beng Group, KSH Holdings Limited, LGB (Vietnam) Pte Ltd and Seacare Properties (Vietnam) Pte Ltd. We have also recently, through our subsidiary, entered into a sale and purchase agreement for a nine-storey with basement commercial property situated in Honmachi, Osaka, Japan. Situated close to the subway station and yielding a net rentable area of 1,686 sq m, the property, which is currently 92% tenanted, will provide us an additional sustainable recurring income stream.

Beyond building and construction, property and hotel development and investments, the Group is also exploring other types of strategic investments in related industries which present value propositions to our business. These may include mergers and acquisitions, partnerships and strategic alliances which offer attractive returns to the Group and its shareholders.

"We have specifically targeted the institutional and healthcare sectors which is in line with our strategic direction to have a diversified range of construction projects, aside from residential and hotel construction."

Conceptual perspective of Raffles Hospital Extension, courtesy of Raffles Medical Group and Swan & Maclaren Pte Ltd.

CHAIRMAN'S MESSAGE

CONSOLIDATING AND STRENGTHENING OUR OPERATIONS

We have completed our much anticipated move into our new headquarters housing our 15,149 sq m office and factory building in Sungei Kadut. We are already benefitting from shared resources to bring about a leaner, more efficient operational structure. Enhancing productivity and efficiency, given the ever present pressures of a tight and shrinking labour market, a limited supply of foreign talent and increasing business and operational costs, was very much an area of focus once again. It was imperative that our emphasis on automation, training and development and continuous improvement in all aspects of our operations continue in earnest. We invested S$5.5 million in the acquisition of plant and machinery such as auto climbing system formwork, Truss Table System Formworks, Concrete Placing Booms, Mixing and Pumping Machine, Preston loading platform and automated bar bending machines. Our new headquarters is equipped with training facilities, including a library and training rooms, where qualified professionals are able to provide in-house training. This will augment our external trainings as part of our effort to boost our staff's productivity and capability.

OUTLOOK FOR FY2016

In spite of the challenges highlighted, we are cautiously optimistic of the performance of our Group in FY2016, due in no small part to secured projects which extend to 2018. Furthermore, we expect to recognise the share of result from *SkyPark Residences* which will have a positive impact on our earnings.

According to advanced estimates released by the Ministry of Trade and Industry ("MTI"), the Singapore economy grew by 2.1 per cent for the whole of 2015 [3]. Despite the possible strengthening of advanced economies and improvements in emerging and developing markets, the continued slowdown in the Chinese economy will be of concern to Singapore. The outlook for 2016 is thus modest with anticipated growth of 1.0 to 3.0 per cent [4].

Given the challenging macro factors and the limited upside of the construction sector, we will continue with our strategic approach of looking for new business opportunities in Singapore and overseas while strengthening our internal operations and efficiencies.

APPRECIATION AND ACKNOWLEDGEMENTS

Our performance during the year would not have been possible without the dedication, hard work and commitment of our management and staff. Special mention has to be made of their efforts in making our transition to our new premises seamless with minimal downtime. Our appreciation also goes out to our shareholders, customers, suppliers, business partners and associates for their support during the year. For my part, I would also like express my heartfelt thanks to my fellow Board members for their invaluable counsel, support and guidance in bringing the Group through to another successful financial year.

FY2016 awaits us and we venture forth, confident in our abilities and open to the exciting opportunities the new year will bring.

Leo Ting Ping Ronald
Chairman and Chief Executive Officer

3. "Singapore's GDP Grew by 2.0 Per Cent in the Fourth Quarter of 2015", 4 January 2016. Available: https://www.mti.gov.sg/NewsRoom/SiteAssets/Pages/Singapore%27s-GDP-Grew-by-2.0-Per-Cent-in-the-Fourth-Quarter-of-2015/Press%20Release%20on%20Advance%20GDP%20Estimates%20for%204Q15.pdf

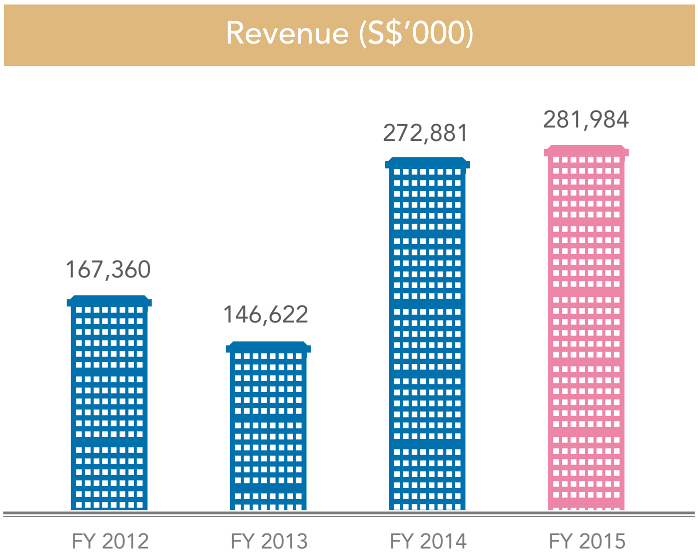
4. Ministry of Trade and Industry, "Economic Survey of Singapore, Third Quarter 2015". Available: https://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2015/FullReport_3Q15.pdf.

PROPERTY DEVELOPMENT & INVESTMENT

Since our foray into property development in Singapore in 2012, we have four residential developments to-date. We partner well-established players in the property development sector to jointly undertake residential development projects in order to stay competitive in the industry. This is in line with the Group's strategy of leveraging on the expertise of these established developers while providing them with synergistic building and construction capabilities. The joint ventures benefit the Group by enabling it to share resources with business partners and manage any business risks associated with the property development projects.

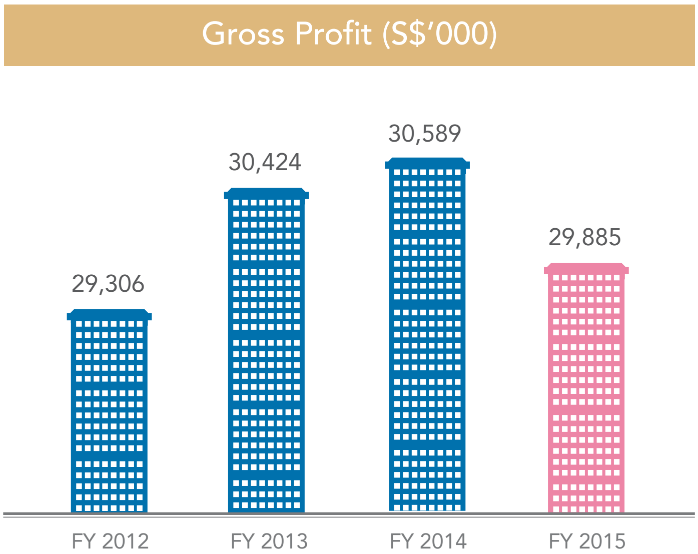
Our first overseas property development is a joint venture residential project in Nha Be, Ho Chi Mihn City, Vietnam. The Group has also entered into a sale and purchase agreement for a commercial property in Honmachi, Osaka, Japan.

FINANCIAL HIGHLIGHTS

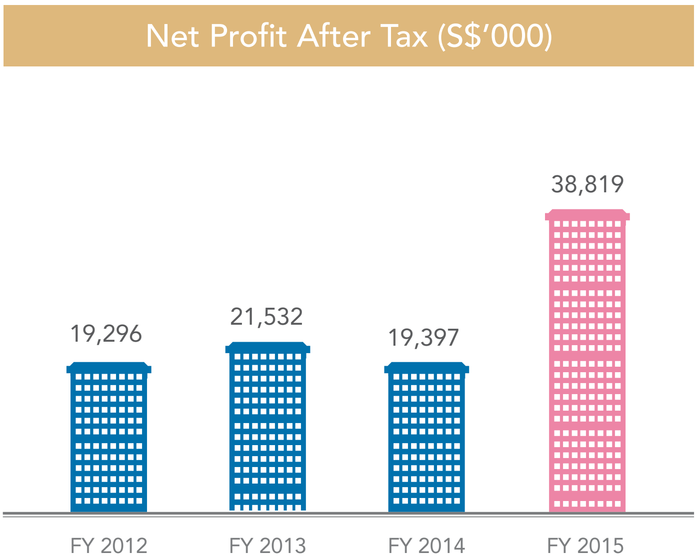


The Group revenue increased by 3.3% from S$272.9 million in FY2014 to S$282.0 million in FY2015.

The improved revenue came on the back of higher revenue recognition for ongoing projects such as J Gateway, SkyPark Residences EC, The Amore EC and Parc Life EC.

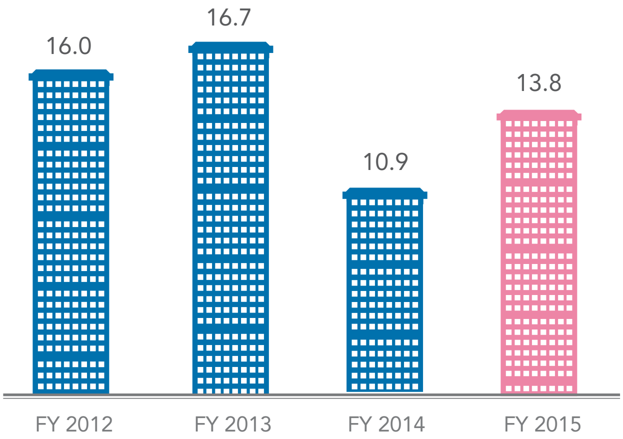


Gross profit weakened by 2.3% to S$29.9 million. Gross profit margin decreased to 10.6% from 11.2% for the corresponding period last year on account of higher operating costs such as higher wages, labour levies, safety compliance costs and higher depreciation expenses from increased plant and machinery.

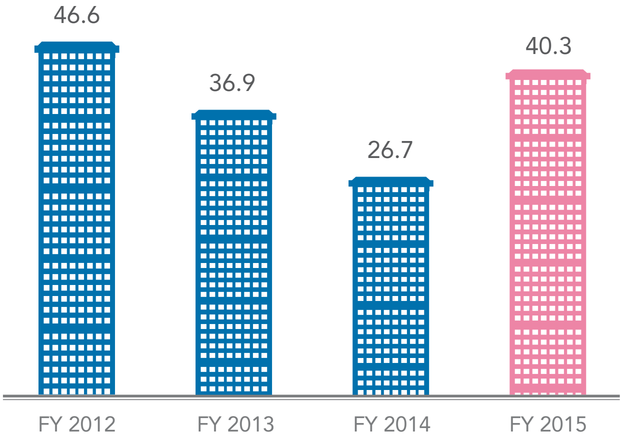


Net profit after tax soared to S$38.8 million, a 100.1% improvement over FY2014's net profit after tax, propelled largely by the completion of the Group's maiden property development, The Twin Waterfalls EC. The property development segment contributed 49.4% of the Group's net profit after tax while building construction segment contributed 50.6%.

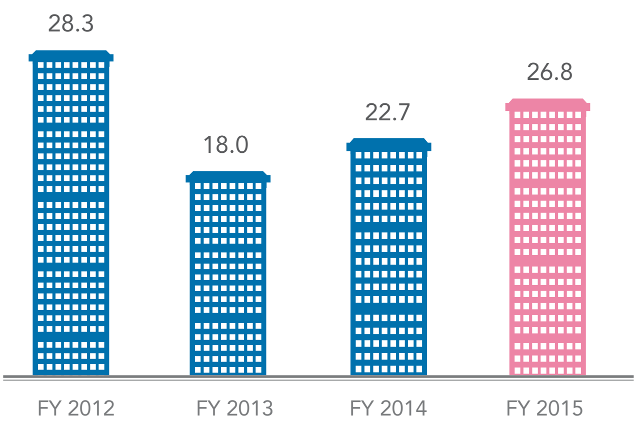
Return on Assets (Per Cent)



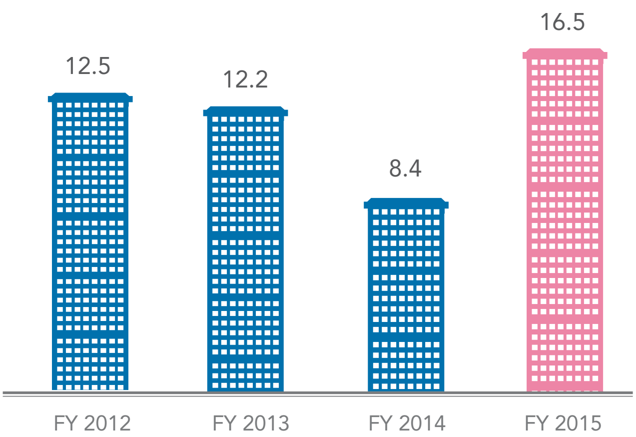
Return on Equity (Per Cent)



Dividend Payout Ratio (Per Cent)



Basic EPS (Singapore Cents)



FINANCIAL & OPERATIONS REVIEW

The Singapore's economy in 2015 registered a weaker performance compared to 2014. According to advanced estimates released by the MTI, the economy was estimated to have grown by 2.1 per cent in 2015 compared to 2.9 per cent in 2014. The construction sector is estimated to have grown by 1.1 per cent in 2015, compared to 3.0 per cent growth in 2014 [1]. Despite the economic malaise and the weaker construction industry, the Group has turned in a stellar set of results for the financial year ended 30 September 2015 ("FY2015"), with record earnings. Temporary Occupation Permit ("TOP") of our first property development project boosted our earnings, while operational and business efficiencies kept our spending in check, despite the challenging conditions of a tight labour market and higher business and compliance costs.

For FY2015, revenue grew by 3.3% to S$282.0 million as compared to the 12 months ended 30 September 2014 ("FY2014"), The improved revenue came on the back of higher revenue recognition for ongoing projects such as *J Gateway*, *SkyPark Residences*, *The Amore* at Edgedale Plains and *Parc Life*. Gross profit weakened by 2.3% to S$29.9 million. Consequently, gross profit margin decreased to 10.6% from 11.2% for the corresponding period last year on account of higher operating costs such as higher wages, labour levies, safety compliance costs and higher depreciation expenses from increased plant and machinery.

Net profit after tax soared to S$38.8 million, a 100.1% improvement over FY2014's net profit, propelled largely by the TOP of the Group's maiden property development, *The Twin Waterfalls*.

We maintained a robust balance sheet with cash and cash equivalents of S$100.6 million, and net asset value per share of 49.3 cents. Group basic earnings per share increased by a significant 95.7% to 16.5 cents, compared to the previous year.

BUILDING CONSTRUCTION SERVICES - COMPLETED AND ONGOING PROJECTS

Our building and construction projects are making good headway and are largely on track for their respective completion dates.

The Twin Waterfalls, the 728-unit executive condominium in Punggol, a joint-venture with FCL Tampines Court Pte Ltd, received its TOP in June 2015. Paterson Collection (previously known as "Paterson 2"), a 19-storey condominium with twin tower blocks was completed on 29 May 2015. Our other residential construction contract, *J Gateway*, a 738-unit private condominium at Boon Lay Way/ Gateway Drive is currently on track to achieve its structural topping out in December 2015. The project is scheduled for completion in the fourth quarter of the financial year ended 30 September 2016 ("FY2016").

[1] "Singapore's GDP Grew by 2.0 Per Cent in the Fourth Quarter of 2015", 4 January 2016. Available: https://www.mti.gov.sg/NewsRoom/SiteAssets/Pages/Singapore%27s-GDP-Grew-by-2.0-Per-Cent-in-the-Fourth-Quarter-of-2015/Press%20Release%20on%20Advance%20GDP%20Estimates%20for%204Q15.pdf

Among our commercial projects is *Alexandra Central*, a 19-storey hotel mixed development at Jalan Bukit Merah/Alexandra Road. Phase 2, comprising the construction of *Park Hotel Alexandra*, obtained its TOP on 17 April 2015.

During FY2015, we secured two significant projects. The first is for the construction of Raffles Hospital's new medical tower extension at North Bridge Road, heralding our first steps taken into the burgeoning healthcare and medical sector. The project which comprises a construction of a 20-storey medical building with two basements, is worth S$107.5 million. Work has commenced and is currently at the initial phase of top down construction involving diaphragm wall capping beams and first storey slab.

The second, *Parc Life*, is a 660-unit executive condominium project worth S$163.4 million at Sembawang Crescent. We have a 20% stake in the development. Construction has commenced and the project is at various stages of basement construction with advanced blocks reaching first storey level. The project is scheduled for completion in second quarter of the financial year ended 30 September 2018 ("FY2018").

Further afield, our building and construction projects have centred in the Maldives, where we have been undertaking the expansion, development and operation of the Kooddoo domestic airport in Gaafu Alifu Atoll, including infrastructure work for the extension of its existing runway. Works have progressed into the construction of runway sub-base with completion slated for the third quarter of FY2016.

PROPERTY DEVELOPMENT AND INVESTMENT

Aside from *The Twin Waterfalls* and *Parc Life* executive condominiums, we have two more residential development projects in our gradually expanding portfolio.

The 17-storey, 378-unit project, *The Amore*, at Edgedale Plains in Punggol Central, in which we have a 15% interest and is also the main building contractor, is nearing structural completion with structural topping out expected in February 2016. The project is expected to receive its TOP in the first quarter of the financial year ended 30 September 2017 ("FY2017").

Our 9-block, 506-unit executive condominium in Sembawang, *SkyPark Residences*, in which we have a 20% stake and for which we are undertaking the main contract work has been well-received by the market, achieving sales to date of 94% of its units. Ahead of schedule, the project is 80% completed with timber flooring progressing up to the 15th storey for the advanced blocks. We expect to receive TOP in the third quarter of FY2016.

FINANCIAL & OPERATIONS REVIEW

We have taken our property development strategic model overseas where we enter into joint ventures with bigger and more established players in the market. Our first overseas property development project is a residential development in Nha Be, Ho Chi Minh City. Sited on a development land area of 5,722 sq m, the project is currently in its planning phase. We have a 15% interest in this joint venture project with developers such as Chip Eng Seng Corporation Ltd, Lian Beng Group, KSH Holdings Limited, LGB (Vietnam) Pte Ltd and Seacare Properties (Vietnam) Pte Ltd.

We are exploring other opportunities in Vietnam as well as in Japan, Australia and Malaysia to diversify our investment portfolio and further drive growth through an expansion of our income stream. Our manner of investing in these markets will vary, depending on the market characteristics, regulatory conditions and other such criteria. In line with this strategy, through an indirect wholly-owned subsidiary, we recently entered into a sale and purchase agreement for a commercial building in Honmachi, Osaka, Japan. The property, which as at 4 December 2015 was 92% tenanted, will provide a recurring income stream for the Group in the form of rental income.

HOTEL DEVELOPMENT AND INVESTMENT

Complementing our building and construction and property development activities is our hotel investments. In Singapore, our two hotel developments are the 131-room Hotel Indigo Singapore Katong and the 451-room Holiday Inn Express Singapore Katong, both of which will be managed by InterContinental Hotels Group. We hold a 20% interest in the project which is now 90% completed, with all mechanical and electrical equipment installed, tower blocks' facade fully enclosed and internal finishes completed up to level 10. The estimated completion dates for the retail mall and both hotels are in the third quarter of FY2016.

The development of a 68-villa Mercure Maldives Kooddoo Resort, is expected to be completed in the third quarter of FY2016. The water villas, back of house and front of house are nearing structural completion, with land villas in the final finishing phase. The upscale 120-villa on the island of Maamutaa, Pullman Maldives Maamutaa Resort, is scheduled for completion in 2018.

FORTIFYING FOR THE FUTURE

It is unlikely that there will be changes in the policies concerning foreign labour quota or levies. Hence, the shortage of skilled labour will continue to be an issue in Singapore, as will the high business costs, a competitive landscape and oversupply of housing in the short-term. To counter the potential negative impact on our bottom line, we have to continually improve our efficiencies, reduce our costs and maintain our competitiveness in the industry. Enhancing our labour pool through skills development and training, maximising our internal operations through productivity, automation and mechanisation and strengthening our business through diversification into complementary areas, will help us alleviate any uncertainty in the building and construction and development sectors.

Towards this end, we have invested a total of S$5.5 million in the acquisition of plant and machinery such as forklifts, bar bending machines, auto climbing system formwork, aluminium system formwork, Truss Table System, Mixing & Pumping Machine, Preston loading platform and scissors and boom lifts. Our staff training and development focus has expanded to include the upgrading of supervisory staff. All supervisors are encouraged to enroll for the BCA Coretrade Supervisory courses. This year, we have sponsored additional four staff for the BCA Building Information Modeling training with the aim of adding four more Specialist Diplomas in Building Information Modeling to our current pool of four. Thanks to our new training facilities at our headquarters, we have started fortnightly internal training sessions on various disciplines including Construction Productivity, Quality and Safety and Building Information Modeling to boost our staff's construction productivity and capability.

We have consolidated our operations at our new five-storey headquarters at Sungei Kadut. The 15,149 sq m gross floor area on a land area of 8,666 sq m offers 10,034 sq m of production area for fabrication and assembly of system formwork, automated prefabrication of reinforcement cages, maintenance of plant and machinery, and space for future expansion. The 5,115 sq m of office and ancillary areas, such as a video conferencing room, training rooms, library, recreation gym and file storage areas, allow staff to work more effectively and efficiently. With the consolidation of all our activities on one premise, we are anticipating economies of scale through the sharing of resources within the Group.

On 15 June 2015, we issued a S$50 million 6.00 per cent Fixed Rate Notes ("**Term Notes**") under the Multicurrency Medium Term Note Programme established on 17 April 2015. The net proceeds arising from the issue of the Term Notes will be used for general corporate purposes, including refinancing of existing borrowings, financing investments and acquisitions, capital expenditure requirements and the general working capital of the Group.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

We are wholly supportive of efforts to nurture the next generation of building and construction and engineering professionals. We entered into partnerships and collaborations with institutes of higher education to offer scholarships, bursaries and other means of financial support to deserving students in these fields of study. In doing so, we hope to benefit the industry in future by ensuring that there is a ready pool of well-trained and talented professionals in the sector. Towards this end, we have gifted cash donations to various institutions of learning such as the Singapore Institute of Management, Endowed Lee Seng Lip Professorship, North View Primary School and Assumption English School.

We have supported various charitable undertakings by organisations such as the Singapore Association for the Deaf, Singapore Association for the Visually Handicapped, the Singapore Children's Society, the Community Chest and Singapore Society for Mental Health.

LOOKING AHEAD

The annual average construction demand according to the BCA's forecast for 2016 and 2017 is between S$27 billion to S$36 billion and S$26 billion to S$37 billion in 2018 and 2019 [2]. The Government's property cooling measures are also anticipated to continue in 2016. Any further interest rate hikes by the banks does not bode well for the buyer sentiment in the housing market. FY2016 is thus likely to be another challenging year.

We, nonetheless, remain confident of our ability to meet the challenges of the near future given our strong pipeline of construction projects which stretch to 2018. These projects are worth approximately S$462 million as at 30 September 2015. Furthermore, we have expanded our capabilities beyond just residential and commercial construction and development to hotel development both locally and overseas. With our entry into construction for the medical and healthcare sector, which is an important segment given Singapore's ageing population, we are positioning ourselves to compete for and secure similar projects in future.

We intend to look into possible joint ventures and/or suitable acquisitions both here and overseas. Strategic investments in our overseas markets of focus will provide a new growth avenue for the Group even as we fortify our current businesses.

[2] Building and Construction Authority Press Release, "Public sector projects to sustain construction demand in 2015." Available: http://www.bca.gov.sg/Newsroom/pr08012015_BCA.HTML.


hotel INDIGO
coffee PLACE
KATONG SQUARE

HOTEL DEVELOPMENT & INVESTMENT

We embarked on our first hotel development in Singapore in 2014 with a hotel and mixed-use development project at the former Joo Chiat Police Station in Katong. The Group is also developing a mid-scale airport hotel and an upscale resort in the Maldives. We are building up a stream of recurring income from hotel operations to sustain our future growth.

BOARD OF DIRECTORS

LEO TING PING RONALD
Chairman and Chief Executive Officer

Mr Leo was appointed to our Board on 15 April 2008 and was re-elected on 31 January 2013. As Chairman and Chief Executive Officer, he is in charge of the day-to-day operations and overseeing the Group's strategic direction and corporate business expansion.

Mr Leo is an engineer with over 40 years of post-graduate experience in the industry. From 1974 to 1983, he was a senior structural engineer in the Structural Engineering Department at Housing and Development Board ("HDB"). In 1980, as head of the construction technology unit of HDB, he spearheaded the drive towards prefabrication and mechanisation of the local construction industry. He later joined Eng Hup Heng Construction Pte Ltd from 1983 to 1985 as its general manager and was in charge of construction and management of the company projects, including Housing and Urban Development Corporation, HDB housing, factories, and institutional buildings.

Mr Leo graduated with a Bachelor of Engineering (Civil) with first class honours and a Master of Science (Construction Engineering) degree from The National University of Singapore in 1974 and 1977, respectively. He became a member of The Institution of Engineers Singapore and an associate of The Institute of Structural Engineers, United Kingdom, in 1978 and 1992 respectively. He was also registered as a professional engineer with the Singapore Professional Engineers Board in 1979.

ER ANG HOOA
Executive Director

Mr Er joined our Group in 1996. He was appointed to our Board on 26 September 2011 and was re-elected on 29 January 2015. He has been the project director of our wholly-owned subsidiary, Keong Hong Construction Pte. Ltd. ("KH Construction") since June 2010. He is responsible for all operational activities relating to construction projects undertaken by our Group.

Prior to being a project director, he was the general manager from 2005 to 2010, assistant general manager from 2001 to 2004 and senior project manager from 1996 to 2000 of KH Construction.

He graduated from University of Dundee, United Kingdom with a Bachelor of Science degree in Civil Engineering in 1978. He also graduated from Imperial College, London with a Masters of Science degree in Structural Steel Design in 1985. He obtained a graduate diploma in management and administration from Bradford University, United Kingdom in 1986.

LIM JUN XIONG STEVEN

Lead Independent Director
Chairman, Audit Committee
Member, Remuneration Committee
Member, Nominating Committee

Mr Lim was appointed to our Board on 22 November 2011 and was re-elected on 27 January 2014.

Mr Lim started his career at PricewaterhouseCoopers before transitioning to the finance industry by joining HSBC Private Bank (Suisse) SA, the Global Wealth Solutions arm of the HSBC Group, in 1985. He took charge of operations, corporate secretarial and systems control in the Trust Division before assuming the position of Managing Director in 1990. He left to become the chief executive officer of SG Trust (Asia) Ltd, a subsidiary of Societe Generale Private Banking, in 2010, a position he held until 2014. He currently provides consultancy advice in the field of global wealth solutions in addition to holding directorships in Bund Centre Investment Ltd, Mirach Energy Limited, Sapphire Corporation Limited and Hong Fok Corporation Limited. In the last three years, he also held directorships in Passion Holdings Limited and MAP Technology Holdings Limited.

Mr Lim holds a Bachelor of Commerce degree majoring in Accounting and Finance from the University of Newcastle, Australia. He is a fellow member of CPA Australia and the Institute of Singapore Chartered Accountants in addition to being a member of the Society of Trust and Estate Practitioners.

CHONG WENG HOE

Independent Director
Chairman, Nominating Committee
Member, Audit Committee
Member, Remuneration Committee

Mr Chong was appointed to our Board on 22 November 2011 and was re-elected on 27 January 2014.

Mr Chong joined TUV SUD PSB Pte Ltd in April 1991 as an engineer. He became the vice president (Electromagnetic Compatibility) in April 1995, senior vice president (Testing) in March 2002 and was appointed the chief executive officer of TUV SUD PSB Pte Ltd in January 2008, responsible for its business activities in the ASEAN region, with operations in Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines. In July 2013, he stepped down as the chief executive officer of TUV SUD PSB Pte Ltd and remains as a director of the company to provide advisory support in the development of core business areas in ASEAN.

Mr Chong has over 15 years of experience in financial management, marketing and customer support and project management. He is also a director of several companies, both locally and overseas. He currently sits on the board of Regal International Group Limited and was previously an independent director of PCA Technology Ltd.

Mr Chong graduated with a Bachelor of Engineering (Electrical) from the National University of Singapore in 1989 and obtained a Master of Business Administration (Accountancy) from the Nanyang Technological University of Singapore in 1997. He is a member of the Singapore National Council for International Electrotechnical Commission and is a member of the Singapore Accreditation Council (Marketing Committee). He was also a member of the task force for the Singapore-Thailand Enhanced Economic Relationship (STEER). In 2014, Mr Chong gained membership and became Singapore's representative in the IECEE Policy and Strategic Committee. In 2015, Mr Chong is elected President of the Exco Committee, NTU MBA Alumni, Nanyang Business School, Nanyang Technological University (NTU).

BOARD OF DIRECTORS

WONG MENG YENG

Independent Director
Chairman, Remuneration Committee
Member, Audit Committee
Member, Nominating Committee

Mr Wong was appointed to our Board on 22 November 2011 and was re-elected on 29 January 2015.

Apart from a stint with a United States law firm, Mr Wong has been practising law in Singapore first in litigation and changing to corporate commercial law in 1989. His practice includes the establishment and structuring of companies, corporate advisory, commercial contracts, joint ventures, mergers and acquisitions and corporate secretarial work. He has been a director of Alliance LLC, a law firm in Singapore, since 2001 and currently sits on the board of Baker Technology Ltd, KS Energy Services Ltd and Multi-Chem Ltd.

Mr Wong graduated from the National University of Singapore in 1983 and was called to the Singapore Bar in 1984.

LEO ZHEN WEI LIONEL

Non-Executive and
Non-Independent Director
Member, Audit Committee
Member, Nominating Committee

Mr Leo was appointed to our Board on 10 June 2014 and was re-elected on 29 January 2015.

Mr Leo is a Partner in the Banking and Financial Disputes Practice of WongPartnership LLP. His main areas of practice involve banking and finance-related disputes, insolvency and restructuring, investigations and asset recovery, arbitration and shareholder disputes. He is admitted as an Advocate and Solicitor of the Supreme Court of Singapore, and is currently a tutor and advocacy trainer on the Part B course of the Singapore Bar Examinations. He has also contributed book chapters and academic articles in various legal publications.

Prior to joining private practice, Mr Leo served as a Justices' Law Clerk to the Chief Justice of the Supreme Court of Singapore, as an Assistant Registrar of the Supreme Court of Singapore, and as a Magistrate of the State Courts of Singapore. He has also been an adjunct faculty member of the National University of Singapore and the Singapore Management University.

Mr Leo graduated with First Class Honours from the National University of Singapore with a Bachelor of Laws degree. He was placed on the Overall Dean's List, was awarded the Punch Coomaraswamy Prize for being the top student in the Law of Evidence, and was a member of the university's Willem C. Vis International Commercial Arbitration Moot team which was a finalist in the competition. He was also awarded the British Chevening Scholarship and Crewe Graduate Scholarship to pursue the BCL Masters degree at the University of Oxford, where he graduated with Distinction in all subjects.

Mr Leo is the son of the Group's Chairman and Chief Executive Officer, Mr Leo Ting Ping Ronald.

KEY MANAGEMENT

TAN KAH GHEE

Chief Financial Officer

Mr Tan joined our Group in October 2012 and his responsibilities include overseeing all financial, accounting and corporate secretarial matters in the Group.

Prior to joining our Group, Mr Tan was group financial controller at mainboard listed Asia Enterprises Holding Limited where he was responsible for financial, accounting and corporate secretarial matters. His previous appointments also include executive director of Strategic Capital Partners Pte Ltd where he specialised in financial and corporate advisory services, associate director of APS Services Pte Ltd, finance and business development director of Shunji Matsuo Pte Ltd, business development director of Virgin (Asia) Management Limited and chief financial officer and executive director of Form Holdings Limited.

Mr Tan is a fellow member of the Institute of Certified Public Accountants of Singapore. He holds a Bachelor of Accountancy from the National University of Singapore and obtained a Master of Business Administration from the Nanyang Technological University of Singapore.

DR WU CHEE SHIEN JEREMY

General Manager (Operations)

Dr Wu joined our Group in August 2012. As the General Manager (Operations), he is responsible for the management of projects and project staff of KH Construction as well as driving quality assurance/ control and environmental health and safety for the company and its projects.

Prior to joining our Group, Dr Wu was a director (business development and contracts) at PM Link Pte Ltd, CPG Corporation. His previous appointments also included a lectureship in project and facilities management (equivalent to a assistant professor position in the United States of America) and the construction management/facilities management course director at the School of Architecture and Building, Faculty of Science and Technology, Deakin University, Australia; quantity surveying manager at Permasteelisa Pacific Holdings Ltd's Asia Pacific Regional Headquarters, Singapore; project manager at PM Link Pte Ltd; and resident quantity surveyor at PWD Consultants for The Esplanade Theatres on the Bay, PWD Corporation (now known as CPG Corporation).

Dr Wu holds an Honours degree in Building from the National University of Singapore, Master of Building in Construction Economics from the University of Technology Sydney and Master of Construction Management from the University of New South Wales, and a Doctorate (Doctor of Philosophy) in Construction Project Management and Knowledge Management from the Faculty of Architecture, Design and Planning, University of Sydney. He is also a Chartered Builder with the Chartered Institute of Building (UK), Member of the Australian Institute of Project Management, and Professional Quantity Surveyor with the Australian Institute of Quantity Surveyors. Since November 2013, he has been registered with the National Environmental Agency of Singapore as an Environmental Control Officer.

KEY MANAGEMENT

NG SIEW KHIM
Head of Contracts

Ms Ng joined our Group in 1993 and is currently the Head of Contracts of our Group. She is responsible for overseeing the works of the quantity surveying, the administration of the tender process and the preparation of technical correspondences and other contractual documentation.

Ms Ng graduated from South Bank University (London) with a Bachelor of Science in Quantity Surveying in 1997. She also obtained a diploma in Building from the Singapore Polytechnic in 1993.

LEE SHAW BENG
Senior Manager
(Business Development)

Mr Lee joined our Group in February 2013 as Senior Project Manager to oversee the construction and development projects. He has been promoted to Senior Manager (Business Development) on 1 January 2014. Mr Lee's responsibilities include overseeing the progress and development of the Group's real estate projects as well as evaluating real estate and other investment opportunities. He also manages several existing construction and design projects.

Mr Lee's industry experience cuts across civil and structural engineering design, project management and corporate development in various industries covering mergers and acquisitions ("M&A") and strategic alliances. He also has experience in strategic planning with budget responsibilities, performance benchmarking and risk management competencies. Prior to joining our Group, he was a vice president in the strategic planning group, Asia Pacific Division of Sumitomo Mitsui Banking Corporation where he was involved in various in-house corporate banking initiatives, M&A and strategic alliances projects. Mr Lee started his career as a civil and structural engineer and assistant project manager in the construction industry. In 2004, he joined OCBC Bank's pioneer Management Associate Programme as an assistant vice president, working as a relationship manager in the bank's enterprise banking division. He then worked in the bank's International Banking division focusing on corporate development where he led feasibility studies and participated in the due diligence for M&A projects and transactions in Asia Pacific. From 2007 to 2010, he was an assistant vice president of NatSteel Holdings Pte Ltd's corporate development division where he continued honing his experience in M&A and corporate planning for the Group.

Mr Lee graduated as the top student in his class with a First Class Honours Degree (Civil) from the Nanyang Technological University. He was the recipient of the prestigious Lee Kuan Yew Gold Medal. He also holds a Master of Science (Civil) from the National University of Singapore, a Master of Business Administration (Banking and Finance) from the Nanyang Technological University and a Master of Science (Real Estate) from the National University of Singapore.

CORPORATE GOVERNANCE REPORT

The Company is committed to a high standard of corporate governance to ensure effective self-regulation practices are in place to enhance corporate performance and accountability. Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Catalist Rules") requires an issuer to outline the corporate governance practices adopted as set out in the Code of Corporate Governance issued and/or revised by the Corporate Governance Committee from time to time.

This report outlines the Company's corporate governance practices for the financial year ended 30 September 2015 ("FY2015"), with specific references made to the principles of the Code of Corporate Governance 2012 (the "Code"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

Principle 1: The Board's Conduct of its Affairs

The Board of Directors (the "Board") has six members, comprising two Executive Directors, one Non-Executive Director and three Independent Directors, as follows:-

Leo Ting Ping Ronald	Chairman and Chief Executive Officer
Er Ang Hooa	Executive Director
Lim Jun Xiong Steven	Lead Independent Director
Chong Weng Hoe	Independent Director
Wong Meng Yeng	Independent Director
Leo Zhen Wei Lionel	Non-Executive Director

The Company's Constitution permit Directors of the Company (the "Directors") to attend meetings through the use of audio-visual communication equipment.

The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are conducted as and when circumstances require. In between Board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolutions in writing for the Directors' approval together with supporting memorandum, enabling the Directors to make informed decisions.

The number of Board and Board committees meetings held and attended by each Board member during FY2015 are as follows:-

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	4	4	2	1
Name of Directors	**Number of meetings attended**			
Leo Ting Ping Ronald	4	4*	2*	1*
Er Ang Hooa	4	4*	2*	1*
Lim Jun Xiong Steven	4	4	2	1
Chong Weng Hoe	4	4	2	1
Wong Meng Yeng	4	4	2	1
Leo Zhen Wei Lionel	4	4	2*	1*

** Attendance by invitation*

The profile of each Director and other relevant information are set out on pages 20, 21 and 22 of this Annual Report.

The Board oversees the business affairs of the Group, approves the financial objectives and the strategies to be implemented by the management of the Company (the "Management") and monitors standards of performance and issues of policy. In addition to its statutory duties, the Board's principal functions are:-

(i) Supervising the overall management of the business and affairs of the Group and approving the Group's corporate and strategic policies and direction;

(ii) Formulating and approving financial objectives of the Group and monitoring its performance such as reviewing and approving of financial results announcement and financial statements;

CORPORATE GOVERNANCE REPORT

(iii) Overseeing the processes for evaluating the adequacy of internal controls and risk management including the review and approval of interested person transactions;

(iv) Assuming responsibility for corporate governance and compliance with the Companies Act (Chapter 50) of Singapore and the rules and regulations of the relevant regulatory bodies;

(v) Evaluating performance of Management; and

(vi) Reviewing and approving the remuneration framework for the Board and key executives.

Matters that are specifically reserved for the approval of the Board include, among others, any material acquisitions and disposals of assets, corporate or financial restructuring, share issuance and the proposal of dividends.

The Board has adopted a set of internal guidelines on the matters requiring Board's approval. Certain functions have also been delegated to various Board committees, namely the Audit Committee ("AC"), the Remuneration Committee ("RC"), and the Nominating Committee ("NC"). Each committee operates within clearly defined terms of reference and operating procedures, which are reviewed periodically.

Changes to regulations and accounting standards are monitored closely by Management. To keep pace with the regulatory changes, where these changes have an important bearing on the Company's or Director's disclosure obligations, Directors are briefed by the Company Secretary on the Catalist Rules as well as periodic updates on the Catalist Rules from time to time. Some Directors had also attended the listed company directors courses conducted by the Singapore Institute of Directors and other professional courses conducted by organisation such as Institute of Singapore Chartered Accountants. At AC meetings, the external auditors of the Company, BDO LLP ("External Auditors") had briefed the AC on changes or amendments to accounting standards.

Upon the appointment of a new Director, the Company will provide him/her with a formal letter, setting out his/her duties and obligations. The Company has put in place an orientation program for all newly appointed Director(s) to assimilate him/her into his/her new role. They will be briefed by Management and the Chairman on the business activities of the Group and its strategic directions as well as the duties and responsibilities as Directors. Appropriate external training(s) for Directors conducted by the Singapore Institute of Directors and other organisation will be arranged when necessary. The Directors are also regularly briefed on the development of the business activities of the Group.

In order to ensure that the Board is able to fulfill its responsibilities, prior to the Board meetings, Management will provide the members of the Board with management accounts, as well as relevant background information and documents relating to items of business to be discussed at a Board meeting before the scheduled meeting.

Principle 2: Board Composition and Guidance

The Board comprises six members of whom two are Executive Directors, one is a Non-Executive and Non-Independent Director and three are Independent Directors. The Company endeavours to maintain a strong independent element on the Board. Three of the Company's Directors are independent, thereby fulfilling the Code's requirement that at least half of the Board should comprise independent directors when the Chairman is part of the Management.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company and its shareholders.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC has reviewed and determined that the Independent Directors are independent.

There are no Directors who have served beyond nine years since the date of their appointment.

The Board is able to exercise objective judgment independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The Board has no dissenting views on the Chairman's Statement to the shareholders for the financial year under review.

CORPORATE GOVERNANCE REPORT

The Board is satisfied that the composition of the Board is of an appropriate size to facilitate effective decision making after taking into account the nature and scope of the Group's operations, the core competencies, knowledge and business experiences of the Directors to govern and meet the Group's objectives. The NC is also of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company and that their core competencies include relevant industry knowledge or experience, accounting or finance, legal, business or management experience and strategic planning experience.

The Board has taken the following steps to maintain or enhance its balance and diversity:

(i) Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

(ii) Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The roles of the Chairman and the CEO are currently held by Mr Leo Ting Ping Ronald ("Mr Leo"). The Board is of the opinion that it is not necessary to separate the roles of the Chairman and the CEO after taking into account the size, scope and nature of the operations of the Group. Mr Leo plays an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision. It is hence the view of the Board that it is currently in the best interests of the Group to adopt a single leadership structure.

Mr Leo is involved in significant corporate matters, especially those of strategic nature. In addition, he is responsible for the effective function of the Board and exercises control over the quality, quantity and timeliness of the flow of information between Management and the Board, and in ensuring compliance with the guidelines set out in the Code.

Although the roles of Chairman and the CEO are not separated, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. All the Board committees are chaired by Independent Directors and half of the Board consists of Independent Directors.

For good corporate governance, Mr Lim Jun Xiong Steven, the AC Chairman, had been appointed as the Lead Independent Director since 2011. As the Lead Independent Director, he shall be available to the shareholders when they have concerns when contact through the normal channels to the Chairman and CEO or the Chief Financial Officer has failed to resolve or for when such contact is inappropriate.

The Independent Directors have met without the presence of the key management personnel in FY2015.

Principle 4: Board Membership
Principle 5: Board Performance Board Membership

Board Membership

The NC comprises the following Directors, all of whom, including its Chairman are independent:

Chong Weng Hoe	–	Chairman
Lim Jun Xiong Steven	–	Member
Wong Meng Yeng	–	Member
Leo Zhen Wei Lionel[1]	–	Member

[1] Appointed as member of the NC on 1 January 2016.

CORPORATE GOVERNANCE REPORT

The NC is guided by its terms of reference which sets out its responsibilities. The terms of reference had been amended to be in line with the Code. The NC is responsible for:-

(i) Reviewing and recommending the nomination or re-nomination of the Directors having regard to the Director's contribution and performance;

(ii) Determining on an annual basis whether or not a Director is independent;

(iii) Deciding whether or not a Director is able to and has been adequately carrying out his duties as a director;

(iv) Deciding whether a Director with multiple board representations is able to and has been adequately carrying out his duties as a director;

(v) Reviewing the composition of the Board annually;

(vi) Reviewing Board succession plans for Directors, in particular Chairman & CEO; and

(vii) Reviewing training & professional development programs for the Board.

The Board believes in carrying out succession planning for itself and the CEO to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether the addition to existing Board members, or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Company's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competence of the Board.

When the need to appoint a new Director arises, the NC reviews the range of expertise, skills and attributes of the Board members, and identifies the Board's need and shortlists candidates with the appropriate profile. Where necessary, the NC may seek advice from external consultants. New Directors are appointed by way of a Board resolution after the NC has reviewed and recommended the appointment of these new Directors. Regulation 102 of the Company's Constitution requires that new Directors appointed by the Board shall hold office until the next Annual General Meeting ("AGM").

For re-appointment/re-election, the NC is charged with the responsibility of recommending to the Board the re-appointment/re-election of Director(s) having regard to their past contribution and performance.

The NC will decide how the Board's performance is to be evaluated and will also propose objective performance criteria which, subject to the approval of the Board, address how the Board has enhanced long-term shareholders' value. The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board. For the performance of the Board as a whole, the appraisal process focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with senior Management and the Directors' standard of conduct. The contribution of each individual Director to the effectiveness of the Board is assessed individually when he is due for re-election. The assessment criteria include, *inter-alia*, commitment of time, attendance record, level of participation and preparedness, candour and independence. The NC discusses the results of the Board's performance evaluation to identify areas where improvements are necessary and makes recommendations to the Board for action to be taken. Each member of the NC abstains from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Constitution of the Company, one third of the Board is to retire from office by rotation and be subjected to re-election at the AGM of the Company.

CORPORATE GOVERNANCE REPORT

After assessing the contribution and performance of the retiring Directors, the NC has recommended Mr Leo and Mr Chong Weng Hoe ("Mr Chong"), who will be retiring by rotation at the forthcoming AGM under Article 98 of the Company's Constitution. Mr Leo and Mr Chong have offered themselves for re-election and the Board has accepted the recommendations of the NC.

Mr Chong will, upon re-election as a Director, remain as the Chairman of the NC and a member of the AC and RC.

Board Performance

The performance of the Board is ultimately reflected in the performance of the Company. The Board should ensure compliance with the applicable laws. Board members should act in good faith, exercise due diligence and care in the best interests of the Company and its shareholders.

The Board, through the delegation of its authority to the NC, had made its best efforts to ensure each Director possesses the experience, knowledge and skills critical to the Group's business. This is necessary to enable the Board to make sound and well-considered decisions. The NC, in considering the nomination of any Director for re-election, will evaluate the performance of the Director based on a set of assessment criteria.

Evaluation of the performance of the Board will be undertaken on a continuous basis by the NC with input from other Board members and the Chairman and CEO. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and the individual Directors based on the assessment criteria. The Company Secretary collated and submitted the questionnaire results to the Chairman. The Chairman and CEO will act on the results of the evaluation and where appropriate and in consultation with the NC, propose the appointment of new directors or seek the resignation of current Directors. Any renewal or replacement of directors does not necessarily reflect their contribution to date and it may be driven by the need to position and shape the Board in line with the medium term needs of the Group and its business.

The NC has assessed the current Board's performance to-date, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole, and of each individual Director had met their performance objectives.

No evaluation facilitators were engaged for the financial year in review.

Directors' Multiple Board Representations

The NC has set guidelines on the maximum number of Board appointments in listed companies that a Board member can hold to ensure that the Directors are able to commit their time to effectively discharge their responsibilities. Based on the guidelines set by the NC, each Board member cannot have more than seven listed Board representations including the Company. All the Directors currently do not sit on the boards of more than seven listed companies. As the number of board representations should not be the only measurement of a Director's commitment and ability to contribute effectively, the NC takes the view that if a Director wishes to hold board representations in more than the maximum stated per the guidelines, a request must be made to the NC before submitting to the Board for approval.

The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size;
- Relevant industry knowledge and experience; and
- Relevant corporate, professional and management experience.

The NC has reviewed the time and attention given by each Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2015.

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information

All Directors receive a set of Board papers (with background or explanatory information relating to matters to be brought before the Board, where necessary), copies of disclosure notes and internal group financial statements prior to Board meetings. The Board papers are issued to the Directors at least three days prior to Board meetings. This is to allow sufficient time for the Board members to obtain further explanations, where necessary, to be properly briefed and adequately prepared for Board meetings.

The Directors are also provided with the following information:

<u>Quarterly</u>
- updates the Group's operations and the markets in which the Group operates in

<u>Half Yearly</u>
- internal auditors' report

<u>Quarterly/Yearly</u>
- budgets and/or forecasts (with variance analysis), and management accounts (with financial ratios analysis)

<u>Yearly</u>
- enterprise risk framework and risk governance report; and
- external auditors' report

<u>Adhoc</u>
- reports on on-going or planned corporate actions;
- research report(s); and
- feasibility study on property investments

In addition, monthly management accounts are made available to the Directors. Directors also have unrestricted access to the records and information of the Company. The Independent Directors have access to senior Management of the Company and other employees to seek additional information, if required. To facilitate such access, the contact particulars of senior Management and their secretaries have been provided to the Directors. Directors have the right to seek independent professional advice if required or as and when necessary to enable them to discharge their duties and responsibilities effectively. The costs of such independent professional advice will be borne by the Company.

The Directors have separate and independent access to the Company Secretaries at all times. The Company Secretaries have the responsibility to ensure that Board procedures are followed and that all applicable rules and regulations are complied with. Either one or both of the Company Secretaries will be in attendance at meetings of the Board and Board committees. The appointment and removal of the Company Secretaries should be a matter for the Board as a whole.

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level & Mix of Remuneration

Principle 9: Disclosure of Remuneration

The RC comprises the following Directors, all of whom are independent:

Wong Meng Yeng	–	Chairman
Lim Jun Xiong Steven	–	Member
Chong Weng Hoe	–	Member

CORPORATE GOVERNANCE REPORT

The RC is guided by its terms of reference that had been amended in line with the Code. The RC's principal responsibilities are:-

(i) Reviewing and recommending a framework of remuneration for the Directors and key officers and determining specific remuneration packages for each Executive Director, including the Chairman and CEO, and the implementation of any appropriate performance-related elements to be incorporated in the remuneration framework;

(ii) Reviewing annually the remuneration packages of the employees who are related to any of the Directors or any substantial shareholder of the Company; and

(iii) Administering the Keong Hong Employee Share Option Scheme.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. Although the recommendations are made in consultation with the Chairman and CEO, the remuneration packages are ultimately approved by the entire Board. No Director will be involved in deciding his own remuneration. Each member of the RC shall abstain from voting on any resolution and making any recommendations in respect of his remuneration package.

No remuneration consultants were engaged by the Company in the financial year under review.

The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual's performance which is assessed based on their respective key performance indicators allocated to them. Staff appraisals are conducted once a year. The Executive Directors do not receive Directors' fees. The corporate and individual performance-related elements of remuneration are designed to align the interests of Executive Directors with those of shareholders in order to promote the long-term success of the Company. The Executive Directors and key management personnel had met their respective key performance indicators in respect of FY2015.

Mr Leo had entered into a service agreement with the Company in which terms of his employment are stipulated. His employment contract is for a period of three (3) years and is renewed for such period and on such terms as may be agreed between the Company and Mr Leo. Under the service agreement, Mr Leo will be paid performance bonus based on the consolidated profit before taxation of the Group, when it exceeds S$5.0 million for the financial year.

Director's fees are set in accordance with the remuneration framework comprising basic fees and committee fees. These are subjected to the approval of the Company's shareholders during the AGM.

The RC has reviewed the practice of the industry in relation to the disclosure of the remuneration of each individual Director and key management personnel of the Group, weighing the advantages and disadvantages of such disclosure. The Company believes that disclosure may be prejudicial to its business interest given the highly competitive environment it is operating in.

A breakdown showing the level and mix of each individual Director's and key management personnel's remuneration payable for FY2015 in bands of S$250,000 which provides sufficient overview of the remuneration of the Directors and key management personnel are as follows:

CORPORATE GOVERNANCE REPORT

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Benefits in kind (%)	Total (%)
Directors					
S$2,750,000 to S$3,000,000					
Leo Ting Ping, Ronald	–	21	75	4	100
S$250,000 to below S$500,000					
Er Ang Hooa	–	64	24	12	100
Below $250,000					
Lim Jun Xiong Steven	100	–	–	–	100
Chong Weng Hoe	100	–	–	–	100
Wong Meng Yeng	100	–	–	–	100
Leo Zhen Wei Lionel	100	–	–	–	100
Key Management Personnel					
S$250,000 to below S$500,000					
Tan Kah Ghee	–	70	27	3	100
Ng Siew Khim	–	60	25	15	100
Lee Shaw Beng	–	74	25	1	100
Below $250,000					
Desmonde Chong Wai Swee(1)	–	100	–	–	100
Wu Chee Shien, Jeremy	–	78	19	3	100

(1) Mr Desmonde Chong Wai Swee resigned as Chief Operating Officer on 30 June 2015

The annual aggregate remuneration paid to the five Key Management Personnel for FY2015 was S$1,288,515.

Family member related to the Directors					
S$50,000 to below S$100,000					
Leo Shu Yan Nicole(*)	–	82	18	–	100

* Ms Leo Shu Yan Nicole joined the Company as a Resort & Development Executive. She is the daughter of Mr Leo Ting Ping Ronald, the Executive Chairman and CEO of the Company and sister of Mr Leo Zhen Wei Lionel, the Non-Executive Director of the Company.

Save for as disclosed, there are no other immediate family members of a Director or Chairman and CEO, whose remuneration exceeds S$50,000 during the last financial year.

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from Executive Directors and key executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. If required, the RC will consider instituting such contractual provisions to allow the Company to reclaim the incentive components of the remuneration of the Executive Directors and key management personnel paid in prior years in such exceptional circumstances.

There are no termination, retirement, post-employment benefits that are granted to the Directors, Chairman and CEO, and top key management personnel.

Share Option Scheme

The Company has a share option scheme under the Keong Hong Employee Share Option Scheme (the "Scheme") which was approved by the shareholders at an extraordinary general meeting held on 21 November 2011. The RC administers the Scheme in accordance with the rules of the Scheme.

CORPORATE GOVERNANCE REPORT

The Scheme, which forms an integral component of the Company's compensation plan, is designed to reward and retain eligible participants whose services are vital to the well-being and success of the Company. It provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate, and also increases the dedication and loyalty of these participants and motivates them to perform better. The share option is granted based on performance criteria such as the position of the eligible employee, length of service and the performance score achieved by the eligible employee. The performance criteria for the respective employees have been met for FY2015.

Under the rules of the Scheme, Executive Directors and Non-Executive Directors (including Independent Directors) and employees of the Group, who are not controlling shareholders are eligible to participate in the Scheme.

The total number of new shares over which options may be granted pursuant to the Scheme, when added to the number of shares issued and issuable under such other share-based incentive plans (where applicable) of the Company, shall not exceed 15% of the issued share capital of the Company on the date preceding the grant of the options.

The number of options to be offered to a participant shall be determined at the discretion of the RC which shall take into account criteria such as rank, past performance, years of service and potential for future development of that participant. However, in relation to the associates of the controlling shareholders, the aggregate number of shares which may be offered shall not exceed 25% of the total number of shares available under the Scheme and the aggregate number of shares which may be offered to each associate of the controlling shareholders shall not exceed 10% of the shares available under the Scheme.

The options that are granted under the Scheme may have exercise prices that are, at the RC's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of Catalist for the five consecutive trading days immediately preceding the relevant date of grant of the relevant option; or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the options.

The Scheme shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Further details of the Scheme are found in the Directors' Statement.

Principle 10: Accountability

The Board is accountable to shareholders and disseminates information, through its announcements of the Group's quarterly and full-year financial results to shareholders, which aim to present a balanced and understandable assessment of the Group's position and prospects. The Board also furnishes timely information and ensures full disclosure of material information to shareholders via SGXNET or press releases.

Management currently provides annual budgets to the Board members for endorsement. Detailed management reports of the Group are also provided to Board members on a quarterly basis.

Principle 11: Internal Controls

Principle 12: Audit Committee

The AC comprises the following Directors, three members, including its Chairman are independent and one is non-independent:

Lim Jun Xiong Steven	–	Chairman	(Independent)
Chong Weng Hoe	–	Member	(Independent)
Wong Meng Yeng	–	Member	(Independent)
Leo Zhen Wei Lionel	–	Member	(Non-Independent)

CORPORATE GOVERNANCE REPORT

The role of the AC is to assist the Board in overseeing the adequacy of the overall internal control functions, the internal audit functions within the Group, the scope of audit by the external auditor as well as their independence. The AC's roles and responsibilities are described in its terms of reference. The terms of reference had been amended to be in line with the recommendation of the Code. The duties of the AC include:-

(i) Reviewing with the external auditors on their audit plans, their evaluation of the system of internal controls, audit report, management letter and Management's response;

(ii) Reviewing with the internal auditors on the adequacy of their internal audit plans and their evaluation of the adequacy of the Group's internal control and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the Company's annual report (where necessary);

(iii) Reviewing the internal control and procedures, ensuring co-ordination between the external auditors and Management, reviewing the assistance given by Management to the auditors, discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);

(iv) Reviewing the co-operation given by the Company's officers to the external auditors;

(v) Reviewing the quarterly and full-year financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(vi) Reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

(vii) Considering the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

(viii) Reviewing transactions falling within the scope of Chapter 7, Chapter 9 and Chapter 10 of the Catalist Listing Manual (if any);

(ix) Reviewing potential conflicts of interest (if any) and setting out a framework to resolve or mitigate any potential conflicts of interests;

(x) Reviewing the effectiveness and adequacy of the Group's administrative, operating, accounting and financial control procedures;

(xi) Reviewing the Group's key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports if the findings are material, immediately announced via SGXNET;

(xii) Undertaking such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(xiii) Undertaking such other functions and duties as may be required by the relevant statutes or the Catalist Listing Manual, and by such amendments made thereto from time to time;

(xiv) Reviewing procedures by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and

(xv) Reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or Catalist Listing Manual, including such amendments made thereto from time to time.

Apart from the duties listed above, the AC, if required, may commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The AC has been given full access and obtained the co-operation of Management. The AC has the explicit authority to investigate any matter within its terms of reference. It has full discretion to invite any Director or executive officer to attend its meetings, and be given reasonable resources to enable it to discharge its functions properly.

The AC has met with the external auditors of the Company, BDO LLP (the "External Auditors") without the presence of Management, to discuss the results of their audit and their evaluation of the systems of internal accounting controls.

The AC has reviewed the nature and extent of non-audit services in respect of the provision of tax services by the External Auditors, including the fees paid in respect of the financial year ended 30 September 2015, as shown in page 96 of the Annual Report, is of the view that the provision of such non-audit services does not compromise the independence of the External Auditors.

The AC has also reviewed and confirmed that BDO LLP is a suitable audit firm to meet the Company's audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned audit engagement partner, the External Auditors' non-audit service, the size and complexity of the Group, number and experience of supervisory and professional staff assigned to the Group's audit.

The AC is satisfied with the independence and objectivity of the External Auditors and has recommended that BDO LLP be re-appointed as the Company's external auditors in respect of financial year ending 30 September 2016 ("FY2016") at the forthcoming AGM. The aggregate audit and non-audit fees paid to the External Auditors for FY2015 are set out on page 96 of this Annual Report.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, discussions are held with the External Auditors when they attend the AC meetings every half yearly.

The Company confirms that Rules 712 and 715 of the Catalist Listing Manual in relation to its auditing firms have been complied with.

The Company has implemented a whistle-blowing policy whereby accessible channels are provided for employees, shareholders, clients, consultants, vendors, contractors and sub-contractors, to raise concerns about possible improprieties in financial reporting, fraudulent acts and other irregularities, and to ensure that arrangements are in place for independent investigations of such matters and timely implementation of appropriate preventive and corrective actions.

The Board conducts periodic reviews and assessments of the internal controls for its financial, operational and compliance functions, and the internal audit systems put in place by Management to ensure the integrity and reliability of the Group's financial information and to safeguard its assets. Any recommendations from the internal and external auditors to further improve the Company's internal controls are reported to the AC.

RISK MANAGEMENT

The Board is responsible for the governance of risk and sets the tone and direction for the Company in the way that it expects risks to be managed. The Board has overall responsibility for approving the business strategies of the Company in a manner which addresses stakeholders' expectations and does not expose the Company to an unacceptable level of risk which could impede the achievement of the Company's objectives. The Board sets the direction for how risk is to be managed in the pursuit of business objectives and promotes a risk aware and risk conscious culture, which is one where Management understands the importance of risk management and their responsibilities therein.

CORPORATE GOVERNANCE REPORT

The Company has developed and continues to review and revise the Risk Governance and Internal Control Framework Manual which sets out the risk governance responsibilities, risk tolerances, risk appetites and the accountability and oversight for the appropriate risk management activities which mitigate the occurrence and exposure to significant risks that could impede business objectives. Management has defined the business objectives to be pursued for the financial year and the specific risk tolerance and appetite limits. The Board has been provided the basis for which they are able to delegate their responsibilities and the authority and limits assigned to Management in respect of these critical business activities. The Board have also through this risk governance manual, been apprised of the policies and risk mitigation activities that are in place to mitigate and provide contingencies for the occurrence of significant business risks. In addition to this, Management has been evaluated on the adequacy and effectiveness of the internal control environment. This evaluation takes into consideration the key internal control aspects of COSO which are the control environment, risk assessment, control activities, information and communication, and the monitoring activities within the organization. Management have provided responses to the Board to explain how they intend to resolve any potential internal control deficiencies identified through this process.

To supplement the Risk Governance and Internal Control Manual, the Company already has in place an Enterprise Risk Management ("ERM") framework which was developed in FY2014. The ERM framework is aligned with the ISO 31000:2009 Risk Management framework and the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Internal Controls Integrated Framework.

The Company conducted a risk refresher and risk assessment exercise in FY2015 to update the risk register to ensure that it reflects the material and relevant risks facing the Group, the risk owners responsible for managing the identified risks and the internal controls in place to address those risks. Management continues to regularly review and update the risk register with the objective of highlighting any emerging or material risks to the Board.

The Group's internal auditors have taken into consideration the risks identified and assessed from the Group's Risk Assessment Report when preparing the annual internal audit plan. This risk-based internal audit plan is approved by the Audit Committee and internal audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the External Auditors in the course of the statutory audit.

Risk Committee

The Company has not established a separate Risk Committee. The responsibility for risk governance and oversight of the ERM framework and program will rest with the AC.

The AC is independent and assists the Company in its oversight of risk management. The AC's responsibilities on risk management are as follows:

- To propose the risk governance approach and risk policies of the Company to the Board;
- To review the risk management methodology adopted by the Company;
- To review the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Company;
- To review Management's assessment of risks and Management's action plans to mitigate such risks;
- To propose the risk appetite and risk tolerance limits to the Board;
- To review any material breaches of risk limits;
- To review the Company's anti-fraud procedures including the whistle blowing policy and ensures appropriate follow-up actions;
- To report to the Board on matters, findings and recommendations relating to risk management; and
- To review the adequacy and effectiveness of the Company's risk management systems.

CORPORATE GOVERNANCE REPORT

The Board has obtained a declaration of compliance from the Company's key management personnel including the Chairman and CEO, and CFO that:

a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;

b) the Group's risk management and internal control systems are effective; and

c) there has been full conformance with the risk governance activities and responsibilities as outlined in the Company's Risk Governance and Internal Control Manual.

Based on the internal control policies and procedures established and maintained by the Company, the reviews done by the internal and external auditors, Management and the Board, the Board opines, with the concurrence of the AC, that the Group's internal controls were adequate as at 30 September 2015 to address the financial, operational, compliance, information technology, and risk management systems.

The system of internal controls and risk management established by the Company provides reasonable, but no absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board is also mindful that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities.

Principle 13: Internal Audit

The AC is tasked to oversee the implementation of an effective system of internal controls as well as putting in place a risk management framework to continually identify, evaluate and manage significant business risks of the Group. The AC has the mandate to authorise special reviews or investigations, where appropriate in discharging its responsibilities.

The internal audit function of the Group is currently outsourced to RSM Risk Advisory Pte Ltd (the "Internal Auditor") who reports directly to the AC and administratively to the Chief Financial Officer. The Internal Auditor support the AC in their role to assess the effectiveness of the Group's overall system of operational and financial controls and this forms the third line of defense for the AC to discharge its responsibilities..

To ensure the adequacy of the internal audit function, the AC will review and approve the risk based internal audit plan on annual basis. The Internal Audit function is independent of all the areas and activities which are covered under the scope of review and they have unfettered access to all documents and personnel relating to the areas or activities which are covered under the annual internal audit plan.

During the year, the AC had met with the Internal Auditor of the Company, without the presence of Management, to discuss the results of their audit and their evaluation of the Company's systems of internal controls.

Principle 14: Communication with Shareholders

Principle 15: Shareholder Participation

The Company does not practice selective disclosure. Price sensitive information is promptly released on SGXNET after trading hours. Financial results and annual reports are announced or issued within the mandatory periods.

Shareholders are encouraged to attend the AGM to ensure a greater level of shareholders' participation and for them to be kept up to date with the strategies and goals of the Group. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circular and notice pertaining to any extraordinary general meeting of the Company. To facilitate participation by the shareholders, the Constitution of the Company allow the shareholders entitled to attend and vote at general meetings of the Company to appoint not more than two proxies to attend and vote on behalf. If Shareholders are intermediary, such as (1) a licensed bank or its wholly-owned subsidiary which provides nominee services and hold shares in that capacity, (2) a capital markets services license holder which provides custodial services, and (3) the Central Provident Fund ("CPF") Board in respect of shares purchased on behalf of CPF investors, is entitled to appoint more than two proxies pursuant to the Companies (Amendment) Act 2014 which came into force on 3 January 2016. Separate resolutions on each distinct issue are requisite.

CORPORATE GOVERNANCE REPORT

At the AGM, the External Auditors as well as the Directors are in attendance to answer queries from the shareholders. Shareholders are given the opportunity at the general meetings of the Company to air their views and query the Directors and Management on matters relating to the Group and its operations.

The Company does not have a fixed dividend policy. The frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow and general business conditions, development plans and other factors as the Directors may deem appropriate.

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code which prohibits dealings in the securities of the Company by Directors and officers while in possession of price-sensitive information. The Company, Directors and officers should not deal in the Company's securities on short term consideration and are prohibited from dealing in the securities of the Company during the period beginning two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and one month before the announcement of full year results, and ending on the date of such announcements. In addition, Directors and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

DISCLOSURE OF MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interest of the Chairman and CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2015 or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Company has set out procedures governing all interested person transactions to ensure that they are carried out on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

During the year, there was an interested person transaction entered with a firm in which a Director is a member and has a substantial financial interest:-

Name of interested person	Aggregate value of all interested person transactions conducted during the financial year (excluding transactions below $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	S$'000	S$'000
Wong Partnership LLP[1]	106	Nil

[1] Mr Lionel Leo, a non-executive director, is a partner in WongPartnership LLP.

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the Catalist Listing Manual.

NON-SPONSORSHIP FEES

No non-sponsorship fees were paid to the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2015.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Directors of Keong Hong Holdings Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2015 and the statement of financial position and statement of changes in equity of the Company as at 30 September 2015.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2015, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Leo Ting Ping Ronald	(Chairman and Chief Executive Officer)
Er Ang Hooa	(Executive Director)
Lim Jun Xiong Steven	(Lead Independent Director)
Chong Weng Hoe	(Independent Director)
Wong Meng Yeng	(Independent Director)
Leo Zhen Wei Lionel	(Non-Executive and Non-Independent Director)

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 5 below.

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Company:				
Keong Hong Holdings Limited				
(No. of ordinary shares)				
Leo Ting Ping Ronald	53,423,250	53,423,250	68,423,250	68,423,250
Er Ang Hooa	300,000	300,000	–	–

4. Directors' interests in shares or debentures (Continued)

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
6% fixed rate Notes due 15 June 2018 pursuant to the Multicurrency Medium Term Note Programme established on 17 April 2015				
Leo Ting Ping Ronald	–	–	–	$2,000,000
Er Ang Hooa	–	$250,000	–	–
Lim Jun Xiong Steven	–	–	–	$500,000

By virtue of Section 7 of the Act, Mr Leo Ting Ping Ronald is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 October 2015 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 30 September 2015.

5. Share options

(a) Options to take up unissued shares

At the Company's Extraordinary General Meeting held on 21 November 2011, the shareholders approved the Keong Hong Holdings Limited Employee Share Option Scheme (the "Scheme"). The Scheme is administered by the Company's Remuneration Committee, comprising Wong Meng Yeng, Lim Jun Xiong Steven and Chong Weng Hoe (the "Committee"). This Scheme is designed to reward and retain the eligible participants whose services are vital to the success of the Company. Under the rules of the Scheme, Executive Directors and Non-Executive Directors and employees of the Group, who are not controlling shareholders are eligible to participate in the Scheme.

Other information regarding the Scheme is set out below:

– The exercise price of the options can be set at a price at a discount to the market price not exceeding 20% of the market price;

– The market price is determined based on the average of the last dealt prices of the ordinary shares of the Company on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") over the five consecutive market days immediately preceding the date of grant;

– The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the options are exercisable over a period of 8 years.

– All options are settled by physical delivery of shares.

The aggregate number of shares over which the Committee may grant options on any date, when added to the number of shares issued or issuable and/or transferred or transferable in respect of all options granted under the Scheme and any other share schemes of the Company, shall not exceed 15% of the issued shares (excluding treasury shares) of the Company on the date immediately preceding the grant of an option (or such other limit as the SGX-ST may determine from time to time).

DIRECTORS' STATEMENT

5. Share options (Continued)

(b) Unissued shares under option and options exercised

The numbers of outstanding share options under the scheme are as follows:

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised/ lapsed/ forfeited/ expired during the year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	4,000,000	–	–	4,000,000	0.31[1]	1.10.2015 to 30.09.2023
20/6/2014	2,000,000	–	–	2,000,000	0.31[1]	1.10.2015 to 30.09.2023
1/12/2014	–	825,000	–	825,000	0.315	1.12.2016 to 30.11.2024
Total	6,000,000	825,000	–	6,825,000		

In respect of options granted during the financial year, Nil (2014: 600,000) options were granted to executive directors, 300,000 (2014: 1,500,000) options were granted to key executive officers and 525,000 (2014: 3,900,000) options were granted to employees.

No employees or employee of related corporations has received 5% or more of the total options available under this scheme, except as disclosed below.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Manual).

Notes:

[1] Following a bonus issue to the Company's ordinary shareholders during the financial year, the Company granted additional 2,000,000 share options to the holders of the existing share options on 20 June 2014. The additional share options were granted based on one additional bonus share option for every two existing issued share options. The exercise price for the bonus share options and existing share options were revised from $0.47 to $0.31. The vesting conditions remained unchanged.

The information on Directors of the Company participating in the Scheme is as follows:

Name of Director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Er Ang Hooa	–	600,000	–	–	600,000

6. Audit committee

The Audit Committee comprises the following members, who are all Non-Executive Directors and a majority of whom, including the Chairman, are Independent Directors. The members of the Audit Committee at the date of this report are:

Lim Jun Xiong Steven (Chairman)
Chong Weng Hoe
Wong Meng Yeng
Leo Zhen Wei Lionel

The Audit Committee has met 4 times during the financial year ended 30 September 2015. The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act, and the Code of Corporate Governance, including the following:

(a) review with the external auditors the audit plans, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;

(b) review with the internal auditors the internal audit plans and their evaluation of the adequacy of the internal control and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report (where necessary);

(c) review the internal control and procedures and ensure co-ordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

(d) review the external auditors' reports;

(e) review the co-operation and assistance given by the Company's officers to the external auditors;

(f) review the quarterly financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(g) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(h) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

(i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Listing Manual (if any);

(j) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

(k) review the effectiveness and adequacy of the administrative, operating, internal accounting and financial control procedures;

(l) review the key financial risk areas, with a view to providing an independent oversights on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or the findings are material, immediately announced via SGX-NET;

(m) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

DIRECTORS' STATEMENT

6. Audit committee (Continued)

(n) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

(o) review arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and

(p) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Listing Manual, including such amendments made thereto from time to time.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

7. Independent auditor

The independent auditor, BDO LLP, have expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Leo Ting Ping Ronald	**Er Ang Hooa**
Director	Director

Singapore
31 December 2015

INDEPENDENT AUDITORS' REPORT

To the Members of Keong Hong Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year ended 30 September 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
31 December 2015

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2015

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		$	$	$	$
Non-current assets					
Property, plant and equipment	4	**29,217,058**	15,194,055	**–**	–
Investments in subsidiaries	5	**–**	–	**21,573,554**	21,573,554
Investment in associates	6	**23,071,427**	5,752,336	**–**	–
Investments in joint ventures	7	**92,828**	89,808	**–**	–
Intangible assets	8	**226,733**	242,579	**–**	–
Convertible bond	9	**4,808,574**	4,633,242	**4,808,574**	4,633,242
Derivative on convertible bond	9	**389,856**	307,123	**389,856**	307,123
Available-for-sale financial assets	10	**6,675,000**	–	**6,675,000**	–
Finance lease receivables	11	**1,030,172**	–	**–**	–
Total non-current assets		**65,511,648**	26,219,143	**33,446,984**	26,513,919
Current assets					
Trade and other receivables	12	**163,238,824**	144,227,870	**9,387,504**	250,000
Due from contract customers	13	**9,802,842**	12,464,534	**–**	–
Current income tax recoverable		**328,649**	293,029	**–**	–
Finance lease receivables	11	**124,030**	–	**–**	–
Prepayments		**482,384**	168,276	**2,639**	8,097
Cash and cash equivalents	14	**100,568,573**	38,725,972	**46,217,921**	5,092,190
Total current assets		**274,545,302**	195,879,681	**55,608,064**	5,350,287
Total assets		**340,056,950**	222,098,824	**89,055,048**	31,864,206
Equity					
Share capital	15	**23,836,074**	23,836,074	**23,836,074**	23,836,074
Treasury shares	16	**(5,727,850)**	(2,425,000)	**(5,727,850)**	(2,425,000)
Share option reserve	17	**1,028,617**	479,021	**1,028,617**	479,021
Foreign currency translation reserve	18	**478,650**	(24,399)	**–**	–
Merger reserve	19	**(4,793,707)**	(4,793,707)	**–**	–
Available-for-sale reserve		**(150,000)**	–	**(150,000)**	–
Other reserve		**212,349**	–	**–**	–
Retained earnings		**96,583,047**	62,566,983	**9,432,790**	3,356,012
Equity attributable to owners of the parent		**111,467,180**	79,638,972	**28,419,631**	25,246,107
Non-controlling interests		**1,276,912**	497,581	**–**	–
Total equity		**112,744,092**	80,136,553	**28,419,631**	25,246,107
Non-current liabilities					
Bank borrowing	20	**5,454,544**	2,494,932	**–**	–
Finance lease payables	21	**250,069**	326,125	**–**	–
Medium term notes	22	**49,354,867**	–	**49,354,867**	–
Deferred tax liabilities	23	**167,000**	167,000	**–**	–
Total non-current liabilities		**55,226,480**	2,988,057	**49,354,867**	–

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2015

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		$	$	$	$
Current liabilities					
Due to contract customers	13	**29,050,817**	17,127,173	**–**	–
Trade and other payables	24	**128,450,861**	97,862,165	**11,264,247**	6,618,099
Bank borrowing	20	**11,692,220**	18,917,991	**–**	–
Finance lease payables	21	**214,023**	603,704	**–**	–
Current income tax payable		**2,678,457**	4,463,181	**16,303**	–
Total current liabilities		**172,086,378**	138,974,214	**11,280,550**	6,618,099
Total liabilities		**227,312,858**	141,962,271	**60,635,417**	6,618,099
Total equity and liabilities		**340,056,950**	222,098,824	**89,055,048**	31,864,206

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2015

	Note	2015	2014
		$	$
Revenue	25	**281,983,795**	272,880,877
Cost of sales		**(252,099,004)**	(242,291,550)
Gross profit		**29,884,791**	30,589,327
Other items of income			
Interest income		**2,268,643**	1,587,670
Other income	26	**3,328,318**	1,189,933
Other Items of expense			
Administrative expenses		**(11,718,266)**	(8,842,960)
Finance costs	27	**(1,415,268)**	(319,814)
Share of results of joint ventures, net of tax	7	**3,020**	(549,763)
Share of results of associate, net of tax	6	**19,158,623**	(35,945)
Profit before income tax	28	**41,509,861**	23,618,448
Income tax expense	29	**(2,690,625)**	(4,221,722)
Profit for the financial year		**38,819,236**	19,396,726
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**555,833**	12,403
Fair value loss on available for sale financial assets		**(150,000)**	-
Share of other comprehensive income of associate		**212,349**	-
Other comprehensive income for the financial year, net of tax		**618,182**	12,403
Total comprehensive income for the financial year		**39,437,418**	19,409,129
Profit attributable to:			
Owners of the parent		**38,092,689**	19,673,164
Non-controlling interests		**726,547**	(276,438)
		38,819,236	19,396,726
Total comprehensive income attributable to:			
Owners of the parent		**38,658,087**	19,679,489
Non-controlling interests		**779,331**	(270,360)
		39,437,418	19,409,129
Earnings per share (cents)			
- Basic	30	**16.48**	8.42
- Diluted	30	**16.01**	8.21

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2015

		Attributable to equity holders of the Company										
	Note	Share capital	Treasury shares	Share option reserve	Foreign currency translation account	Merger reserve	Available-for-sale reserve	Other reserve(1)	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
		$	$	$	$	$	$	$	$	$	$	$
Group												
Balance at 1 October 2014		23,836,074	(2,425,000)	479,021	(24,399)	(4,793,707)	–	–	62,566,983	79,638,972	497,581	80,136,553
Profit for the financial year		–	–	–	–	–	–	–	38,092,689	38,092,689	726,547	38,819,236
Other comprehensive income for the financial year:												
Exchange differences on translating foreign operations		–	–	–	503,049	–	–	–	–	503,049	52,784	555,833
Fair value loss on available for sale		–	–	–	–	–	(150,000)	–	–	(150,000)	–	(150,000)
Share of other comprehensive income of associate		–	–	–	–	–	–	212,349	–	212,349	–	212,349
Total comprehensive income for the financial year		–	–	–	503,049	–	(150,000)	212,349	38,092,689	38,658,087	779,331	39,437,418
Contribution by and distribution to owners of the parent:												
Dividends	31	–	–	–	–	–	–	–	(4,076,625)	(4,076,625)	–	(4,076,625)
Grant of share option to employees	17	–	–	549,596	–	–	–	–	–	549,596	–	549,596
Purchase of treasury shares	16	–	(3,302,850)	–	–	–	–	–	–	(3,302,850)	–	(3,302,850)
Total transactions with owners of the parent		–	(3,302,850)	549,596	–	–	–	–	(4,076,625)	(6,829,879)	–	(6,829,879)
Balance at 30 September 2015		23,836,074	(5,727,850)	1,028,617	478,650	(4,793,707)	(150,000)	212,349	96,583,047	111,467,180	1,276,912	112,744,092

(1) This relates to the share of associate's hedging reserve.

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2015

	Note	Share capital	Treasury shares	Share option reserve	Foreign currency translation account	Merger reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
		Attributable to equity holders of the Company								
		$	$	$	$	$	$	$	$	$
Group										
Balance at 1 October 2013		23,836,074	(2,140,000)	–	(30,726)	(4,793,707)	47,568,819	64,440,460	767,943	65,208,403
Profit for the financial year		–	–	–	–	–	19,673,164	19,673,164	(276,438)	19,396,726
Other comprehensive income for the financial year:										
Exchange differences on translating foreign operations		–	–	–	6,327	–	–	6,327	6,076	12,403
Total comprehensive income for the financial year		–	–	–	6,327	–	19,673,164	19,679,491	(270,362)	19,409,129
Contribution by and distribution to owners of the parent:										
Dividends	31	–	–	–	–	–	(4,675,000)	(4,675,000)	–	(4,675,000)
Grant of share option to employees	17	–	–	479,021	–	–	–	479,021	–	479,021
Purchase of treasury shares	16	–	(285,000)	–	–	–	–	(285,000)	–	(285,000)
Total transactions with owners of the parent		–	(285,000)	479,021	–	–	(4,675,000)	(4,480,979)	–	(4,480,979)
Balance at 30 September 2014		23,836,074	(2,425,000)	479,021	(24,399)	(4,793,707)	62,566,983	79,638,972	497,581	80,136,553

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2015

	Note	Share capital	Treasury shares	Share option reserve	Available-for-sale reserve	Retained earnings	Total
		$	$	$	$	$	$
Company							
Balance at 1 October 2014		23,836,074	(2,425,000)	479,021	–	3,356,012	25,246,107
Profit for the financial year		–	–	–	–	10,153,403	10,153,403
Other comprehensive income for the financial year:							
Fair value loss on available for sale		–	–	–	(150,000)	–	(150,000)
Total comprehensive income for the financial year		–	–	–	(150,000)	10,153,403	10,003,403
Contribution by and distribution to owners of the parent:							
Dividends	31	–	–	–	–	(4,076,625)	(4,076,625)
Grant of share options to employees	17	–	–	549,596	–	–	549,596
Purchase of treasury shares	16	–	(3,302,850)	–	–	–	(3,302,850)
Total transactions with owners of the parent		–	(3,302,850)	549,596	–	(4,076,625)	(6,829,879)
Balance at 30 September 2015		23,836,074	(5,727,850)	1,028,617	(150,000)	9,432,790	28,419,631
Balance at 1 October 2013		23,836,074	(2,140,000)	–	–	3,686,270	25,382,344
Profit for the financial year, representing total comprehensive income for the financial year		–	–	–	–	4,344,742	4,344,742
Contribution by and distribution to owners of the parent:							
Dividends	31	–	–	–	–	(4,675,000)	(4,675,000)
Grant of share options to employees	17	–	–	479,021	–	–	479,021
Purchase of treasury shares	16	–	(285,000)	–	–	–	(285,000)
Total transactions with owners of the parent		–	(285,000)	479,021	–	(4,675,000)	(4,480,979)
Balance at 30 September 2014		23,836,074	(2,425,000)	479,021	–	3,356,012	25,246,107

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2015

	2015	2014
	$	$
Operating activities		
Profit before income tax	**41,509,861**	23,618,448
Adjustments for:		
Loss on disposal of financial assets held to maturity	**–**	57,814
Amortisation of intangible assets	**15,846**	12,203
Depreciation of property, plant and equipment	**3,895,038**	2,243,425
Fair value (gain)/loss on derivative on convertible bond	**(82,733)**	504,730
Fair value gain on financial assets at fair value through profit or loss	**–**	(48,396)
Effect arising from deemed disposal of subsidiary	**–**	196,425
Gain on disposal of property, plant and equipment	**(310,325)**	(966)
Property, plant and equipment written off	**291**	1,501
Interest income	**(2,268,643)**	(1,587,670)
Interest expense	**1,415,268**	319,814
Dividend income from available for sale financial assets	**(75,000)**	–
Accretion of convertible bond discount	**(175,332)**	(160,589)
Share option expenses	**549,596**	479,021
Share of results of joint ventures	**(3,020)**	549,763
Share of results of associate	**(19,158,623)**	35,945
	25,312,224	26,221,468
Operating cash flows before movements in working capital		
Trade and other receivables	**(12,156,916)**	(26,911,879)
Prepayments	**(314,108)**	(83,879)
Due from contract customers	**2,661,692**	(3,468,752)
Due to contract customers	**11,923,644**	8,208,897
Trade and other payables	**29,713,696**	48,341,355
Cash generated from operations	**57,140,232**	52,307,210
Income tax paid	**(4,475,349)**	(3,769,635)
Net cash from operating activities	**52,664,883**	48,537,575

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2015

	Note	2015	2014
		$	$
Investing activities			
Investments in joint ventures		–	(349,997)
Investments in associate		(9)	(5,984,706)
Loan to associate		(16,962,510)	(12,388,188)
Loan to joint ventures		(6,481,000)	(26,677,791)
Purchase of property, plant and equipment		(18,616,556)	(11,520,398)
Purchase of intangible assets		–	(18,830)
Purchase of financial assets, available for sale		(6,825,000)	–
Proceeds from disposal of property, plant and equipment		154,931	966
Proceeds from financial assets through profit & loss		–	804,828
Proceeds from financial assets, held-to-maturity		–	2,781,186
Repayment of loan from joint ventures		–	11,451,190
Repayment of loan from associates		16,839,472	–
Interest received		2,018,643	1,587,670
Dividend received from associate		2,500,000	–
Dividend income from available for sale financial assets		75,000	–
Net cash used in investing activities		(27,297,029)	(40,564,070)
Financing activities			
Fixed deposit pledged with financial institutions		(1,597)	1,016,125
Proceeds from finance lease receivables		10,174	–
Proceeds from bank borrowing		4,041,900	18,407,779
Proceeds from medium term note		49,354,867	–
Purchase of treasury shares		(3,302,850)	(285,000)
Repayment of finance lease payables		(700,737)	(585,501)
Repayment of bank borrowing		(8,308,059)	–
Dividends paid		(4,076,625)	(4,675,000)
Interest paid		(540,268)	(319,814)
Net cash from financing activities		36,476,805	13,558,589
Net change in cash and cash equivalents		61,844,659	21,532,094
Cash and cash equivalents at beginning of financial year		38,497,534	16,973,033
Effect of foreign exchange rate changes on cash and cash equivalents		(3,655)	(7,593)
Cash and cash equivalents at end of financial year	14	100,338,538	38,497,534

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

These notes form an integral part and should be read in conjunction with the financial statements.

1. General corporate information

Keong Hong Holdings Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. Its registered office and principal place of business shifted from Block 151 Bukit Batok Street 11, #03-250, Singapore 650151 to 9 Sungei Kadut Street 2, Singapore 729230 with effect from 25 September 2015. The Company's registration number is 200807303W.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of changes in equity of the Company for the financial year ended 30 September 2015 were authorised for issue in accordance with a Directors' resolution dated 31 December 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

In the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's and Company's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years, except as detailed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS 110 Consolidated Financial Statements and FRS 27 (Revised) Separate Financial Statements

FRS 110 introduces a single new control model, as the basis for determining which entities are consolidated in the Group's financial statements. Under FRS 110, control exists when the Group has:

- power over an investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power over an investee to affect the Group's returns from the investee.

The Group has applied FRS 110 retrospectively, in accordance with the transitional provisions of FRS 110 and changed its accounting policy for determining whether it has control over an entity and whether it is required to consolidate that interest. The adoption of FRS 110 did not result in any changes to the control conclusions reached by the Group in respect of its involvement with other entities as at the date of initial adoption on 1 October 2014. The adoption of FRS 27 (Revised) did not result in any material changes to the Group's or the Company's financial statements.

FRS 111 Joint Arrangements and FRS 28 (Revised) Investments in Associates and Joint Ventures

FRS 111 requires a joint arrangement to be classified as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. Under FRS 111, joint ventures must be accounted for using the equity method and recognised as a single investment, as described in FRS 28 (Revised) Investments in Associates and Joint Ventures, and proportionate consolidation is prohibited. Parties to a joint operation account for their share of assets, liabilities, revenues and expenses in accordance with their contractual rights and obligations.

The Group has applied FRS 111 retrospectively in accordance with the transitional provisions of FRS 111. On adoption of FRS 111 on 1 October 2014, the Group has reassessed it classification of joint arrangements and the adoption did not result in any changes in the control conclusions reached by the Group. In addition, the Group has been adopting the equity method accounting for their joint ventures, hence the adoption of FRS 111 did not result in any material changes to the Group's or the Company's financial statements.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the Group's financial position or performance. Certain new disclosures are included in these financial statements following adoption of FRS 112 on 1 October 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective

As at the date of the authorisation of these financial statements, the following FRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	:	Disclosure Initiative	1 January 2016
FRS 16 and FRS 38 (Amendments)	:	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 27 (Amendments)	:	Equity Method in Separate Financial Statements	1 January 2016
FRS 109	:	Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 111 (Amendments)	:	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 115	:	Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (November 2014)			
– FRS 19 (Amendments)	:	Employee Benefits	1 January 2016

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS in future periods, if applicable, will not have a material impact on the financial statements of the Group in the period of initial adoption, except as discussed below.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 October 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard and the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available for sale and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard, there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 October 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group, up to the effective date on which that control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interest in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entities.

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are carried at cost, less any impairment loss that has been recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Acquisition under common control

Business combinations arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity. Any difference between the cash paid for the acquisition and net assets acquired is recognised directly to equity.

2.3 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item id it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Office building in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Low value assets items which cost less than $3,000 are recognised as an expense directly in profit or loss in the financial year of acquisition.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Building	10
Office equipment	2
Furniture and fittings	5
Motor vehicles	5
Plant and machinery	3-5

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.4 Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates and joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate or joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates or joint ventures and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

Where a Group entity transacts with an associate or a joint venture of the Group, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

2.5 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

2. Summary of significant accounting policies (Continued)

2.5 Intangible assets (Continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss through the 'amortisation of intangible assets' line item.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individual or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

Computer software

Computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and impairment loss, if any.

Amortisation is calculated on the straight-line method so as to write off the cost of the computer software over the estimated useful life of two years.

The useful life and amortisation method are reviewed at the end of each reporting period to ensure that the period of amortisation and amortisation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the computer software.

Transferable club memberships

Transferable individual club memberships are initially recognised at cost and are subsequently measured at cost less accumulated impairment losses, if any.

2.6 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.6 Impairment of non-financial assets (Continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables (Continued)

The Group's loans and receivables in the statement of financial position comprise trade and other receivables, due from contract customers, finance lease receivables, convertible bonds and cash and cash equivalents but excluding prepayments.

Available-for-sale financial assets ("AFS")

Certain shares and debt securities held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Bank borrowings, finance lease payables and medium term notes are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowing is recognised over the term of borrowings in accordance with the Group's accounting policy for borrowing costs.

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 Revenue.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.8 Embedded derivative

Derivative embedded in other financial instruments or other host contract is treated as separate derivative when its risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits net of fixed deposits pledged.

2.10 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 17. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share option reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.11 Revenue recognition

Revenue is measured at fair value of consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from construction contracts is recognised based on the percentage of completion method measured by reference to surveys of work performed.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income under operating lease is recognised on a straight-line basis over the term of the lease.

Dividend income is recognised when the right to receive the dividend is established.

Revenue or services is recognised in the period in which they are rendered.

2.12 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The Group measures stage of completion by reference to surveys of work performed.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statement of financial position as "Amounts due from contract customers". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amounts due to contract customers".

Progress billings not yet paid by customers and retentions are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.13 Leases

Group as lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2. Summary of significant accounting policies (Continued)

2.13 Leases (Continued)

Group as lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs in Note 2.15.

Operating Leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.16 Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

2.17 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.18 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current income tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

<u>Deferred tax</u>

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

2. Summary of significant accounting policies (Continued)

2.18 Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.20 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

2. Summary of significant accounting policies (Continued)

2.20 Foreign currency transactions and translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and the chief executive officer who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the Group's and the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's and Company's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Impairment of available-for-sale financial assets

At the balance sheet date, the fair value of certain equity securities classified as available-for-sale financial assets with a carrying amount of $6,675,000 have declined below cost by $150,000. The Group has made a judgement that this decline is not significant or prolonged. In making this judgement, the Group has considered, among other factors, the short-term duration of the decline, the small magnitude by which the fair value of the investment is below cost; and the positive health and short-term business outlook of the investee.

If the decline in fair value below cost was considered significant or prolonged, the Group would have recognised an additional loss of $150,000 in the current year's financial statements, being the reclassification of the fair value loss included in the available-for-sale reserve to profit or loss.

(ii) Investments in Kori Holdings Limited

At balance sheet date, the Group held investments in convertible bond issued by Kori Holdings Limited ("Kori"), a company listed on the Singapore Exchange. The convertible bond can be converted into 11,904,000 (2014: 11,904,000) ordinary shares of Kori. In addition, the Group held investments in equity securities of Kori amounting to 15,000,000 (2014: Nil) shares. In the event of the Group's exercising its rights to convert the convertible bonds to shares, the Group will have a shareholding and voting rights of 24.2% (2014: 3%) of Kori. The details of these investments are set out in Note 9 and 10 to the financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the Group's and the Company's accounting policies (Continued)

(ii) Investments in Kori Holdings Limited (Continued)

The directors of the Company assessed whether or not the Group has significant influence over Kori. In making their judgement, the directors considered the Group's potential shareholdings of more than 20% voting rights and its ability to influence or direct the relevant activities of Kori. After the assessment, the directors concluded that the Group does not have significant influence over Kori as the Group does not have the right to appoint directors to the board of directors of Kori. Accordingly, Kori is not classified as an associate of the Group.

(iii) Joint control over Oasis Development Pte Ltd, MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd

Oasis Development Pte Ltd ("Oasis")

Note 7 describes that Oasis is a joint venture even though the Group holds only 20% interest in Oasis. The remaining 80% interest is held by another joint venture partner. A subsidiary of the Group is the main contractor for the development project undertaken by Oasis and the Group is able to add value to the joint venture with its experience in residential construction and executive condominium development. Unanimous consent from the two joint venture partners is required for reserved matters and relevant activities which will significantly affect the returns of the joint venture. Therefore, the directors of the Company concluded that joint control exists and Oasis is classified as a joint venture of the Group.

MKH (Punggol) Pte Ltd ("MKH")

Note 7 describes that MKH is a joint venture even though the Group has only a 15% interest in MKH. The remaining interest is held by two other joint venture partners holding 70% and 15% interest respectively. A subsidiary of the Group is the main contractor for the development project undertaken by MKH and the Group is able to add value to the joint venture with its experience in residential construction and executive condominium development. Unanimous consent from the two joint venture partners is required for reserved matters and relevant activities which will significantly affect the returns of the joint venture. Therefore, the directors of the Company concluded that joint control exists and MKH is classified as a joint venture of the Group.

Katong Holdings Pte Ltd ("Katong")

Note 7 describes that Katong is a joint venture even though the Group holds only 20% interest in Katong. The remaining interest is held by two other joint venture partners holding 70% and 10% interest respectively. The Group was invited to participate in this joint venture as it is able to add value to the joint venture with its experience in hotel and resort development and construction. Unanimous consent from the two joint venture partners is required for reserved matters and relevant activities which will significantly affect the returns of the joint venture. Therefore, the directors of the Company concluded that joint control exists and Katong is classified as a joint venture of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the Group's and the Company's accounting policies (Continued)

(iv) Significant influence over Pristine Island Investment Pte Ltd

Note 6 describes that Pristine Islands Investment Pte Ltd ("Pristine") is an associate of the Group with a 45% ownership interest. The remaining 55% interest is held by 4 other parties. The directors of the Company concluded that the Group have significant influence to direct the relevant activities of Pristine on the basis that:

(i) it holds only 45% in Pristine;

(ii) it has 2 board seats out of the total 6 board seat; and

(iii) consent from majority shareholders is needed for reserved matters and relevant activities.

In addition, the director of the Company concluded that Pristine is not a joint venture on the basis that the contractual arrangement requires a minimum proportion of the voting rights to make decisions about the relevant activities. When the minimum required proportion of the voting rights can be achieved by more than one combination of the parties agreeing together, this arrangement is not a joint arrangement.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below:

(i) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue and costs. The stage of completion is measured by reference to surveys of work performed and is the ratio of the survey of work performed to date compared to the contract revenue ("POC %"). The contract costs is determined using the POC % multiply by the estimated total costs for the contract.

Significant assumptions are used to estimate the total contract costs which will affect the project costs charged to profit or loss. In making these estimates, management has relied on past experiences and works of specialist.

If total contract costs of uncompleted contracts to be incurred had been higher/lower by 5% from management's estimates, the Group's profit would have been lower/higher by $11.6 million respectively.

(ii) Impairment of investments in subsidiaries, associates and joint ventures

Management follows the guidance of FRS 36 Impairment of Assets, in determining whether investments in subsidiaries, associates and joint ventures are impaired. This requires assumption to be made regarding the duration and extent to which the fair value of an investment is less than its costs, the financial health, and near-term business outlook of the investments including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Impairment of investments in subsidiaries, associates and joint ventures (Continued)

Investment in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and where applicable, cash-generating unit ("CGU") have been determined based on value-in-use calculations. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Company's carrying amount of investments in subsidiaries as at 30 September 2015 was $21,573,554 (2014: $21,573,554) (Note 5). The Group's carrying amount of investments in associates and joint ventures as at 30 September 2015 were $23,071,427 (2014: $5,752,336) and $92,828 (2014: $89,808) respectively (Note 6 and 7).

(iii) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting and disclosures purposes. In estimating the fair value of an asset or a liability, the Group uses market observable date to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Changes in assumptions on the inputs to the model could affect the reported fair value of the financial instruments. Information about the valuation techniques and inputs used in determining the fair values is included in the following notes:

- Note 9 – Derivative on convertible bond
- Note 10 – Available-for-sale financial assets

(iv) Depreciation of property, plant and equipment and amortisation of intangible assets

The property, plant and equipment and intangible asset are depreciated or amortised on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be within 2 to 10 years. The carrying amount of property, plant and equipment of the Group as at 30 September 2015 was $29,217,058 (2014: $15,194,055). The carrying amount of intangible assets of the Group as at 30 September 2015 were $226,733 (2014: $242,579). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation or amortisation could be revised.

(v) Allowance for impairment of trade and other receivables

The policy for impairment of receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(vi) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's income tax recoverable as at 30 September 2015 was $328,649 (2014: $293,029). The carrying amounts of the Group's and Company's income tax payable as at 30 September 2015 was $2,678,457 (2014: $4,463,181) and $16,303 (2014: Nil) respectively. The carrying amounts of the Group's deferred tax liabilities as at 30 September 2015 was $167,000 (2014: $167,000).

4. Property, plant and equipment

	Building	Office equipment	Furniture and fittings	Motor vehicles	Plant and machinery	Construction in progress	Total
	$	$	$	$	$	$	$
Group							
Cost							
Balance at 1 October 2014	–	288,014	232,244	1,345,762	13,333,119	10,319,933	25,519,072
Additions	–	88,651	77,276	811,619	8,048,941	9,825,069	18,851,556
Disposals	–	–	–	(483,468)	(1,092,451)	–	(1,575,919)
Write off	–	(2,663)	(48,881)	–	(4,300)	–	(55,844)
Transfer from Construction in Progress	20,145,002	–	–	–	–	(20,145,002)	–
Currency realignments	–	1,423	304	–	121,182	–	122,909
Balance at 30 September 2015	20,145,002	375,425	260,943	1,673,913	20,406,491	–	42,861,774
Accumulated depreciation							
Balance at 1 October 2014	–	225,688	188,552	1,031,790	8,878,987	–	10,325,017
Depreciation	175,265	59,889	17,194	248,680	3,394,010	–	3,895,038
Disposal	–	–	–	(461,742)	(105,195)	–	(566,937)
Write off	–	(2,663)	(48,590)	–	(4,300)	–	(55,553)
Currency realignments	–	1,121	297	–	45,733	–	47,151
Balance at 30 September 2015	175,265	284,035	157,453	818,728	12,209,235	–	13,644,716
Net carrying amount							
Balance at 30 September 2015	19,969,737	91,390	103,490	855,185	8,197,256	–	29,217,058

4. Property, plant and equipment (Continued)

	Office equipment	Furniture and fittings	Motor vehicles	Plant and machinery	Construction in progress	Total
	$	$	$	$	$	$
Group						
Cost						
Balance at 1 October 2013	278,813	224,824	1,357,046	12,341,533	–	14,202,216
Additions	15,675	8,000	–	1,176,790	10,319,933	11,520,398
Disposals	–	–	(11,284)	–	–	(11,284)
Write off	(6,604)	(617)	–	(194,069)	–	(201,290)
Currency realignments	130	37	–	8,865	–	9,032
Balance at 30 September 2014	288,014	232,244	1,345,762	13,333,119	10,319,933	25,519,072
Accumulated depreciation						
Balance at 1 October 2013	168,214	154,278	854,571	7,111,022	–	8,288,085
Depreciation	63,923	34,659	188,503	1,956,340	–	2,243,425
Disposal	–	–	(11,284)	–	–	(11,284)
Write off	(6,575)	(419)	–	(192,795)	–	(199,789)
Currency realignments	126	34	–	4,420	–	4,580
Balance at 30 September 2014	225,688	188,552	1,031,790	8,878,987	–	10,325,017
Net carrying amount						
Balance at 30 September 2014	62,326	43,692	313,972	4,454,132	10,319,933	15,194,055

As at the end of the reporting period, the net carrying amounts of plant and machinery and motor vehicles which were acquired under finance lease agreements were as follows:

	Group	
	2015	**2014**
	$	$
Plant and machinery	**825,750**	1,192,750
Motor vehicles	**518,280**	268,279
	1,344,030	1,461,029

Assets acquired under finance lease agreements are pledged as securities for the related finance lease payables (Note 21).

Motor vehicles with net carrying amounts of $419,085 (2014: $101,138) were registered in the name of the Directors and staff who are holding the motor vehicles in trust for the Group.

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	2015	**2014**
	$	$
Additions of property, plant and equipment	**18,851,556**	11,520,398
Acquired under finance lease agreements	**(235,000)**	–
Cash payments to acquire property, plant and equipment	**18,616,556**	11,520,398

Borrowing costs of $189,805 (2014: $30,882) which arose on the financing specifically entered into for the construction of the building were capitalised by the Group during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

5. Investments in subsidiaries

	Company	
	2015	**2014**
	$	$
Unquoted equity shares, at cost	**21,573,554**	21,573,554

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	**Principal activities**	**Proportion of ownership interest held by the Group**		**Proportion of ownership interest held by the non-controlling interest**	
		2015	**2014**	**2015**	**2014**
		%	**%**	**%**	**%**
Held by the Company					
Keong Hong Construction Pte Ltd[1] (Singapore)	General and building contractors	100	100	–	–
KH Capital Pte Ltd[1] (Formerly known as KH Trading Pte Ltd) (Singapore)	Trading of building construction materials	100	100	–	–
K.H. Land Pte Ltd[1] (Singapore)	Investment holding, real estate development and building construction	100	100	–	–
Held by K.H. Land Pte Ltd					
KHA Resorts & Hotels Construction Pvt Ltd[2] (Cayman Islands)	Hotel building contractors	51	51	49	49
KHA Resorts & Hotels Construction (Maldives) Pvt Ltd[2] (Maldives Islands)	Hotel building contractors	51	51	49	49

(1) Audited by BDO LLP, Singapore

(2) Audited by Ernst & Young, Maldives

In the previous financial year, the Company has increased its investment in K.H. Capital Pte Ltd with an additional injection of cash amounting to $955,000. Since it is a wholly-owned subsidiary, there are no changes in the shareholdings.

5. Investments in subsidiaries (Continued)

On 23 January 2014, through the Company's investment in K.H. Land Pte Ltd, the Group had incorporated a subsidiary KHA Resorts & Hotels Construction (Maldives) Pvt Ltd in Maldives Islands with 51% effective equity interest with nil paid-up capital.

Dilution of equity interest in Pristine Islands Investment Pte Ltd

On 17 July 2014, Pristine Islands Investment Pte Ltd ("Pristine") entered into a Shareholders' Agreement with Keong Hong Construction Pte Ltd, Sansui Holding Pte. Ltd., BRC Asia Limited, L3 Development Pte. Ltd. and Hotel & Resort Construction Pvt. Ltd. in relation to an increase in the issued and paid-up share capital of Pristine from 1 ordinary share to 10,000,001 ordinary shares by way of an allotment and issue of 10,000,000 New Pristine Shares at a cash consideration of US$10,000,000 (equivalent to $12,418,400). Upon completion, the Group subscribed for additional 4,500,000 ordinary shares representing 45% of the issued share capital of Pristine at a cash consideration of US$4,500,000 (equivalent to $5,588,280). Arising from the new issuance of shares, the Group's equity interest in Pristine was then diluted from 100% to 45%. As disclosed in Note 3.1 to the financial statements, the directors of the Company had assessed whether the Group had control or significant influence over Pristine and concluded that the Group had significant influence over Pristine. Accordingly, the remaining equity interest of 45% was classified as investment in associate.

The dilution of the Group's equity interest in Pristine was considered a deemed disposal of its interest in Pristine.

The effects of the deemed disposal as at the date of disposal were:

	Carrying amount 2014
	$
Trade and other receivables	1,195,909
Trade and other payables	(999,484)
Derecognised in deemed disposal	196,425

Non-controlling interests

The non-controlling interests arising from KHA Resorts & Hotels Construction Pvt Ltd (Cayman Islands) and KHA Resorts & Hotels Construction (Maldives) Pvt Ltd are considered to be insignificant to the Group's financial statements.

There were no transactions with non-controlling interests for the financial years ended 30 September 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

6. Investment in associates

	Group 2015	Group 2014
	$	$
Unquoted equity shares, at cost	**5,988,290**	5,988,281
Exchange alignment	**448,110**	–
Share of post-acquisition results of associate, net of tax	**16,635,027**	(235,945)
Carrying amount	**23,071,427**	5,752,336

The details of the associates are as follows:

Name of company (Country of incorporation and principal place of business)	Effective equity interest held by the Group 2015	Effective equity interest held by the Group 2014	Principal activities
	%	%	
Punggol Residences Pte Ltd ("PRPL")[(1)] (Singapore)	20	20	Property development
Sembawang Residences Pte Ltd[(1)] (Singapore)	20	20	Property development
Pristine Islands Investment Pte Ltd ("PIIPL")[(2)] (Singapore)	45	45	Investment holdings
Held by Pristine Islands Investment Pte Ltd			
Pristine Islands Investment (Maldives) Pvt Ltd ("PIIMPL")[(3)] (Maldives Island)	45	45	Own, operate and management of airport, hotel and resort

[(1)] Audited by Ernst & Young, Singapore
[(2)] Audited by BDO LLP, Singapore
[(3)] Audited by Ernst & Young, Maldives

In the previous financial year, the Group subscribed for 200,000 ordinary shares, representing 20% of the issued share capital at Sembawang Residences Pte Ltd at a cash consideration of $200,000.

In the previous financial year, the Group's equity interest in Pristine Islands Investment Pte Ltd ("Pristine") reduced from 100% to 45% through the dilution of shareholding arising from the issuance of new shares. The details of the dilution of shareholding is disclosed in Note 5 to the financial statements.

There are no contingent liabilities related to the Group's interest in the associated companies.

The financial year end of Punggol Residences Pte Ltd, Sembawang Residences Pte Ltd and Pristine Islands Investment Pte Ltd are 30 September. The financial year end of Pristine Islands Investment (Maldives) Pvt Ltd is 31 December.

6. Investment in associates (Continued)

Set out below are the summarised financial information of the Group's significant associates are presented below:

Summarised balance sheet

	PRPL		PIIPL Group		Total	
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Current assets	**133,967,022**	426,927,685	**15,554,027**	13,959,398	**149,521,049**	440,887,083
Includes:						
- Cash and cash equivalents	**40,264,024**	8,207,246	**13,631,482**	12,776,587	**53,895,506**	20,983,833
Non-current assets	**–**	–	**17,997,840**	24,580	**17,997,840**	24,580
Current liabilities	**(46,796,994)**	(437,450,800)	**(22,241,274)**	(2,121,289)	**(69,038,268)**	(439,572,089)
Includes:						
- Financial liabilities	**–**	(62,000,000)	**(3,873,328)**	–	**(3,873,328)**	(62,000,000)
- Other liabilities	**(46,796,994)**	(375,450,800)	**(18,367,946)**	(2,121,289)	**(65,164,940)**	(377,572,089)
Net assets/(liabilities)	**87,170,028**	(10,523,115)	**11,310,593**	11,862,689	**98,480,621**	1,339,574

Summarised statement of comprehensive income

	PRPL		PIIPL Group		Total	
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Revenue	**580,511,209**	–	**750,610**	775,922	**581,261,819**	775,922
Interest income	**32,648**	–	**11,228**	1,784	**43,876**	1,784
Expenses Includes:						
- Depreciation and amortisation	**–**	–	**–**	–	**–**	–
- Interest expense	**(375,402)**	–	**–**	–	**(375,402)**	–
Profit/(loss) before tax	**132,793,143**	204,134	**(1,479,243)**	(559,069)	**131,313,900**	(354,935)
Income tax expenses	**(22,600,000)**	–	**(68,670)**		**(22,668,670)**	–
Profit/(loss) after tax, representing total comprehensive income	**110,193,143**	204,134	**(1,547,913)**	(559,069)	**108,645,230**	(354,935)
Dividends received from associate	**2,500,000**	–	**–**	–	**2,500,000**	–

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

6. Investment in associates (Continued)

Aggregate information of associates that are not individually material

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial associate accounted for using the equity method:

	2015	2014
	$	$
The Group's share of loss before tax	**(37,995)**	–
The Group's share of loss after tax	**(37,995)**	–
The Group's share of other comprehensive income	**212,349**	–
The Group's share of total comprehensive income	**(174,354)**	–

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant associates, are as follow:

	PRPL		PIIPL Group		Total	
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Proportion of Group ownership	**20%**	20%	**45%**	45%		
Net assets/(liabilities) of the associates	**87,170,028**	(10,523,115)	**11,310,593**	11,862,689	**98,480,621**	1,339,574
Interest in associates	**17,434,006**	(2,104,623)	**5,089,767**	5,338,210	**22,523,773**	3,233,587
Goodwill	**–**	–	**173,300**	173,300	**173,300**	173,300
Carrying value	**17,434,006**	40,826	**5,263,067**	5,511,510	**22,697,073**	5,552,336
Add: Carrying value of individually immaterial associate, in aggregate					**374,354**	200,000
Carrying value of Group's interest in associates					**23,071,427**	5,752,336

The Group had not recognised losses relating to Punggol Residences Pte Ltd where its share of losses exceed the Group's carrying amount of its investment. The Group's cumulative share of unrecognised losses as at 30 September 2015 were Nil (2014: $1,904,623). The Group has no obligation in respect of those losses.

The Group's share of associates' capital commitments in respect of the construction of the development properties are $40,058,273 (2014: $8,670,008) as at 30 September 2015.

7. Investments in joint ventures

	Group	
	2015	2014
	$	$
Unquoted equity investment, at cost	**639,062**	639,062
Share of results of joint ventures, net of dividend received and tax	**(546,234)**	(549,254)
	92,828	89,808

7. Investments in joint ventures (Continued)

The details of the joint ventures are as follows:

Name of company (Country of incorporation and principal place of business)	Effective equity interest held by the Group 2015	2014	Principal activities
	%	%	
Held by Keong Hong Construction Pte Ltd			
Keong Hong - Kienta Engineering JV LLP[(1)] (Singapore)	50	50	To carry out the construction of a project known as "IBIS Hotel" awarded by Bencool LA Pte Ltd.
Oasis Development Pte Ltd[(2)] (Singapore)	20	20	Development of real estate
MKH (Punggol) Pte Ltd[(3)] (Singapore)	15	15	Development of real estate
Katong Holdings Pte Ltd[(3)] (Singapore)	20	20	Hotel developer of 883 East Coast Road

(1) Audited by BDO LLP, Singapore
(2) Audited by Deloitte & Touche LLP, Singapore
(3) Audited by Ecovis Assurance LLP, Singapore

The financial year end of Keong Hong - Kienta Engineering JV LLP, Oasis Development Pte Ltd, MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd are 30 September, 28 February, 31 July and 31 January respectively.

In the previous financial year, the Group subscribed for additional 149,997 ordinary shares, representing 15% of the issued share capital of MKH (Punggol) Pte Ltd at a cash consideration of $149,997. Total shares subscribed were 150,000 ordinary shares and representing 15% of shareholdings.

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.

The Group's share of joint ventures' capital commitments in respect of the construction of the development properties is $42,903,294 (2014: $29,979,600) as at 30 September 2014.

Aggregate information of joint venture that are not individually material

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial joint ventures accounted for using the equity method:

	Group 2015	2014
	$	$
The Group's share of loss before tax	**(907,188)**	(1,622,919)
The Group's share of loss after tax	**(907,188)**	(1,622,919)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**(907,188)**	(1,622,919)
Aggregate carrying amount of the Group's interest in these joint ventures	**92,828**	89,808

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

7. Investments in joint ventures (Continued)

Unrecognised share of losses of joint ventures

	Group	
	2015	**2014**
	$	**$**
The unrecognised share of loss of joint ventures for the year	**925,060**	1,073,228
Cumulative share of loss of joint ventures	**1,998,288**	1,073,228

8. Intangible assets

	Computer software	Transferable club membership	Total
	$	$	$
Group			
Cost			
Balance at 1 October 2014 and at 30 September 2015	47,390	222,000	269,390
Accumulated amortisation			
Balance at 1 October 2014	26,811	–	26,811
Amortisation for the financial year	15,846	–	15,846
Balance at 30 September 2015	42,657	–	42,657
Carrying amount			
Balance at 30 September 2015	4,733	222,000	226,733
Remaining useful life	1 year	–	1 year
Cost			
Balance at 1 October 2013	28,560	222,000	250,560
Additions	18,830	–	18,830
Balance at 30 September 2014	47,390	222,000	269,390
Accumulated amortisation			
Balance at 1 October 2013	14,608	–	14,608
Amortisation for the financial year	12,203	–	12,203
Balance at 30 September 2014	26,811	–	26,811
Carrying amount			
Balance at 30 September 2014	20,579	222,000	242,579
Remaining useful life	1 –2 years	–	1 – 2 years

As at the end of the reporting period, the transferable club memberships rights are held in trust by a Director of the Company. The amortisation is included in the "Administrative expenses" line item in profit and loss.

9. Convertible bond/Derivative on convertible bond

Convertible bond

	Group and Company	
	2015	2014
	$	$
Convertible bond carried at amortised cost	**4,808,574**	4,633,242

Derivative on convertible bond

	Group and Company	
	2015	2014
	$	$
At the beginning of the financial year	**307,123**	811,853
Fair value gain/(loss) on derivative	**82,733**	(504,730)
At end of financial year	**389,856**	307,123

On 19 August 2013, the Company entered into subscription agreement with Kori Holdings Limited ("Kori"), a public company limited by shares listed on the Catalist board of the Singapore Exchange Securities Trading Limited, to subscribe for S$5,000,000, 3 years convertible bond, matures on 5 September 2016 ("Maturity Date"). The convertible bond carries a coupon interest rate of 5% per annum and Kori shall pay the interest to the Company one year in arrears and the principal sum to be redeemed at Maturity Date.

Under the terms of the subscription agreement, the convertible bond is to be converted into ordinary shares of Kori at conversion price of $0.42 at the discretion rights of the Company at any time before the Maturity Date.

Kori has the discretion rights at any time prior to the Maturity Date in the event there is a change of control of the Company ("Change of Control") to redeem the convertible bond in an amount equal to 130% of the principal amount less any interest paid by Kori to the Company by giving the 15 days written notice ("Notice Period") to the Company. The Company may not exercise its conversion right during the Notice Period. The Change of Control is defined as follow:

(i) A change in the majority of the executive directors on the Board of Directors of the Company; and

(ii) The controlling shareholder, Mr. Leo Ting Ping Ronald holding 46% or less of the issued share capital of the Company.

In accordance with FRS39, Financial Instrument: Recognition and Measurement, the Company has assessed and classified the equity conversion feature in the convertible bond as an embedded derivative as the economic characteristic and risks are not closely related to the bond. Accordingly, the Company has engaged an independent professional valuer to determine the fair value of the derivative, taking into consideration certain parameters such as the credit rating, spot price, volatility, risk-free rate of the host contract, etc. Based on this valuation, the total subscribed amount of the convertible bond of $5,000,000, were segregated into convertible bond (debt host) and derivative financial instrument (equity conversion embedded derivative) of $4,472,653 and $527,347 respectively on the date of inception. The directors of the Company has assessed that the fair value of the redemption option granted to Kori, which is exercisable only in the event of a Change of Control, is insignificant as the probability of the controlling shareholder holding below 46% of the issued share capital is very low.

The Group has re-measured the fair value of the derivative as at 30 September 2015 and recognised a fair value gain amounting to $82,733 (2014: $504,730 loss) as at the end of the financial year respectively.

The convertible bond is denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

10. Available-for-sale financial assets

	Group and Company 2015	Group and Company 2014
	$	$
Quoted equity securities, at fair value	6,675,000	–

During the financial year 2015, the Company acquired 15.1% equity interest in Kori Holdings Limited ("Kori"), a public company limited by shares listed on the Catalist board of the Singapore Exchange Securities Trading Limited, for a consideration of $6,825,000. As disclosed in Note 3.1 to the financial statements, the management does not consider that the Group is able to exercise significant influence over Kori. The fair value of the securities is based on the quoted closing market prices on the last market day of the financial year. It is classified as a Level 1 fair value hierarchy.

Changes in fair value of the quoted equity securities amounting to $150,000 loss have been recognised in the other comprehensive income and accumulated in the available-for-sale reserve.

11. Finance lease receivables

	Minimum lease payments	Unearned future income	Present value of minimum lease payments
	$	$	$
Group			
2015			
Current assets			
Within one financial year	156,000	(31,970)	124,030
Non-current assets			
After one financial year but within five financial years	1,119,144	(88,972)	1,030,172
	1,275,144	(120,942)	1,154,202

During the financial year, the Group leases three units of its machineries to non-related party under finance lease. The lease agreement commence in 1 September 2015 and will terminate after 5 years and the machineries will be sold to the lessee for $508,143.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 2.9% (2014: nil) per annum.

Finance lease receivable balances are secured over the equipment leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to total amount receivable from the lessee.

The finance lease receivables is denominated in Singapore dollars.

12. Trade and other receivables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Trade receivables				
- third parties	**13,031,257**	13,230,630		
- subsidiary	**–**	–	**9,129,500**	–
- associate	**3,536,256**	9,775,032	**–**	–
- joint ventures	**21,301,249**	10,788,030	**–**	–
Allowance for doubtful debts				
– Third parties	**(86,719)**	–		
	37,782,043	33,793,692	**9,129,500**	–
Retention sum	**40,494,082**	33,837,375	**–**	–
Security deposits	**688,897**	1,359,590	**–**	–
			–	–
Non-trade receivables			**–**	–
- third parties	**3,287,005**	2,584,276	**250,000**	250,000
- joint ventures	**51,504,679**	43,767,416	**–**	–
- associates	**29,482,118**	28,885,521	**8,004**	–
	163,238,824	144,227,870	**9,387,504**	250,000

Trade and non-trade receivables from third parties, trade receivables from associate and joint ventures are unsecured, non-interest bearing and generally on 30 to 60 days (2014: 30 to 60 days) credit terms.

The trade amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

The non-trade amounts due from joint ventures are unsecured, repayable on demand and bear interest rate of 2.67% to 2.78% (2014: 2.67% to 2.78%) per annum.

The non-trade amounts due from an associate are unsecured, repayable on demand and bear interest rate of 0% to 1.10% (2014: 0% to 1.10%) per annum.

Movements in the allowance for impairment of trade receivables are as follows:

	Group	
	2015	**2014**
	$	**$**
Balance at beginning of financial year	**–**	–
Allowances charged to profit or loss	**86,719**	–
Balance at end of financial year	**86,719**	–

At 30 September 2015, retention sum held by customers for contract work amounted to $40,494,082 (2014: $33,837,375). Retention sum are due for settlement after more than 12 months. They have been classified as current because they are expected to be realised in the normal operating cycle of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

12. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Singapore dollar	**155,523,456**	141,787,165	**9,387,504**	250,000
United States dollar	**7,680,762**	2,098,650	**–**	–
Maldives Rufiyaa	**34,606**	342,055	**–**	–
	163,238,824	144,227,870	**9,387,504**	250,000

13. Due from/(to) contract customers

	Group	
	2015	2014
	$	$
Amounts due from contract customers	**9,802,842**	12,464,534
Amounts due to contract customers	**(29,050,817)**	(17,127,173)
	(19,247,975)	(4,662,639)
Contract costs incurred plus recognised profits (less recognised losses) to date on uncompleted construction contracts	**829,004,136**	802,139,497
Less: Progress billings	**(848,252,111)**	(806,802,136)
	(19,247,975)	(4,662,639)

The due from contract customers are denominated in Singapore dollar.

14. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Fixed deposits	**57,892,947**	3,935,154	**30,643,668**	602,030
Cash and bank balances	**42,675,626**	34,790,818	**15,574,253**	4,490,160
Cash and cash equivalents on statements of financial position	**100,568,573**	38,725,972	**46,217,921**	5,092,190
Fixed deposits pledged	**(230,035)**	(228,438)	**–**	–
Cash and cash equivalents included in the consolidated statement of cash flows	**100,338,538**	38,497,534		

Fixed deposits will mature within 1 to 12 (2014: 1 to 12) months from the financial year-end and the effective interest rate on the fixed deposits range from between 0.15% to 3.20% (2014: 0.15% to 3.05%) per annum.

As at 30 September 2015, fixed deposits of the Group amounting to $230,035 (2014: $228,438) are pledged to bank for facilities granted to the Group as disclosed in Note 20 to the financial statements.

14. Cash and cash equivalents (Continued)

Cash and cash equivalents on statements of financial position are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Ringgit Malaysia	**656,853**	774,663	**–**	–
Singapore dollar	**85,228,899**	35,018,754	**46,217,921**	5,092,190
United States dollar	**10,737,504**	2,801,687	**–**	–
Maldives Rufiyaa	**3,945,317**	130,868	**–**	–
	100,568,573	38,725,972	**46,217,921**	5,092,190

15. Share capital

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares		$	$
Issued and fully-paid:				
At beginning of financial year	**240,000,000**	160,000,000	**23,836,074**	23,836,074
Issuance of ordinary shares pursuant to the bonus issue	**–**	80,000,000	**–**	–
At end of financial year	**240,000,000**	240,000,000	**23,836,074**	23,836,074

On 8 May 2014, the Company issued 80,000,000 ordinary shares pursuant to the bonus issue on the basis of one bonus share for every two existing ordinary shares (the "Bonus Issues"). Included in these shares are 2,250,000 bonus shares granted for the treasury shares held by the Company. The Bonus Shares are issued as fully paid at nil consideration to entitled shareholders, without capitalisation of the Company's reserves and rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared. All ordinary shares have no par value and carry one vote per share without restriction.

16. Treasury shares

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares		$	$
At beginning of the financial year	**6,750,000**	4,000,000	**2,425,000**	2,140,000
Repurchased during the financial year	**7,300,000**	500,000	**3,302,850**	285,000
Bonus shares	**–**	2,250,000	**–**	–
At end of the financial year	**14,050,000**	6,750,000	**5,727,850**	2,425,000

The Company acquired 7,300,000 (2014: 500,000) shares in the Company in the open market during the financial year. The total amount paid to repurchase the shares was $3,302,850 (2014: $285,000) and this was presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

17. Share option reserve

Equity-settled share option scheme

The Keong Hong Holdings Limited Employee Share Option Scheme (the "Scheme") was approved in November 2011. This Scheme is designed to reward and retain the eligible participants whose services are vital to the success of the Group. Under the rules of the Scheme, Executive Directors and Non-Executive Directors and employees of the Group, who are not controlling shareholders are eligible to participate in the Scheme.

Pursuant to the Scheme,

(a) On 1 October 2013, the Company granted 4,000,000 share options ("2014 Options") to subscribe for 4,000,000 ordinary shares in the Company at an exercise price of $0.47, which is at 19.7% discount to the market price. The market price is the average of the last dealt prices for the ordinary shares on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive trading days immediately preceding the date of grant. The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the Options are exercisable over a period of 8 years, from 1 October 2015 and expire on 30 September 2023. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(b) Following a bonus issue to the Company's ordinary shareholders during the previous financial year, the Company granted additional share options to the holders of the existing share options on 20 June 2014. The additional share options were granted based on one additional bonus share option for every two existing issued share options. The exercise price for the bonus share options and existing share options were also revised from $0.47 to $0.31. The vesting conditions remains unchanged.

(c) On 1 December 2014, the Company had granted 825,000 share options ("2015 Options") to subscribe for 825,000 ordinary shares in the Company at an exercise price of $0.315. Similar to the 2014 Options, the vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the Options are exercisable over a period of 8 years, from 1 December 2016 and expire on 30 November 2024.

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised/ lapsed/ forfeited/ expired during the year	Balance at end of financial year	Exercise price	Exercisable period
					$	
1/10/2013	4,000,000	–	–	4,000,000	0.31	1.10.2015 to 30.09.2023
20/6/2014	2,000,000	–	–	2,000,000	0.31	1.10.2015 to 30.09.2023
1/12/2014	–	825,000	–	825,000	0.315	1.12.2016 to 30.11.2024
	6,000,000	825,000	–	6,825,000		

No Options were exercised during the financial year to subscribe for ordinary shares of the Company. The Options outstanding at end of the year have remaining contractual life of 8 to 9 years (2014: 9 years).

Out of the unexercised options for 6,825,000 (2014: 6,000,000) shares, no options are exercisable as at the end of the reporting period.

17. Share option reserve (Continued)

Equity-settled share option scheme (Continued)

The fair values of Options granted on 1 October 2013, determined using the Binomial Valuation Model was $935,530. The significant inputs to the model were as follows:

	Group & Company
Grant date: 1 October 2013	
Weighted average share price ($)	0.370
Share price as of the valuation date ($)	0.585
Strike price on the option ($)	0.470
Average expected life of the option (years)	6.0
Time to vest (years)	2.0
Employee exit rate (% per year)	0%
Standard deviation of stock prices (volatility)(1)	43.45%
Annualized dividend yield on stock	3.00%
Risk free rate (%)	1.16%

With the modification of the exercise price and bonus issuance of the share options on 20 June 2014, the fair value of the Options were revised to $988,912. The significant inputs were as follows:

	Group & Company
Bonus issue	
Value date: 20 June 2014	
Weighted average share price ($)	0.370
Share price as of the valuation date ($)	0.420
Strike price on the option ($)	0.310
Average expected life of the option (years)	5.4
Time to vest (years)	1.3
Employee exit rate (% per year)	0%
Standard deviation of stock prices (volatility) (1)	39.30%
Annualized dividend yield on stock	3.00%
Risk free rate (%)	1.37%

The fair values of Options granted on 1 December 2014, determined using the Binomial Valuation Model was $100,660. The significant inputs to the model were as follows:

	Group & Company
Grant date: 1 December 2014	
Weighted average share price ($)	0.410
Share price as of the valuation date ($)	0.390
Strike price on the option ($)	0.315
Average expected life of the option (years)	6.0
Time to vest (years)	2.0
Employee exit rate (% per year)	0%
Standard deviation of stock prices (volatility)(1)	36.12%
Annualized dividend yield on stock	4.99%
Risk free rate (%)	1.55%

(1) The volatility measured as the standard deviation of expected share price returns was estimated based on historical volatility of comparable companies' share prices.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

17. Share option reserve (Continued)

Equity-settled share option scheme (Continued)

The Group and the Company recognised share based payment expenses and a corresponding share option reserve of $549,596 (2014: $479,021) for the financial year ended 30 September 2015.

18. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is non-distributable. Movements in this account are set out in the consolidated statement of changes in equity.

19. Merger reserve

On 21 February 2011, the Company carried out a restructuring exercise involving companies which were under common control. The consolidated financial statements of the Group have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise although the legal parent-subsidiary relationship was not established until after 21 November 2011.

Merger reserve represents the difference between the consideration paid and the share capital of subsidiaries acquired.

20. Bank borrowing

	Group	
	2015	**2014**
	$	**$**
Current liabilities		
Secured		
- Revolving credit	**8,034,942**	17,917,991
- Term loan	**3,657,278**	1,000,000
	11,692,220	18,917,991
Non-current liabilities		
Secured		
- Term loan	**5,454,544**	2,494,932
	17,146,764	21,412,923

20. Bank borrowing (Continued)

The bank borrowings of the Group are denominated in Singapore dollars. The Group has two types of loans:

a) Term loans

The Group entered into a banking facility amounting to $10,000,000 on 19 March 2014 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounts to $9,111,822 (2014: $3,494,932). Repayments commenced on 1 July 2015 and will continue until 1 January 2018. The loan is secured by a charge over the Company's factory building. The loan carries an interest at 2% plus the bank cost of borrowings.

b) Revolving credits are repayable or rollover within 3 to 6 months from the financial year end and the interest are revised to the market rates on the rollover date. These revolving credits are secured by:

(i) The existing legal assignment of project proceeds in respect of project financing; and

(ii) The corporate guarantee provided by the Company.

The exposure of the Group's borrowings to interest rate changes and contractual repricing dates as at balance sheet are as follows:

	Weighted average effective interest rate		Group	
	2015	2014	2015	2014
			$	$
Within 6 months	**3.11**	2.91	**8,034,942**	17,917,991
After 6 months but within 12 months	**2.86**	2.51	**3,657,278**	1,000,000
After one year but within five years	**2.86**	2.51	**5,454,544**	2,494,932
Total			**17,146,764**	21,412,923

Management estimates that the carrying amounts of the Group's and Company's borrowings approximate their fair values as these borrowings are at floating interest rates and repriced regularly.

Undrawn Commitments

At 30 September 2015, the Group had available $86 million (2014: $85.4 million) of undrawn committed banking facilities in respect of which all conditions precedent had been met.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

21. Finance lease payables

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$	$	$
Group			
2015			
Current liabilities			
Within one financial year	228,636	(14,613)	214,023
Non-current liabilities			
After one financial year but within five financial years	267,242	(17,173)	250,069
	495,878	(31,786)	464,092
2014			
Current liabilities			
Within one financial year	627,288	(23,584)	603,704
Non-current liabilities			
After one financial year but within five financial years	330,992	(16,377)	314,615
After five years	11,766	(256)	11,510
	342,758	(16,633)	326,125
	970,046	(40,217)	929,829

The finance lease terms range from 3 to 7 (2014: 1 to 6) years for the financial year ended 30 September 2015. The effective interest rates for the finance lease obligations range from between 2.65% to 5.49% (2014: 2.50% to 5.56%) per annum for the financial year ended 30 September 2015.

Interest rates are fixed at the contract date and thus expose the Group to fair value interest rate risk. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group.

Finance lease payables are denominated in Singapore dollar.

22. Medium term notes

	Group and Company	
	2015	2014
	$	$
Medium term notes carried at amortised cost	**49,354,867**	–

During the year, the Company established the Medium term note programme (the "MTN programme") with aggregate nominal value of $150,000,000. $50,000,000 were issued on 15 June 2015 from the MTN programme under Series 001 (the "Notes") and the Notes carried fixed interest of 6% per annum with interest payable semi-annually. The Notes will mature on 15 June 2018. The Notes are unsecured.

The Notes are listed on the Singapore Exchange Securities Trading Limited. Prior to the maturity of the Notes, the Company may redeem the Notes based on the stipulated redemption price on the occurrence of the early redemption condition stated in the pricing supplement. Early redemption conditions for the Notes are:

- additional tax obligation to the Company due to any change in, or amendment to, the laws or regulation of Singapore;
- on event of default; or
- change in control of the Company.

The Notes contained certain covenants that the Group will ensure that:

(i) its Consolidated Tangible Net Worth shall not at any time be less than S$70,000,000;
(ii) the ratio of Consolidated Total Borrowings to Consolidated Tangible Net Worth shall not at any time exceed 1.50:1;
(iii) the ratio of Consolidated Secured Debt to the Consolidated Total Assets of the Issuer shall not at any time be more than 0.50:1; and
(iv) the ratio of EBITDA to Interest Expense shall not at any time be less than 2.00:1.

Management estimated the fair value of the Notes at 30 September 2015 to be approximately $50,452,048. The fair value is based on the bid price extracted from Singapore Exchange Securities Trading Limited as at 30 September 2015. The Notes are classified as Level 1 fair value hierarchy.

23. Deferred tax liabilities

	Group	
	2015	2014
	$	$
Group		
Balance at beginning of financial year	**167,000**	167,000
Charged to profit or loss	**–**	–
Balance at end of financial year	**167,000**	167,000

The deferred tax liabilities are attributable to temporary differences arising from accelerated tax depreciation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

24. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Trade payables				
- third parties	**13,043,095**	22,787,487	**–**	–
- accrued subcontractor expenses	**105,048,051**	67,369,192	**–**	–
- goods and services tax payable	**1,517,840**	1,748,594	**–**	–
	119,608,986	91,905,273	**–**	–
Non-trade payables				
- third parties	**1,237,861**	1,090,504	**–**	–
- due to a subsidiary	**–**	–	**10,093,951**	6,374,750
Accrued operating expenses	**7,604,014**	4,866,388	**1,170,296**	243,349
	128,450,861	97,862,165	**11,264,247**	6,618,099

Trade and non-trade payables are unsecured, non-interest bearing and generally on 30 to 90 (2014: 30 to 90) days credit terms.

The non-trade amount due to a subsidiary is unsecured, repayable on demand and bears fixed interest rate of 2.98% (2014: 2.98%) per annum.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Singapore dollar	**128,296,649**	97,041,020	**11,264,247**	6,618,099
United States dollar	**154,212**	821,145	**–**	–
	128,450,861	97,862,165	**11,264,247**	6,618,099

25. Revenue

Revenue represents income from building and construction services rendered on long-term construction contracts on which profits have been recognised under the percentage of completion method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

26. Other income

	Group	
	2015	2014
	$	$
Fair value gain on financial assets at fair value through profit or loss	–	48,396
Accretion of convertible bond discount	**175,332**	160,589
Fair value gain on derivative on convertible bond	**82,733**	–
Gain on disposal of property, plant and equipment	**310,325**	966
Foreign exchange gains	**1,113,705**	180,202
Late charges charged to subcontractor	**172,783**	156,476
Rental income	**108,269**	103,092
Sales of scrap steel	**81,721**	139,668
Management fee	**1,200,546**	301,325
Dividend income	**75,000**	–
Others	**7,904**	99,219
	3,328,318	1,189,933

27. Finance costs

	Group	
	2015	2014
	$	$
Interest expenses:		
- medium term note	**944,476**	–
- revolving credit	**437,507**	278,027
- finance leases	**33,285**	41,787
	1,415,268	319,814

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

28. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2015	2014
	$	$
Cost of sales		
Depreciation of property, plant and equipment	**3,385,463**	1,956,341
Operating lease expenses	**179,050**	140,377
Administrative expenses		
Allowance for doubtful debts	**86,719**	–
Audit fees		
- Auditors of the Company	**71,065**	63,887
- Other auditors	**13,718**	8,902
Non-audit fees		
- Auditors of the Company	**65,500**	14,591
- Other auditors	**5,984**	4,507
Amortisation of intangible asset	**15,846**	12,202
Depreciation of property, plant and equipment	**509,575**	287,084
Fair value loss on derivative on convertible bond	**–**	504,730
Low value assets items expensed off	**69,347**	106,144
Loss on disposal of financial assets held to maturity	**–**	57,814
Management fees	**546,773**	420,335
Operating lease expenses	**262,773**	243,344
Printing and stationery expenses	**102,620**	134,880
Property, plant and equipment written off	**291**	1,501
Professional fees	**463,868**	426,357
Telephone expenses	**230,192**	225,150

The profit before income tax also includes:

	Group	
	2015	2014
	$	$
Employee benefit expenses:		
Salaries, wages, bonuses and other staff benefits	**17,246,844**	14,612,505
Contributions to defined contribution plans	**510,834**	462,968
Share option expense	**549,596**	479,021
	18,307,274	15,554,494

The employee benefit expenses are recognised in the following line items in profit or loss:

	Group	
	2015	2014
	$	$
Cost of sales	**11,313,344**	11,538,248
Administrative expenses	**6,993,930**	4,016,246
	18,307,274	15,554,494

Included in the employee benefit expenses were Directors' remuneration as shown in Note 32 to the financial statements.

29. Income tax expense

	Group	
	2015	2014
	$	$
Current income tax		
- current financial year	**2,684,590**	3,604,717
- Under provision in prior financial years	**6,035**	617,005
	2,690,625	4,221,722
Deferred income tax		
- current financial year	**–**	–
Total income tax expense recognised in profit or loss	**2,690,625**	4,221,722

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2014: 17%) to profit before income tax as a result of the following differences:

		Group	
		2015	2014
		$	$
Profit before income tax		**41,509,861**	23,618,448
Add/Less:	Share of result of joint venture	**(3,020)**	549,763
	Share of result of associate	**(19,158,623)**	35,945
		22,348,218	24,204,156
Income tax calculated at Singapore's statutory income tax rate of 17% (2014: 17%)		**3,799,197**	4,114,707
Effect of different tax rate in other country		**(2,268)**	15,076
Tax effect of income not subject to income tax		**(689,480)**	(965,330)
Tax effect of expenses not deductible for income tax purposes		**552,116**	664,041
Tax effect of tax exemption		**(38,772)**	(53,284)
Under provision in prior financial years		**6,035**	617,005
Unrecognised deferred tax assets		**150,081**	117,291
Utilisation of previously unrecognised deferred tax assets		**(3,431)**	–
Enhanced tax deduction		**(894,292)**	(237,446)
Others		**(188,561)**	(50,338)
		2,690,625	4,221,722

Unrecognised deferred tax assets

	Group	
	2015	2015
	$	$
Balance at beginning of financial year	**254,409**	137,118
Amount not recognised during the financial year	**150,081**	117,291
Utilisation of deferred tax assets not recognised previously	**(3,431)**	–
Balance at end of financial year	**401,059**	254,409

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

29. Income tax expense (Continued)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to:

	Group 2015	Group 2014
	$	$
Unutilised tax losses	**327,513**	250,978
Unutilised capital allowance	**73,546**	86,529
	401,059	337,507

As at 30 September 2015, the Group has unutilised tax losses and unutilised capital allowance amounting to approximately $2,180,000 (2014: $1,670,000) and $432,000 (2014: $508,000) respectively available for set-off against future taxable profits subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Included in unutilised tax losses are the following tax losses of KHA Resorts & Hotels Construction Pvt Ltd which are available for offset against future taxable income for a period of 5 years from the year incurred:

Year incurred	Year of expiry	Group 2015	Group 2014
		$	$
2012	2017	**56,815**	56,815
2013	2018	**163,401**	163,401
2014	2019	**30,762**	30,762
2015	2020	**76,535**	–
		327,513	250,978

Deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits in KHA Resorts & Hotels Construction Pvt Ltd and K.H. Land Pte Ltd to realise these future benefits. Accordingly, the deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.18 to the financial statements.

30. Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2015	2014
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent ($)	**38,092,689**	19,673,164
Weighted average number of ordinary shares outstanding for basic earnings per share	**231,191,342**	233,570,252
Basic earnings per share (cents)	**16.48**	8.42

30. Earnings per share (Continued)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. During the current and previous financial year, the Company has issued share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	2015	2014
Profit attributable to owners of the parent ($)	**38,092,689**	19,673,164
Weighted average number of ordinary shares outstanding for basic earnings per share	**240,000,000**	160,000,000
Effect of treasury shares	**(8,808,658)**	(6,429,748)
Effect of bonus shares	**–**	80,000,000
Effect of share options in issue	**6,687,124**	6,000,000
Weighted average number of ordinary shares at 30 September	**237,878,466**	239,570,252
Diluted earnings per share (cents)	**16.01**	8.21

31. Dividends

	Group and Company	
	2015	2014
	$	$
Interim tax-exempt dividend paid of 0.50 (2014: 2.00) cents per ordinary share in respect of the current financial year	**1,164,750**	3,120,000
Final tax-exempt dividend paid of 1.25 (2014: 1.00) cents per ordinary share in respect of the previous financial year	**2,911,875**	1,555,000
	4,076,625	4,675,000

The Board of Directors proposed that a final dividend of 4.00 (2014: 1.25) cents per ordinary share amounting to $9,038,000 (2014: $2,911,875) to be paid for the financial year ended 30 September 2015. These dividends have not been recognised as a liability as at the end of the reporting period as it is subject to the approval of the shareholders at the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

32. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The ultimate controlling party is Mr Leo Ting Ping Ronald whose interest in the company is held through his shareholdings in Keong Hong Holdings Limited.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions between the Group and its related parties during the financial year at rates and terms agreed between the parties:

	Group	
	2015	**2014**
	$	**$**
Joint ventures		
Contract revenue from joint venture	**122,173,697**	44,050,654
Loan to joint ventures	**6,481,000**	14,222,850
Management fee charged to joint ventures	**107,000**	80,250
Interest charged to joint ventures	**1,256,263**	1,003,750
Associate		
Contract revenue from an associate	**36,832,871**	69,637,790
Loan to an associate	**16,962,510**	11,758,895
Repayment of loan from an associate	**(16,839,472)**	–
Payment made on behalf of associate	**1,125,553**	425,012
Management fee charged to associate	**1,093,546**	221,075
Interest charge to an associate	**581,954**	169,488

32. Significant related party transactions (Continued)

	Group and Company	
	2015	**2014**
	$	**$**
Subsidiary		
Dividend receivable	**9,129,500**	–
Directors' interest in medium term note		
Leo Ping Ting Ronald	**2,000,000**	–
Er Ang Hooa	**250,000**	–
Lim Jun Xiong Steven	**500,000**	–

Compensation of key management personnel

The remuneration of the key management personnel of the Group during the financial year was as follows:

	Group	
	2015	**2014**
	$	**$**
Directors of the Company		
- Short-term benefits	**3,217,090**	1,855,558
- Post-employment benefits	**14,000**	11,900
- Directors' fees	**154,000**	138,333
- Share option expenses	**49,334**	49,334
Other key management personnel		
- Short-term benefits	**1,224,415**	1,187,392
- Post-employment benefits	**64,100**	66,300
- Share option expenses	**138,586**	123,334
	4,861,525	3,432,151

33. Commitments

33.1 Operating lease commitments

Group as a lessee

As at the end of the reporting period, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	2015	**2014**
	$	**$**
Not later than one financial year	**445,542**	546,276
Later than one financial year but not later than five financial years	**2,020,351**	1,072,636
After five years	**–**	1,271,693
	2,465,893	2,890,605

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

33. Commitments (Continued)

33.1 Operating lease commitments (Continued)

The above operating lease commitments are based on existing rental rates as at the end of the reporting period. The operating lease agreements provide for periodic revision of such rates in the future. The Group leases various premises and office equipment under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and renewal rights.

33.2 Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2015	2014
	$	$
Commitments for construction in progress	–	5,880,000

34. Contingent liabilities

The Company has issued corporate guarantees amounting to $132 million (2014: $145 million) to banks for banking facilities of certain subsidiaries. The banking facilities utilised as at the financial year end amounted to $46.0 million (2014: $59.6 million).

35. Segment information

For management reporting purposes, the Group is organised into two main operating divisions as follows:

1. The construction segment is in the business of general building contractors.
2. The property development segment is in the business of developing properties with other partners. The Group has investments in associates or joint ventures which are special purpose entities set up for the purpose of property development. The returns from this segment is included in the "Share of results from associates or joint ventures".

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations.

Inter-segment pricing, if any, is determined on an arm's length basis.

Group financing and income taxes are managed on a group basis and are not allocated to the operating segments.

In presenting geographical information, segment revenue is based on the billing location of customers.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

35. Segment information (Continued)

	Buildings and Construction	Property Development	Total
	$	$	$
2015			
Revenue			
Sales	281,983,795	–	281,983,795
Inter-segment sales	–	–	–
Sales to external customers	281,983,795	–	281,983,795
Profit from operations			
Share of results from joint ventures, net of tax	–	3,020	3,020
Share of results from associates, net of tax	–	19,158,623	19,158,623
Interest income	2,268,643	–	2,268,643
Interest expenses	(1,415,268)	–	(1,415,268)
Depreciation and amortisation	(3,910,884)	–	(3,910,884)
Income tax	(2,690,625)	–	(2,690,625)
Reportable segment profit/(loss) before income tax	22,348,218	19,161,643	41,509,861
Net profit/(loss) for the financial year after tax	19,657,593	19,161,643	38,819,236
Other information:			
Capital expenditure	18,851,556	–	18,851,556
Investment in joint ventures	–	92,828	92,828
Investment in associates	–	23,071,427	23,071,427
Segment assets	316,892,695	23,164,255	340,056,950
Segment liabilities	227,312,858	–	227,312,858

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

35. Segment information (Continued)

	Buildings and Construction	Property Development	Total
	$	$	$
2014			
Revenue			
Sales	272,880,877	–	272,880,877
Inter-segment sales	–	–	–
Sales to external customers	272,880,877	–	272,880,877
Profit from operations			
Share of results from joint ventures	–	(549,763)	(549,763)
Share of results from associates	–	(35,945)	(35,945)
Interest income	1,587,670	–	1,587,670
Interest expenses	(319,814)	–	(319,814)
Depreciation and amortisation	(2,255,628)	–	(2,255,628)
Income tax	(4,221,722)	–	(4,221,722)
Reportable segment profit/(loss) before income tax	24,204,156	(585,708)	23,618,448
Net profit/(loss) for the financial year after tax	19,982,434	(585,708)	19,396,726
Other information:			
Capital expenditure	11,520,398	–	11,520,398
Investment in joint ventures	–	89,808	89,808
Investment in associates	–	5,752,336	5,752,336
Segment assets	216,256,680	5,842,144	222,098,824
Segment liabilities	141,962,271	–	141,962,271

Geographical segment information:

	Group	
	2015	2014
	$	$
Revenue		
Singapore	**266,369,935**	271,783,036
Maldives	**15,613,860**	1,097,841
Total revenue	**281,983,795**	272,880,877
Non-current assets		
Singapore	**51,597,377**	20,979,792
Maldives	**1,010,669**	298,986
Total non-current assets	**52,608,046**	21,278,778

The revenue information above is based on the location of the customer.

Major customers

During the financial year, the Group's revenue attributable to 8 (2014: 8) customers represent approximately 93% (2014: 98%) of total revenue.

36. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose them to credit risk, market risk (including equity price risk, interest rate risk and foreign exchange risk), and liquidity risk. The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which it manages and measures the risk.

36.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's major classes of financial assets are trade and other receivables, cash and cash equivalents, finance lease receivables, available-for-sale financial assets, convertible bond and amounts due from contract customers. The Group has adopted a policy of only bidding for contracts from developers with good financial standings. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collaterals.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Group	
	2015	**2014**
	$	**$**
Company		
Committed corporate guarantees provided to banks for subsidiaries' banking facilities as at the end of financial year	**131,723,000**	149,597,590

The earliest period that the guarantee could be called is within 1 year from the end of the reporting period. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except as follows:

a) At the end of the reporting period, the Group has outstanding trade receivables from 1 (2014: 3) customer which represent 24% (2014: 36%) of total trade receivables balance at year end.
b) At the end of the reporting period, the retention sum from 5 customers represent 20% (2014: 18%) of total trade and other receivables balance.

The Group defines counterparties as having similar characteristics if they are related entities. Ongoing evaluation is performed on the financial condition of accounts receivable.

The Company has significant amounts of trade receivables due from a subsidiary.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables and other financial assets that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

36. Financial instruments, financial risks and capital management (Continued)

36.1 Credit risk (Continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2015	**2014**
	$	**$**
Past due 0 to 1 month	**275,619**	5,002,221
Past due 1 to 3 months	**162,849**	165,500
Past due 3 to 6 months	**5,099**	–
Past due over 6 months	**544,497**	178,758
	988,064	5,346,479

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2015	**2014**
	$	**$**
Past due over 6 months	**86,719**	–
Less: Allowance for impairment	**(86,719)**	–
	–	–

The impaired trade receivables relates mainly due to amounts which has been outstanding more than a year despite collection efforts.

There are no financial assets that are past due and/or impaired at the Company level.

36.2 Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates that will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity prices

The Group is exposed to equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic reasons rather than trading purpose. The Group does not actively trade available-for-sale investments.

Further details of these equity investments can be found in Note 10 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

36. Financial instruments, financial risks and capital management (Continued)

36.2 Market risk (Continued)

(i) Equity prices (Continued)

Equity price sensitivity analysis (Continued)

In respect of available-for-sale equity investments, if the prices for equity securities listed in Singapore had been 5% higher/lower with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

- The Group's net profit for the year ended September 30, 2015 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and

- The Group's available for sale reserves would decrease/increase by $333,750.

(ii) Foreign exchange risk management

Currency risk arises from transactions denominated in currency other than the functional currency of the entities within the Group. The currencies that give rise to this risk are primarily United States dollar, Ringgit Malaysia and Maldives Rufiyaa.

It is not the Group's policy to take speculative positions in foreign currency.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of the entities within the Group are as follows:

	Group			
	Assets		Liabilities	
	2015	2014	2015	2014
	$	$	$	$
United States dollar	**18,418,266**	4,900,337	**154,212**	821,145
Ringgit Malaysia	**656,853**	774,663	**–**	–
Maldives Rufiyaa	**3,979,923**	472,923	**–**	–

The Group has foreign operations, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Exposure to foreign currency risk is monitored on an ongoing basis in accordance with the Group's risk management policies to ensure that the net exposure is at an acceptable level.

The Company is not exposed to any foreign exchange risk.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% (2014: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group. The 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact to the Group's profit or loss and/or equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

36. Financial instruments, financial risks and capital management (Continued)

36.2 Market risk (Continued)

(ii) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis (Continued)

If the relevant foreign currency weakens by 5% against the functional currency of each group entity, profit or loss and other equity will increase/(decrease) by:

	United States Dollar impact		Ringgit Malaysia impact		Maldives Rufiyaa impact	
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Group						
Profit or loss	**(850,015)**	(209,239)	**(32,843)**	(38,733)	**(198,996)**	(23,646)
Other equity	**–**	–	**–**	–	**–**	–

If the relevant foreign currency strengthens by 5% against the functional currency of each group entity, profit or loss and other equity will increase/(decrease) by:

	United States Dollar impact		Ringgit Malaysia impact		Maldives Rufiyaa impact	
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Group						
Profit or loss	**850,015**	209,239	**32,843**	38,733	**198,996**	23,646
Other equity	**–**	–	**–**	–	**–**	–

(iii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to variable rate bank borrowings with financial institutions and trade and other receivables. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Company is not exposed to significant interest rate risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 30 September 2015 would increase/decrease by $488,912 (2014: increase/decrease by $470,329). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and trade and other receivables.

The Company's profit and loss and equity are not affected by the changes in interest rates as the Company has no significant variable interest bearing financial instruments.

36. Financial instruments, financial risks and capital management (Continued)

36.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to ensure that all repayment needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet its working capital requirement.

The following table details the Group's and the Company's remaining contractual maturity for its financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial instrument on the statement of financial position.

Contractual maturity analysis

	Within one financial year	After one financial year but within five financial years	After five financial years	Adjustments	Total
	$	$	$	$	$
Group					
2015					
Financial assets					
Convertible bond and derivative on convertible bond	5,250,000	–	–	(51,570)	5,198,430
Due from contract customers	9,802,842	–	–	–	9,802,842
Finance lease receivable	156,000	1,119,144		(120,942)	1,154,202
Available-for-sale financial assets	–	6,675,000	–	–	6,675,000
Trade and other receivables	165,250,900	–	–	(2,012,076)	163,238,824
Cash and cash equivalents	100,960,447	–	–	(391,874)	100,568,573
Financial liabilities					
Trade and other payables	126,933,021	–	–	–	126,933,021
Bank borrowing	12,041,654	5,618,182	–	(513,072)	17,146,764
Finance lease payables	228,636	267,242	–	(31,786)	464,092
Medium term note	3,000,000	55,125,000	–	(8,770,133)	49,354,867

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

36. Financial instruments, financial risks and capital management (Continued)

36.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year	After one financial year but within five financial years	After five financial years	Adjustments	Total
	$	$	$	$	$
Group					
2014					
Financial assets					
Convertible bond and derivative on convertible bond	250,000	5,250,000	–	(559,635)	4,940,365
Due from contract customers	12,464,534	–	–	–	12,464,534
Trade and other receivables	145,370,941	–	–	(1,143,071)	144,227,870
Cash and cash equivalents	38,772,222	–	–	(46,250)	38,725,972
Financial liabilities					
Trade and other payables	96,113,571	–	–	–	96,113,571
Bank borrowing	19,399,657	2,620,677	–	(607,411)	21,412,923
Finance lease payables	627,288	330,992	11,766	(40,217)	929,829
Company					
2015					
Financial assets					
Convertible bond and derivative on convertible bond	5,250,000	–	–	(51,570)	5,198,430
Available-for-sale financial assets	–	6,675,000	–	–	6,675,000
Trade and other receivables	9,387,504	–	–	–	9,387,504
Cash and cash equivalents	46,324,483	–	–	(106,562)	46,217,921
Financial liabilities					
Trade and other payables	11,668,648	–	–	(404,401)	11,264,247
Financial guarantee contracts	131,723,000	–	–	–	131,723,000
Medium term note	3,000,000	55,125,000	–	(8,770,133)	49,354,867

36. Financial instruments, financial risks and capital management (Continued)

36.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year	After one financial year but within five financial years	After five financial years	Adjustments	Total
	$	$	$	$	$
Company					
2014					
Financial assets					
Convertible bond and derivative on convertible bond	250,000	5,250,000	–	(559,635)	4,940,365
Trade and other receivables	250,000	–	–	–	250,000
Cash and cash equivalents	5,096,293	–	–	(4,103)	5,092,190
Financial liabilities					
Trade and other payables	6,791,021	–	–	(172,922)	6,618,099
Financial guarantee contracts	149,597,590	–	–	–	149,597,590

36.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and maintains an optimal capital structure so as to maximise shareholder's value. The Group and the Company are subject to and complied with externally imposed capital requirements for the financial year ended 30 September 2015, as disclosed in Note 22.

The Group and the Company are not subject to any externally imposed capital requirement for the financial years ended 30 September 2014.

The Group and the Company constantly review the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's and the Company's overall strategy remain unchanged during the financial years ended 30 September 2015 and 2014.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total capital. The Group and the Company include within net debt, trade and other payables, bank borrowing and finance lease payables less cash and cash equivalents. Total equity consists of total share capital, other reserves plus accumulated profits. Total capital consists of net debt plus total equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

36. Financial instruments, financial risks and capital management (Continued)

36.4 Capital management policies and objectives (Continued)

	Group		Company	
	2015	2014	2015	2014
	$	$.	$	$
Trade and other payables	**128,450,861**	97,862,165	**11,264,247**	6,618,099
Bank borrowing	**17,146,764**	21,412,923	**–**	–
Finance lease payables	**464,092**	929,829	**–**	–
Medium term note	**49,354,867**	–	**49,354,867**	–
Less: Cash and cash equivalents	**(100,568,573)**	(38,725,972)	**(46,217,921)**	(5,092,190)
Net debt	**94,848,011**	81,478,945	**14,401,193**	1,525,909
Total equity	**111,467,180**	79,638,972	**28,419,631**	25,246,107
Total capital	**206,315,191**	161,117,917	**42,820,824**	26,772,016
Gearing ratio (%)	**46.0**	50.6	**33.6**	5.7

36.5 Fair values

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. Financial instruments, financial risks and capital management (Continued)

36.5 Fair values (Continued)

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Group				
2015				
Financial asset				
Available-for-sale	6,675,000	–	–	6,675,000
Derivative on convertible bond	–	389,856	–	389,856
2014				
Financial liability				
Derivative on convertible bond	–	307,123	–	307,123
Company				
2015				
Financial asset				
Available-for-sale	6,675,000	–	–	6,675,000
Derivative on convertible bond	–	389,856	–	389,856
2014				
Financial liability				
Derivative on convertible bond	–	307,123	–	307,123

There were no transfers between Levels 1 and 2 of the fair value hierarchy during the year.

The fair value of available-for-sale financial assets is determined based on the quoted bid prices in an active market at the balance sheet date. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, derivative on convertible bond) is determined by using valuation techniques. The Group uses binomial option pricing model and makes assumptions on volatility, dividend yield and risk-free rate that are based on market conditions existing at each balance sheet date. These financial instruments are classified as Level 2 and comprise derivative component of the convertible bond financial instruments.

Fair value of the financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amounts of the Group's and Company's current financial assets and current financial liabilities approximate their fair values as at the end of the reporting periods due to the relatively short period of maturity of these financial instruments. The management considers that the fair values of Group's and Company's non-current financial assets and liabilities were not materially different from their carrying amounts at the end of the reporting years except as detailed in the following table:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Group and Company				
Financial liabilities:				
Medium term note	**49,354,867**	**50,452,048**	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2015

36. Financial instruments, financial risks and capital management (Continued)

36.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$	**$.**	**$**	**$**
Financial assets				
Loans and receivables	**279,573,015**	200,051,618	**60,413,999**	9,975,432
Derivative on convertible bond	**389,856**	307,123	**389,856**	307,123
Available-for-sale	**6,675,000**	–	**6,675,000**	–
Financial liabilities				
Other financial liabilities, at amortised cost	**193,898,744**	118,456,323	**60,619,114**	6,618,099

37. Subsequent events

Acquisition of property in Osaka

On 13 October 2015, Keong Hong Holdings Limited incorporated a wholly-owned subsidiary in Singapore, Grandwood Holdings Pte. Ltd. On 27 November 2015, Grandwood Holdings Pte. Ltd. incorporated a wholly-owned subsidiary in Singapore, Grandwood (Japan) Pte Ltd.

On 4 December 2015, Grandwood (Japan) Pte. Ltd. entered into a Sale and Purchase Agreement with Samty Co., Ltd. for the purchase of a commercial building located in Honmachi, Osaka, Japan, for a consideration of $10,590,000.

Residential development project in Vietnam

On 22 October 2015, a wholly-owned subsidiary of Keong Hong Holdings Limited, KH Capital Pte. Ltd. had entered into a Shareholders' Agreement with LGB (Vietnam) Pte. Ltd., CES-Vietnam Holdings Pte. Ltd., Goldprime Development Pte. Ltd., KSH Vietnam Investments Pte. Ltd. and Seacare Properties (Vietnam) Pte. Ltd. to set up a Singapore-incorporated company named LGB-NB Pte. Ltd ("LGB-NB").

LGB-NB has been incorporated for the purposes of, through a subsidiary of LGB-NB to be incorporated in Vietnam, acquiring a plot of land located at Nha Be, Ho Chi Minh City, Vietnam and undertaking residential development on the acquired land.

ANALYSIS OF SHAREHOLDINGS

As at 14 December 2015

Issued and Fully Paid-Up Capital (including Treasury Shares):	S$24,316,740
Issued and Fully Paid-Up Capital (excluding Treasury Shares):	S$18,669,140
Number of Issued Shares (excluding Treasury Shares):	226,100,000
Number/Percentage of Treasury Shares:	13,900,000 (6.15%)
Class Of Shares:	Ordinary shares
Voting Rights (excluding Treasury Shares):	One Vote Per Share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.34	98	0.00
100 - 1,000	5	1.68	1,802	0.00
1,001 - 10,000	69	23.15	387,500	0.17
10,001 - 1,000,000	198	66.44	21,527,600	9.52
1,000,001 AND ABOVE	25	8.39	204,183,000	90.31
TOTAL	298	100.00	226,100,000	100.00

Based on the information available to the Company, as at 14 December 2015, approximately 37.05% of the issued ordinary shares of the Company is held by the public. Hence, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 14 DECEMBER 2015

	NO. OF SHARES	%
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	61,164,150	27.05
LEO TING PING RONALD	53,423,250	23.63
TEOU KEM ENG @TEOU KIM ENG	16,002,000	7.08
UOB KAY HIAN PTE LTD	14,112,800	6.24
KGI FRASER SECURITIES PTE LTD	10,085,300	4.46
DBS NOMINEES PTE LTD	9,320,500	4.12
LIM CHOON TECK HOLDINGS PTE LTD	4,165,500	1.84
LIM SIAK MENG	3,916,500	1.73
LIM EWE GHEE	3,748,500	1.66
RAFFLES NOMINEES (PTE) LTD	2,838,700	1.26
TEOU CHUN TONG JASON	2,550,000	1.13
GOH GEOK CHEONG	2,489,000	1.10
LIAW WIE SEIN	2,391,000	1.06
KUIK THIAM HUAT	2,082,000	0.92
MAYBANK NOMINEES (S) PTE LTD	1,934,800	0.86
GUAN CHUAN ENGINEERING CONSTRUCTION PTE LTD	1,700,000	0.75
OW YEOW BUNG	1,660,600	0.73
TEOU CHOON GEE	1,631,500	0.72
CHAI KIM POH	1,600,700	0.71
DBS VICKERS SECURITIES (S) PTE LTD	1,394,000	0.62
	198,210,800	87.67

ANALYSIS OF SHAREHOLDINGS

As at 14 December 2015

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 14 DECEMBER 2015 AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of shares held as Direct	%	No. of shares held as Deemed	%
LEO TING PING RONALD [1]	53,423,250	23.63	68,423,250	30.26
TEOU KEM ENG @TEOU KIM ENG	16,002,000	7.08	–	–

Note:

1 Mr Leo Ting Ping Ronald has a deemed interest in the 60,923,250 shares and 7,500,000 shares held in the name of BNP Paribas Nominees Singapore Pte Ltd and DBS Nominees Pte Ltd, respectively.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting ("AGM") of Keong Hong Holdings Limited (the "Company") will be held at Jurong Country Club, Ficus Room 1 & 2, Level 2, 9 Science Centre Road, Singapore 609078, on Thursday, 28 January 2016 at 11.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 September 2015 and the Auditors' Report thereon. **Resolution 1**

2. To declare a one-tier tax exempt final dividend of 4 Singapore cents per ordinary share for the financial year ended 30 September 2015. (2014: 1.25 Singapore cents) **Resolution 2**

3. To approve the proposed Directors' Fees of S$154,000 for the financial year ended 30 September 2015. (2014 : S$138,333) **Resolution 3**

4. To re-elect the following Directors who are retiring by rotation pursuant to regulation 98 of the Company's Constitution:–

   (i) Mr Leo Ting Ping Ronald **Resolution 4**

   (ii) Mr Chong Weng Hoe **Resolution 5**

   [See Explanatory Note (a)]

5. To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

6. To transact any other business of the Company which may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:

7. **General authority to allot and issue new shares in the capital of the Company** **Resolution 7**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Act") and Rule 806 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Rules of Catalist"), authority be and is hereby given to the Directors of the Company to:–

   (a) (i) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

NOTICE OF
ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:–

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (b)]

8. **Authority to Issue Shares Pursuant to the Keong Hong Employee Share Option Scheme** **Resolution 8**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to allot and issue shares in the capital of the Company ("Shares") to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Keong Hong Employee Share Option Scheme (the "Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Scheme (including options granted under the Scheme and any other scheme or plan for the time being of the Company), shall not exceed fifteen per cent (15%) of the total issued Shares (excluding treasury shares) from time to time and such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting or the expiration of period within which the next annual general meeting is required by law to be held, whichever is earlier."
[See Explanatory Note (c)]

NOTICE OF ANNUAL GENERAL MEETING

9. **Renewal of the Share Buy-Back Mandate** **Resolution 9**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act (Chapter 50 of Singapore) (the "Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchase(s) (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited (the "SGX-ST"); and/or

(ii) off-market purchase(s) (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with an equal access scheme as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the memorandum and articles of association of the Company and the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("Rules of Catalist") as may for the time being be applicable be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the Relevant Period (as hereinafter defined) and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held;

(ii) the date by which the next annual general meeting of the Company is required by law to be held;

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked; or

(iv) the date on which the Share Buybacks are carried out to the full extent mandated;

(c) for purposes of this Resolution:

"**Maximum Limit**" means ten per cent (10%) of the total issued Shares of the Company as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buy-back) in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as hereinafter defined) in which event the issued Shares of the Company shall be taken to be the total number of the issued Shares of the Company as altered by such capital reduction (the total number of Shares shall exclude any Shares that may be held as treasury shares by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the earlier of the date on which the next annual general meeting of the Company is held or is required by law to be held, or the date on which the Share Buybacks are carried out to the full extent mandate or the date the said mandate is revoked or varied by the Company in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, five per cent (5%) above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded before the day on which the Market Purchase was made by the Company and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, ten per cent (10%) above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded before the day on which the Company makes an announcement of an offer under the Off-Market Purchase scheme stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

"Market Day" means a day on which the SGX-ST is open for trading in securities;

(d) the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;

(e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buy-Back Mandate in any manner as they think fit, which is permitted under the Act; and

(f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution."
[See Explanatory Note (d)]

By Order of the Board

Lo Swee Oi and Tan Ching Chek
Joint Company Secretaries

Dated: 13 January 2016

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 5 February 2016, for the preparation of dividend warrants for the proposed tax exempt (one-tier) final dividend of 4 Singapore cents per ordinary share for the financial year ended 30 September 2015 (the "Proposed Dividend").

Duly completed transfers received by the Company's Share Registrar, B.A.C.S. Private Limited of 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to the close of business at 5.00 p.m. on 4 February 2016 will be registered to determine shareholders' entitlement to the Proposed Dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 4 February 2016, will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by members at the AGM to be held on 28 January 2016, will be paid on 19 February 2016.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(a) Information on Mr Leo Ting Ping Ronald can be found on page 20 of the annual report.

Mr Chong Weng Hoe, if re-elected, will continue to serve as the Chairman of the Nominating Committee and a member of the Audit and the Remuneration Committees. Mr Chong will be considered to be independent for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited. Information on Mr Chong can be found on page 21 of the annual report.

(b) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting whichever is the earlier, to allot and issue Shares and/or the convertible securities. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares), of which the aggregate number of Shares and/or convertible securities other than on a pro-rata basis to all existing shareholders of the Company shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares).

(c) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares of up to a number not exceeding fifteen per cent (15%) of the total issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme and any other scheme or plan of the Company for the time being.

(d) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to ten per cent (10%) of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company, at the price up to but not exceeding the Maximum Price. The rationale for the Share Buy-Back Mandate, the source of funds to be used for the Share Buy-Back Mandate, the impact of the Share Buy-Back Mandate on the Company's financial position, the implications arising as a result of the Share Buy-Back Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST are set out in the Letter to Shareholders dated 13 January 2016, which is enclosed together with the Annual Report.

Notes to Proxy Form:

(i) A member entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company. A member who is an intermediary, such as (1) a licensed bank or its wholly-owned subsidiary, which provides nominee services and hold shares in that capacity, (2) a capital markets services licence holder which provides custodial services, and (3) Central Provident Fund ("CPF") Board, in respect of shares purchased on behalf of CPF investors, is entitled to appoint more than two proxies pursuant to the Companies (Amendment) Act 2014 which came into force on 3 January 2016.

(ii) If a proxy is to be appointed, the form must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than 48 hours before the time set for the AGM.

(iii) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

(iv) In the case of joint shareholders, all holders must sign the form of proxy.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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KEONG HONG HOLDINGS LIMITED
Company Reg. No.: 200807303W
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

PROXY FORM

I/We ____ (Name)

____ (NRIC/Passport No./Company Registration No.)

of ____ (Address)

being a member/members of Keong Hong Holdings Limited (the "Company") hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the annual general meeting of the Company (the "Meeting"), as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at Jurong Country Club, Ficus Room 1 & 2, Level 2, 9 Science Centre Road, Singapore 609078, on Thursday, 28 January 2016 at 11.00 a.m. and at any adjournment thereof in the following manner:

No	Resolutions:	Number of Votes For*	Number of Votes Against*
	Ordinary Business		
1.	To adopt the Directors' Statements, Auditors' Report and Audited Financial Statements for financial year ended 30 September 2015		
2.	To declare a one-tier tax exempt final dividend of 4 Singapore cents per ordinary share for the financial year ended 30 September 2015		
3.	To approve Directors' Fees of S$154,000 for the financial year ended 30 September 2015 (2014: S$138,333)		
4.	To re-elect Mr Leo Ting Ping Ronald as a Director of the Company		
5.	To re-elect Mr Chong Weng Hoe as a Director of the Company		
6.	To re-appoint BDO LLP as Auditors of the Company and to authorize Directors to fix their remuneration		
	Special Business		
7.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		
8.	To authorise Directors to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme		
9.	To approve the proposed renewal of the Share Buy-Back Mandate		

* If you wish to exercise all your votes "For" or "Against", please indicate so with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

Dated this __________ day of _________________ 2016.

Total Number of shares in	No of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:-

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company. A member who is an intermediary, such as (1) a licensed bank or its wholly-owned subsidiary which provides nominee services and hold shares in that capacity, (2) a capital markets services licence holder which provides custodial services, and (3) Central Provident Fund ("CPF") Board, in respect of shares purchased on behalf of CPF investors, is entitled to appoint more than two proxies pursuant to the Companies (Amendment) Act 2014 which came into force on 3 January 2016.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:-

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company in accordance to the provisions of the Company's Constitution.

PERSONAL DATA PRIVACY:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 January 2016.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Leo Ting Ping Ronald (Chairman and CEO)
Er Ang Hooa
Lim Jun Xiong Steven
Chong Weng Hoe
Wong Meng Yeng
Leo Zhen Wei Lionel

AUDIT COMMITTEE
Lim Jun Xiong Steven (Chairman)
Chong Weng Hoe
Wong Meng Yeng
Leo Zhen Wei Lionel

REMUNERATION COMMITTEE
Wong Meng Yeng (Chairman)
Lim Jun Xiong Steven
Chong Weng Hoe

NOMINATING COMMITTEE
Chong Weng Hoe (Chairman)
Lim Jun Xiong Steven
Wong Meng Yeng
Leo Zhen Wei Lionel

JOINT COMPANY SECRETARIES
Lo Swee Oi
Tan Ching Chek

REGISTERED OFFICE
9 Sungei Kadut Street 2
Singapore 729230
Tel: (65) 6564 1479
Fax: (65) 6566 2784
Website: www.keonghong.com

SHARE REGISTRAR
B.A.C.S Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

INDEPENDENT AUDITORS
BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road
#05-01
Singapore 058267

Partner-in-charge: Hong Bee Lain Jacqueline
(Appointed since the financial year ended 30 September 2014)

PRINCIPAL BANKERS
Malayan Banking Berhad
United Overseas Bank Limited
Overseas-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited

SPONSOR
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

KEONG HONG HOLDINGS LIMITED

强 楓 控 股 有 限 公 司

(Incorporated in the Republic of Singapore on 15 April 2008)
(Company Registration No.: 200807303W)

9 Sungei Kadut Street 2
Singapore 729230
Tel: (65) 6564 1479 Fax: (65) 6566 2784

www.keonghong.com

BCA ISO 9000
CERT. NO.: 029
SS ISO 9001 : 2008

BCA ISO 14000
CERT. NO.: 2004/082
SS ISO 14001 : 2004

BCA OHSMS
CERT. NO.: 2004/078
OHSAS 18001 : 2007

Enterprise 50
2006
Celebrating Singapore's Enterprising Spirit

SME Growth Excellence Recognition 2007

Singapore Accreditation Council