

# going places

KEONG HONG HOLDINGS LIMITED  
ANNUAL REPORT 2017



**FIRST STOP**  
Investing in  
Complementary  
Businesses

**HORIZON  
IN SIGHT**  
Expanding into  
New Territories

**DESTINATION**  
Sustainable Growth

# going places

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MEETING

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## Year in Review

March

3

Acquired 30.6 per cent of the enlarged issued and paid-up share capital in Nuform System Asia Pte. Ltd. ("Nuform"), a supplier of metal formworks to the construction industry.

Our investment in Nuform will afford us additional revenue streams to support our earnings growth.

April

4

Awarded our largest building construction contract of S\$214.2 million for Seaside Residences condominium.

Launched Seaside Residences, a joint development with Frasers Centrepoint Limited and Sekisui House Ltd.

August

8

Acquired 60.0 per cent of the entire issued and paid-up share capital of Hansin Timber Specialist and Trading Pte. Ltd. ("Hansin"), which is engaged in the supplies and installation of timber floorings and exterior timber decking, trellis and roofing for residential and commercial development projects in Singapore.

Our investment in Hansin is in line with our long term strategy of expanding our sources of income.

September

9

Issued S\$85.0 million 5.75 per cent Series 2 Notes maturing in 2021 and successfully redeemed all outstanding Series 1 Notes.

Grand opening of Mercure Maldives Kooddoo Hotel and the expanded Kooddoo Airport in the Maldives.

Acquired our second commercial property in Osaka, Japan.

October

10

Acquired a 49.0 per cent interest in an associated company in Vietnam to pursue property development opportunities.





# First Stop

## INVESTING IN COMPLEMENTARY BUSINESSES

**H**aving established a reputation in building and construction, we have expanded into hotel and property development and investment. Our journey to the next level of growth will see us further diversifying our portfolio with accretive and synergistic investments.

## Chairman's Message

Dear Shareholders,  
It has been an eventful year for Keong Hong Holdings Limited ("Keong Hong" or "the Group"). We completed two of our projects in the Maldives, the extension of the Kooddoo Airport and the construction of our first overseas hotel, the Mercure Maldives Kooddoo Hotel. The third, the construction of our Pullman Maldives Maamutaa Resort, is on schedule for completion. We invested in two companies in the building and construction industry, widening our future sources of revenue. Our

down from the 5.4 per cent growth in the previous quarter. While the construction sector was still not out of the woods, contracting 8.5 per cent on a year-on-year basis in the fourth quarter of 2017<sup>1</sup>, there are early signs that the property market may finally be on the road to recovery<sup>2</sup>.

### FINANCIAL HIGHLIGHTS

For the financial year ended 30 September 2017 ("FY2017"), we achieved revenue of S\$233.9 million which was a 5.7 per cent decrease from revenue of S\$248.0 million in the financial period ended 30 September 2016 ("FY2016"). The decrease stemmed from lower recognition of revenue from construction projects as some of the projects, such as SkyPark Residences, J Gateway and Amore, had largely been completed in the previous financial year. Our gross profit margin decreased slightly from 15.6 per cent in FY2016 to 15.1 per cent in FY2017. The Group turned in higher net profit after tax of S\$64.2 million, a 94.2 per cent increase from S\$33.1 million due to an exceptional gain of S\$49.8 million on re-measurement of investment to fair value upon ceasing equity accounting in joint ventures.

We kept our balance sheet strong, with cash and bank balances of S\$76.8 million as at the end of the financial period under review, generating net cash of S\$15.6 million from operating activities. Our net asset value per share stood at 83.4 cents per share as at 30 September 2017.

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**WHILE THE CONSTRUCTION SECTOR WAS STILL NOT OUT OF THE WOODS, CONTRACTING 8.5 PER CENT ON A YEAR-ON-YEAR BASIS IN THE FOURTH QUARTER OF 2017, THERE ARE EARLY SIGNS THAT THE PROPERTY MARKET MAY FINALLY BE ON THE ROAD TO RECOVERY.**

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overseas property portfolio was further strengthened with a new acquisition in Japan. On the financial front, we successfully launched \$85.0 million 5.75 per cent four-year term notes ("the Series 2 Notes") under the S\$150.0 million multi-currency medium term note programme established in April 2015. We operated consistently within a competitive, albeit steadily improving economic environment. Overall, Singapore's economy grew by 3.1 per cent on a year-on-year basis in the fourth quarter of 2017,

<sup>1</sup> Ministry of Trade and Industry, "Singapore's GDP Grew by 3.1 Per Cent in the Fourth Quarter of 2017", 2 January 2018.

<sup>2</sup> The Business Times, "Signs of cheer for property, but don't break out the bubbly yet", 8 July 2017.

## REWARDING OUR SHAREHOLDERS

To reward our shareholders, the Board is recommending a one-tier tax-exempt final dividend of 1.75 Singapore cents per share. If approved at the forthcoming Annual General Meeting, the dividend will be paid in March 2018. This will bring the full-year dividend payout to 2.0 Singapore cents per share, representing a dividend payout ratio of 32.6 per cent, based on profit attributable to owners of the parent before exceptional gain of S\$49.8 million.

## A MORE DIVERSE BUILDING CONSTRUCTION PORTFOLIO

According to the Building and Construction Authority's ("BCA") projections made at the beginning of 2017, the increased demand for building and construction in Singapore would stem from public sector construction, which was projected to constitute about 70 per cent of total construction demand, driven by higher demand for most building types and civil engineering works<sup>3</sup>. The latest economic statistics released by the Ministry of Trade and Industry ("MTI") has attributed the contraction in the construction sector to "weakness in private sector construction activities"<sup>4</sup>. We have, nonetheless, continued with our efforts to secure more commercial, industrial, institutional and healthcare projects, having now several successfully completed projects here and overseas. Significantly,

<sup>3</sup> Building and Construction Authority, "Public Sector Construction Demand is Expected to Increase this Year", 6 January 2017.

<sup>4</sup> Ministry of Trade and Industry, "Singapore's GDP Grew by 3.1 Per Cent in the Fourth Quarter of 2017", 2 January 2018.



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**ONE OF THE HIGHLIGHTS FOR THE GROUP IN 2017 WAS THE OPENING OF THE MERCURE MALDIVES KOODDOO HOTEL ON THE GAAFU ALIFU ATOLL IN SEPTEMBER THIS YEAR.**

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we marked the completion of our expansion and development project of the Kooddoo Airport in the Maldives in September this year. The airport runway was extended and has been upgraded from a category 2C to 3C runway, providing a proud gateway to the beautiful North Huvadhoo Atoll. Our other major commercial project, the construction of the 20-storey medical building extension to Raffles Hospital in Victoria Street/North Bridge Road, is on track for completion in the first quarter of 2018. We also secured our largest building construction contract of S\$214.2 million for Seaside Residences condominium project in Siglap in April 2017. We are pleased to report that as at the end of FY2017, the Group's construction order book stands at approximately S\$344.0 million, of which one-third

are non-residential projects, securing for us a sustained flow of activities through the end of financial year 2019.

In line with our long term strategy of diversifying our sources of income, we have invested in promising companies in the building and construction sector. In August 2017, we acquired a 60.0 per cent stake in the issued and paid-up share capital of Hansin Timber Specialist and Trading Pte Ltd. We also took a 30.6 per cent stake in Nuform Systems Asia Pte Ltd in March 2017, seeing a synergistic fit with this company which is engaged in the business of supplying metal formworks to the construction industry. The additional revenue streams from these acquisitions will support the growth of the Group's earnings.



At the grand opening of Mercure Maldives Kooddoo Hotel and Kooddoo Airport - President Abdulla Yameen of the Republic of Maldives and Singapore's Non-Resident Ambassador to the Republic of Maldives, Mr Chua Thian Poh.



### PROPERTY DEVELOPMENT AND INVESTMENT – OPPORTUNITIES AHEAD

The property market appears to be finally trending up. Sentiment has improved after the government made calibrated adjustments to the Seller's Stamp Duty and Total Debt Servicing Ratio framework in March this year. The recent bullish, record-breaking prices paid for by developers for en bloc sites seem to reinforce this outlook. Latest property statistics by the Urban Redevelopment Authority, indicate that prices of residential properties rose by 0.7 per cent in the third quarter of 2017 compared with the 0.1 per cent decrease in the previous quarter<sup>5</sup>. In the first half of 2017, developers sold 73 per cent more units than the same period last year<sup>6</sup>. The outlook bodes well for our property development projects, as a general lift in prices and buyer sentiment will positively impact our projects. Our joint venture executive condominium project at Sembawang Crescent, Parc Life, launched in April 2016 has achieved sales of approximately 83.0 per cent to date. Our joint venture project with FCL Topaz Pte. Ltd. and Sekisui House Ltd, Seaside Residences, a

843-unit residential condominium at Siglap Road, was well-received when the project was launched in April 2017 and has attained sales of approximately 67.0 per cent to date.

Elsewhere, we have made strides in our acquisition of commercial properties. We recently acquired a second property in Japan in Minamihorie, Osaka, giving us a steady, recurring income through rentals. Encouraged by fast economic growth, supportive government policies, low entry costs and a growing middle class, we see great potential in Vietnam's property market in the coming years. To this end, we have acquired a 49.0 per cent interest in an associated company in Vietnam to pursue property development opportunities there. We will continue to look at potential investments in other Asian markets namely Indonesia, Malaysia and Australia as the outlook for the region remains optimistic with stronger than expected growth in Japan and the ASEAN countries. We will weigh investment options carefully, seeking out acquisitions that will be able to provide us a healthy return on our investment.

### GOING PLACES - MAKING OUR MARK OVERSEAS IN HOTEL DEVELOPMENT AND INVESTMENT ACTIVITIES

Our overseas hotel development and investment has fared well. In fact, one of the highlights for the Group in 2017 was the opening of the Mercure Maldives Kooldoo Hotel on the Gaafu Alifu Atoll in September this year. The hotel is truly unique, being not only well situated but also the first airport hotel in the world with overwater bungalows. With its inimitable, warm, inviting décor and beautifully landscaped exterior, we are confident of its success in the market. It is well placed to fill the gap for good value resorts with its wide range of good class facilities and direct accessibility by domestic plane. Maldives remains a choice destination for many, with its rich marine biodiversity, favourable weather and warm, hospitable people. In the period January to October 2017, total tourist arrivals grew by 6.0 per cent compared to the same period last year<sup>7</sup>. Further tourism gains are expected in 2018 with additional international and domestic flights anticipated and 30 resorts opening. Our other hotel

<sup>5</sup> Urban Redevelopment Authority, "Release of 3rd Quarter 2017 real estate statistics", 27 October 2017.

<sup>6</sup> The Business Times, "Developers sold 73 per cent more homes in first half 2017", 18 July 2017.

<sup>7</sup> Ministry of Tourism, Republic of Maldives.

development project there, Pullman Maldives Maamutaa Resort, is on track to open in 2019 and together with the Mercure Maldives Kooldoo Hotel, will provide us a good return on our investments in a robust tourism market.

On the home front, there are healthy prospects for Singapore's tourism industry, as it will benefit from the S\$700.0 million Tourism Development Fund from the government<sup>8</sup>. International and regional air and land links cooperation and agreements, and the ongoing expansion to Changi airport will further improve Singapore's standing as a choice destination and tourism hub. In the first half of 2017, international visitor arrivals and tourism receipts increased by 4.0 per cent and 10.0 per cent respectively over the same period last year<sup>9</sup>. Our two hotel investments, The Holiday Inn Express Singapore Katong and Hotel Indigo Singapore Katong, have benefited from the increased tourist arrivals. We intend to grow our hotel investments and expand our activities in this sector through suitable acquisitions and strategic alliances and joint ventures over time, giving us access to new markets and prospective customers.

<sup>8</sup> The Straits Times, "\$700 million investment in tourism: A shot in the arm for industry", 28 April 2016.

<sup>9</sup> Singapore Tourism Board, "Tourism Sector Performance Q2 2017 Report".



## DEVELOPING OUR PEOPLE AND CONTRIBUTING TO THE COMMUNITY

While continuing to invest in automation and other productivity enhancing initiatives, training and development and work safety remains a key focus of our organisation. Notably we implemented the Work Health Safety Council's Culture Safe Programme at our ongoing development project, Seaside Residences, to instil and reinforce a safe working mindset among our workers.

Developing future generation of employees in our industry remains a core component of our efforts to contribute to the community. Hence, our award of scholarships and bursaries for the pursuit of tertiary education such as a scholarship under the Built Environment Undergraduate Scholarship Scheme administered by BCA. The scholarship is awarded to promising individuals to pursue an undergraduate course in built environment tenable at one of the local universities. We are one of the participating companies in the Institute of Technical Education ("ITE") Work-Learn Technical Diploma in M&E Services Supervision (TDMESS) course under the "SkillsFuture Earn and Learn Programme". We will be sponsoring one trainee under this programme.

Our corporate social responsibility programme this year included

adopting a tree at the Singapore University of Technology and Design campus, as part of its "Campus in Bloom" fundraising drive to raise money for scholarships, bursaries, student welfare and campus initiatives. This is in line with our support of educational initiatives to develop a future generation which will contribute to the growth of the country. We also made donations to other charitable and social causes such as the Community Chest, Singapore Association for Mental Health and The Singapore Scout Association.

## REACHING FOR HIGHER GOALS

Singapore's GDP grew by 3.5 per cent in 2017, reaching the upper limit of MTI's earlier forecast of 3.0 per cent to 3.5 per cent<sup>10</sup>. Nevertheless, risks such as the rising anti-globalisation sentiment, the tightening of United States monetary policy and the steep pullback of credit in China might impact future growth. Furthermore, on the building and construction front, the rising commodity prices, particularly the price of steel, will also affect costs and overall profitability of future projects. Cost control, productivity and innovation would be key areas of organisational improvement in order to ensure we remain on a growth path.

In the coming year, we look forward to the opportunities that are available locally and overseas in building construction, property and

hotel investment and development. Reaching upwards, moving forward and striding purposefully are the means to attain higher goals and break new ground as we seek to further grow our organisation.

## APPRECIATION AND ACKNOWLEDGEMENTS

In closing, I would like to thank our dedicated and capable management and staff, supportive business partners, associates and customers, committed Board of Directors and loyal shareholders for their unwavering belief in Keong Hong. We will continue to work tirelessly for all our stakeholders, especially our shareholders, and hope that they will stay with us for the long haul as we seek bigger and bolder opportunities.

Despite economic recovery gaining traction and a better outlook for the property sector, we will be mindful of the competitive threats and economic challenges that may impact our future performance. We remain confident in our ability to meet these challenges head on and to attain our financial and operational goals.

**Leo Ting Ping Ronald**  
Chairman and Chief Executive Officer

<sup>10</sup> Ministry of Trade and Industry, "Singapore's GDP Grew by 3.1 Per Cent in the Fourth Quarter of 2017", 2 January 2018.



# Horizon in Sight

## EXPANDING INTO NEW TERRITORIES

**V**enturing into new markets, we have leveraged expansion opportunities, achieved new revenue streams and unlocked new capabilities and possibilities. Now we are poised to take advantage of opportunities which will afford us further growth prospects.

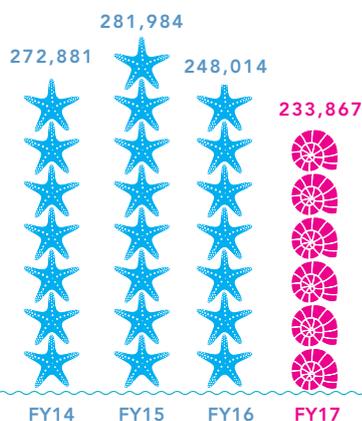




## Financial Highlights



### Revenue (S\$'000)

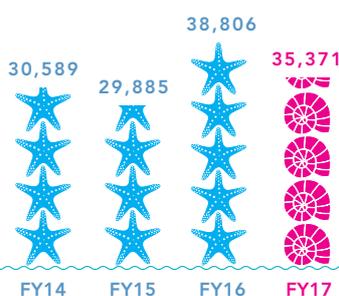


The Group registered revenue of S\$233.9 million which was a 5.7 per cent decrease from revenue of S\$248.0 million in FY2016.

The decrease stemmed from lower recognition of construction revenue from SkyPark Residences, Amore and J Gateway, which had largely been completed in FY2016.

The lower revenue was partially offset by contribution from the construction of the two resorts in the Maldives, Seaside Residences, Raffles Hospital Extension as well as variation orders received and final billings for already completed projects such as Twin Waterfalls, Alexandra Central and J Gateway.

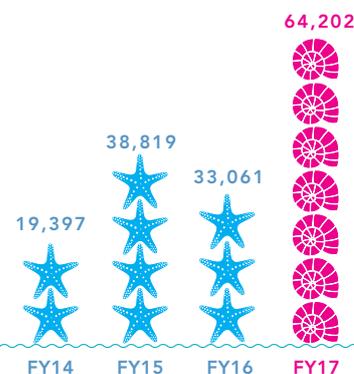
### Gross Profit (S\$'000)



Gross profit weakened by 8.9 per cent to S\$35.4 million.

Despite lower revenue and gross profit, the Group is able to maintain a healthy gross profit margin of 15.1 per cent, on account of good project management and prudent cost management.

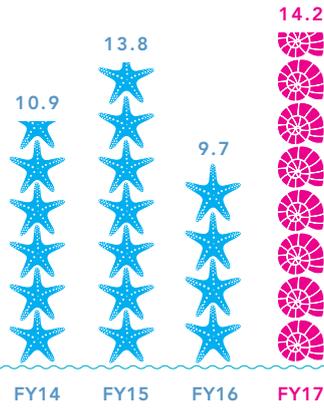
### Net Profit After Tax (S\$'000)



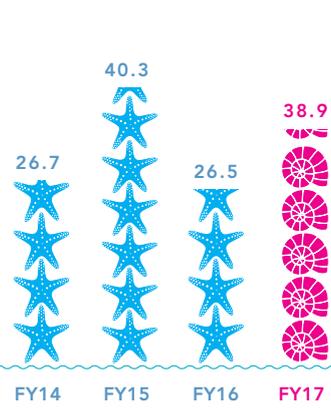
Increase in net profit was mainly due to an exceptional gain of S\$49.8 million on re-measurement of investment to fair value upon ceasing equity accounting in joint ventures. Without this exceptional gain, the Group registered a lower operating profit of S\$20.4 million as compared to FY2016.

Decrease in operating profit was mainly due to share of loss of joint ventures and associates and the absence of lump sum profits from property development.

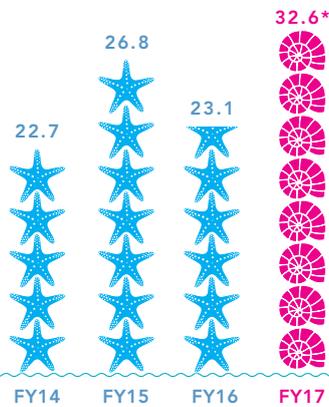
Return on Assets  
(Per Cent)



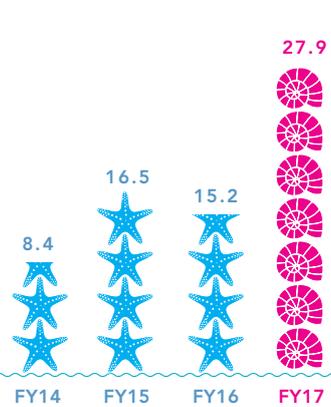
Return on Equity  
(Per Cent)



Dividend Payout Ratio  
(Per Cent)



Basic EPS  
(Singapore Cents)



\* Based on profit attributable to owners of the parent before exceptional gain of S\$49.8 million.

## Financial & Operations Review

Singapore's economy grew by 3.5 per cent in 2017. This is in line with Ministry of Trade and Industry's ("MTI") earlier announced GDP growth forecast of 3.0 to 3.5 per cent due to a more promising growth outlook for Singapore's key external demand market. Nevertheless, the construction sector remained weak, on the back of lower private sector construction activities, contracting 8.5 per cent year-on-year<sup>1</sup>. Against this backdrop, we registered a lower group revenue of S\$233.9 million for the 12 months ended 30 September 2017 ("FY2017"), a 5.7 per cent decrease from FY2016's revenue of S\$248.0 million, stemming from lower recognition of construction revenue from largely completed projects such as SkyPark Residences, J Gateway and Amore. The lower revenue was partially offset by contribution from the construction of Seaside Residences condominium, Raffles Hospital Extension, our two Maldivian resorts as well as variation orders received and final billings for already

completed projects such as Twin Waterfalls, Alexandra Central and J Gateway. Gross profit and gross profit margin weakened by 8.9 per cent to S\$35.4 million and by 0.5 percentage points to 15.1 per cent, respectively. Despite lower revenue and gross profit, net profit for the period came in at S\$64.2 million, which was a 94.2 per cent improvement over FY2016's net profit. This was mainly attributable to an exceptional gain of S\$49.8 million on re-measurement of investment to fair value upon ceasing equity accounting in two of our joint ventures.

On our balance sheet, we maintained cash and bank balances of S\$76.8 million and total assets of S\$452.4 million against total liabilities of S\$255.9 million. We had a slightly higher gearing ratio of 0.47 in FY2017 as compared to 0.46 in FY2016. Our net asset value per share stands at 83.4 cents with basic earnings per share increasing to 27.9 cents compared to 15.2 cents in FY2016.

### BUILDING AND CONSTRUCTION – COMPLETED AND ONGOING PROJECTS

Our building and construction projects are progressing according to schedule. Parc Life, our 628-unit executive condominium project at Sembawang Crescent in which we hold a 20.0 per cent stake, is currently at finishing phase with the project targeted for completion in the first quarter of 2018.

We have completed all piling works with construction progressing at Basement 2, Basement 1 and Level 1 for our largest construction project to date, Seaside Residences, the 843-unit condominium on Siglap Road.

In the financial year under review, we completed the expansion and development of the Kooddoo domestic airport in Gaafu Alifu Atoll, Republic of Maldives. The airport terminal building was renovated with a new VIP lounge annexed to the departure hall. The runway was extended from 1200 metres to 1800 metres and from category 2C to 3C. It is now able to serve private jets such as the Bombardier Global 5000 with passenger capacity of up to 17 seaters or similar jet aircrafts with take off weight of less than 42 tons. The airport is open 24 hours and there are 6 to 8 Dash 200/300 Maldivian Airline planes landing on a daily basis. It also boasts one of the best VIP Lounges for a domestic airport and is the only lounge operated by a foreign operator, AccorHotels Group.

Our first construction project in the medical healthcare sector, the Raffles Hospital extension at Victoria Street/North Bridge Road,



<sup>1</sup> Ministry of Trade and Industry, "Singapore's GDP Grew by 3.1 Per Cent in the Fourth Quarter of 2017", 2 January 2018.



which involved the construction of a 20-storey medical building with two basements, standing on an adjacent site to the existing MRT line, is on schedule for completion in the first quarter of 2018.

### PROPERTY DEVELOPMENT AND INVESTMENTS

On the property development front, in which we have been involved since 2012, partnering reputable property developers to jointly undertake residential projects, our aforementioned two projects, Parc Life and Seaside Residences have been well-received. Parc Life has attained sales of 83.0 per cent since its launch in April 2016 while Seaside Residences has achieved sales of 67.0 per cent to date.

Our investments projects are also faring well. In Japan, we have added another property to our portfolio. We acquired a 100 per cent tenanted office building located in Minamihorie, Osaka, a short walk from Yotsubashi Station. This property and our commercial building in Honmachi, Osaka, are providing a recurring and steady rental income stream for the Group.

Closer to home, we will be pursuing property development opportunities in Vietnam through our newly acquired associated company there. Australia, Malaysia and Indonesia remain on our radar for further investment opportunities given the positive outlook for the Asia-Pacific region<sup>2</sup>. We will, however,

<sup>2</sup> Nikkei Asian Review, "ASEAN5 Outlook up as export-led growth continues", 11 October 2017; OECD, "Australia – Economic forecast summary", November 2017.



## INVESTING FOR SUSTAINABLE GROWTH

Productivity and efficiency are the mainstay of any successful organisation. We continued to improve our business systems, operational processes and technical competencies through investment in automation and mechanisation. Having successfully adopted the Prefabricated Bathroom Units construction methodology at Parc Life project, we are now embarking on the next phase of game-changing technologies championed by the Building and Construction Authority ("BCA"), Prefabricated Prefinished Volumetric Construction ("PPVC") and Virtual Design Construction ("VDC"). We anticipate receiving the In-Principle Acceptance certificate, issued by the Building Innovation Panel, for our proposed PPVC design in the first quarter of 2018. The continual improvement in construction processes will extend to all aspects of site operations. For example, we have recently implemented Novade Safety system at Seaside Residences. It is a paperless cloud-based Permit to Work submission and approval system that is supported by BCA Productivity Innovation Project, achieving a 60.0 per cent savings on safety manpower and improving on sustainability performance.

We also invested in the development of our staff through off-site as well as on-site training programmes. We sponsored a Maldivian National University of Singapore graduate for a post-graduate study at the University of West England, United Kingdom. Having successfully graduated with a Master degree in Project Management, she has returned to Maldives to assume a

be circumspect in our investments, measuring risks against possible returns and other synergistic and strategic benefits such investments will bring to the Group.

## HOTEL DEVELOPMENT AND INVESTMENTS

Our expanding portfolio of hotels is also doing well. The performance of our two hotel investments in Singapore, Holiday Inn Express Singapore Katong and Hotel Indigo Singapore Katong, managed by the InterContinental Hotels Group, have exceeded the budgeted occupancy target and gross operating profit for the fiscal year 2017.

One of the highlights for the Group in FY2017 was the opening of the Mercure Maldives Kooddoo Hotel in September 2017, in a ceremony attended by His Excellency, President Abdulla Yameen Abdul Gayoom of the Republic of Maldives and Singapore's Non-Resident Ambassador to the Republic of Maldives, Mr Chua Thian Poh. Managed by the prestigious AccorHotels Group, the 68-villa hotel,

including 43 located over water and 25 scattered along the white sandy beaches, is our first overseas hotel development. With its attractive décor, boasting a combination of tasteful furnishing and bright hues, and full resort amenities to satisfy the most discerning traveler, the hotel is already garnering positive reviews from TripAdvisor since the hotel opening. Our other hotel development project there, Pullman Maldives Maamutaa Resort, is progressing well and is on track to open in the first quarter 2019. We are confident that, not only will the hotel and resort contribute positively to the tourist experience, but our investment will also bring job opportunities to the beautiful Huvadho Atoll which holds great promise and potential with its rich marine life and biodiversity.

With the aim of further increasing the holdings in our property and investment portfolio so as to grow the contribution from them, we are exploring other hotel investment opportunities in countries such as Japan, Australia and Indonesia.

higher value-added role in project administration, contributing to the growth of talents. One of our Project Managers, has enrolled for a Specialist Diploma in Construction Productivity conducted by BCA, while two of our Architectural Coordinators are now attending the BIM Architectural Modelling course, all under company sponsorship.

Aside from Workplace Safety and Health (“WSH”) programmes, we implemented the CultureSafe programme, an initiative by the WorkHealth Safety Council, at the project site of Seaside Residences. This programme aims to cultivate the right WSH mindset and attitude in every employee, going beyond the normal and expected WSH infrastructure and competency which is already in place. We made use of the CultureSafe model to determine our organisation’s Safety Culture Index, identifying the strengths and areas of improvement in our WSH journey towards the Ministry of Manpower’s vision of a safe and healthy workplace through collective ownership.

### CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

We continued our collaboration with selected institutes of higher education, granting scholarships, bursaries and other types of financial support to deserving students in relevant fields of study. Notably, we are one of the participating organisations in the Institute of Technical Education (“ITE”) Work-Learn Technical Diploma programme. The programme provides on-the-

job training for students, giving them an additional avenue for skills upgrading and career progression. We continued to sponsor a scholarship under the BCA-Industry Built Environment Undergraduate Scholarship Scheme for a promising and deserving individual to pursue full-time built environment undergraduate studies at one of the designated local universities. We also supported the Singapore University of Technology & Design’s “Campus in Bloom Fundraising drive” by adopting a tree in support of the university’s scholarships and bursaries as well as educational community, welfare and campus activities.

Aside from support of educational programmes, we made donations to organisations such as the Community Chest, The Singapore Scout Association, Firefly Mission and the Singapore Association for Mental Health.

### OUTLOOK FOR 2018

The BCA forecasted that construction demand will be sustained between S\$26.0 billion and S\$35.0 billion per annum in 2018 and 2019 and between S\$26.0 billion to S\$37.0 billion per annum in 2020 and 2021. Public sector construction demand is anticipated to be between S\$18.0 billion and S\$23.0 billion from 2018 to 2021<sup>3</sup>. While there has been a lift in the property market as seen by increased property prices<sup>4</sup>, the Monetary Authority of Singapore, in its 2017 Financial Stability report, has warned against the “excessive exuberance” in the property market due to risks arising from a potential

mismatch between supply and demand, given the projected supply of new units in the pipeline and uncertainty as to whether the market can fully absorb this supply<sup>5</sup>.

Overall, the outlook for Singapore’s economy is brighter<sup>6</sup>. Nevertheless, we should still be mindful of uncertainties and risks such as geopolitical tensions, rising interest rates and increased global protectionist sentiments.

Our construction order book stands at approximately S\$344.0 million as at 30 September 2017, which will provide us with a sustainable flow of activities through the end of FY2019. The recent spate of en bloc sales and the potential demand for construction of private residential homes bodes well for us. We will continue to look for opportunities, not only in building and construction, but in property development and investment.

We remain confident of being able to seek out new growth paths, while keeping to our existing business strategy of diversifying our revenue streams, for a sustainable future.

<sup>3</sup> Building and Construction Authority, “Public sector construction demand is expected to increase this year”, 6 January 2017.

<sup>4</sup> Urban Redevelopment Authority, “Release of 3rd Quarter 2017 real estate statistics”, 27 October 2017.

<sup>5</sup> Business Times, “MAS flags risks from ‘excessive exuberance’ in property market”, 30 November 2017.

<sup>6</sup> Ministry of Trade and Industry, “Singapore’s GDP Grew by 3.1 Per Cent in the Fourth Quarter of 2017”, 2 January 2018.





# Destination

## SUSTAINABLE GROWTH

**O**ur foremost goal is for long-term growth of the Group through sound business strategy, effective project management, prudent cost management and an innovative and forward-looking mindset.

## Board of Directors



### Mr Leo Ting Ping Ronald

Chairman and  
Chief Executive Officer

Mr Leo Ting Ping Ronald was appointed to our Board on 15 April 2008 and was re-elected on 28 January 2016. As Chairman and Chief Executive Officer, he oversees the day-to-day operations and the Group's strategic direction and corporate business expansion.

Mr Leo is a civil 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 responsible for construction and management of the company projects, including Housing and Urban Development Corporation, HDB housing, factories, and institutional buildings.

Mr Leo joined Keong Hong Construction Pte. Ltd. ("KH Construction") in 1985 as Managing Director, where he grew the business from a subcontractor to an established design and build main contractor of BCA A1 Grading. He led the Group to its initial public offering on the Catalist Board of the Singapore Exchange Securities Trading Limited on 16 December 2011. The Group was subsequently transferred to the Mainboard on 2 August 2016.

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.



### Mr Er Ang Hooa

Executive Director

Mr Er Ang Hooa joined our Group in 1996. He was appointed to our Board on 26 September 2011 and was re-elected on 24 January 2017. He has been the project director of our wholly-owned subsidiary, 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 Master 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.



### Mr Tan Kah Ghee

Executive Director and  
Chief Financial Officer

Mr Tan Kah Ghee joined our Group in October 2012 and was appointed to our Board on 4 December 2017. As the Chief Financial Officer, his responsibilities include overseeing all financial, accounting and corporate secretarial matters of 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.

In 2016, Mr Tan was named Best CFO for listed companies with less than S\$300 million in market capitalisation at the Singapore Corporate Awards in recognition of his financial leadership.

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.



### Mr Lim Jun Xiong Steven

Lead Independent Director

Chairman, Audit Committee

Member  
Remuneration Committee  
Nominating Committee

Mr Lim Jun Xiong Steven was appointed to our Board on 22 November 2011 and was re-elected on 24 January 2017.

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 and Hong Fok Corporation 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.

## Board of Directors



### Mr Chong Weng Hoe

Independent Director

Chairman, Nominating Committee

Member  
Audit Committee  
Remuneration Committee

Mr Chong Weng Hoe was appointed to our Board on 22 November 2011 and was re-elected on 28 January 2016.

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 support in the development of the business in the region until September 2017. Thereafter, Mr Chong was relocated to TUV SUD Asia Pacific Pte Ltd, assuming the position of Executive Vice President. Mr Chong has over 20 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 HC Surgical Specialists Limited and Regal International Group Limited.

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).



### Mr Wong Meng Yang

Independent Director

Chairman, Remuneration Committee

Member  
Audit Committee  
Nominating Committee

Mr Wong Meng Yang 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 and Multi-Chem Ltd.

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



## Mr Leo Zhen Wei Lionel

Non-Executive and  
Non-Independent Director

Member  
Audit Committee  
Nominating Committee

Mr Leo Zhen Wei Lionel 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 Wong Partnership 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 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



**Mr Chan Siew Kay**  
General Manager (Operations)

Mr Chan Siew Kay joined our Group in May 2016. As the General Manager (Operations), he is responsible for the management of projects and project staff of Keong Hong Construction Pte. Ltd.

Mr Chan is an engineer with over 28 years of project management and development experience in the industry. Prior to joining our Group, Mr Chan was managing director at Baumatec International Pte Ltd, which specialises in providing project management, facilities management and engineering services, fire safety, security and WSH consultancy and international distribution of building products. His previous appointments also included general manager at SingEx Venues Pte Ltd, where he was responsible for overseeing the improvement

works to the Singapore Exhibition and Convention Centre, general manager at APM Property Management Pte Ltd, development manager at Lend Lease Retail Pte Ltd, vice president of project development and management department at CapitaLand Retail Limited and director/general manager at EW Reinforcement Pty Ltd in Sydney, Australia.

Mr Chan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Civil) in 1988.



**Ms Ng Siew Khim**  
Head of Contracts

Ms Ng Siew Khim 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 degree in Quantity Surveying in 1997. She also obtained a diploma in Building from the Singapore Polytechnic in 1993.

## Corporate Information

### BOARD OF DIRECTORS

**LEO TING PING RONALD** (Chairman and Chief Executive Officer)  
**ER ANG HOOA**  
**TAN KAH GHEE** (Appointed on 4 December 2017)  
**LIM JUN XIONG STEVEN**  
**CHONG WENG HOE**  
**WONG MENG YENG**  
**LEO ZHEN WEI LIONEL**

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### 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**  
**LIM GUEK HONG**

### REGISTERED OFFICE

9 Sungei Kadut Street 2  
Singapore 729230  
Tel: (65) 6564 1479  
Fax: (65) 6566 2784  
Website: [www.keonghong.com](http://www.keonghong.com)  
Investor Relations: [ir@keonghong.com](mailto:ir@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  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778

Partner-in-charge: Leong Hon Mun Peter  
(Appointed since the financial year ended  
30 September 2016)

### PRINCIPAL BANKERS

Malayan Banking Berhad  
United Overseas Bank Limited  
Overseas-Chinese Banking Corporation Limited  
The Hongkong and Shanghai Banking Corporation Limited

## 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 of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("SGX-ST Listing Manual") 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 2017 ("FY2017"), 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 seven members, comprising three Executive Directors, one Non-Executive Non-Independent Director and three Independent Directors, as follows:

Leo Ting Ping Ronald	Chairman and Chief Executive Officer
Er Ang Hooa	Executive Director
Tan Kah Ghee *	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 Non-Independent Director

\* Mr Tan Kah Ghee was appointed to the Board on 4 December 2017.

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

The Board and Board Committees conduct meetings on a quarterly basis which are planned in advance. 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 FY2017 are as follows:-

	Board	Audit Committee	Remuneration Committee	Nominating Committee
<b>Number of meetings held</b>	4	4	2	1
<b>Name of Directors</b>	<b>Number of Meetings attended in FY2017</b>			
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

## Corporate Governance Report

The profile of each Director and other relevant information are set out on pages 20 to 23 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;
- (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 continuing obligations under the SGX-ST Listing Manual as well as periodic updates on the SGX-ST Listing Manual for Mainboard 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 organisations such as Institute of Singapore Chartered Accountants. At the 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 for Directors conducted by the Singapore Institute of Directors and other organisations will be arranged when necessary. The Directors are also regularly briefed on the development of the business activities of the Group.

## Corporate Governance Report

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.

### Principle 2: Board Composition and Guidance

The Board comprises seven members of whom three are Executive Directors, one is a Non-Executive and Non-Independent Director and three are Independent Directors. With the recent appointment of an additional Executive Director on 4 December 2017, the Company has fallen short of meeting the Code's recommendation of having at least half of the Board to be comprised independent directors where the Chairman is part of the Management team. The Company is mindful of maintaining a strong independent element on the Board and will strive to comply with the Code's recommendation in the near future.

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 are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

There are no Independent 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. 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 of the Company and 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 with a view to understanding the range and level 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.

As at the date of this report, the Non-Executive Directors had met without the presence of key management personnel.

# Corporate Governance Report

## 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 the view of the Board that it is in the current 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.

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 is 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.

Led by the Lead Independent Director, the Independent Directors had met without the presence of other Directors in FY2017.

## Principle 4: Board Membership

## Principle 5: Board Performance

### Board Membership

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

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

The NC is guided by its terms of reference which sets out its responsibilities. The terms of reference is 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;

## Corporate Governance Report

- (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. In this regard, the NC reviews annually the composition of the Board, which includes size and mix, and recommends to the Board the selection and appointment of new Directors, whether in addition to, or in 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. There is currently no female representation in the Board. However, the Board recognizes that diversity (including gender) is important and the NC will be mindful of this when seeking to appoint new directors. New Directors are appointed by way of a Board resolution after the NC has reviewed and recommended the appointment of these new Directors. Article 122 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 Company has no alternate directors on its Board.

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 which has been carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees, 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. For the performance of the board committees, the appraisal process focuses on the evaluation of factors such as the size and composition of the respective board committees, the availability of training and resources to assist the board committees in discharging their duties, and ability to fulfil their duties and complete the tasks set out by the Board for the respective committees. The contribution of each individual Director to the effectiveness of the Board is assessed individually. 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.

After assessing the contribution and performance of the retiring Directors, the NC has recommended Mr Wong Meng Yeng ("Mr Wong") and Mr Leo Zhen Wei Lionel ("Mr Lionel Leo"), who will be retiring by rotation at the forthcoming AGM under Article 117 of the Company's Constitution and Mr Tan Kah Ghee, who will be retiring under Article 122 of the Company's Constitution. Mr Wong, Mr Lionel Leo and Mr Tan have offered themselves for re-election and the Board has accepted the recommendations of the NC.

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

# Corporate Governance Report

## Board Performance

The performance of the Board is closely tied to 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, board committees and the individual Directors based on the assessment criteria. The Company Secretary collated and submitted the questionnaire results to the NC. The responses are then discussed by the NC for the recommendations to be made to the Board. 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 performance of the Board and board committees 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, the board committees 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.

# 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:

### Quarterly

- updates the Group's operations and the markets in which the Group operates in

### Half Yearly

- internal auditors' report

### Quarterly/Yearly

- budgets and/or forecasts (with variance analysis), and management accounts (with financial ratios analysis)

### Yearly

- enterprise risk framework and risk governance report
- External Auditors' report

### Adhoc

- reports on on-going or planned corporate actions
- research report(s)
- feasibility study on property investments
- regulatory updates and implications

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 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.

## Corporate Governance Report

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 including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the SGX-ST Listing Manual, are complied with. The Company Secretaries will assist the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value. Either one or both of the Company Secretaries will be in attendance at meetings of the Board and Board committees and prepare minutes. The Company Secretaries will assist the Board Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings. 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	(Independent)
Lim Jun Xiong Steven	–	Member	(Independent)
Chong Weng Hoe	–	Member	(Independent)

The RC is guided by its terms of reference which is in line with the Code. The RC's principal responsibilities are:

- (i) Reviewing and recommending a framework of remuneration for the Directors and key executives 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 executives. 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.

The RC may from time to time, when necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management, so that the Group remains competitive in this regard. During FY2017, the Company did not engage any independent remuneration consultant.

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, the latter of 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 FY2017.

## Corporate Governance Report

Mr Leo had entered into a service agreement with the Company in which the 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 subject to the approval of the Company's shareholders during the Company's AGM.

The RC has reviewed the practice of the industry in relation to the disclosure of the remuneration of each individual Director and key executives 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 executive's remuneration payable for FY2017 in bands of S\$250,000 which provides sufficient overview of the remuneration of the Directors and key executives are as follows:

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Benefits in kind (%)	Total (%)
<b>Directors</b>					
<b>S\$1,500,000 to S\$1,750,000</b>					
Leo Ting Ping Ronald	–	38	57	5	100
<b>S\$250,000 to below S\$500,000</b>					
Er Ang Hooa	–	74	17	9	100
<b>Below \$250,000</b>					
Lim Jun Xiong Steven	100	–	–	–	100
Chong Weng Hoe	100	–	–	–	100
Wong Meng Yeng	100	–	–	–	100
Leo Zhen Wei Lionel	100	–	–	–	100
<b>Key Executives</b>					
<b>S\$250,000 to below S\$500,000</b>					
Tan Kah Ghee	–	68	16	16	100
Ng Siew Khim	–	72	17	11	100
<b>Below \$250,000</b>					
Chan Siew Kay	–	81	9	10	100
Lee Shaw Beng <sup>(1)</sup>	–	78	–	22	100

(1) Mr Lee Shaw Beng resigned as Senior Manager (Business Development) on 29 July 2017

The annual aggregate remuneration paid to the four Key Executives for FY2017 was S\$1.02 million.

## Corporate Governance Report

There is no employee who is related to a Director or Chairman and CEO, whose remuneration exceeds S\$50,000 in the Group's employment 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 executives 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 executives.

### Share Option Scheme

The Company has a share option scheme, known as 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.

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 FY2017.

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 the SGX-ST Mainboard 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.

# Corporate Governance Report

## 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)

The role of the AC is to assist the Board in overseeing the adequacy and effectiveness of the overall system of internal control, 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 duties of the AC include:

- (i) Reviewing the audit plans put forth by the External Auditors on their audit plans, their evaluation of the system of internal controls relevant to the audit, audit report, management letter and Management's response;
- (ii) Reviewing the internal audit plans put forth by the internal auditors, their evaluation of the adequacy and effectiveness 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 relevant to the audit, 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 statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (v) Reviewing the co-operation given by the Company's officers to the External Auditors;
- (vi) 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;
- (vii) 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;

## Corporate Governance Report

- (viii) Considering the appointment or re-appointment of the External Auditors and matters relating to resignation or dismissal of the auditors;
- (ix) Reviewing transactions falling within the scope of Chapter 7, Chapter 9 and Chapter 10 of the SGX-ST Listing Manual (if any);
- (x) Reviewing potential conflicts of interest (if any) and setting out a framework to resolve or mitigate any potential conflicts of interests;
- (xi) Reviewing the effectiveness and adequacy of the Group's administrative, operating, IT, accounting and financial control procedures;
- (xii) 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;
- (xiii) 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;
- (xiv) Undertaking such other functions and duties as may be required by the relevant statutes or the SGX-ST Listing Manual, and by such amendments made thereto from time to time;
- (xv) 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
- (xvi) Reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or SGX-ST 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, 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 compliance services by the External Auditors, including the fees paid in respect of the financial year ended 30 September 2017, as shown in page 126 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.

## Corporate Governance Report

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 2018 ("FY2018") at the forthcoming AGM. The aggregate audit and non-audit fees paid to the External Auditors for FY2017 are set out on page 126 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 AC members were encouraged to attend external courses conducted by relevant professional institutes as and when deemed necessary or upon request.

The Company confirms that Rules 712 and 715 of the SGX-ST 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 AC reviews all whistleblowing complaints, if any, at its quarterly meetings to ensure independence thorough investigation and appropriate follow-up actions are taken.

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.

The Company has developed and continues to review and update the Risk Governance and Internal Control Framework Manual ("The Manual"). The Manual 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 and the Company have through this Manual articulated the operating policies and risk mitigation activities that are in place to mitigate and provide contingencies to deal with the occurrence of significant business risks. In addition to this, Management has been evaluated on their ability to maintain an adequate and effective system of internal control environment. This evaluation takes into consideration the key internal control principles of ISO 31000:2009 Risk Management framework and the components of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") which are the control environment, risk assessment, control activities, information and communication, and the monitoring activities within the Company. Management has provided responses to the Board to explain how they intend to resolve any potential internal control deficiencies identified through this process.

## Corporate Governance Report

To supplement the Manual, the Company already has in place an Enterprise Risk Management ("ERM") framework which is aligned with the requirements of COSO Internal Controls Integrated Framework.

The Company has updated the risk profile in the ERM framework through a Group-wide risk assessment exercise conducted in FY2017. This ensures that the risk register is current and reflects the changing business risk exposures and addresses the significant and relevant risks to 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 assigning clear accountability and ownership of risks at the operating level to manage risks and highlighting any emerging or material risks to the Board. This serves to uphold the effectiveness of risk management as the second line of defense.

The Group's internal auditors have taken into consideration the Risk Governance and Internal Control Framework Manual, the updated risk register and risk profile contained within the Group's Risk Assessment Report when preparing the annual internal audit plan. This risk-based internal audit plan is approved by the AC 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. This serves to ensure that internal audit as the third line of defense is able to function effectively. 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 rests 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 review and adopt the risk governance approach and risk policies of the Company which are then proposed 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 and threats 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 executives including the Chairman and CEO, and Chief Financial Officer ("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 remain 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 Framework Manual.

Based on the internal control policies and procedures established and maintained by the Company, the reviews done by the internal auditors, Management and the Board, the Board opines, with the concurrence of the AC, that the Group's internal controls were adequate and effective as at 30 September 2017 to address the financial, operational, compliance and information technology risks.

The system of internal controls and risk management established by the Company provides reasonable, but not 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") which reports directly to the AC and administratively to the CFO. The Internal Auditor supports the AC in their role to assess the adequacy and effectiveness of the Group's overall system of operational, financial and compliance related 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 reviews and approves the risk based internal audit plan on an annual basis. The Internal Audit function is adequately staffed with sufficiently experienced professionals who conduct their reviews in accordance with the International Professional Practices Framework Standards. 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 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: Shareholder Rights

### Principle 15: Communication with Shareholders

The Company does not practise 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. Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at [www.keonghong.com](http://www.keonghong.com).

## Corporate Governance Report

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 allows 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. In the case of a shareholder who is a relevant intermediary (as defined in the Companies Act), it may appoint more than two proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Company provides for separate resolutions at general meeting on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is the explanatory notes to the AGM Notice in the Annual Report.

The Company has been conducting non-electronic poll voting for all resolutions passed at the general meetings of shareholders to give a greater transparency in the voting process. The Company prefers non-electronic poll voting as it saves costs and still gives an acceptable turnaround time to generate poll results. Votes cast for, or against, for each resolution will be tallied and read out by the Chairman of the Meeting immediately at the meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the conclusion of the meeting via SGXNET.

At the AGM, the Directors as well as the External Auditors 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 will record minutes of all general meetings and will make available the minutes of general meetings to shareholders upon request.

The Company does not have a fixed dividend policy. The frequency and amount of dividend distribution 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.

Briefing to present the full-year results is held for the analysts. The presentation slides of the briefing are accessible by the public on SGX-ST's website.

The Company's website has a dedicated 'Investor Relations' link, which features the latest and past financial results and related information. The contact information of the Investor Relations team is available on the dedicated link, as well as in the Annual Report, to enable shareholders to contact the Company easily. Investor Relations has procedures in place for addressing investors' queries or complaints as soon as possible.

### 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.

# Corporate Governance Report

## 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 FY2017 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 no interested person transaction in value of S\$100,000 or above that had entered into with a firm in which a Director is a member and has a substantial financial interest.

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

# Financial Statements

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## Directors' Statement

The Directors of Keong Hong Holdings Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2017, the statement of financial position of the Company as at 30 September 2017 and statement of changes in equity of the Company for the financial year ended 30 September 2017.

### 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 and statement of changes in equity 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 2017, 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:

Leo Ting Ping Ronald	(Chairman and Chief Executive Officer)
Er Ang Hooa	(Executive Director)
Tan Kah Ghee	(Executive Director) (Appointed on 4 December 2017)
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 in this statement below.

## Directors' Statement

### 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	Holdings registered in name of Director or nominee		Holdings 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
<b>Company:</b>				
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	–	–
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	–
5.75% fixed rate Notes due 15 September 2021 pursuant to the Multicurrency Medium Term Note Programme established on 17 April 2015				
Chong Weng Hoe	–	–	–	\$250,000

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 2017 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 30 September 2017.

### 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.

## Directors' Statement

### 5. SHARE OPTIONS (Continued)

#### (a) Options to take up unissued shares (Continued)

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 Main Board 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).

#### (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

<b>Date of grant</b>	<b>Balance at beginning of financial year</b>	<b>Granted during the financial year</b>	<b>Exercised during the financial year</b>	<b>Forfeited during the financial year</b>	<b>Balance at end of financial year</b>	<b>Exercise price \$</b>	<b>Exercisable period</b>
1/10/2013	1,230,000	–	(50,000)	–	1,180,000	<sup>(1)</sup> 0.31	1.10.2015 to 30.9.2023
20/6/2014	800,000	–	(150,000)	–	650,000	<sup>(1)</sup> 0.31	1.10.2015 to 30.9.2023
1/12/2014	825,000	–	(450,000)	(175,000)	200,000	0.32	1.12.2016 to 30.11.2024
8/1/2016	4,175,000	–	–	(550,000)	3,625,000	0.40	8.1.2018 to 7.1.2026
3/4/2017	–	700,000	–	(100,000)	600,000	0.36	3.4.2019 to 2.4.2027
<b>Total</b>	<b>7,030,000</b>	<b>700,000</b>	<b>(650,000)</b>	<b>(825,000)</b>	<b>6,255,000</b>		

## Directors' Statement

### 5. SHARE OPTIONS (Continued)

#### (b) Unissued shares under option and options exercised (Continued)

In respect of options granted during the financial year, nil (2016: 400,000) options were granted to executive directors, 100,000 (2016: 700,000) options were granted to key executive officers and 600,000 (2016: 3,075,000) 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.

Name of employee	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
Ng Siew Khim	–	750,000	(120,000)	–	630,000
Teo Kian Sin	–	450,000	–	–	450,000

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

**Note:**

- (1) Following a bonus issue to the Company's ordinary shareholders in the prior financial year, the Company granted 2,000,000 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 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	–	1,000,000	–	–	1,000,000

## Directors' Statement

### 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 statement 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 2017. 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 relevant to the audit, 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 relevant to the audit 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 statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (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;

## Directors' Statement

### 6. AUDIT COMMITTEE (Continued)

- (i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST 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 oversight 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 SGXNET;
- (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;
- (n) generally to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, 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 SGX-ST 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.

## Directors' Statement

### 7. INDEPENDENT AUDITORS

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Leo Ting Ping Ronald**  
Director

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**Er Ang Hooa**  
Director

Singapore  
2 January 2018

# Independent Auditor's Report

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 57 to 146, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2017;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards of Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### KEY AUDIT MATTER

### AUDIT RESPONSE

#### 1 Recognition of contract revenue and contract costs

The Group's core businesses are those of general and building contractors. Revenue from construction contracts is recognised by applying the percentage of completion method where the Group measures the percentage of completion by reference to surveys of work performed. The Group's accounting policy on revenue recognition from construction contracts is set out in Notes 2.17 and 2.18 to the financial statements.

Significant management judgement and estimates are involved in the recognition of contract revenue and contract cost, particularly in determining the extent of contract cost incurred and estimated contract costs to complete, which may have a material impact on the results of the Group.

Accordingly, we have identified this area as a key audit matter.

Refer to Notes 3.2, 14 and 30 of the accompanying financial statements.

We performed the following audit procedures, amongst others:

- Agreed the contract sums to the letter of award and verified the percentage of completion by reference to surveys of work performed which are independently acknowledged by third party quantity surveyors.
- Assessed the recording of revenue and cost for the construction contracts by evaluating the design and determining the implementation of the Group's internal controls over this area;
- Selected significant construction contracts and obtained an understanding for the key terms of the contracts;
- Tested the costs incurred for the selected projects on a sample basis by checking that the costs were properly allocated to their respective contracts and that these costs were directly attributable costs supported by suppliers invoices and other supporting documents;
- Evaluated management's budgets and assessments of total contract costs based on historical accuracy of past estimates in respect of the probable outcome of the construction projects;
- Conducted site visits and discussed with management on contracts work-in-progress for the appropriateness of significant cost overruns or foreseeable losses recognition.

# Independent Auditor's Report

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## KEY AUDIT MATTER

## AUDIT RESPONSE

### 2 Impairment assessment of investments in associates and joint ventures and recoverability of amounts due from associates and joint ventures

The Group's investments in associates and joint ventures are mainly in the business of development of real estate in Singapore and Maldives. As the associates and joint ventures are mostly in their start-up phases of the project development cycle, there are numerous uncertainties surrounding the profitability of the associates and joint ventures.

The Group also extends advances to its associates and joint ventures for working capital purposes.

Management has determined the recoverable amounts using the value-in-use method, which requires management to estimate the present value of the future cash flows from these investments, and concluded that no impairment is required for the current financial year.

We focused on this area as a key audit matter due to significant management judgements involved in determining the present value of estimated future cash flows of the investments in and amounts due from the associates and joint ventures.

Refer to Notes 3.2 and 12 of the accompanying financial statements.

We performed the following audit procedures, amongst others:

- Evaluated management's assessment of impairment through understanding their process of identifying impairment indicators and discussing with management on the current and future business developments of the associates and joint ventures;
- Obtained the discounted cash flow forecasts of those investments with indications of impairment and receivables with objective evidence of impairment, together with the management's key assumptions and estimates;
- Assessed the reasonableness of the revenue growth rates used;
- Used our internal specialist to independently develop expectations on the discount rates applied; and
- Performed sensitivity analysis on key assumptions to stress test the reasonableness of the present value of estimated future cash flows.

# Independent Auditor's Report

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## KEY AUDIT MATTER

## AUDIT RESPONSE

### 3 Discontinuing the use of equity method accounting for joint ventures and recognising as available-for-sale financial assets

Following completion of the construction for two projects that the Group holds through two of its joint ventures ("Joint Ventures"), the management has ceased to be involved in decision-making and the provision of essential technical information in relation to these Joint Ventures.

Due to these changes in facts and circumstances, management has assessed that the Group no longer has joint control over the Joint Ventures nor significant influence over them, notwithstanding that there were no changes to the legal form and contractual terms. Consequently, the Group discontinued the use of the equity method from 1 January 2017.

On the same date, the carrying amounts of the investments in Joint Ventures were derecognised and the fair values of the retained interests in those investments were recognised as Available-For-Sale financial assets.

On 30 September 2017, the Available-For-Sale financial assets were remeasured with the changes in fair value recognised in other comprehensive income.

We determined this area to be a key audit matter as the assessment of whether the Group has joint control or significant influence over the Joint Ventures requires significant management judgement. In addition, the measurement of the Group's retained interests in those investments at fair value also requires significant judgements of the key underlying assumptions and bases.

We performed the following audit procedures, amongst others:

- Evaluated the appropriateness of management's assessment that the Group has neither joint control nor significant influence of the investments in Joint Ventures based on the requirements set out in FRSs;
- Inquired with management, read the shareholder agreements and correspondences between management of the Joint Ventures and the Group to obtain a thorough understanding of the changes in facts and circumstances that occurred during the financial year;
- Held discussions with management and considered the valuation methodology together with the key assumptions used; and
- Held discussions with managements and used our internal valuation specialist to evaluate the fair value determined by management, including an assessment of the valuation technique applied and the key assumptions made by the management.

Refer to Notes 3.1, 8, 10, 31 and 41.5 of the accompanying financial statements.

# Independent Auditor's Report

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The director's responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

# Independent Auditor's Report

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## 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.

The engagement partner on the audit resulting in this independent auditor's report is Leong Hon Mun Peter.

### BDO LLP

Public Accountants and  
Chartered Accountants

Singapore  
2 January 2018

# Statements of Financial Position

AS AT 30 SEPTEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>Non-current assets</b>					
Property, plant and equipment	4	23,060,810	23,927,463	–	–
Investment properties	5	23,321,017	12,929,365	–	–
Investments in subsidiaries	6	–	–	28,830,405	24,573,555
Investments in associates	7	7,893,573	7,245,068	5,610,000	–
Investments in joint ventures	8	3,571,999	15,886,184	–	–
Intangible assets	9	253,166	309,216	–	–
Available-for-sale financial assets	10	56,107,180	6,750,000	6,600,000	6,750,000
Finance lease receivables	11	771,997	903,451	–	–
Other receivables	12	1,000,000	–	1,000,000	–
Deferred tax assets	29	80,814	307,015	–	–
<b>Total non-current assets</b>		<b>116,060,556</b>	<b>68,257,762</b>	<b>42,040,405</b>	<b>31,323,555</b>
<b>Current assets</b>					
Inventories	13	2,322,820	–	–	–
Trade and other receivables	12	223,757,255	198,487,722	46,065,073	47,128,155
Due from contract customers	14	31,894,584	8,855,564	–	–
Convertible bond	15	–	4,911,714	–	4,911,714
Derivative on convertible bond	15	–	423,306	–	423,306
Finance lease receivables	11	130,511	126,745	–	–
Current income tax recoverable		312,138	313,725	–	–
Prepayments		592,752	355,384	1,569	2,638
Fixed deposits pledged	16	525,521	–	–	–
Cash and bank balances	16	76,799,872	58,618,480	26,989,110	1,158,416
		<b>336,335,453</b>	<b>272,092,640</b>	<b>73,055,752</b>	<b>53,624,229</b>
Non-current assets classified as held for sale	17	–	850,936	–	–
<b>Total current assets</b>		<b>336,335,453</b>	<b>272,943,576</b>	<b>73,055,752</b>	<b>53,624,229</b>
<b>Total assets</b>		<b>452,396,009</b>	<b>341,201,338</b>	<b>115,096,157</b>	<b>84,947,784</b>
<b>Equity</b>					
Share capital	18	25,060,824	23,836,074	25,060,824	23,836,074
Treasury shares	19	(3,657,400)	(4,005,150)	(3,657,400)	(4,005,150)
Share option reserve	20	639,280	539,490	639,280	539,490
Foreign currency translation reserve	21	529,139	798,181	–	–
Merger reserve	22	(4,793,707)	(4,793,707)	–	–
Available-for-sale reserve	23	(529,429)	(75,000)	(225,000)	(75,000)
Other reserve		(113,866)	(113,866)	–	–
Retained earnings		176,761,965	120,162,777	4,829,686	7,368,019
Equity attributable to owners of the parent		<b>193,896,806</b>	<b>136,348,799</b>	<b>26,647,390</b>	<b>27,663,433</b>
Non-controlling interests		2,617,496	–	–	–
<b>Total equity</b>		<b>196,514,302</b>	<b>136,348,799</b>	<b>26,647,390</b>	<b>27,663,433</b>

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

# Statements of Financial Position

AS AT 30 SEPTEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>Non-current liabilities</b>					
Other payables	24	1,345,404	–	–	–
Bank borrowings	25	–	1,818,181	–	–
Finance lease payables	26	123,405	162,505	–	–
Medium term notes	27	84,074,469	49,593,070	84,074,469	49,593,070
Provisions	28	239,063	232,303	–	–
Deferred tax liabilities	29	192,825	–	–	–
<b>Total non-current liabilities</b>		<b>85,975,166</b>	51,806,059	<b>84,074,469</b>	49,593,070
<b>Current liabilities</b>					
Due to contract customers	14	–	24,880,965	–	–
Trade and other payables	24	147,087,192	109,181,135	4,366,111	7,674,978
Bank borrowings	25	14,518,896	11,871,696	–	–
Finance lease payables	26	119,180	87,564	–	–
Provisions	28	2,037,697	1,763,480	–	–
Current income tax payable		6,143,576	5,261,640	8,187	16,303
<b>Total current liabilities</b>		<b>169,906,541</b>	153,046,480	<b>4,374,298</b>	7,691,281
<b>Total liabilities</b>		<b>255,881,707</b>	204,852,539	<b>88,448,767</b>	57,284,351
<b>Total equity and liabilities</b>		<b>452,396,009</b>	341,201,338	<b>115,096,157</b>	84,947,784

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

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 \$	2016 \$
Revenue	30	233,866,973	248,014,217
Cost of sales		(198,496,405)	(209,208,017)
<b>Gross profit</b>		<b>35,370,568</b>	<b>38,806,200</b>
<b>Other items of income</b>			
Other income	31	57,636,436	5,684,639
<b>Other items of expense</b>			
Administrative expenses		(16,494,122)	(17,005,645)
Finance costs	32	(3,539,604)	(3,758,982)
Share of results of joint ventures, net of tax		(214,185)	15,101,161
Share of results of associate, net of tax		(2,561,495)	(1,158,290)
Profit before income tax	33	70,197,598	37,669,083
Income tax expense	34	(5,995,458)	(4,608,528)
<b>Profit for the financial year</b>		<b>64,202,140</b>	<b>33,060,555</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(269,042)	336,369
Fair value gain on available for sale financial assets		(454,429)	75,000
Share of other comprehensive income of associates		–	(212,349)
Share of other comprehensive income of joint ventures		–	(113,866)
Income tax relating to items that may be reclassified		–	–
<b>Other comprehensive income for the financial year, net of tax</b>		<b>(723,471)</b>	<b>85,154</b>
<b>Total comprehensive income for the financial year</b>		<b>63,478,669</b>	<b>33,145,709</b>
<b>Profit attributable to:</b>			
Owners of the parent		64,048,838	34,668,021
Non-controlling interests		153,302	(1,607,466)
		<b>64,202,140</b>	<b>33,060,555</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		63,325,367	34,736,337
Non-controlling interests		153,302	(1,590,628)
		<b>63,478,669</b>	<b>33,145,709</b>
<b>Earnings per share (cents)</b>			
– Basic	35	27.88	15.18
– Diluted	35	27.70	15.08

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

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Note	Attributable to owners of the Company						Equity		Total		
	Share capital	Treasury shares	Share option reserve	Foreign currency translation reserve	Merger reserve	Available-for-sale reserve	Other reserve <sup>(1)</sup>	Retained earnings		attributable to owners of the parent	Non-controlling interests
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Group</b>											
Balance at 1 October 2016	23,836,074	(4,005,150)	539,490	798,181	(4,793,707)	(75,000)	(113,866)	120,162,777	136,348,799	–	136,348,799
Profit for the financial year	–	–	–	–	–	–	–	64,048,838	64,048,838	153,302	64,202,140
Other comprehensive income for the financial year:											
Exchange differences on translating foreign operations	–	–	–	(269,042)	–	–	–	–	(269,042)	–	(269,042)
Fair value loss on available-for-sale	–	–	–	–	–	(454,429)	–	–	(454,429)	–	(454,429)
23											
Total comprehensive income for the financial year	–	–	–	(269,042)	–	(454,429)	–	64,048,838	63,325,367	153,302	63,478,669
<b>Contribution by and distribution to owners of the parent:</b>											
Dividends	–	–	–	–	–	–	–	(7,449,650)	(7,449,650)	–	(7,449,650)
Issuance of treasury shares	–	347,750	(144,000)	–	–	–	–	–	203,750	–	203,750
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	2,464,194	2,464,194
Grant of share option to employees	–	–	243,790	–	–	–	–	–	243,790	–	243,790
Issuance of shares pursuant to acquisition of subsidiary	1,256,850	–	–	–	–	–	–	–	1,256,850	–	1,256,850
Share issue expenses	(32,100)	–	–	–	–	–	–	–	(32,100)	–	(32,100)
6											
<b>Total transactions with owners of the parent</b>	1,224,750	347,750	99,790	–	–	–	–	(7,449,650)	(5,777,360)	2,464,194	(3,313,166)
Balance at 30 September 2017	25,060,824	(3,657,400)	639,280	529,139	(4,793,707)	(529,429)	(113,866)	176,761,965	193,896,806	2,617,496	196,514,302

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

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

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Note	Attributable to owners of the Company							Equity attributable to owners of the parent	Non-controlling interests	Total	
	Share capital	Treasury shares	Share option reserve	Foreign currency translation reserve	Merger reserve	Available for-sale reserve	Other reserve <sup>(1)</sup>				Retained earnings
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Group</b>											
Balance at 1 October 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
Profit for the financial year	-	-	-	-	-	-	-	34,668,021	34,668,021	(1,607,466)	33,060,555
Other comprehensive income for the financial year:											
Exchange differences on translating foreign operations	-	-	-	319,531	-	-	-	-	319,531	16,838	336,369
Fair value gain on available-for-sale	-	-	-	-	-	75,000	-	-	75,000	-	75,000
Share of other comprehensive income of associate	-	-	-	-	-	-	(326,215)	-	(326,215)	-	(326,215)
Total comprehensive income for the financial year	-	-	-	319,531	-	75,000	(326,215)	34,668,021	34,736,337	(1,590,628)	33,145,709
<b>Contribution by and distribution to owners of the parent:</b>											
Dividends	-	-	-	-	-	-	-	(10,312,650)	(10,312,650)	-	(10,312,650)
Issuance of treasury shares	-	1,722,700	(724,500)	-	-	-	-	-	998,200	-	998,200
Grant of share option to employees	-	-	235,373	-	-	-	-	-	235,373	-	235,373
<b>Total transactions with owners of the parent</b>	-	1,722,700	(489,127)	-	-	-	-	(10,312,650)	(9,079,077)	-	(9,079,077)
<b>Changes to ownership interests in subsidiaries:</b>											
Acquisition of non-controlling interest without change in control	-	-	-	-	-	-	-	(775,641)	(775,641)	313,716	(461,925)
Balance at 30 September 2016	23,836,074	(4,005,150)	539,490	798,181	(4,793,707)	(75,000)	(113,866)	120,162,777	136,348,799	-	136,348,799

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

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

## Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	Share capital \$	Treasury shares \$	Share option reserve \$	Available-for-sale reserve \$	Retained earnings \$	Total \$
<b>Company</b>							
Balance at 1 October 2016		23,836,074	(4,005,150)	539,490	(75,000)	7,368,019	27,663,433
Profit for the financial year		–	–	–	–	4,911,317	4,911,317
Other comprehensive income for the financial year:							
Fair value loss on available-for-sale	23	–	–	–	(150,000)	–	(150,000)
Total comprehensive income for the financial year		–	–	–	(150,000)	4,911,317	4,761,317
<b>Contribution by and distribution to owners of the parent:</b>							
Dividends	36	–	–	–	–	(7,449,650)	(7,449,650)
Issuance of treasury shares	19	–	347,750	(144,000)	–	–	203,750
Grant of share option to employees	20	–	–	243,790	–	–	243,790
Issuance of shares pursuant to acquisition of subsidiary		1,256,850	–	–	–	–	1,256,850
Share issue expenses		(32,100)	–	–	–	–	(32,100)
<b>Total transactions with owners of the parent</b>		1,224,750	347,750	99,790	–	(7,449,650)	(5,777,360)
Balance at 30 September 2017		<u>25,060,824</u>	<u>(3,657,400)</u>	<u>639,280</u>	<u>(225,000)</u>	<u>4,829,686</u>	<u>26,647,390</u>
Balance at 1 October 2015		23,836,074	(5,727,850)	1,028,617	(150,000)	9,432,790	28,419,631
Profit for the financial year		–	–	–	–	8,247,879	8,247,879
Other comprehensive income for the financial year:							
Fair value gain on available-for-sale	23	–	–	–	75,000	–	75,000
Total comprehensive income for the financial year		–	–	–	75,000	8,247,879	8,322,879
<b>Contribution by and distribution to owners of the parent:</b>							
Dividends	36	–	–	–	–	(10,312,650)	(10,312,650)
Issuance of treasury shares	19	–	1,722,700	(724,500)	–	–	998,200
Grant of share option to employees	20	–	–	235,373	–	–	235,373
<b>Total transactions with owners of the parent</b>		–	1,722,700	(489,127)	–	(10,312,650)	(9,079,077)
Balance at 30 September 2016		<u>23,836,074</u>	<u>(4,005,150)</u>	<u>539,490</u>	<u>(75,000)</u>	<u>7,368,019</u>	<u>27,663,433</u>

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

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	2017 \$	2016 \$
<b>Operating activities</b>		
Profit before income tax	70,197,598	37,669,083
Adjustments for:		
Allowance for impairment loss on doubtful third parties trade receivables	191,039	1,882,264
Amortisation of intangible assets	2,834	4,733
Bad third parties trade receivables written off	113,997	1,925
Depreciation of investment properties	261,923	187,716
Depreciation of property, plant and equipment	4,952,104	6,121,057
Write down of equipment to fair value less cost to sell	–	270,501
Impairment loss on intangible assets	647,776	–
Fair value loss/(gain) on derivative on convertible bond	423,306	(33,450)
Gain on liquidation of joint venture	–	(13,537)
Gain on disposal of plant and equipment	(80)	(248,306)
Gain on disposal of non-current asset held for sale	(41,900)	–
Gain on remeasurement of investment to fair value upon ceasing equity accounting	(49,811,609)	–
Interest income	(3,973,282)	(2,953,226)
Interest expense	3,539,604	3,758,982
Dividend income from available-for-sale financial assets	(15,000)	(75,000)
Accretion of convertible bond discount	(88,284)	(103,140)
Share option expenses	243,790	235,373
Loss on unrealised foreign exchange	512,123	719,385
Share of results of joint ventures	214,185	(15,101,161)
Share of results of associates	2,561,495	1,158,290
	<u>29,931,619</u>	<u>33,481,489</u>
Operating cash flows before movements in working capital		
Inventories	196,449	–
Trade and other receivables	(2,667,466)	16,888,434
Prepayments	39,641	127,000
Due from contract customers	(17,356,323)	947,278
Due to contract customers	(24,880,965)	(1,295,480)
Trade and other payables	34,836,994	(20,876,365)
Provisions	274,217	508,248
Cash generated from operations	<u>20,374,166</u>	<u>29,780,604</u>
Income tax paid	(4,820,041)	(2,484,436)
<b>Net cash from operating activities</b>	<u>15,554,125</u>	<u>27,296,168</u>

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

**Consolidated Statement of Cash Flows**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 \$	2016 \$
<b>Investing activities</b>			
Acquisition of subsidiary, net of cash acquired		(2,397,927)	–
Share issue expense		(32,100)	–
Investments in joint ventures		(600,000)	(894,285)
Investments in associate		(5,610,000)	(544,280)
Loan to associates		(13,827,596)	(11,838,932)
Loan to joint ventures		(7,940,000)	(60,113,000)
Purchase of property, plant and equipment		(1,289,085)	(1,770,196)
Purchase of investment property		(5,906,799)	(7,185,441)
Purchase of intangible assets		(34,000)	(87,216)
Proceeds from finance lease receivables		127,688	156,000
Proceeds from redemption of bond		5,000,000	–
Proceeds from disposal of property, plant and equipment		80	248,306
Proceeds from liquidation of joint venture		–	106,365
Repayment of loan from joint venture		3,513,151	20,700,000
Interest received		609,780	147,039
Dividend received from associate		2,400,000	15,000,000
Dividend received from joint venture		12,700,000	–
Dividend income from available-for-sale financial assets		15,000	75,000
<b>Net cash used in investing activities</b>		<b>(13,271,808)</b>	<b>(46,000,640)</b>
<b>Financing activities</b>			
Fixed deposit pledged with financial institutions		(525,521)	230,035
Stepped acquisition of non-controlling interest		–	(461,925)
Proceeds from bank borrowings		14,746,425	4,993,593
Proceeds from medium term note		84,074,469	–
Repayment of finance lease payables		(90,611)	(214,023)
Repayment of bank borrowings		(21,951,874)	(14,372,281)
Redemption costs for medium term note		(49,771,723)	–
Exercise of share options		203,750	998,200
Dividends paid		(7,449,650)	(10,312,650)
Interest paid		(3,375,294)	(3,523,503)
<b>Net cash from/(used in) financing activities</b>		<b>15,859,971</b>	<b>(22,662,554)</b>
Net change in cash and cash equivalents		18,142,288	(41,367,026)
Cash and cash equivalents at beginning of financial year		58,618,480	100,338,538
Effect of foreign exchange rate changes on cash and cash equivalents		(125,948)	(353,032)
<b>Cash and cash equivalents at end of financial year</b>	16	<b>76,634,820</b>	<b>58,618,480</b>

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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

## 1. GENERAL CORPORATE INFORMATION

Keong Hong Holdings Limited (the "Company") is a public limited company, incorporated and domiciled in Singapore. Its registered office and principal place of business is at 9 Sungei Kadut Street 2, Singapore 729230. The Company's registration number is 200807303W. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's ultimate controlling party is Mr. Leo Ting Ping Ronald.

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

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

The statement of financial position of Company as at 30 September 2017 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 2017 were authorised for issue in accordance with a Directors' resolution dated 2 January 2018.

## 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 Financial Reporting Standards ("FRS") in Singapore and Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Singapore-incorporated companies listed on SGX-ST will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will adopt the new framework on 1 October 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to the transition. This will involve restating the comparatives for the financial year ended 30 September 2018 and the opening statements of financial position as at 1 October 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

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, the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar ("S\$"), 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 to the financial statements.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

During the financial year, the Group and the Company have adopted the new or revised FRS and INT FRS that are relevant to their 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 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.

#### *FRS and INT FRS issued but not yet effective*

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

		<b>Effective date (annual periods beginning on or after)</b>
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 28 (Amendments)	: Long-term Interests in Associates and Joint Ventures	1 January 2019
FRS 40 (Amendments)	: Transfers of Investment Property	1 January 2018
FRS 102 (Amendments)	: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 109 (Amendments)	: Prepayment Features with Negative Compensation	1 January 2019
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
Improvements to FRSs (December 2016)		
– FRS 28 (Amendments)	: Investments in Associates and Joint Ventures	1 January 2018
– FRS 101 (Amendments)	: First-time Adoption of Financial Reporting Standards	1 January 2018
– FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	1 January 2017
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	: Uncertainty over Income Tax Treatments	1 January 2019

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective (Continued)*

#### *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.

#### *Classification and measurement*

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 can elect to recognise the gains and losses in other comprehensive income. 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 can also be measured at fair value through other comprehensive income.

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.

The Group has completed its preliminary assessment of the classification and measurement of its financial assets, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under FRS 109. The Group expects its available-for-sale financial assets will continue to qualify to be measured at fair value through other comprehensive income (OCI) when FRS 109 is adopted. Subsequently all fair value changes will be recognised in OCI and will not be reclassified to profit or loss, even on disposal. The Group does not have financial liabilities which are designated at fair value through profit or loss.

#### *Impairment*

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 loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will 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 under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

#### *Transition*

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 and intends to elect not to restate comparatives for the previous financial year. The Group will include additional disclosures in the financial statements in the financial year when FRS 109 is adopted.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective (Continued)*

#### *FRS 115 Revenue from Contracts with Customers*

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is in the process of making a detailed assessment of FRS 115 implementation. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

On initial adoption of this standard, there may be changes to the measurement and recognition of revenue progress towards construction completion. The standard permits either the output or input methods to be used to calculate the amount of revenue to be recognised.

The Group currently measures stage of completion by reference to surveys performed which would qualify as an output method under FRS 115. Currently both contract revenue and contract costs are recognised with reference to the stage of completion. Under FRS 115 only revenue is recognised with reference to an input or output method while costs are expensed as incurred unless they qualified to be capitalised. This could result in differences to the contract margin recorded at different stages at the contract.

The Group plans to adopt the standard in the financial year beginning on 1 October 2018 with full retrospective effect in accordance with the transitional provisions.

#### *FRS 116 Leases*

FRS 116 supersedes FRS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective (Continued)*

*FRS 116 Leases (Continued)*

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented premises and office equipment, which the Group, as lessee, currently accounts for as operating leases. The Group has not yet made a detailed assessment of the impact of this standard. However on initial adoption of FRS 116 the Group will be required to recognise its rented premises and office equipment in the statement of financial position by recognising them as right-of-use assets and their corresponding lease liabilities. The Group plans to adopt the standard in the financial year beginning on 1 October 2019 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.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of consolidation (Continued)

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.

#### *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 if 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.

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 life, using the straight-line method, on the following bases:

	<b>Years</b>
Building	10 – 42
Office equipment	2 – 3
Furniture and fittings	3 – 5
Motor vehicles	5
Plant and machinery	3 – 5

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Property, plant and equipment (Continued)

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 life, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful life 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 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost including its transaction costs and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their remaining useful life, on the following bases:

	<b>Years</b>
Freehold land	Not depreciated
Commercial buildings	27 and 28

The residual values, useful life and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

### 2.5 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.

Investments in subsidiaries are accounted for at cost, less accumulated impairment losses, if any, in the Company's statement of financial position.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.6 Associates

Associates are entities 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.

Associates 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 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.

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 in excess of the Group's interest in that associate (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.

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

Investments in associates are accounted for at cost, less accumulated impairment losses, if any, in the Company's statement of financial position.

#### 2.7 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the results of the joint venture is recognised in profit or loss. Where there has been a change recognised directly in equity of the joint venture, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss with respect to the Group's net investment in the joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss. In the Group's consolidated financial statements, the Group's share of results and reserves of joint ventures acquired or disposed of are included in the consolidated financial statements from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Joint ventures (Continued)

The consolidated statement of comprehensive income reflects the share of results of operations of the joint ventures. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains or losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint ventures.

Where the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

### 2.8 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.

The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite life are amortised on a straight-line basis over the estimated economic useful life 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 life is recognised in profit or loss through the 'administrative expenses' line item.

Intangible assets with indefinite useful life 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.

Gains 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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Intangible assets (Continued)

#### *Computer software (Continued)*

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. Transferable club memberships are regarded as intangible assets with indefinite life and not amortised because there is no foreseeable limit to the period over which the assets are expected to be utilised.

### 2.9 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

### 2.10 Impairment of non-financial assets excluding goodwill

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.

Intangible assets with indefinite useful life 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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Impairment of non-financial assets excluding goodwill (Continued)

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.

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.

### 2.11 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 initially recognised 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.

#### Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group and the Company; or if it is a derivative that is not designated and effective as a hedging instrument. The Group and the Company have not designated any financial assets as FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial instruments (Continued)

#### Financial assets (Continued)

##### 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.

The Group's and the Company's loans and receivables in the statements of financial position comprise trade and other receivables, finance lease receivables, convertible bonds and cash and bank balances 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 AFS reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary instruments 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 AFS reserve is included in profit or loss for the period. Dividends on AFS financial assets are recognised in the profit or loss when the Company's right to receive payment is established.

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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial instruments (Continued)

#### Financial assets (Continued)

##### 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.

#### 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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.11 Financial instruments (Continued)

##### Financial liabilities and equity instruments (Continued)

##### Other financial liabilities (Continued)

##### *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.

##### 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.

#### 2.12 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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Inventories

Inventories are stated at the lower of cost or net realisable value.

Cost is determined by specific identification method. Specific identification is used to track and cost specific and identifiable inventory items that are either in or out of stock on an individual basis which are assigned for individual projects.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 2.14 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 and bank overdrafts.

### 2.15 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amounts and fair values less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

### 2.16 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. 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 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 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 in relation to property developments is recognised based on the percentage of completion method measured by reference to surveys of work performed.

Revenue from construction contracts in relation to timber and wooden flooring is recognised based on the percentage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed up to the end of the reporting period over the estimated total contract costs.

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.

### 2.18 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 of construction contract in relation to property developments by reference to surveys of work performed. The stage of completion of construction contract in relation to timber and wooden flooring is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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 "Due from contract customers". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Due to contract customers".

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 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.

##### Operating leases

Rental income from operating leases (net of any incentives received from lessees) is recognised 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 benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

#### *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 or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs in Note 2.21 to the financial statements.

##### 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 assets are consumed.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 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.

### 2.21 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.

### 2.22 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.

### 2.23 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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.24 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years. Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

### 2.25 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.

### 2.26 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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.26 Foreign currency transactions and translation (Continued)

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 dollar 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.

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.

#### 2.27 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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 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

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

- (i) Investments in MKH (Punggol) Pte. Ltd. ("MKH") and Katong Holdings Pte. Ltd. ("KHPL")

As the construction for both projects which the Group held through MKH and KHPL were completed during the financial year, the management has ceased to be involved in decision-making and the provision of essential technical information in relation to these investments.

Due to these changes in facts and circumstances, management assessed that the Group neither has joint control nor significant influence over MKH and KHPL, notwithstanding that there were no changes to the legal form and contractual terms.

As disclosed in Note 8 to the financial statements, the Group has discontinued equity accounting for the investments in MKH and KHPL during the financial year.

### 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.

Where the outcome of the project revenue and costs are different from the original estimates, such differences will impact revenue, costs and work-in-progress in the period in which such estimate has been changed. The carrying amounts of work-in-progress are disclosed in Note 14 to the financial statements.

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 ongoing contracts to be incurred had been higher or lower by 5% from management's estimates, the Group's profit would have been lower or higher by \$44.0 million (2016: \$41.2 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 recoverable amount of an investment is less than its carrying amount, 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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 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 units ("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 CGU and a suitable discount rate in order to calculate present value. The Company's carrying amounts of investments in subsidiaries as at 30 September 2017 was \$28,830,405 (2016: \$24,573,555) (Note 6). The Group's carrying amounts of investments in associates and joint ventures as at 30 September 2017 were \$7,893,573 (2016: \$7,245,068) and \$3,571,999 (2016: \$15,886,184) respectively (Notes 7 and 8).

(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 data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers for valuation of convertible bond/derivative on convertible bond. The Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. For unquoted equity shares, the Group determines the fair value with reference to FRS 113 *Fair Value Measurement* 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 Notes 10, 15 and 41.5 to the financial statements.

(iv) 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. The carrying amounts of the Group's trade and other receivables as at 30 September 2017 was \$224,757,255 (2016: \$198,487,722).

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 4. PROPERTY, PLANT AND EQUIPMENT

	Building \$	Office equipment \$	Furniture and fittings \$	Motor vehicles \$	Plant and machinery \$	Total \$
<b>Group</b>						
<b>Cost</b>						
Balance at 1 October 2016	20,986,647	564,115	574,272	1,865,821	17,215,500	41,206,355
Additions	–	379,364	–	92,385	817,336	1,289,085
Disposals	–	(9,545)	(2,669)	–	(329,219)	(341,433)
Write off	–	(1,200)	–	–	–	(1,200)
Acquisition of a subsidiary	2,454,861	20,284	2,901	239,067	98,308	2,815,421
Currency realignments	–	(203)	(14)	(126)	(8,240)	(8,583)
Balance at 30 September 2017	23,441,508	952,815	574,490	2,197,147	17,793,685	44,959,645
<b>Accumulated depreciation</b>						
Balance at 1 October 2016	2,349,734	389,231	284,692	930,224	13,325,011	17,278,892
Depreciation	2,195,327	132,388	116,488	294,984	2,212,917	4,952,104
Disposals	–	(9,545)	(2,669)	–	(329,219)	(341,433)
Write off	–	(1,200)	–	–	–	(1,200)
Currency realignments	–	(239)	(14)	(153)	10,878	10,472
Balance at 30 September 2017	4,545,061	510,635	398,497	1,225,055	15,219,587	21,898,835
<b>Net carrying amount</b>						
Balance at 30 September 2017	18,896,447	442,180	175,993	972,092	2,574,098	23,060,810
<b>Cost</b>						
Balance at 1 October 2015	20,145,002	375,425	260,943	1,673,913	20,406,491	42,861,774
Additions	841,645	190,705	313,456	372,092	277,486	1,995,384
Disposals	–	–	–	(180,184)	(807,490)	(987,674)
Write off	–	(1,300)	–	–	(13,200)	(14,500)
Reclassified as held for sale	–	–	–	–	(2,579,755)	(2,579,755)
Currency realignments	–	(715)	(127)	–	(68,032)	(68,874)
Balance at 30 September 2016	20,986,647	564,115	574,272	1,865,821	17,215,500	41,206,355
<b>Accumulated depreciation</b>						
Balance at 1 October 2015	175,265	284,035	157,453	818,728	12,209,235	13,644,716
Depreciation	2,174,469	106,987	127,367	291,680	3,420,554	6,121,057
Disposals	–	–	–	(180,184)	(807,490)	(987,674)
Write off	–	(1,300)	–	–	(13,200)	(14,500)
Reclassified as held for sale	–	–	–	–	(1,458,318)	(1,458,318)
Currency realignments	–	(491)	(128)	–	(25,770)	(26,389)
Balance at 30 September 2016	2,349,734	389,231	284,692	930,224	13,325,011	17,278,892
<b>Net carrying amount</b>						
Balance at 30 September 2016	18,636,913	174,884	289,580	935,597	3,890,489	23,927,463

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

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	
	2017	2016
	\$	\$
Motor vehicles	<u>388,890</u>	330,227

Assets acquired under finance lease agreements are pledged as securities for the related finance lease payables (Note 26).

As at 30 September 2017, motor vehicles with net carrying amounts of \$196,662 (2016: \$291,059) 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:

	2017	2016
	\$	\$
Additions of property, plant and equipment	1,289,085	1,995,384
Provision for restoration costs	–	(225,188)
Cash payments to acquire property, plant and equipment	<u>1,289,085</u>	<u>1,770,196</u>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 5. INVESTMENT PROPERTIES

	Freehold land \$	Commercial buildings \$	Total \$
<b>Group</b>			
<b>Cost</b>			
Balance at 1 October 2016	5,295,576	7,821,505	13,117,081
Additions	3,119,463	9,370,836	12,490,299
Currency realignments	(679,523)	(1,187,121)	(1,866,644)
Balance at 30 September 2017	<u>7,735,516</u>	<u>16,005,220</u>	<u>23,740,736</u>
<b>Accumulated depreciation</b>			
Balance at 1 October 2016	–	187,716	187,716
Depreciation	–	261,923	261,923
Currency realignments	–	(29,920)	(29,920)
Balance at 30 September 2017	<u>–</u>	<u>419,719</u>	<u>419,719</u>
<b>Net carrying amount</b>			
Balance at 30 September 2017	<u>7,735,516</u>	<u>15,585,501</u>	<u>23,321,017</u>
<b>Cost</b>			
Balance at 1 October 2015	–	–	–
Additions	5,295,576	7,821,505	13,117,081
Balance at 30 September 2016	<u>5,295,576</u>	<u>7,821,505</u>	<u>13,117,081</u>
<b>Accumulated depreciation</b>			
Balance at 1 October 2015	–	–	–
Depreciation	–	187,716	187,716
Balance at 30 September 2016	<u>–</u>	<u>187,716</u>	<u>187,716</u>
<b>Net carrying amount</b>			
Balance at 30 September 2016	<u>5,295,576</u>	<u>7,633,789</u>	<u>12,929,365</u>

The following amounts are recognised in profit or loss:

	2017 \$	Group 2016 \$
Rental income from investment property	<b>849,745</b>	450,167
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	<b>229,875</b>	124,561

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 5. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties as at 30 September 2017 are set out below:

Description	Location	Tenure	Approximate floor area (sqm)
Freehold land and commercial building	Osaka-shi Chuo-ku Honmachi 4-chome 13-2, 13-3 and 13-4, Japan	Freehold	2,452.43
Freehold land and commercial building	Osaka-shi Nishi-ku, Minamihorie 8-6, 1-chome, Japan	Freehold	2,788.60

As at 30 September 2017, the carrying amount of the investment properties of \$23,321,017 (equivalent to JPY1,934,230,482) (2016: \$12,929,365 (equivalent to JPY959,080,561)) has been pledged for the term loan facility as set out in Note 25 to the financial statements.

For the purpose of the consolidated statement of cash flows, the Group's additions to investment property was financed as follows:

	2017 \$	2016 \$
Additions to investment property	12,490,299	13,117,081
Acquired under borrowing arrangement	(6,583,500)	(5,931,640)
Cash payments to acquire investment property	<u>5,906,799</u>	<u>7,185,441</u>

The fair value of the Group's investment properties were valued at \$23.3 million as at 30 September 2017 (2016: \$13.0 million) by an independent professional valuation firm having appropriate recognised professional qualifications and recent experience in the location and category of the investment properties held by the Group.

The valuation was determined by applying the income approach. The independent valuers have considered valuation techniques including the discounted cash flow method and direct capitalisation method in arriving at the open market value as at the reporting date. The discounted cash flow method involves the estimation and projection of rental income over a period of 10 years based on the typical holding period of real estate investors and discounting the rental income with an internal rate of return to arrive at the market value. The direct capitalisation method capitalises a single-year net cash flow into a present value using the capitalisation rate. The valuation conforms to International Valuation Standards and is based on the asset's highest and best use, which is in line with their actual use. The resulting fair values of freehold land and commercial building are considered level 3 fair value measurements.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	\$	\$
Unquoted equity shares, at cost	<u>28,830,405</u>	<u>24,573,555</u>

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 interests	
		2017 %	2016 %	2017 %	2016 %
<b><u>Held by the Company</u></b>					
Keong Hong Construction Pte Ltd <sup>(1)</sup> ("KHC") (Singapore)	General and building contractors	<b>100</b>	100	–	–
KH Capital Pte Ltd <sup>(1)</sup> (Singapore)	Trading of building construction materials	<b>100</b>	100	–	–
K.H. Land Pte Ltd <sup>(1)</sup> ("KHL") (Singapore)	Investment holding, real estate development and building construction	<b>100</b>	100	–	–
Grandwood Holdings Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding	<b>100</b>	100	–	–
Hansin Timber Specialist and Trading Pte. Ltd. ("HTST") <sup>(1)</sup> (Singapore)	Timber and wooden flooring in residential apartment under construction	<b>60</b>	–	<b>40</b>	–
<b><u>Held by K.H. Land Pte Ltd</u></b>					
KHA Resorts & Hotels Construction Pvt Ltd <sup>(2)</sup> (Cayman Islands)	Hotel building contractors	<b>100</b>	100	–	–
KHA Resorts & Hotels Construction (Maldives) Pvt Ltd <sup>(2)(3)</sup> ("KHAM") (Republic of Maldives)	Hotel building contractors	<b>100</b>	100	–	–
<b><u>Held by Grandwood Holdings Pte. Ltd.</u></b>					
Grandwood (Japan) Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding	<b>100</b>	100	–	–

(1) Audited by BDO LLP, Singapore

(2) Audited by Ernst & Young, Maldives

(3) Proportion of ownership interest of 5% (2016: 5%) held by KHC

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 6. INVESTMENTS IN SUBSIDIARIES (Continued)

#### Acquisition of subsidiary

On 28 August 2017, the Group and the Company acquired 60% of the issued share capital of Hansin Timber Specialist and Trading Pte. Ltd. ("HTST") for consideration of \$4,256,850. This transaction has been accounted for by the acquisition method of accounting.

HTST is a company incorporated in Singapore with its principal activity being specialised in installing timber and wooden flooring under construction. The Group and the Company acquired HTST for various reasons, the primary reason being to strengthen the Group's position as main construction contractor in Singapore and to enlarge the Group's business and revenue stream.

*Consideration transferred (at acquisition date fair values)*

	2017 \$
<hr/>	
<u>Hansin Timber Specialist and Trading Pte. Ltd.</u>	
Cash	3,000,000
Allotment and issuance of the Company's ordinary shares	1,256,850
Total purchase consideration	<u>4,256,850</u>

Acquisition-related costs amounting to \$53,471 have been excluded from the consideration transferred and have been recognised as an expense within the "administrative expenses" line item in the Group's profit or loss for the financial year ended 30 September 2017.

In connection with the acquisition of 60% equity interest in Hansin, the Company issued 2,565,000 ordinary shares with a fair value of \$0.49 each. The fair value of these shares is the published price of the shares at the acquisition date.

The attributable cost of the issuance of the shares as consideration of \$32,100 have been recognised directly in equity as a deduction from share capital.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 6. INVESTMENTS IN SUBSIDIARIES (Continued)

#### Acquisition of subsidiary (Continued)

Assets acquired and liabilities assumed at the date of acquisition

	Carrying amount on date of acquisition 2017 \$
<hr/>	
<u>Hansin Timber Specialist and Trading Pte. Ltd.</u>	
<b>Non-current asset</b>	
Property, plant and equipment	2,815,421
<b>Current assets</b>	
Inventories	2,519,269
Trade and other receivables	1,868,323
Due from contract customers	5,813,564
Prepayments	270,434
Cash and bank balances	602,073
<b>Non-current liabilities</b>	
Bank borrowings	(716,527)
<b>Current liabilities</b>	
Trade and other payables	(5,611,423)
Income tax payable	(126,963)
Finance lease payables	(83,127)
Bank borrowings	(1,190,560)
Net assets acquired and liabilities assumed	<u>6,160,484</u>

#### *Non-controlling interests*

The non-controlling interests (40%) in HTST recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the fair value of HTST's identifiable net assets and amounted to \$2,464,194.

#### *Goodwill arising on acquisition*

	2017 \$
<hr/>	
<u>Hansin Timber Specialist and Trading Pte. Ltd.</u>	
Consideration transferred	
– in cash	3,000,000
– in shares	1,256,850
Plus: Non-controlling interest	2,464,194
Less: Fair value of identifiable net assets acquired	<u>(6,160,484)</u>
Goodwill arising on acquisition	<u>560,560</u>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 6. INVESTMENTS IN SUBSIDIARIES (Continued)

#### Acquisition of subsidiary (Continued)

#### *Goodwill arising on acquisition* (Continued)

Goodwill arose in the acquisition of HTST because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of HTST. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

#### *Provisional accounting for the acquisition of HTST*

The purchase price allocation for the acquisition of HTST in the financial year ended 30 September 2017 was provisional as the Group had sought an independent valuation for the acquisition. The results of this valuation had not been finalised at the date the 2017 financial statements were authorised for issue.

#### *Net cash outflow on acquisition of subsidiary*

	2017 \$
Consideration paid in cash	3,000,000
Less: Cash and cash equivalent balances acquired	(76,552)
Less: Pledged fixed deposits acquired	(525,521)
Net cash outflow on acquisition	<u>2,397,927</u>

#### *Impact of acquisitions on the results of the Group*

Included in the profit for the financial year is \$383,255 attributable to the additional business generated by HTST. Revenue for the period from HTST amounted \$1,570,627.

Trade and other receivables acquired comprise gross trade and other receivables amounting to \$1,868,323 which approximates fair value. It is expected that full contractual amount of receivables can be collected.

Had the business combination during the financial year been effected at 1 October 2016, the revenue of the Group would have been \$244,149,831, and the profit for the financial year would have been \$63,173,401.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Unquoted equity shares, at cost	12,142,570	6,532,570	5,610,000	–
Share of reserves of associates, net of dividend received and tax	(4,248,997)	712,498	–	–
Carrying amount	7,893,573	7,245,068	5,610,000	–

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		Principal activities
	2017 %	2016 %	
<b>Held by the Company</b>			
Nuform System Asia Pte. Ltd. ("NSAPL") <sup>(3)</sup> (Singapore)	30.6	–	Trading and renting of construction and civil engineering machinery and equipment
<b>Held by Keong Hong Construction Pte Ltd</b>			
Punggol Residences Pte Ltd ("PRPL") <sup>(3)</sup> (Singapore)	20	20	Property development
Sembawang Residences Pte Ltd <sup>(3)</sup> (Singapore)	20	20	Property development
Pristine Islands Investment Pte Ltd ("PIIPL") <sup>(1)</sup> (Singapore)	49	49	Investment holdings
<b>Held by Pristine Islands Investment Pte Ltd</b>			
Pristine Islands Investment (Maldives) Pvt Ltd ("PIIMPL") <sup>(2)(3)</sup> (Republic of Maldives)	49	49	Own, operate and management of airport, hotel and resort

(1) Audited by BDO LLP, Singapore

(2) Proportion of ownership interest of 0.1% (2016: 0.1%) held by KHC

(3) Equity accounted based on the management financial statements aligned to the Group's financial year

The principal activities of the associates are in line with the Group's strategy to expand the property development business and venture in the hotel and resort industry.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 7. INVESTMENTS IN ASSOCIATES (Continued)

#### Acquisition of equity interest in associate

On 29 March 2017, the Group and the Company acquired 30.6% equity interest in Nuform System Asia Pte. Ltd. ("NSAPL"), a company incorporated in Singapore, with a cash consideration of \$5,610,000.

*Assets acquired and liabilities assumed at the date of acquisition*

	<b>Carrying amount on date of acquisition \$</b>
Non-current assets	37,385,627
Current assets	11,580,624
Non-current liabilities	(6,809,015)
Current liabilities	<u>(16,890,669)</u>
Net assets	<u>25,266,567</u>
	<b>2017 \$</b>
Proportionate share %	<b>30.6%</b>
Proportionate share of net assets	<b>7,731,570</b>
Less: bargain purchase	<u><b>(2,121,570)</b></u>
Total consideration paid	<u><b>5,610,000</b></u>

The excess of the Group's share of the net fair value of NSAPL's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the financial year ended 30 September 2017.

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

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 7. INVESTMENTS IN ASSOCIATES (Continued)

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

#### Summarised statement of financial position

	PRPL		PIIPL Group		NASPL		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Current assets</b>	<b>17,180,642</b>	44,586,858	<b>10,728,807</b>	6,016,539	<b>14,643,511</b>	–	<b>42,552,960</b>	50,603,397
<b>Non-current assets</b>	–	–	<b>79,354,695</b>	47,752,417	<b>32,905,920</b>	–	<b>112,260,615</b>	47,752,417
<b>Current liabilities</b>	<b>(15,100,902)</b>	(30,684,034)	<b>(67,370,132)</b>	(27,814,602)	<b>(8,791,952)</b>	–	<b>(91,262,986)</b>	(58,498,636)
<b>Non-current liabilities</b>	–	–	<b>(22,354,525)</b>	(17,253,209)	<b>(15,243,180)</b>	–	<b>(37,597,705)</b>	(17,253,209)
<b>Net assets</b>	<b>2,079,740</b>	13,902,824	<b>358,845</b>	8,701,145	<b>23,514,299</b>	–	<b>25,952,884</b>	22,603,969

#### Summarised statement of comprehensive income

	PRPL		PIIPL Group		NASPL		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	<b>761,600</b>	6,582,365	<b>863,506</b>	730,555	<b>8,109,213</b>	–	<b>9,734,319</b>	7,312,920
Profit/(Loss) before tax	<b>182,759</b>	1,732,796	<b>(8,525,671)</b>	(3,025,624)	<b>(1,274,710)</b>	–	<b>(9,617,622)</b>	(1,292,828)
Income tax (expenses)/credit	<b>(5,843)</b>	–	<b>(43)</b>	228,676	–	–	<b>(5,886)</b>	228,676
Profit/(Loss) after tax, representing total comprehensive income	<b>176,916</b>	1,732,796	<b>(8,525,714)</b>	(2,796,948)	<b>(1,274,710)</b>	–	<b>(9,623,508)</b>	(1,064,152)
Dividends received from associates	<b>2,400,000</b>	15,000,000	–	–	–	–	<b>2,400,000</b>	15,000,000

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

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 7. INVESTMENTS 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:

	2017	2016
	\$	\$
The Group's share of loss before income tax	–	(162,005)
The Group's share of loss after income tax	–	(162,005)
The Group's share of other comprehensive income	<b>(868,495)</b>	(212,349)
The Group's share of total comprehensive income	<b>(868,495)</b>	(374,354)

#### 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 follows:

	PRPL		PIIPL Group		NASPL		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Proportion of Group ownership	<b>20%</b>	20%	<b>49%</b>	49%	<b>30.6%</b>	N.A.		
Net assets of the associates	<b>2,079,740</b>	13,902,824	<b>165,932</b>	8,701,145	<b>23,514,299</b>	–	<b>25,759,971</b>	22,603,969
Interest in associates	<b>415,948</b>	2,780,565	<b>81,307</b>	4,263,561	<b>7,195,376</b>	–	<b>7,692,631</b>	7,044,126
Goodwill	–	–	<b>200,942</b>	200,942	–	–	<b>200,942</b>	200,942
Carrying value	<b>415,948</b>	2,780,565	<b>282,249</b>	4,464,503	<b>7,195,376</b>	–	<b>7,893,573</b>	7,245,068
Add:								
Carrying value of individually immaterial associate, in aggregate							–	–
Carrying value of Group's interest in associates							<b>7,893,573</b>	7,245,068

The Group had not recognised losses relating to Sembawang 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 2017 was \$1,891,440 (2016: \$1,003,280). The Group has no obligation in respect of those losses.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 8. INVESTMENTS IN JOINT VENTURES

	Group	
	2017	2016
	\$	\$
Unquoted equity investment, at cost	1,694,285	1,444,285
Share of reserves of joint ventures, net of dividend received and tax	1,877,714	14,441,899
	<u>3,571,999</u>	<u>15,886,184</u>

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		Principal activities
	2017 %	2016 %	
<b>Held by Keong Hong Construction Pte Ltd</b>			
Oasis Development Pte Ltd ("ODPL") <sup>(1)</sup> (Singapore)	20	20	Development of real estate
MKH (Punggol) Pte Ltd (Singapore)	–	15	Development of real estate
Katong Holdings Pte Ltd (Singapore)	–	20	Hotel developer of 883 East Coast Road
LGB-NB Pte Ltd ("LGBPL") <sup>(1)</sup> (Singapore)	15	15	Project developer of a parcel of land in Ho Chi Minh City, Vietnam
East Vue Pte Ltd <sup>(1)</sup> (Singapore)	20	20	Project developer of a parcel of land at Siglap Road

(1) Equity accounted based on the management financial statements aligned to the Group's financial year

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 8. INVESTMENTS IN JOINT VENTURES (Continued)

The principal activities of those joint ventures are in line with the Group's strategy to expand the project development business.

The financial year ends of, Oasis Development Pte Ltd, MKH (Punggol) Pte Ltd, Katong Holdings Pte Ltd and LGB-NB Pte Ltd are 28 February, 31 July, 31 January and 31 December respectively.

#### Significant restrictions

As at 30 September 2017, cash and short-term deposits of \$4,230,315 (equivalent to USD3,116,484) (2016: Nil) held by LGB-NB Pte Ltd in Vietnam are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on remittance of profits earned by foreign organisations from their direct investment in Vietnam under the Investment law.

#### Derecognition of investment in joint ventures

On 1 January 2017, the Group has discontinued the use of the equity method for the investments in MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd as the Group no longer has joint control over the investees. The retained interests in the investments have been recognised as available-for-sale financial assets (Note 10) at fair value with a gain on re-measurement of investment to fair value upon ceasing equity accounting has been recognised as an income, within the "other income" in the Group's profit or loss for the financial year ended 30 September 2017.

#### Acquisition of equity interests in joint ventures

On 29 November 2016, the Group subscribed for additional 600,000 ordinary shares of East Vue Pte Ltd at a cash consideration of \$600,000. As a result, the total shares subscribed in East Vue Pte Ltd were 800,000 ordinary shares and representing 20% of shareholdings.

Set out below are the summarised financial information of the Group's significant joint ventures:

#### *Summarised statement of financial position*

	ODPL		LGBPL		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Current assets	<b>33,028,743</b>	123,405,464	<b>4,501,808</b>	1,048,799	<b>37,530,551</b>	124,454,263
Non-current assets	-	-	-	3,594,931	-	3,594,931
Current liabilities	<b>(5,136,202)</b>	(34,988,975)	<b>(7,764)</b>	(11)	<b>(5,143,966)</b>	(34,988,986)
Non-current liabilities	<b>(13,489,093)</b>	(12,865,635)	-	-	<b>(13,489,093)</b>	(12,865,635)

The above amounts of assets and liabilities include the following:

	ODPL		LGBPL		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	<b>31,365,161</b>	19,444,868	<b>4,230,315</b>	1,048,799	<b>35,595,476</b>	20,493,667
Current liabilities (excluding trade and provisions)	-	(11,955,672)	-	-	-	(11,955,672)
Non-current liabilities (excluding trade and other payables and provisions)	<b>(13,489,093)</b>	(12,865,635)	-	-	<b>(13,489,093)</b>	(12,865,635)

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 8. INVESTMENTS IN JOINT VENTURES (Continued)

*Acquisition of equity interests in joint ventures (Continued)*

*Summarised statement of comprehensive income*

	ODPL		LGBPL		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Revenue	3,521,850	504,643,709	–	–	3,521,850	504,643,709
Interest income	–	–	22,276	4,605	22,276	4,605
Interest expense	–	–	–	–	–	–
Depreciation and amortisation	–	–	–	–	–	–
Profit/(Loss) before tax	353,116	94,409,355	(19,841)	(55,073)	333,275	94,354,282
Income tax expenses	(260,075)	(15,467,520)	–	–	(260,075)	(15,467,520)
Profit/(Loss) after tax, representing total comprehensive income	93,041	78,941,835	(19,841)	(55,073)	73,200	78,886,762

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

#### Aggregate information of joint ventures 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	
	2017	2016
	\$	\$
The Group's share of loss before tax	(83,956)	(4,406)
The Group's share of loss after tax	(83,956)	(4,406)
The Group's share of other comprehensive income	(597,772)	(113,866)
The Group's share of total comprehensive income	(681,728)	(118,272)
Aggregate carrying amount of the Group's interest in these joint ventures	–	81,728

#### Reconciliation of summarised financial information

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

	ODPL		LGBPL		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Proportion of Group ownership	20%	20%	15%	15%		
Net assets/(liabilities) of the joint ventures	14,403,448	75,550,854	4,608,729	4,628,565	19,012,177	80,179,419
Interest in joint ventures	2,880,690	15,110,171	691,309	694,285	3,571,999	15,804,456
Carrying value	2,880,690	15,110,171	691,309	694,285	3,571,999	15,804,456
Add:						
Carrying value of individually immaterial joint ventures, in aggregate					–	81,728
Carrying value of Group's interest in joint ventures					3,571,999	15,886,184

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 8. INVESTMENTS IN JOINT VENTURES (Continued)

#### Reconciliation of summarised financial information (Continued)

The Group had not recognised losses relating to East Vue 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 2017 were \$4,599,401 (2016: \$1,101,342). The Group has no obligation in respect of those losses.

The Group's share of joint ventures' capital commitments in respect of the construction of the development properties is \$39,684,294 (2016: \$85,128,893) as at 30 September 2017.

### 9. INTANGIBLE ASSETS

	Computer software \$	Transferable club membership \$	Provisional goodwill \$	Total \$
<b>Group Cost</b>				
Balance at 1 October 2016	134,606	222,000	–	356,606
Arising from acquisition of a subsidiary	–	–	560,560	560,560
Additions	34,000	–	–	34,000
Balance at 30 September 2017	168,606	222,000	560,560	951,166
<b>Accumulated amortisation</b>				
Balance at 1 October 2016	47,390	–	–	47,390
Amortisation for the financial year	2,834	–	–	2,834
Balance at 30 September 2017	50,224	–	–	50,224
<b>Impairment</b>				
Impairment loss for the financial year, representing balance at 30 September 2017	87,216	–	560,560	647,776
<b>Net carrying amount</b>				
Balance at 30 September 2017	31,166	222,000	–	253,166
Remaining useful life	1 – 2 years	–	N.A.	1 – 2 years
<b>Cost</b>				
Balance at 1 October 2015	47,390	222,000	–	269,390
Additions	87,216	–	–	87,216
Balance at 30 September 2016	134,606	222,000	–	356,606
<b>Accumulated amortisation</b>				
Balance at 1 October 2015	42,657	–	–	42,657
Amortisation for the financial year	4,733	–	–	4,733
Balance at 30 September 2016	47,390	–	–	47,390
<b>Net carrying amount</b>				
Balance at 30 September 2016	87,216	222,000	–	309,216
Remaining useful life	2 years	–	–	2 years

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 9. INTANGIBLE ASSETS (Continued)

Intangible assets with indefinite useful life is tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually 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.

As at the end of the reporting period, the transferable club membership right is held in trust by a Director of the Company.

The amortisation expense is included in the "Administrative expenses" line item in profit or loss.

Goodwill arising from the business combinations of \$560,560 was related to acquisition of a subsidiary, of which, the subsidiary is an individual cash-generating unit ("CGU") that is expected to benefit from the business combinations.

#### *Impairment test for goodwill*

As at 30 September 2017, the recoverable amount of the CGU has been determined based on value-in-use calculations using management-approved discounted cash flow projections covering a period of 5 years (2016: Nil). Management has assessed 5 years cash flows for the financial forecast of the CGU is appropriate considering the management's plan for its business plan in the near future. The revenue growth rates are based on management's best estimate, average gross margin are based on past performance and discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU.

Key assumptions used for value-in-use calculations:

		Revenue growth rate		Pre-tax discount rate	
		2017	2016	2017	2016
HTST	2018 to 2022	7%	–	11.6%	–

Revenue growth rate – The forecasted growth rates are based on management's expectations for the CGU from historical trends as well as average growth rates of the industry.

Pre-tax discount rate – Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The discount rate calculation is derived from the weighted average cost of capital ("WACC") of the Group.

As at 30 September 2017, before impairment testing, goodwill of \$560,560 was allocated to the CGU within the construction segment. Due to increased competition in the market, the Group has revised its cash flow forecasts for the CGU. The CGU has therefore been reduced to its recoverable amount of \$Nil through recognition of an impairment loss against goodwill of \$560,560.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Quoted equity shares <sup>(1)</sup>	6,600,000	6,750,000	6,600,000	6,750,000
Unquoted equity shares <sup>(2)</sup>	49,507,180	–	–	–
	<b>56,107,180</b>	6,750,000	<b>6,600,000</b>	6,750,000
At beginning of financial year	6,750,000	6,675,000	6,750,000	6,675,000
Additions to available-for-sale financial assets	49,811,609	–	–	–
Fair value changes recognised in other comprehensive income	(454,429)	75,000	(150,000)	75,000
At end of financial year	<b>56,107,180</b>	6,750,000	<b>6,600,000</b>	6,750,000

The fair value of the quoted equity shares as at 30 September 2017 was \$6,600,000 (2016: \$6,750,000).

- (1) In prior financial years, 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. 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.
- (2) The Group has assessed and is of the view that it does not retain joint control over MKHPL and KHPL and have accounted for the investments as “available-for-sale” financial assets. Both the investments are classified as Level 3 fair value hierarchy.

The available-for-sale financial assets are denominated in Singapore dollar.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 11. FINANCE LEASE RECEIVABLES

	Minimum lease payments \$	Unearned future income \$	Present value of minimum lease payments \$
<b>Group</b>			
<b>2017</b>			
<b>Current assets</b>			
Within one financial year	156,000	(25,489)	130,511
<b>Non-current assets</b>			
After one financial year but within five financial years	807,143	(35,146)	771,997
	<u>963,143</u>	<u>(60,635)</u>	<u>902,508</u>
<b>2016</b>			
<b>Current assets</b>			
Within one financial year	156,000	(29,255)	126,745
<b>Non-current assets</b>			
After one financial year but within five financial years	963,144	(59,693)	903,451
	<u>1,119,144</u>	<u>(88,948)</u>	<u>1,030,196</u>

In 2015, the Group leased three units of its machineries to non-related party under finance lease. The lease agreement commenced on 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 are fixed at the contract date for all of the lease term. The average interest rate contracted is approximately 2.9% (2016: 2.9%) 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 receivable is denominated in Singapore dollar.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Non-current assets</b>				
Non-trade receivables				
– associate	1,000,000	–	1,000,000	–
<b>Current assets</b>				
Trade receivables				
– third parties	12,841,684	6,215,885	–	–
– subsidiary	–	–	5,285,500	7,688,000
– associates	24,006,501	8,694,226	–	–
– joint ventures	3,268,322	645,512	–	–
Allowance for impairment loss on doubtful debts – third parties	(716,639)	(525,600)	–	–
	39,399,868	15,030,023	5,285,500	7,688,000
Retention sum	36,380,412	45,758,450	–	–
Allowance for doubtful debts – retention sum	(561,227)	(568,802)	–	–
Security deposits	765,423	778,272	–	–
Non-trade receivables				
– third parties	26,927,045	3,233,897	250,000	250,000
– subsidiaries	–	–	40,495,412	39,190,155
– joint ventures	62,643,043	92,157,674	–	–
– associates	58,969,393	42,933,045	34,161	–
Consumption tax	669,381	608,546	–	–
Allowance for impairment loss on doubtful debts – third parties	(1,436,083)	(1,443,383)	–	–
	223,757,255	198,487,722	46,065,073	47,128,155
Total	224,757,255	198,487,722	47,065,073	47,128,155

Trade receivables from third parties, associate and joint ventures are unsecured, non-interest bearing and generally on 30 to 60 days (2016: 30 to 60 days) credit terms.

The trade and non-trade amount due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Non-trade receivables from third parties are unsecured, non-interest bearing and generally on 30 to 60 days (2016: 30 to 60 days) credit terms except for a non-trade receivable from a third party amounting to \$948,073 (2016: Nil) is repayable on demand and bear effective interest rate of 2.78% (2016: Nil) per annum.

The non-trade amounts due from joint ventures are unsecured, repayable on demand and bear effective interest rate of 1.61% (2016: 0% to 2.78%) per annum.

The non-trade amounts due from associates are unsecured, non-interest bearing and repayable on demand except for an amount of \$20,775,698 (2016: \$14,000,569) which bears effective interest rate of 4.09% (2016: 3.65%) and an amount of \$34,377,954 (2016: \$28,932,476) which bears interest rate of 2.04% (2016: 2.54%).

The non-current non-trade amounts due from an associate is unsecured, bear interest rate of 6% (2016: Nil) per annum and repayable in March 2020.

The carrying amount of non-current non-trade receivables due from associate approximates the fair value as at the end of financial year.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 12. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group	
	2017	2016
	\$	\$
Balance at beginning of financial year	525,600	86,719
Allowances charged to profit or loss	191,039	438,881
Balance at end of financial year	<u>716,639</u>	<u>525,600</u>

At 30 September 2017, retention sum held by customers for contract work amounted to \$34,865,082 (2016: \$45,758,450). Retention sum is due for settlement after more than 12 months. They have been classified as current asset because they are expected to be realised in the normal operating cycle of the Group.

Movements in the allowance for impairment of retention sum are as follows:

	Group	
	2017	2016
	\$	\$
Balance at beginning of financial year	568,802	595,860
Currency realignment	(7,575)	(27,058)
Balance at end of financial year	<u>561,227</u>	<u>568,802</u>

Movements in the allowance for impairment of non-trade receivables due from a third party is as follows:

	Group	
	2017	2016
	\$	\$
Balance at beginning of financial year	1,443,383	–
Allowances charged to profit or loss	–	1,443,383
Currency realignment	(7,300)	–
Balance at end of financial year	<u>1,436,083</u>	<u>1,443,383</u>

Individual analysis of impaired non-trade receivables:

	Group	
	2017	2016
	\$	\$
Amount past due of more than 6 months and no response to repayment demands	1,436,083	1,443,383

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Singapore dollar	181,599,409	125,643,160	47,065,073	47,128,155
United States dollar	42,448,363	72,195,636	–	–
Maldives rufiyaa	709,483	648,926	–	–
	<u>224,757,255</u>	<u>198,487,722</u>	<u>47,065,073</u>	<u>47,128,155</u>

**Notes to the Financial Statements**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

**13. INVENTORIES**

	2017	Group	2016
	\$		\$
Consumable materials – timber and plywood	2,322,820		–

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to approximately \$615,089 (2016: \$Nil).

**14. DUE FROM/(TO) CONTRACT CUSTOMERS**

	2017	Group	2016
	\$		\$
Amounts due from contract customers	31,894,584		8,855,564
Amounts due to contract customers	–		(24,880,965)
	<b>31,894,584</b>		<b>(16,025,401)</b>
Contract costs incurred plus recognised profits (less recognised losses) to date on uncompleted construction contracts	1,100,168,438		1,002,202,212
Less: Progress billings	(1,068,273,854)		(1,018,227,613)
	<b>31,894,584</b>		<b>(16,025,401)</b>

**15. CONVERTIBLE BOND/DERIVATIVE ON CONVERTIBLE BOND****Convertible bond**

	Group and Company	
	2017	2016
	\$	\$
Convertible bond carried at amortised cost	–	4,911,714

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 15. CONVERTIBLE BOND/DERIVATIVE ON CONVERTIBLE BOND (Continued)

#### Derivative on convertible bond

	Group and Company	
	2017	2016
	\$	\$
Balance at beginning of financial year	423,306	389,856
Fair value (loss)/gain on derivative	<b>(423,306)</b>	33,450
Balance at end of financial year	<u>–</u>	<u>423,306</u>

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 \$5,000,000, 3 years convertible bond, maturing on 5 September 2016 ("Maturity Date"). On 30 June 2016, an amendment agreement was entered into by both parties to extend the Maturity Date to 5 September 2017. 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 FRS 39 *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 remote.

The Group has re-measured the fair value of the derivative as at 5 September 2017 and recognised a fair value loss amounting to \$423,306 (30 September 2016: fair value gain amounting to \$33,450) as at the end of the financial year. On 5 September 2017, Kori has fully redeemed the convertible bond with principal amount of \$5,000,000.

The convertible bond is denominated in Singapore dollar.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 16. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Fixed deposits	41,971,629	2,373,551	25,622,838	610,269
Cash at bank balances	35,353,764	56,244,929	1,366,272	548,147
	<b>77,325,393</b>	58,618,480	<b>26,989,110</b>	1,158,416
Fixed deposits pledged	(525,521)	–	–	–
Cash and bank balances	76,799,872	58,618,480	26,989,110	1,158,416
Bank overdrafts	(165,052)	–	–	–
Cash and cash equivalents	<b>76,634,820</b>	58,618,480	<b>26,989,110</b>	1,158,416

Fixed deposits will mature within 1 to 10 (2016: 1 to 10) months from the financial year-end and the effective interest rate on the fixed deposits ranges from between 0.15% to 3.20% (2016: 0.15% to 3.20%) per annum.

A fixed deposit of a subsidiary with a carrying amount of \$525,521 was pledged for overdraft facility.

Cash and bank balances on statements of financial position are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Ringgit Malaysia	700,185	698,349	–	–
Singapore dollar	61,404,975	37,994,680	26,989,110	1,158,416
United States dollar	12,186,005	19,224,627	–	–
Maldives rufiyaa	597,568	490,304	–	–
Japanese yen	2,436,660	210,520	–	–
	<b>77,325,393</b>	58,618,480	<b>26,989,110</b>	1,158,416

### 17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at 30 September 2016, management resolved to dispose of certain equipment with carrying amount of \$850,936, which the sale was expected to be completed in the next financial year. Consequently, those equipment were recognised as non-current assets classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*.

During the financial year ended 30 September 2017, the sale of the equipment has been completed.

	Group	
	2017	2016
	\$	\$
Balance at beginning of financial year	850,936	–
Reclassified from property, plant and equipment (Note 4)	–	1,121,437
Write down of equipment to fair value less cost to sell	–	(270,501)
Disposal	(850,936)	–
Balance at end of financial year	–	850,936

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 18. SHARE CAPITAL

	Group and Company		2016	2016
	2017	2016		
	Number of ordinary shares		\$	\$
Issued and fully-paid:				
At beginning of financial year	240,000,000	240,000,000	23,836,074	23,836,074
Issuance of shares pursuant to acquisition of subsidiary (Note 6)	2,565,000	–	1,256,850	–
Share issue expenses (Note 6)	–	–	(32,100)	–
At end of financial year	<b>242,565,000</b>	240,000,000	<b>25,060,824</b>	23,836,074

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.

### 19. TREASURY SHARES

	Group and Company		2016	2016
	2017	2016		
	Number of ordinary shares		\$	\$
At beginning of financial year	10,830,000	14,050,000	4,005,150	5,727,850
Treasury shares reissued pursuant to equity compensation plans:				
– for cash on exercise of employee share options	(650,000)	(3,220,000)	(347,750)	(1,722,700)
At end of financial year	<b>10,180,000</b>	10,830,000	<b>3,657,400</b>	4,005,150

The treasury shares has been used and released for share awards vested under the Keong Hong Group 2011 Employee Share Option Scheme. The difference between the average price paid to acquire treasury shares and the share grant price has been presented within the statements of changes in equity.

During the financial year, 650,000 (2016: 3,220,000) treasury shares were reissued pursuant to the equity-settled share option scheme at a weighted average exercise price of \$0.54 (2016: \$0.54).

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 20. 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 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 on 20 June 2014 ("2014 Options"), the Company granted additional share options to the holders of the 2014 Options. 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 \$0.32. 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.
- (d) On 8 January 2016, the Company had granted 4,175,000 share options ("2016 Options") to subscribe for 4,175,000 ordinary shares in the Company at an exercise price of \$0.40. 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 8 January 2018 and expire on 7 January 2026.
- (e) On 3 April 2017, the Company had granted 700,000 share options ("2017 Options") to subscribe for 700,000 ordinary shares in the Company at an exercise price of \$0.355. 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 10 years, from 3 April 2019 and expire on 2 April 2027.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 20. SHARE OPTION RESERVE (Continued)

#### *Equity-settled share option scheme* (Continued)

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 during the financial year	Forfeited during the financial year	Balance at end of financial year	Exercise price \$	Exercisable period
1/10/2013	1,230,000	–	(50,000)	–	1,180,000	0.31	1.10.2015 to 30.9.2023
20/6/2014	800,000	–	(150,000)	–	650,000	0.31	1.10.2015 to 30.9.2023
1/12/2014	825,000	–	(450,000)	(175,000)	200,000	0.32	1.12.2016 to 30.11.2024
8/1/2016	4,175,000	–	–	(550,000)	3,625,000	0.40	8.1.2018 to 7.1.2026
3/4/2017	–	700,000	–	(100,000)	600,000	0.36	3.4.2019 to 2.4.2027
Total	7,030,000	700,000	(650,000)	(825,000)	6,255,000		

During the financial year, 650,000 options (2016: 3,220,000) were exercised for the equity-settled share option scheme and 825,000 options (2016: Nil) were forfeited due to resignation of certain employees. The Options outstanding at end of the reporting period have remaining contractual life of 6 to 10.5 years (2016: 7 to 9.5 years).

The weighted average share price at the date the options were exercised during the financial year is \$0.44 (2016: \$0.50).

Out of the total equity-settled share option schemes of 6,255,000 (2016: 7,030,000) options, 2,030,000 (2016: 2,030,000) options are exercisable as at 30 September 2017.

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 and Company
Grant date: 1 October 2013	
Weighted average share price (\$)	0.37
Share price as of the valuation date (\$)	0.56
Strike price on the option (\$)	0.47
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) <sup>(1)</sup>	43.45%
Annualized dividend yield on stock	3.00%
Risk free rate (%)	1.16%

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 20. SHARE OPTION RESERVE (Continued)

#### *Equity-settled share option scheme* (Continued)

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:

	<b>Group and Company</b>
<i>Bonus issue</i>	
Value date: 20 June 2014	
Weighted average share price (\$)	0.37
Share price as of the valuation date (\$)	0.42
Strike price on the option (\$)	0.31
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) <sup>(1)</sup>	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:

	<b>Group and Company</b>
Grant date: 1 December 2014	
Weighted average share price (\$)	0.41
Share price as of the valuation date (\$)	0.39
Strike price on the option (\$)	0.32
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) <sup>(1)</sup>	36.12%
Annualized dividend yield on stock	4.99%
Risk free rate (%)	1.55%

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 20. SHARE OPTION RESERVE (Continued)

#### *Equity-settled share option scheme* (Continued)

The fair values of Options granted on 8 January 2016, determined using the Binomial Valuation Model was \$507,888. The significant inputs to the model were as follows:

	<b>Group and Company</b>
Grant date: 8 January 2016	
Weighted average share price (\$)	0.45
Share price as of the valuation date (\$)	0.50
Strike price on the option (\$)	0.40
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) <sup>(1)</sup>	29.00%
Annualized dividend yield on stock	7.50%
Risk free rate (%)	2.08%

The fair values of Options granted on 3 April 2017, determined using the Binomial Valuation Model was \$67,175. The significant inputs to the model were as follows:

	<b>Group and Company</b>
Grant date: 3 April 2017	
Weighted average share price (\$)	0.50
Share price as of the valuation date (\$)	0.44
Strike price on the option (\$)	0.36
Average expected life of the option (years)	10.0
Time to vest (years)	2.0
Employee exit rate (% per year)	2.65%
Standard deviation of stock prices (volatility) <sup>(1)</sup>	26.47%
Annualized dividend yield on stock	6.40%
Risk free rate (%)	2.24%

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

The Group and the Company recognised share based payment expenses and a corresponding share option reserve of \$243,790 (2016: \$235,373) for the financial year ended 30 September 2017.

### 21. 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 reserve are set out in the consolidated statement of changes in equity.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 22. MERGER RESERVE

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

### 23. AVAILABLE-FOR-SALE RESERVE

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
At beginning of financial year	(75,000)	(150,000)	(75,000)	(150,000)
Fair value changes recognised in other comprehensive income	(454,429)	75,000	(150,000)	75,000
At end of financial year	<u>(529,429)</u>	<u>(75,000)</u>	<u>(225,000)</u>	<u>(75,000)</u>

Available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial asset until it is disposed of or impaired.

### 24. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Non-current</b>				
Deferred revenue	<u>1,345,404</u>	–	–	–
<b>Current</b>				
Trade payables				
– third parties	7,559,465	7,700,179	–	–
– accrued subcontractor expenses	<u>118,573,060</u>	<u>92,087,191</u>	–	–
	<u>126,132,525</u>	<u>99,787,370</u>	–	–
Non-trade payables				
– third parties	1,611,148	982,829	136,116	–
– due to an associate	2,087,063	856,740	–	–
– due to a subsidiary	–	–	3,561,605	6,514,177
– due to a director and non-controlling interest of subsidiary	5,056,377	–	–	–
Deferred revenue	2,870,403	–	–	–
Accrued operating expenses	8,797,427	6,322,000	668,390	1,160,801
Goods and services tax payable	532,249	1,232,196	–	–
	<u>147,087,192</u>	<u>109,181,135</u>	<u>4,366,111</u>	<u>7,674,978</u>
Total	<u>148,432,596</u>	<u>109,181,135</u>	<u>4,366,111</u>	<u>7,674,978</u>

Trade and non-trade payables are unsecured, non-interest bearing and generally on 30 to 90 (2016: 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% (2016: 2.98%) per annum.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 24. TRADE AND OTHER PAYABLES (Continued)

The deferred revenue refers to the Group's share of the unrealised profit arising from the building and construction services rendered to associate and joint ventures. The deferred revenue will be amortised over the remaining useful lives of the property of the associate, phases of occupation of the constructed building or upon the temporary occupation permit granted for the buildings for joint ventures, and taken against the share of results of associated and joint venture companies in the Group's profit or loss.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Singapore dollar	56,859,615	107,274,940	4,366,111	7,674,978
United States dollar	81,615,189	1,253,888	–	–
Japanese yen	9,844,246	652,307	–	–
Malaysian ringgit	113,546	–	–	–
	<b>148,432,596</b>	109,181,135	<b>4,366,111</b>	7,674,978

### 25. BANK BORROWINGS

	Group	
	2017 \$	2016 \$
<b>Current liabilities</b>		
<b>Secured</b>		
– Bank overdraft	165,052	–
– Revolving credit	–	2,520,188
– Term loan I	1,827,645	3,662,193
– Term loan II (which is subject to an unconditional callable clause)		
Portion of term loan due for repayment within one financial year	360,817	403,431
Portion of term loan due for repayment after one financial year	4,366,719	5,285,884
– Term loan III (which is subject to an unconditional callable clause)		
Portion of term loan due for repayment within one financial year	361,710	–
Portion of term loan due for repayment after one financial year	5,968,215	–
– Term loan IV (which is subject to an unconditional callable clause)		
Portion of term loan due for repayment within one financial year	43,127	–
Portion of term loan due for repayment after one financial year	683,254	–
– Trust receipts	742,357	–
	<b>14,518,896</b>	11,871,696

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 25. BANK BORROWINGS (Continued)

	Group	
	2017	2016
	\$	\$
<b>Non-current liabilities</b>		
<b>Secured</b>		
– Term loan I	–	1,818,181
	–	1,818,181
<b>Total bank borrowings</b>	<b>14,518,896</b>	<b>13,689,877</b>

Bank borrowings on statements of financial position are denominated in the following currencies:

	Group	
	2017	2016
	\$	\$
Singapore dollar	3,402,183	8,000,562
Japanese yen	11,057,461	5,689,315
Chinese Renminbi	59,252	
	<b>14,518,896</b>	<b>13,689,877</b>

The Group has seven types of loans:

(a) Term loan I

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 \$1,827,645 (2016: \$5,480,374). Repayment is to be made via 36 monthly instalments comprising of monthly principal of \$278,000 and last principal of \$270,000 which commencing on 1 July 2015 and will continue until 1 January 2018. The loan is secured by a charge over the Group's building. The loan carries an interest at 2% plus the bank cost of borrowings.

(b) Term loan II

The Group entered into a banking facility amounting to \$5,931,640 on 15 February 2016 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 \$5,689,315. Repayment is to be made via 84 monthly instalments comprising of monthly principal of \$33,702 and last principal of \$3,134,374 which commencing on 31 March 2016 and will continue until 28 February 2023. The interest on the loan is charged at 1.31% (2016: 1.31%) at base rate plus 1.3% per annum. The loan is secured by:

- (i) a charge over the Group's investment property (Note 5); and
- (ii) The corporate guarantee provided by the Company.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 25. BANK BORROWINGS (Continued)

(c) Term loan III

The Group entered into a banking facility amounting to \$6,329,925 on 20 September 2017 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 \$6,329,925. Repayment is to be made via 84 monthly instalments comprising of monthly principal of \$33,702 and last principal of \$3,828,098 which commencing on 31 October 2017 and will continue until 30 September 2024. The interest on the loan is charged at 1.33% at base rate plus 1.2% per annum. The loan is secured by:

- (i) a charge over the Group's investment property (Note 5); and
- (ii) The corporate guarantee provided by the Company.

(d) Term loan IV

The Group entered into banking facilities amounting to \$790,546 on 19 August 2016 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 \$722,123. Repayments commenced on 7 July 2016 and will continue until 7 February 2031 and 7 October 2029 respectively. The loan carries an interest at bank prevailing enterprise financing rate "EFR" minus 3.6% for 1st year, EFR minus 3.3% for 2nd year, at EFR rate for the subsequent years, payable over 145 and 161 monthly instalments. The loans are secured by:

- (i) a mortgage over the Group's property, plant and equipment (Note 4); and
- (ii) Joint and several personal guarantee from Director of a subsidiary and a non-controlling interest.

(e) Revolving credits are repayable or rollover within 3 months (2016: 3 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.

(f) Trust receipts amounting to \$742,357 (2016: Nil) are unsecured but repayable on demand to the bank with a maximum tenor of up to 90 days. It bears an interest of 2% to 3% over the bank prevailing prime rate of 4.25% per annum.

(g) The Group entered into an overdraft facility amounting to \$300,000 on 19 August 2016 which can be drawn down based on the Company's financing requirements. As at the end of the reporting period, the outstanding overdraft amounted to \$165,052 (2016: \$Nil). The bank overdraft is repayable on demand to the bank with a maximum tenor of up to 1 year. It bears interest of 4.25% over the bank prevailing prime rate of 1.25% per annum. The overdraft facility is secured by:

- (i) Deposits pledged with financial institution (Note 16); and
- (ii) Joint and several personal guarantee from Director of a subsidiary and a non-controlling interest.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 25. BANK BORROWINGS (Continued)

The term loans due for repayable after one year which are classified as current liabilities that are subject to repayment on demand clauses are not expected to be settled within one year.

The Group is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet the requirements. Further details of the Group's management of liquidity risk are set out in Note 41.3 to the financial statements.

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

	Weighted average effective interest rate		Group	
	2017	2016	2017 \$	2016 \$
Within 6 months	<b>2.87</b>	2.35	<b>3,120,761</b>	10,053,514
After 6 months but within 12 months	<b>1.53</b>	3.93	<b>379,736</b>	1,818,182
After one year but within five financial years	<b>1.60</b>	3.93	<b>3,074,200</b>	1,818,181
After five financial years	<b>1.63</b>	–	<b>7,944,199</b>	–
Total			<b>14,518,896</b>	13,689,877

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

As at 30 September 2017, the Group had available \$153 million (2016: \$101 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 2017

### 26. FINANCE LEASE PAYABLES

	Minimum lease payments \$	Future finance charges \$	Present value of minimum lease payments \$
<b>Group</b>			
<b>2017</b>			
<b>Current liabilities</b>			
Within one financial year	128,486	(9,306)	119,180
<b>Non-current liabilities</b>			
After one financial year but within five financial years	132,786	(9,381)	123,405
	<u>261,272</u>	<u>(18,687)</u>	<u>242,585</u>
<b>2016</b>			
<b>Current liabilities</b>			
Within one financial year	97,056	(9,492)	87,564
<b>Non-current liabilities</b>			
After one financial year but within five financial years	170,186	(7,681)	162,505
	<u>267,242</u>	<u>(17,173)</u>	<u>250,069</u>

The finance lease terms range from 3 to 7 (2016: 5 to 7) years for the financial year ended 30 September 2017. The effective interest rates for the finance lease obligations range from between 4.48% to 7.34% (2016: 4.48% to 5.49%) per annum for the financial year ended 30 September 2017.

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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 27. MEDIUM TERM NOTES

	Group and Company	
	2017	2016
	\$	\$
Balance at beginning of financial year	49,593,070	49,354,867
Issued during the financial year	84,074,469	–
Repurchased during the financial year	(49,771,723)	–
Unwinding of discount on medium term notes	178,653	238,203
Balance at end of financial year	<u>84,074,469</u>	<u>49,593,070</u>

On 15 June 2015, 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.

On 15 September 2017, \$85,000,000 were issued from the MTN programme under Series 002 (the “Notes”) and the Notes carried fixed interest of 5.75% per annum with interest payable semi-annually. The Notes will mature on 15 September 2021. The Notes are unsecured.

The Notes are listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). 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 \$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.

On 25 September 2017, the Company exercised the call option under Series 001 Notes and fully redeemed the outstanding Notes at the principal amount. The Series 001 Notes were derecognised when its obligation is discharged on 25 September 2017.

Management estimated the fair value of the Notes as at 30 September 2017 to be approximately \$85,000,000 (2016: \$50,000,000). The fair value is based on the bid price extracted from SGX-ST as at 30 September 2017. The Notes are classified as Level 1 fair value hierarchy.

The Notes are denominated in Singapore dollar.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 28. PROVISIONS

	Provision for warranty and defects <i>Current liabilities</i> \$	Provision for restoration costs <i>Non-current liabilities</i> \$	Total  \$
<b>2017</b>			
Balance at beginning of financial year	1,763,480	232,303	1,995,783
Provisions made	414,000	–	414,000
Provisions utilised	(139,783)	–	(139,783)
Unwinding of discount on provisions	–	6,760	6,760
Balance at end of financial year	<u>2,037,697</u>	<u>239,063</u>	<u>2,276,760</u>
<b>2016</b>			
Balance at beginning of financial year	1,255,232	–	1,255,232
Provisions made	557,640	225,188	782,828
Provisions utilised	(49,392)	–	(49,392)
Unwinding of discount on provisions	–	7,115	7,115
Balance at end of financial year	<u>1,763,480</u>	<u>232,303</u>	<u>1,995,783</u>

A provision is recognised for expected warranty claims on completed projects. The Company has undertaken to perform the necessary repairs should the work carried out by the Company fail to perform satisfactorily. Provision for warranty is recognised based on the claims experienced in the past and the level of repairs and experienced for similar projects.

The provision for restoration costs are the estimated costs of dismantlement, removal or restoration of property arising from the acquisition or use of assets, which are capitalised and included in the cost of property, plant and equipment.

### 29. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2017 \$	2016 \$
Deferred tax assets	<u>80,814</u>	307,015
Deferred tax liabilities	<u>192,825</u>	–

Movements in deferred tax assets are as follows:

	Group	
	2017 \$	2016 \$
Balance at beginning of financial year	307,015	(167,000)
Foreign currency translation differences	1,294	(1,830)
(Charged)/Credited to profit or loss	(227,495)	475,845
Balance at end of financial year	<u>80,814</u>	<u>307,015</u>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 29. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

Movements in deferred tax liabilities are as follows:

	2017	Group	2016
	\$		\$
Charged to profit or loss, representing balance at end of financial year	<u>(192,825)</u>		–

Deferred tax assets attribute to the following temporary differences:

	2017	Group	2016
	\$		\$
Unutilised tax losses	80,814		100,990
Accelerated tax depreciation	–		93,283
Provisions	–		112,742
	<u>80,814</u>		<u>307,015</u>

Deferred tax liabilities attribute to the following temporary differences:

	2017	Group	2016
	\$		\$
Accelerated tax depreciation	<u>192,825</u>		–

The amount of the deferred tax income or expense in respect of each type of unused tax losses and unused tax credits recognised in profit or loss are as follows:

	Unutilised tax losses	Accelerated tax depreciation	Provisions	Total
	\$	\$	\$	\$
Balance at beginning of financial year	100,990	93,283	112,742	307,015
Charged to profit or loss	(21,470)	(286,108)	(112,742)	(420,320)
Foreign currency translation differences	1,294	–	–	1,294
Balance at end of financial year	<u>80,814</u>	<u>(192,825)</u>	<u>–</u>	<u>(112,011)</u>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 30. REVENUE

	Group	
	2017	2016
	\$	\$
Building and construction services		
– Property developments	231,446,601	247,564,050
– Timber and wooden flooring	1,570,627	–
Rental income	849,745	450,167
	<u>233,866,973</u>	<u>248,014,217</u>

### 31. OTHER INCOME

	Group	
	2017	2016
	\$	\$
Accretion of convertible bond discount	88,284	103,140
Fair value gain on derivative on convertible bond	–	33,450
Gain on disposal of plant and equipment	80	248,306
Gain on disposal of non-current assets held for sale	41,900	–
Gain on liquidation of joint venture	–	13,537
Gain on remeasurement of investment to fair value upon ceasing equity accounting	49,811,609	–
Interest income		
– banks	331,470	1,327,031
– convertible bond	250,000	200,000
– finance lease receivables	28,312	31,995
– loans	3,363,500	1,394,200
Late charges charged to subcontractors	113,290	199,610
Rental income	600,000	600,000
Sales of scrap steel	189,109	124,553
Management fee	2,201,434	1,207,420
Dividend income from available-for-sale financial assets	15,000	75,000
Others	602,448	126,397
	<u>57,636,436</u>	<u>5,684,639</u>

### 32. FINANCE COSTS

	Group	
	2017	2016
	\$	\$
Interest expenses:		
– medium term notes	3,088,350	3,000,000
– revolving credit	256,349	499,051
– finance leases	9,493	14,613
– unwinding of discount on restoration cost provision	6,760	7,115
– unwinding of discount on medium term notes	178,652	238,203
	<u>3,539,604</u>	<u>3,758,982</u>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 33. 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:

	2017	Group	2016
	\$		\$
<i>Cost of sales</i>			
Depreciation of property, plant and equipment	2,038,566		3,534,830
Depreciation of investment properties	261,923		187,716
Operating lease expenses	117,000		136,862
<i>Administrative expenses</i>			
Allowance for impairment loss on doubtful third parties trade receivables	191,039		1,882,264
Audit fees			
– Auditors of the Company	95,552		80,867
– Other auditors	7,716		11,644
Non-audit fees			
– Auditors of the Company	88,813		29,586
– Other auditors	15,343		6,303
Amortisation of intangible assets	2,834		4,733
Bad third parties trade receivables written off	113,997		1,925
Depreciation of property, plant and equipment	2,913,538		2,586,227
Employee benefit expenses	5,423,501		6,221,278
Fair value loss on derivative on convertible bond	423,306		–
Foreign exchange loss, net	594,866		812,320
Write down of equipment to fair value less cost to sell	–		270,501
Impairment loss on intangible assets	647,776		–
Low value assets items expensed off	–		95,322
Operating lease expenses	244,790		278,413
Professional fees <sup>(1)</sup>	2,561,848		1,365,848
Telephone expenses	62,054		235,355

(1) The professional fees includes mainly legal consultancy fees of \$1,695,300 (2016: \$900,478) in relation to recovery of doubtful debts from one customer for the Group's resort construction project.

The profit before income tax also includes:

	2017	Group	2016
	\$		\$
<i>Employee benefit expenses:</i>			
Salaries, wages, bonuses and other staff benefits	18,355,068		21,059,151
Contributions to defined contribution plans	544,057		576,283
Share option expenses	243,790		235,373
	<u>19,142,915</u>		<u>21,870,807</u>

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

	2017	Group	2016
	\$		\$
Cost of sales	13,719,414		15,649,529
Administrative expenses	5,423,501		6,221,278
	<u>19,142,915</u>		<u>21,870,807</u>

Included in the employee benefit expenses were Directors' remuneration as shown in Note 37 to the financial statements.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 34. INCOME TAX EXPENSE

	Group	
	2017	2016
	\$	\$
Current income tax		
– current financial year	5,827,000	5,235,754
– over provision in prior financial years	(251,862)	(151,381)
	<u>5,575,138</u>	<u>5,084,373</u>
Deferred income tax		
– current financial year	392,073	(475,845)
– under provision in prior financial years	28,247	–
	<u>420,320</u>	<u>(475,845)</u>
Total income tax expense recognised in profit or loss	<u>5,995,458</u>	<u>4,608,528</u>

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the financial 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% (2016: 17%) to profit before income tax as a result of the following differences:

	Group	
	2017	2016
	\$	\$
Profit before income tax	70,197,598	37,669,083
Add/Less: Share of result of joint ventures	214,185	(15,101,161)
Share of result of associates	2,561,495	1,158,290
	<u>72,973,278</u>	<u>23,726,212</u>
Income tax calculated at Singapore's statutory income tax rate of 17% (2016: 17%)	12,405,457	4,033,456
Effect of different tax rate in other country	48,620	43,716
Tax effect of income not subject to income tax	(8,470,524)	(936,863)
Tax effect of expenses not deductible for income tax purposes	1,991,123	1,584,998
Tax effect of tax exemption	(56,904)	(93,350)
Over provision in prior financial years' current income tax	(251,863)	(151,381)
Under provision in prior financial years deferred income tax	28,248	–
Unrecognised deferred tax assets	575,409	219,015
Utilisation of previously recognised deferred tax assets	(167,869)	(46,729)
Enhanced tax deduction	(203,980)	(55,425)
Reversal of deferred tax assets recognised in prior financial year	50,247	–
Others	47,494	11,091
	<u>5,995,458</u>	<u>4,608,528</u>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 34. INCOME TAX EXPENSE (Continued)

#### Unrecognised deferred tax assets

	Group	
	2017	2016
	\$	\$
Balance at beginning of financial year	1,024,316	836,360
Reassessment of recognised deferred tax assets in prior financial years	5,141	15,670
Amount not recognised during the financial year	575,409	219,015
Reversal of deferred tax assets recognized in prior financial year	50,247	–
Utilisation of deferred tax assets not recognised previously	(167,869)	(46,729)
Balance at end of financial year	<u>1,487,244</u>	<u>1,024,316</u>

Unrecognised deferred tax assets are attributable to:

	Group	
	2017	2016
	\$	\$
Unutilised tax losses	978,451	557,406
Unutilised capital allowance	475,793	466,910
Accelerated tax depreciation	23,000	–
Others	10,000	–
	<u>1,487,244</u>	<u>1,024,316</u>

As at 30 September 2017, the Group has unutilised tax losses and unutilised capital allowance amounting to approximately \$5,755,000 (2016: \$3,278,000) and \$2,799,000 (2016: \$2,746,000) 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	
		2017	2016
		\$	\$
2013	2018	163,401	163,401
2014	2019	30,762	30,762
2015	2020	76,535	76,535
2016	2021	35,083	–
		<u>305,781</u>	<u>270,698</u>

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 (Maldives) 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 2.24 to the financial statements.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 35. EARNINGS PER SHARE

### 35.1 Basic earnings per share

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

	2017	2016
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent (\$)	<u>64,048,838</u>	34,668,021
Weighted average number of ordinary shares outstanding for basic earnings per share	<u>229,754,507</u>	228,398,880
Basic earnings per share (cents)	<u>27.88</u>	15.18

### 35.2 Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to owners 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 in 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 owners of the Company is calculated as follows:

	2017	2016
Profit attributable to owners of the parent (\$)	<u>64,048,838</u>	34,668,021
Weighted average number of ordinary shares outstanding for basic earnings per share	240,231,904	240,000,000
Effect of treasury shares	(10,477,397)	(11,601,120)
Effect of share options in issue	1,451,747	1,431,960
Weighted average number of ordinary shares at 30 September	<u>231,206,254</u>	229,830,840
Diluted earnings per share (cents)	<u>27.70</u>	15.08

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 36. DIVIDENDS

	Group and Company	
	2017	2016
	\$	\$
Interim tax-exempt dividend paid of 0.25 (2016: 0.50) cents per ordinary share in respect of the current financial year	574,550	1,145,850
Final tax-exempt dividend paid of 3.00 (2016: 4.00) cents per ordinary share in respect of the previous financial year	<u>6,875,100</u>	<u>9,166,800</u>
	<u>7,449,650</u>	<u>10,312,650</u>

The Board of Directors proposed that a final dividend of 1.75 (2016: 3.00) cents per ordinary share amounting to \$4,021,850 (2016: \$6,875,100) to be paid for the financial year ended 30 September 2017. 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.

### 37. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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	
	2017	2016
	\$	\$
<b>Joint ventures</b>		
Contract revenue from joint ventures	17,421,114	77,408,032
Dividend income from a joint venture	12,700,000	–
Loan to joint ventures	–	60,113,000
Management fee charged to joint ventures	–	107,000
Interest charged to joint ventures	–	1,239,995
Payment on behalf of joint ventures	49,650	55,063
Payment on behalf by joint ventures	15,145	2,000
Repayment of loan from joint venture	3,513,151	20,700,000
Professional and technical fee charged to joint ventures	<u>255,516</u>	<u>224,565</u>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Group	
	2017	2016
	\$	\$
<b>Associates</b>		
Contract revenue from associates	103,016,405	58,965,025
Dividend receivable from associates	2,400,000	15,000,000
Loan to associates	21,767,596	11,838,932
Rental charged by associates	58,500	–
Sale of non-current asset to associates	892,836	–
Supply of labour charged by associates	50,662	83,599
Payment on behalf by associates	–	26,035
Payment made on behalf of associates	2,740,862	887,269
Management fee charged to associates	2,206,797	1,100,420
Interest charge to associates	2,985,522	1,034,198

	Company	
	2017	2016
	\$	\$
<b>Subsidiary</b>		
Dividend income	9,129,500	11,607,000

	Group and Company	
	2017	2016
	\$	\$
<b>Directors' interest in medium term note</b>		
– Leo Ting Ping Ronald	–	2,000,000
– Er Ang Hooa	–	250,000
– Lim Jun Xiong Steven	–	500,000
– Chong Weng Hoe	250,000	–
<b>Interest expense</b>		
– Leo Ting Ping Ronald	114,344	120,329
– Er Ang Hooa	14,293	15,041
– Lim Jun Xiong Steven	28,586	30,082

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### Compensation of key management personnel

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

	Group	
	2017	2016
	\$	\$
Directors of the Company		
– Short-term benefits	1,963,445	3,134,791
– Post-employment benefits	14,130	16,890
– Directors' fees	178,000	158,000
– Share option expenses	21,763	–
Other key management personnel		
– Short-term benefits	922,824	963,448
– Post-employment benefits	61,109	64,679
– Share option expenses	32,973	70,300
	<b>3,194,244</b>	<b>4,408,108</b>

### 38. COMMITMENTS

#### 38.1 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	
	2017	2016
	\$	\$
Not later than one financial year	435,779	246,259
Later than one financial year but not later than five financial years	789,586	788,011
After five financial years	489,617	475,217
	<b>1,714,982</b>	<b>1,509,487</b>

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 a tenure range from 2 to 11 (2016: 3 to 12) financial years with options to renew.

Group as a lessor

In respect of the investment property disclosed in Note 5 to the financial statements, the Group lease out its investment property to third parties under non-cancellable operating leases. These leases have a tenure range from 1 to 4 financial years with options to renew.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 38. COMMITMENTS (Continued)

#### 38.1 Operating lease commitments (Continued)

Group as a lessor (Continued)

Future minimum rentals receivables under non-cancellable operating leases as at the reporting date are as follows:

	2017	Group 2015
	\$	\$
Not later than one financial year	1,506,913	725,448
Later than one financial year but not later than five financial years	2,110,621	793,658
	<u>3,617,534</u>	<u>1,519,106</u>

### 39. FINANCIAL GUARANTEES

As at 30 September 2017, the Company has issued corporate guarantees amounting to \$225 million (2016: \$179 million) to banks for banking facilities of certain subsidiaries.

The maximum amount of the Company could be forced to settle under the guarantees obligation if the full guaranteed amount is claimed by the counterparties to the guarantees, is \$225 million (2016: \$179 million). The earliest period that the guarantees could be called is within 1 year (2016: 1 year). The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiaries as the Company's directors have assessed that the likelihood of the subsidiaries defaulting on repayment of its banking facilities are remote.

As at the end of the financial year, the Company had also given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

### 40. SEGMENT INFORMATION

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

- The construction segment is in the business of general building contractors.
- The property development segment is in the business of developing properties with other partners. The Group has investments in associates or joint ventures and available-for-sale financial assets 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".
- The investment property segment is in the business of leasing office and retail shops in two commercial buildings acquired in Osaka Japan.
- Investment holding segment is related to Group-level corporate services and investments in quoted and unquoted equity shares.

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

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 40. SEGMENT INFORMATION (Continued)

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.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

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.

	Buildings and construction \$	Property development \$	Investment property \$	Investment holding \$	Total \$
<b>2017</b>					
<b>Revenue</b>					
Sales	233,017,228	–	849,745	–	233,866,973
Inter-segment sales	–	–	–	–	–
Sales to external customers	233,017,228	–	849,745	–	233,866,973
<b>Profit from operations</b>					
Share of results from joint ventures, net of tax	–	(214,185)	–	–	(214,185)
Share of results from associates, net of tax	–	(2,561,495)	–	–	(2,561,495)
Interest income	3,675,997	–	–	297,285	3,973,282
Interest expenses	(193,660)	–	(67,988)	(3,277,956)	(3,539,604)
Depreciation and amortisation	(4,954,938)	–	(261,923)	–	(5,216,861)
Income tax expense	(5,987,702)	–	(7,756)	–	(5,995,458)
Reportable segment profit/ (loss) before income tax	28,652,685	(2,775,680)	(401,470)	44,722,063	70,197,598
Net profit/(loss) for the financial year after tax	22,618,310	(2,775,680)	(362,553)	44,722,063	64,202,140
<b>Other information:</b>					
Capital expenditure	4,699,066	–	12,490,299	–	17,189,365
Investments in joint ventures	–	3,571,998	–	–	3,571,998
Investments in associates	–	7,893,573	–	–	7,893,573
Segment assets	329,613,813	11,465,572	26,628,970	84,687,654	452,396,009
Segment liabilities	146,925,277	–	24,068,268	84,888,162	255,881,707

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 40. SEGMENT INFORMATION (Continued)

	Buildings and construction \$	Property development \$	Investment property \$	Investment holding \$	Total \$
<b>2016</b>					
<b>Revenue</b>					
Sales	247,564,050	–	450,167	–	248,014,217
Inter-segment sales	–	–	–	–	–
Sales to external customers	247,564,050	–	450,167	–	248,014,217
<b>Profit from operations</b>					
Share of results from joint ventures, net of tax	–	15,101,161	–	–	15,101,161
Share of results from associates, net of tax	–	(1,158,290)	–	–	(1,158,290)
Interest income	2,526,695	–	–	426,531	2,953,226
Interest expenses	(459,217)	–	–	(3,299,765)	(3,758,982)
Depreciation and amortisation	(6,125,790)	–	(187,716)	–	(6,313,506)
Income tax expense	(4,601,583)	–	(7,909)	964	(4,608,528)
Reportable segment profit/ (loss) before income tax	27,384,294	13,961,013	137,225	(3,813,449)	37,669,083
Net profit/(loss) for the financial year after tax	22,782,711	13,961,013	129,316	(3,812,485)	33,060,555
<b>Other information:</b>					
Capital expenditure	2,082,600	–	13,117,081	–	15,199,681
Investments in joint ventures	–	15,886,184	–	–	15,886,184
Investments in associates	–	7,245,068	–	–	7,245,068
Segment assets	146,459,327	23,131,252	13,895,848	157,714,911	341,201,338
Segment liabilities	130,233,408	–	10,478,434	64,140,697	204,852,539

Geographical segment information:

	Group	
	2017 \$	2016 \$
<b>Revenue</b>		
Singapore	208,519,581	222,063,855
Maldives	24,497,647	25,500,195
Japan	849,745	450,167
Total revenue	<u>233,866,973</u>	<u>248,014,217</u>
<b>Non-current assets</b>		
Singapore	33,336,803	46,414,606
Maldives	1,442,745	953,325
Japan	23,321,017	12,929,365
Total non-current assets	<u>58,100,565</u>	<u>60,297,296</u>

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

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 40. SEGMENT INFORMATION (Continued)

#### Major customers

During the financial year, the Group's revenue attributable to 3 (2016: 5) customers represent approximately 74% (2016: 90%) of total revenue. Revenue from certain customers (named alphabetically A to F) of the Group's construction segment amount to approximately \$172,547,203 (2016: \$222,949,357). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	2017		2016	
	\$	%	\$	%
Customer A	80,237,478	34	60,189,536	24
Customer B	*	*	45,985,832	19
Customer C	24,497,647	11	25,500,195	10
Customer D	*	*	24,952,925	10
Customer E	67,812,078	29	–	–
Customer F	*	*	66,320,869	27
	<b>172,547,203</b>	<b>74</b>	<b>222,949,357</b>	<b>90</b>

\* Less than 10 percent of the Group's revenue during the financial year.

### 41. 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.

#### 41.1 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 bank balances, 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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.1 Credit risk (Continued)

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 statement of financial position, except as follows:

	Company	
	2017	2016
	\$	\$
Committed corporate guarantees provided to banks for subsidiaries' banking facilities as at the end of reporting period	<u>225,397,052</u>	<u>179,241,687</u>

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 3 (2016: 1) customers which represent 71% (2016: 22%) of total trade receivables balance.
- (b) At the end of the reporting period, the retention sum from 5 customers represent 67% (2016: 73%) 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 credit exposure arising from a subsidiary trade receivable which represents the entire total trade receivable as at the end of the reporting period.

- (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 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.1 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:

	2017	Group 2016
	\$	\$
Past due over 0 to 1 month	2,214,265	160,042
Past due over 1 to 3 months	206,196	77,921
Past due over 3 to 6 months	103,536	28,761
Past due over 6 months	538,824	186,254
	<u>3,062,821</u>	<u>452,978</u>

The carrying amount of trade receivables individually determined to be impaired are as follows:

	2017	Group 2016
	\$	\$
Past due over 6 months	<u>716,639</u>	525,600

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.

#### 41.2 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 exposure within acceptable parameters, while optimising the return.

- (i) Equity prices

The Group is exposed to equity price 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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.2 Market risk (Continued)

##### (i) Equity prices (Continued)

###### *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.

In respect of available-for-sale equity investments, if the prices for equity securities listed on the Catalist Board of the Singapore Exchange Securities Trading Limited had been 5% (2016: 5%) higher or 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 financial years ended 30 September 2017 and 30 September 2016 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 \$330,000 (2016: \$337,500).

##### (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, Japanese yen, 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
United States dollar	12,846,212	24,963,602	–	856,736
Japanese yen	3,146,143	859,446	20,901,707	6,341,622
Ringgit Malaysia	597,568	698,349	113,546	–
Maldives rufiyaa	700,185	490,304	–	–
Chinese Renminbi	–	–	59,252	–

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.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.2 Market risk (Continued)

##### (ii) Foreign exchange risk management (Continued)

##### Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% (2016: 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% (2016: 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.

If the relevant foreign currency strengthen or 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 \$	Japanese yen impact \$	Maldives rufiyaa impact \$
<b>2017</b>				
<b>Group</b>				
<i>Strengthen against \$</i>				
Profit or loss	642,311	29,332	(887,778)	29,878
Other equity	–	–	–	–
<i>Weakens against \$</i>				
Profit or loss	(642,311)	(29,332)	887,778	(29,878)
Other equity	–	–	–	–
<b>2016</b>				
<b>Group</b>				
<i>Strengthen against \$</i>				
Profit or loss	1,205,343	34,917	(274,109)	24,515
Other equity	–	–	–	–
<i>Weakens against \$</i>				
Profit or loss	(1,205,343)	(34,917)	274,109	(24,515)
Other equity	–	–	–	–

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

### 41.2 Market risk (Continued)

#### (iii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to variable rate bank borrowings with financial institutions 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 analysis 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 financial year ended 30 September 2017 would decrease/increase by \$114,945 (2016: increase/decrease by \$222,265). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and other receivables.

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

### 41.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their 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 overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet working capital requirements.

The following tables detail the Group's and the Company's remaining contractual maturity for financial instruments. The tables 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 pay. The tables includes both interest and principal cash flows.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.3 Liquidity risk (Continued)

*Contractual maturity analysis*

	Within one financial year \$	After one financial year but within five financial years \$	After five financial years \$	Total \$
<b>Group</b>				
<b>2017</b>				
<b>Financial liabilities</b>				
Trade and other payables	143,684,540	–	–	143,684,540
Bank borrowings	3,727,231	3,687,975	4,860,211	12,275,417
Finance lease payables	128,486	132,786	–	261,272
Medium term notes	4,887,500	119,008,854	–	123,896,354
<b>2016</b>				
<b>Financial liabilities</b>				
Trade and other payables	107,948,939	–	–	107,948,939
Bank borrowings	6,891,239	3,693,455	3,731,389	14,316,083
Finance lease payables	97,056	170,186	–	267,242
Medium term notes	3,000,000	52,125,000	–	55,125,000
<b>Company</b>				
<b>2017</b>				
<b>Financial liabilities</b>				
Trade and other payables	4,472,247	–	–	4,472,247
Financial guarantee contracts	225,397,052	–	–	225,397,052
Medium term notes	4,887,500	119,008,854	–	123,896,354
<b>2016</b>				
<b>Financial liabilities</b>				
Trade and other payables	7,869,100	–	–	7,869,100
Financial guarantee contracts	179,241,687	–	–	179,241,687
Medium term notes	3,000,000	52,125,000	–	55,125,000

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.4 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 years ended 30 September 2017 and 2016, as disclosed in Note 27 to the financial statements.

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 2017 and 2016.

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 borrowings and finance lease payables less cash and bank balances. Total equity consists of total share capital, other reserves plus retained earnings. Total capital consists of net debt plus total equity.

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade and other payables	148,432,596	109,181,135	4,366,111	7,674,978
Bank borrowings	14,518,896	13,689,877	–	–
Finance lease payables	242,585	250,069	–	–
Medium term notes	84,074,469	49,593,070	84,074,469	49,593,070
Less: Cash and bank balances	(76,799,892)	(58,618,480)	(26,989,110)	(1,158,416)
Net debt	170,468,654	114,095,671	61,451,470	56,109,632
Total equity	193,896,806	136,348,799	26,647,390	27,663,433
Total capital	364,365,460	250,444,470	88,098,860	83,773,065
Gearing ratio (%)	46.8	45.6	69.8	67.0

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.5 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 assets or liabilities, either directly (i.e. as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Group and Company</b>				
<b>2017</b>				
<b>Financial assets</b>				
Available-for-sale	6,600,000	–	49,507,180	56,107,180
<b>2016</b>				
<b>Financial assets</b>				
Available-for-sale	6,750,000	–	–	6,750,000
Derivative on convertible bond	–	423,306	–	423,306

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 reporting date. These financial instruments are classified as Level 2 and comprise derivative component of the convertible bond financial instruments.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

## 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

### 41.5 Fair values (Continued)

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

Some of the group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Description	Fair value as at 30 September 2017	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<i>Available-for-sale financial assets:</i>					
Unquoted equity securities	4,507,828	Level 3	<b>Investment 1</b> Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Expected dividend payments, taking into account the free cash flow retained in the investment will be fully distributed to its shareholders within 2 years at approximately \$4.5 million.  Cost of capital, determined by reference to the beta and capital structure of listed entities in similar industries, ranging from 15.5% to 15.7% per annum.	An increase in the expected dividend payments used in isolation would result in an increase in the fair value <sup>(Note 1)</sup> .  An increase in the cost of capital used in isolation would result in a decrease in the fair value <sup>(Note 2)</sup> .
	44,999,352	Level 3	<b>Investment 2</b> Cost approach – the valuation model is based on the nature and the carrying amount of the assets and liabilities of the investee.	The fair values of investment properties and hotel development properties with reference to the valuation report performed by independent professional valuer that are not developed by the Group.	An increase in the carrying amount of the investment properties and hotel development properties would result in an increase in the fair value.

Note 1: If the expected dividend payments were 10% higher/lower while all the other variables were held constant, the carrying amount of the investment would increase/decrease by \$450,783 (2016: N/A).

Note 2: If the cost of capital were 5 percentage points higher/lower while all the other variables were held constant, the carrying amount of the investment would decrease/increase by \$436,222 (2016: N/A).

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

### 41. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

#### 41.5 Fair values (Continued)

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 disclosed in Notes 12 and 27 to the financial statements.

#### 41.6 Categories of financial instruments

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Financial assets</b>				
Loans and receivables	334,210,359	271,295,129	73,054,183	53,198,285
Derivative on convertible bond	–	423,306	–	423,306
Available-for-sale	56,107,180	6,750,000	6,600,000	6,750,000
<b>Financial liabilities</b>				
Other financial liabilities, at amortised cost	242,520,490	171,481,955	88,440,580	57,268,048

### 42. EVENTS AFTER THE REPORTING PERIOD

#### *Acquisition of an associated company*

On 23 October 2017, the Group acquired 49% equity interest in Keong Hong-MK Development Company Limited ("KHMK"), for a cash consideration of VND9.8 billion (equivalent to \$587,859). KHMK is a company incorporated in Vietnam with its principal activity being real estate development and provision of real estate management related services.

## Analysis of Shareholdings

AS AT 14 DECEMBER 2017

Issued and Fully Paid-Up Capital (including Treasury Shares):	S\$25,817,265
Issued and Fully Paid-Up Capital (excluding Treasury Shares):	S\$22,159,865
Number of Issued Shares (excluding Treasury Shares):	232,385,000
Number/Percentage of Treasury Shares:	10,180,000 (4.38%)
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	0.12	98	0.00
100 – 1,000	46	5.58	30,702	0.01
1,001 – 10,000	315	38.23	2,056,200	0.89
10,001 – 1,000,000	442	53.64	38,552,199	16.59
1,000,001 and above	20	2.43	191,745,801	82.51
Total	824	100.00	232,385,000	100.00

Based on the information available to the Company, as at 14 December 2017, approximately 38.06% of the issued ordinary shares of the Company is held by the public. Hence, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top Twenty Shareholders As At 14 December 2017	No. of Shares	%
LEO TING PING RONALD	53,423,250	22.99
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	50,923,250	21.91
DBS NOMINEES PTE LTD	23,272,500	10.02
UOB KAY HIAN PTE LTD	14,252,300	6.13
TEOU KEM ENG @TEOU KIM ENG	11,002,000	4.73
CITIBANK NOMINEES SINGAPORE PTE LTD	10,496,800	4.52
LIM CHOON TECK HOLDING PTE LTD	4,165,500	1.79
LIM SIAK MENG	3,916,500	1.69
LIM EWE GHEE	3,748,500	1.61
RAFFLES NOMINEES (PTE) LTD	2,647,100	1.14
OCBC SECURITIES PRIVATE LTD	2,275,300	0.98
LEO SHU YAN, NICOLE (LIANG SHUYAN)	1,700,000	0.73
DB NOMINEES (S) PTE LTD	1,650,000	0.71
MAYBANK KIM ENG SECURITIES PTE LTD	1,551,701	0.67
TAN TEE MENG	1,282,500	0.55
HENG SOON MIANG	1,282,500	0.55
FOO CHEK HENG	1,045,100	0.45
KUIK CHIM MUI	1,041,000	0.45
KUIK THIAM HUAT	1,041,000	0.45
GOH GEOK CHEONG	1,029,000	0.44
	191,745,801	82.51

## Analysis of Shareholdings

AS AT 14 DECEMBER 2017

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 14 DECEMBER 2017 AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of shares held as Direct	%	No. of shares held as Deemed	%
LEO TING PING RONALD <sup>(1)</sup>	53,423,250	22.99	68,423,250	29.44
TEOU KEM ENG @TEOU KIM ENG <sup>(2)</sup>	11,002,000	4.73	8,400,000	3.61

**Note:**

- (1) Mr Leo Ting Ping Ronald has a deemed interest in the 50,923,250 shares, 7,500,000 shares and 10,000,000 shares of the Company held in the name of BNP Paribas Nominees Singapore Pte Ltd, DBS Nominees Pte Ltd and Citibank Nominees Singapore Pte Ltd respectively.
- (2) Mr Teou Kem Eng @ Teou Kim Eng has a deemed interest in the 5,000,000 shares and 3,400,000 shares of the Company held in the names of CTBC Bank Co., Ltd and UOB Kay Hian Pte. Ltd. respectively.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting (“AGM”) of Keong Hong Holdings Limited (the “Company”) will be held at Meeting Room 327, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Friday, 26 January 2018 at 9.30 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 2017 and the Auditors’ Report thereon. **Resolution 1**
2. To declare a one-tier tax exempt final dividend of 1.75 Singapore cents per ordinary share for the financial year ended 30 September 2017. (2016: 3 Singapore cents) **Resolution 2**
3. To approve the proposed Directors’ Fees of S\$178,000 for the financial year ended 30 September 2017. (2016: S\$158,000) **Resolution 3**
4. To re-elect the following Directors who are retiring by rotation pursuant to Article 117 of the Company’s Constitution: –
  - (i) Mr Wong Meng Yeng [See Explanatory Note (a)] **Resolution 4**
  - (ii) Mr Leo Zhen Wei Lionel [See Explanatory Note (b)] **Resolution 5**
5. To re-elect Mr Tan Kah Ghee retiring pursuant to Article 122 of the Company’s Constitution. **Resolution 6**
6. To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

### 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 8**

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “Act”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) (“Listing Manual”), the Directors of the Company be authorised and empowered to:

  - (a) allot and issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
  - (b) 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) 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 pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual; and
  - (c) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time of such issuance of Shares,

## Notice of Annual General Meeting

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (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 total issued Shares shall be based on the total issued Shares (excluding treasury shares and subsidiary holdings) 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 and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Mainboard Rules; and
  - (iii) any subsequent bonus issue, consolidation or sub-division of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Mainboard Rules 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 Constitution for the time being of the Company; and
- (4) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be 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 (c)]*

### 8. Authority to Issue Shares Pursuant to the Keong Hong Employee Share Option Scheme Resolution 9

“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 and subsidiary holdings) 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 (d)]*

## Notice of Annual General Meeting

### 9. The proposed renewal of the Share Buy-back Mandate

### Resolution 10

“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 Constitution of the Company and the Listing Manual 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 Buy-Back Mandate is varied or revoked; or
  - (iv) the date on which the Share buy-backs are carried out to the full extent mandated;
- (c) for the 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 and subsidiary holdings 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 buy-backs 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 (e)]*

By Order of the Board

Lo Swee Oi and Lim Guek Hong  
Joint Company Secretaries

Dated: 11 January 2018

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of the Company will be closed from 5.00 p.m. on 9 February 2018, for the preparation of dividend warrants for the proposed tax exempt (one-tier) final dividend of 1.75 Singapore cents per ordinary share for the financial year ended 30 September 2017 (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 9 February 2018 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 9 February 2018, will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by members at the AGM to be held on 26 January 2018, will be paid on 1 March 2018.

### Explanatory Notes:

- (a) Mr Wong Meng Yeng, if re-elected, will continue to serve as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr Wong is considered to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Information on Mr Wong can be found on page 22 of the annual report.
- (b) Mr Leo Zhen Wei Lionel, if re-elected, will continue to serve as a member of the Audit and Nominating Committees. Mr Leo is considered to be non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Information on Mr Leo can be found on page 23 of the annual report.
- (c) The Ordinary Resolution 8 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 fifty per cent (50%) of the total issued Shares (excluding treasury shares and subsidiary holdings), 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 twenty per cent (20%) of the total issued Shares (excluding treasury shares and subsidiary holdings).
- (d) The Ordinary Resolution 9 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.
- (e) The Ordinary Resolution 10 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 and subsidiary holdings) 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 11 January 2018, which is enclosed together with the Annual Report.

### Notes to Proxy Form:

1.
  - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
  - (b) A member who is relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50.
2. 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 seventy-two (72) hours before the time set for the AGM.
3. 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.
4. 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 (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

## Notice of Annual General Meeting

### 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 and/or attached to the Proxy Form. In addition, in the case of a member whose shares are 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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

# KEONG HONG HOLDINGS LIMITED

Company Reg. No.: 200807303W  
(Incorporated in the Republic of Singapore)

## Annual General Meeting Proxy Form

### Important

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), relevant intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

I/We \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport No./Company Registration No.)

of \_\_\_\_\_ (Address)

being a member/members of Keong Hong Holdings Limited 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 "AGM"), as my/our proxy/proxies to vote for me/us on my/our behalf, at the AGM to be held at Meeting Room 327, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 26 January 2018 at 9.30 a.m. and at any adjournment thereof in the following manner:

No	Resolutions:	Number of Votes For*	Number of Votes Against*
	<b>ORDINARY BUSINESS</b>		
1.	To adopt the Directors' Statements, Auditors' Report and Audited Financial Statements for financial year ended 30 September 2017		
2.	To declare a one-tier tax exempt final dividend of 1.75 Singapore cents per ordinary share for the financial year ended 30 September 2017		
3.	To approve Directors' Fees of S\$178,000 for the financial year ended 30 September 2017 (2016: S\$158,000)		
4.	To re-elect Mr Wong Meng Yeng as a Director of the Company		
5.	To re-elect Mr Leo Zhen Wei Lionel as a Director of the Company		
6.	To re-elect Mr Tan Kah Ghee as a Director of the Company		
7.	To re-appoint BDO LLP as Auditors of the Company and to authorize Directors to fix their remuneration		
	<b>SPECIAL BUSINESS</b>		
8.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		
9.	To authorise Directors to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme		
10.	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 AGM.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

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) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50.

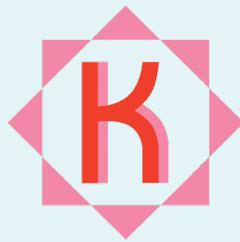
2. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than 72 hours before the time set for the AGM.
3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed as the alternate.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM 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 AGM.
5. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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 shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

## 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 AGM dated 11 January 2018.



**KEONG HONG HOLDINGS LIMITED**

**强枫控股有限公司**

(Incorporated in the Republic of Singapore on 15 April 2008)  
(Company Registration No.: 200807303W)

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