

强枫控股有限公司

BRANCHING OUT TO NEW HORIZONS

KEONG HONG HOLDINGS LIMITED
ANNUAL REPORT 2011

CONTENTS

CORPORATE PROFILE	01
LETTER TO SHAREHOLDERS	02
BOARD OF DIRECTORS	04
EXECUTIVE OFFICERS	06
OPERATIONS REVIEW	08
FINANCIAL HIGHLIGHTS	12
CORPORATE INFORMATION	13
CORPORATE GOVERNANCE REPORT	14
FINANCIAL CONTENTS	24

This annual report and its contents has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.



CORPORATE PROFILE



Established in Singapore in 1983 and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") in December 2011, Keong Hong Holdings Limited (the "Company"), together with its subsidiaries and its associated companies (collectively referred to as the "Group"), is a provider of a broad range of building construction services to both private and public sectors for residential, commercial, industrial and institutional projects.

Our Group's business comprises building construction services including conventional contracts, additions and alterations ("A&A") and Design & Build ("D&B") projects in Singapore and the Maldives, and property development in Singapore.

With over 25 years of experience, our Group has established a strong customer base comprising major players in the construction industry. Our major customers include well-known property developers and owners such as Keppel Land Group, Frasers Centrepoint Limited, MCL Land Ltd for private sector projects, as well as government bodies and statutory boards for public sector projects. Our diversified portfolio of projects include The Esta, IBIS Hotel Project, Falhumaafushi Resorts in Maldives, Singapore Institute of Management, Sime Darby Performance Centre, The Belvedere, Martin Place Residences, Parvis and 8@Woodleigh. In 2011, we also forayed into property development through a joint venture with FCL

Tampines Court Pte. Ltd. to develop a 728-unit executive condominium project in Punggol.

Led by a highly qualified and experienced management team with a total staff strength of over 100, Keong Hong has built a strong reputation in the market for commitment to quality and service. Our Group achieved numerous industry recognitions including BCA A2 grading under the category CW01 for general building which allows us to tender for public sector construction projects not exceeding S\$85 million in project value with no restrictions for private sector construction projects, as well as BCA Award for Construction Excellence. Our Group was also awarded ISO 9001:2008 and SS ISO 9001:2008 Certificate of Registration (Quality Management System), ISO 14001:2004 and SS ISO 14001:2004 Certificate of Registration (Environmental Management System) and OHSAS 18001:2007 Certificate of Registration (Occupational Health and Safety Management System).

LETTER TO SHAREHOLDERS



WE ARE EXCITED TO BEGIN THE NEW FINANCIAL YEAR BUILDING UPON THE GROWTH THAT WE HAVE ALREADY ACHIEVED SINCE WE COMMENCED OPERATIONS MORE THAN 25 YEARS AGO.

DEAR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present Keong Hong Holdings Limited's ("Keong Hong" or the "Company") inaugural annual report as a public listed company for the financial year ended 30 September 2011 ("FY2011").

It has been a successful and significant year for us, culminating in our watershed initial public offering on 16 December 2011 which was well-received by the investment community. Keong Hong has entered into a new growth phase, as we embark as a listed entity on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). We now have a new group of very important stakeholders, which is all of you, our shareholders, who have put your trust and confidence in this Company and have given us the opportunity of working for you in the coming years, as we seek to expand the Company while enhancing shareholders' returns.

REVIEW OF OUR FINANCIAL PERFORMANCE

We commenced as a listed entity in a robust financial state. Despite certain challenges in FY2011, among them, the increase in foreign worker levy in Singapore and the introduction of taxes on corporate profits in the Maldives, where we have a major project, we turned in a strong performance.

We achieved a 51.8% revenue increase, from S\$124.8 million in the financial year ended 30 September 2010 ("FY2010") to S\$189.5 million in FY2011, propelled largely from three of our projects which progressed well during the year, namely, The Parvis at Holland Hill, the extension and additions

and alterations ("A&A") works to Singapore Institute of Management ("SIM") and 8@Woodleigh. Gross profit improved by 36.6% from S\$10.1 million in FY2010 to S\$13.8 million in FY2011. There was a decrease in gross profit margin from 8.1% to 7.3% on account of higher sub-contracting and overhead costs. Net profit increased by 34.1% from S\$8.2 million in FY2010 to S\$11.0 million in FY2011.

LEVERAGING ON OUR EXPERTISE AND BRANCHING OUT TO NEW HORIZONS

We are excited to begin the new financial year building upon the growth that we have already achieved since we started operations more than 25 years ago. With these years of experience as a building contractor in the local construction industry, Keong Hong has garnered expertise in a wide range of building construction services for both the public and private sectors. Leveraging on this track record, Keong Hong had commenced the construction of a resort in the Maldives in 2010, scheduled to be completed by the third quarter for the financial year ending 30 September 2012 ("FY2012"). This project contributed approximately 21% of the total revenue in FY2011. The project will serve as a blueprint for any future expansion overseas, particularly in the construction of hotels and resorts.

During FY2011, Keong Hong also managed to secure several new projects, among them, The Terrasse, a 414-unit condominium project by MCL Land at Hougang; Paterson 2, an 89-unit condominium project by Bukit Sembawang View Pte Ltd off Paterson Road and Twin Waterfalls, a 728-unit executive condominium development

by Punggol Residences Pte Ltd, a joint venture company of which we hold 20% interest. The above three projects have a combined contract value of more than S\$340 million. Twin Waterfalls project marked our foray into the property development sector as we successfully tendered for the project jointly with FCL Tampines Court Pte Ltd. With the experience gained from our collaboration with an established developer, as well as our already extensive expertise as a main contractor for various types of residential, commercial and industrial properties, we intend to further expand our business in the property development sector through strategic alliances and joint ventures.

This year also marked the successful completion of our high-end condominium project, Martin Place Residences, comprising 302 apartment units with temporary occupation permit ("TOP") issued on 12 September 2011, and the extension and A&A works to SIM with Phase 3 TOP issued on 8 September 2011.

With our listing on the Catalist Board of the SGX-ST which enhances our reputation both locally and internationally, we will focus on securing larger scale projects to generate higher profits and to further raise our business profile in Singapore and overseas.



Operationally, we will continue to maintain a vigilant watch on our costs and maintain high levels of productivity among our workers as we seek to optimise the deployment of our labour force, particularly as the steadily increasing foreign levy will have some impact on our operations.

LOOKING TO THE FUTURE

The construction industry is anticipated to have a sustained level of output of between S\$20 billion and S\$27 billion per year in 2012 and 2013¹, with both private and public sector construction demand at healthy levels. With our capabilities and strong track record, we are well placed to capitalise on this demand. Furthermore, we intend to leverage on our experience gained from our overseas developments to seek similar opportunities further afield while strengthening our local presence as well.

We are, however, mindful of the anticipated economic downturn in the next few quarters and the uncertainties surrounding the local and world economies. Industry specific issues such as the more intense competition in the construction sector, the government's policies on the construction and property-related industries as well as inflationary pressures on business operations will also have an impact on our performance in the coming months. Nevertheless, we anticipate that, given our healthy order book of S\$541.0 million as at 30 September 2011 and barring any unforeseen circumstances, we believe we are able to maintain our positive business performance in the year ahead.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincerest thanks to our management and staff for their tireless efforts and contributions to our performance and to all our customers, suppliers, business partners and associates whose support was instrumental in our achievements in 2011. I am grateful to members of the Board for their counsel and commitment. I look forward, together with all of you, our new shareholders, to a positive 2012.

LEO TING PING RONALD

Chairman and Chief Executive Officer

¹ http://www.bca.gov.sg/Newsroom/pr12012011_CPPS.html. While we have taken reasonable actions to ensure that such information is reproduced in their proper form and context and that such information is extracted fairly and accurately, neither we nor any party have conducted an independent review of such information or verify the accuracy of the contents of such information.

BOARD OF DIRECTORS



LEO TING PING RONALD

Chairman and Chief Executive Officer

Leo Ting Ping Ronald is our Chairman and Chief Executive Officer ("CEO"). He was appointed to our Board on 15 April 2008. As Chairman and CEO of our Company, he is in charge of our day-to-day operations and overseeing our strategic direction and corporate business expansion.

He is an engineer with over 30 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 at HDB, he spearheaded the drive towards prefabrication and mechanisation of the local construction industry. He later joined Eng Hup Heng Construction Pte Ltd from 1983 to 1985 as its general manager and was in charge of construction and management of the company projects, including Housing and Urban Development Corporation, HDB housing, factories, and institutional buildings.

Leo Ting Ping Ronald 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 was made a member of The Institution of Engineers Singapore and an associate of The Institute of Structural Engineers, UK, in 1978 and 1992 respectively. He was also registered as a professional engineer with the Singapore Professional Engineers Board in 1979.



ER ANG HOOA

Executive Director

Er Ang Hooa joined our Group in 1996 and was appointed to our Board on 26 September 2011. He has been the project director at Keong Hong Construction Pte. Ltd. ("KH Construction") since June 2010. He is responsible for all operational activities relating to construction projects undertaken by our Group.

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

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



LIM JUN XIONG STEVEN

Lead Independent Director

Lim Jun Xiong Steven is our Lead Independent Director and was appointed to our Board on 22 November 2011.

He started his career in PricewaterhouseCoopers. From December 2007 to August 2008, he was a director and senior consultant of Global Wealth Solutions, a line of business in HSBC Private Bank (Suisse) SA that offers wealth planning solutions to high net-worth individuals and families. From January 1990 to November 2007, he was the managing director of Global Wealth Solutions, HSBC Private Bank (Suisse) SA. He is currently the chief executive officer of SG Trust (Asia) Ltd, a subsidiary

of Societe Generale Private Banking and sits on the board of a few public listed companies in Singapore.

Mr Lim holds a Bachelor of Commerce majoring in Accounting and Finance from the University of Newcastle, Australia. He is currently a member of CPA Australia, the Institute of Certified Public Accountants of Singapore and Society of Trusts and Estate Practitioners.

CHONG WENG HOE

Independent Director

Chong Weng Hoe is our Independent Director and was appointed to our Board on 22 November 2011.

He joined TUV SUD PSB Pte Ltd in April 1991 as an engineer. He became Vice President (Electromagnetic Compatibility) in April 1995, Senior Vice President (Testing) in March 2002 and has been the CEO of the TUV SUD PSB Pte Ltd since January 2008 and he is responsible for TUV SUD PSB's business activities in the ASEAN region, with operations in Singapore, Malaysia, Thailand, Vietnam, Indonesia and Philippines. He has over 15 years experience in financial management, marketing and customer support and project management. He is also a director of several companies, both locally and overseas, including several public listed companies in Singapore.

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 the Consumer Product Safety Advisory Committee. He is also a member of the task force for the Singapore-Thailand Enhanced Economic Relationship (STEER).

WONG MENG YENG

Independent Director

Wong Meng Yeng is our Independent Director and was appointed to our Board on 22 November 2011.

Apart from a stint with a US law firm, he 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 a few public listed companies in Singapore.

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



EXECUTIVE OFFICERS

NG SIEW GE

Chief Financial Officer



Ng Siew Ge is our Chief Financial Officer. His current responsibility includes overseeing all financial, accounting and corporate secretarial matters in our Group.

He has more than 14 years of experience in accountancy, audit and finance. Prior to joining our Group in 2010, he was the financial controller at Avaplas Ltd and Vice President of finance and system at United Engineers Ltd from 2008 to 2010 and 2006 to 2008 respectively. Prior to that, he was the finance manager at Koh Brother Ltd from 2004 to 2006, the internal audit manager at Epcos Pte Ltd from 2002 to 2004 and Vice President of finance and administration at a subsidiary of Neptune Orient Lines Group from 1996 to 2002.

Mr Ng graduated from Imperial College, London with a Masters of Science degree in 1988. He is a qualified Chartered Accountant with the Institute of Chartered Accountant in England and Wales (ICAEW). He is also a member of the Institute of Certified Public Accountants of Singapore (ICPAS).

LOO TOON BOON

General Manager (Operations)



Loo Toon Boon is our General Manager (Operations). He first joined our Group as the assistant general manager from August 2007 to May 2008 at Keong Hong Construction. After about two years at GuocoLand Property Management Pte Ltd as project manager handling several condominium developments, he rejoined our Group in June 2010.

From April 2002 to May 2004, he was the resident engineer at Samsung Corporation for the construction project at One Marina Boulevard. From June 2004 to June 2005, he was the resident engineer at DE Consultants Pte Ltd for the condominium development at Kovan Melody.

Mr Loo graduated with a Bachelor of Engineering (Civil) from the Nanyang Technological University in 1995 and a Masters of Science (Civil) from the National University of Singapore in 2000.

NG SIEW KHIM

Head of Contracts



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 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.

PATERSON 2

We were successful in securing several new residential projects during the course of the year including Paterson 2.



OPERATIONS REVIEW



LEVERAGING ON OUR MORE THAN 25 YEARS OF EXPERIENCE AS A BUILDING CONTRACTOR IN THE LOCAL CONSTRUCTION INDUSTRY, WORKING WITH SOME OF THE LARGEST LOCAL DEVELOPERS, WE TOOK THE STRATEGIC DECISION TO EXPAND OUR BUSINESS INTO THE PROPERTY DEVELOPMENT SECTOR.

Singapore's construction industry for the first two quarters of 2011 remained resilient registering a 13.4% expansion, quarter on quarter in the second quarter of 2011, supported by the public non-residential segment¹. This was in spite of the sharp downturn in the economy in the second quarter of 2011 affected by the supply chain disruptions from the Japan earthquake and softer global demand largely due to the Eurozone and US debt situation and weak consumer sentiment. As the Group is principally engaged in building construction activities, with approximately 79% of our revenue contributed from the Singapore construction industry, the Group's financial performance for the financial year ended 30 September 2011 ("FY2011") was tied closely to the overall performance of Singapore's construction sector.

Group revenue grew by 51.8% from S\$124.8 million for the financial year ended 30 September 2010 ("FY2010") to S\$189.5 million in FY2011, contributed largely from the revenue recorded from three ongoing projects, namely, The Parvis, the extension and additions and alterations ("A&A") works to Singapore Institute of Management ("SIM") and 8@Woodleigh. Gross profit rose by 36.6% from S\$10.1 million in FY2010 to S\$13.8 million in FY2011. Nevertheless, with higher cost of sales, gross profit margin decreased from 8.1% to 7.3%, translating into profit before tax of S\$12.0 million, a 27.7% increase from FY2010 and net profit of S\$11.0 million, a 34.1% increase from S\$8.2 million in the previous year.

On the statement of financial position, the Group has a healthy cash balance of S\$39.7 million at the end of the financial year with earnings per share of 5.9 cents and NTA per share of 18.4 cents based on 160.0 million issued shares pursuant to the listing of the Company. Bank borrowings and finance leases decreased by approximately S\$2.0 million with gearing reduced from 23% in FY2010 to 5% in FY2011.

COMPLETED AND ONGOING PROJECTS

During the year, we successfully handed over two projects to the developer and end-users. The temporary occupation permit ("TOP") for Martin Place Residences at Kim Yan Road was issued on 12 September 2011, yielding a revenue of S\$39.4 million for the Group. The Group also completed the 6-storey extension and A&A works to SIM with Phase 3 TOP issued on 8 September 2011. We had utilised a "top-down" method of construction to enable the above-ground structures and its sub-basement structures to be built simultaneously, saving on construction time and minimising disturbances to surrounding structures. We registered a revenue of S\$33.7 million from this project.

The Group currently has two local residential projects in the final stages of development and scheduled for completion in FY2012. The Parvis at Holland Hill is a 248-unit condominium development by Calne Pte Ltd (MCL Land Limited – Ho Bee Investment Ltd JV), with finishing stoneworks already installed up to the 11th storey. It is on target for project completion in the fourth quarter for the financial year ending 30 September 2012. The 330-unit 8@Woodleigh design and build condominium development by FCL Homes Pte Ltd is currently 75% completed and is on target to hand over to the developer by the third quarter of FY2012.

NEW PROJECTS

We were successful in securing several new residential projects during the course of the year. The first, Paterson 2, is an 89-unit high-end condominium development by Bukit Sembawang View Pte Ltd, worth an estimated contract sum of S\$70.5 million. Piling works have been completed and basement construction works are in progress. The project is targeted for completion in the second quarter of financial year ending September 2014. The second project, The Terrace, is a 414-unit design and build condominium development by MCL Land (Serangoon) Pte Ltd,



MARTIN PLACE RESIDENCES

The temporary occupation permit ("TOP") for Martin Place Residences at Kim Yan Road was issued on 12 September 2011.

worth approximately S\$110.5 million. Building and Construction Authority submission for Earth Retaining and Stabilising Structure has been approved and temporary shoring works are in progress. The project is targeted for completion in the third quarter of FY2014.

OVERSEAS VENTURES

In 2009, in order to further diversify our portfolio of developments and to tap on business opportunities outside of Singapore, we secured a contract with Bonaventure (Maldives) Pvt Ltd (part of the Bonvest Holdings Limited group) and subsequently set up a newly established entity KHA Resorts Hotels Construction Pvt Ltd, a joint venture with Maldivian contractor, Hotel & Resorts Pvt Ltd, to construct a resort development at Falhumaafushi Island at Gaafu Alifu Atoll, Maldives. During the year under review, we made substantial progress in the development of this resort. The Back of House Buildings have been completed, with Front of House Buildings in finishing phase. Beach Works have also been completed except for the top sand fill. The Power House and Generator Rooms have been installed and are ready for testing and commissioning. We are on target to complete the project in the third quarter of FY2012.

PROPERTY DEVELOPMENT

Leveraging on our more than 25 years of experience as a building contractor in the local construction industry, working with some of the largest local developers, we took the strategic decision to expand our business into the property development sector. Towards this end, we entered into a joint-venture project with FCL Tampines Court Pte Ltd. to develop Twin Waterfalls, a 728-unit executive condominium in Punggol.

For this project, besides being the joint property developer, we are also the main contractor for the building and construction works which is worth approximately S\$162.4 million. Building works and the initial sales launch is expected to commence in the second quarter of FY2012.

THE YEAR AHEAD

The government has revised Singapore's growth forecast to 5-6%, from the previous forecast of 5-7% in light of the deteriorating external economic conditions and stock market volatility². More specifically, the construction and property development sector remains challenging, with increasing high construction cost including the increase in foreign worker levy and cautious market sentiments.

However, despite the overall lacklustre economic conditions, the outlook for the construction and real estate sectors remain positive. Furthermore, private and public sector demand for housing is projected to remain healthy. The Building and Construction Authority estimates a sustained level of construction output of between S\$20 billion and S\$27 billion per year in 2012 and 2013³. Having garnered substantial experience in various construction activities including general and main building works and A&A works for residential, commercial, industrial and institutional projects, we are confident that we can capitalise on both the public and private sector construction demand. In our overseas venture, we hope to be able to leverage on the Group's proven track record and established construction techniques to capitalise on the strong demand in Maldives' construction industry.

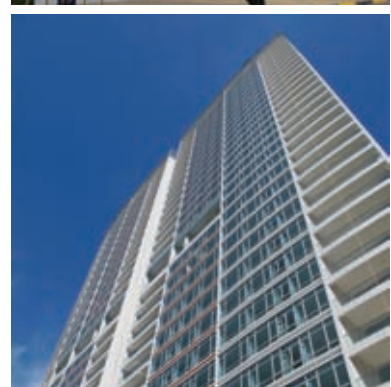
We will work towards increasing shareholders' value and delivering a positive business performance in FY2012.

Sources: While we have taken reasonable actions to ensure that such information is reproduced in their proper form and context and that such information is extracted fairly and accurately, neither we nor any party have conducted an independent review of such information or verify the accuracy of the contents of such information.

¹ http://www.rlb.com/rlb.com/pdf/research/RLB_Singapore_Report_September_2011.pdf

² <http://www.bloomberg.com/news/2011-08-08/singapore-narrows-2011-growth-forecast-range-to-5-6-as-global-risks-rise.html>

³ http://www.bca.gov.sg/Newsroom/pr12012011_CPPS.html



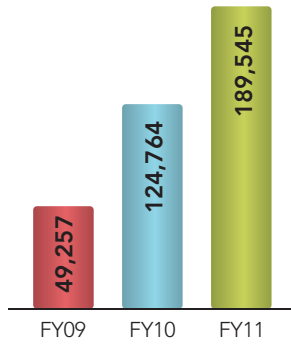


TWIN WATERFALLS

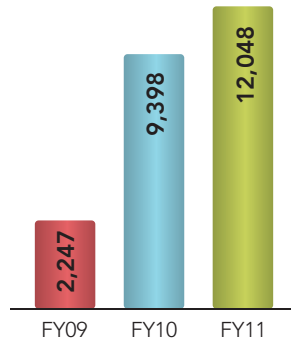
We entered into a joint-venture project with FCL Tampines Court Pte Ltd. to develop Twin Waterfalls, a 728-unit executive condominium in Punggol.

FINANCIAL HIGHLIGHTS

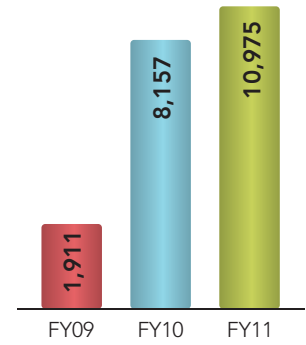
Revenue
(S\$'000)



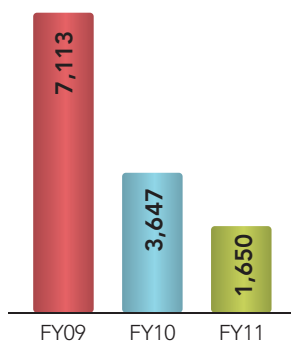
Profit Before Tax
(S\$'000)



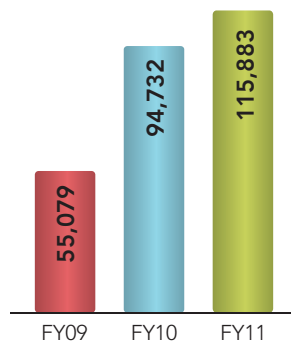
Profit After Tax
(S\$'000)



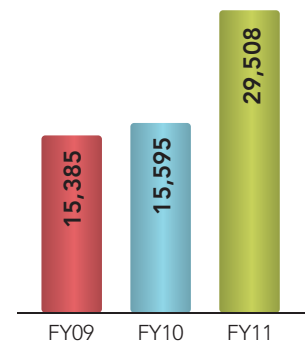
Total Debt
(S\$'000)



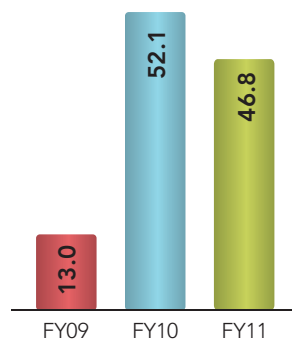
Total Assets
(S\$'000)



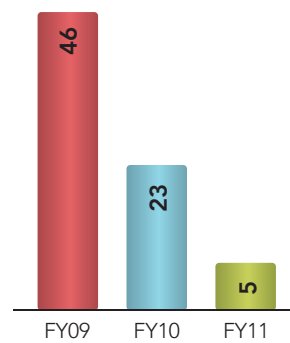
Shareholders' Equity
(S\$'000)



Return on Equity
(%)



Total Debt /
Total Shareholder Equity
(%)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Leo Ting Ping Ronald
Chairman and Chief Executive Officer

Er Ang Hooa
Executive Director

Lim Jun Xiong Steven
Lead Independent Director

Chong Weng Hoe
Independent Director

Wong Meng Yeng
Independent Director

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lo Swee Oi
Tan Ching Chek

REGISTERED OFFICE

Block 151 Bukit Batok Street 11
#03-250
Singapore 650151
Tel: (65) 6564 1479
Fax: (65) 6566 2784
Website: <http://www.keonghong.com>

SHARE REGISTRAR

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

INDEPENDENT AUDITORS

BDO LLP
Public Accountants and Certified Public
Accountants
21 Merchant Road
#05-01 Royal Merukh S.E.A. Building
Singapore 058267

Partner-in-charge: Leong Hon Mun Peter
(Appointed since the financial year ended
30 September 2009)

PRINCIPAL BANKERS

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

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
20 Cecil Street
#21-02 Equity Plaza
Singapore 049705

CORPORATE GOVERNANCE REPORT

The Company is committed to a high standard of corporate governance to ensure effective self regulation practices are in place to enhance corporate performance and accountability. Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Catalist Listing Manual") requires an issuer to outline the corporate governance practices adopted by the Company as set out in the Code of Corporate Governance 2005 (the "Code").

This report outlines the Company's corporate governance practices for the financial year ended 30 September 2011 ("FY2011") up to the date of this report, with specific references made to the principles of the Code.

Principle 1: The Board's Conduct of its Affairs

The Board of Directors (the "Board") has five members comprising two Executive Directors and three Independent Directors, as follows:

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

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

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 memoranda enabling the Directors to make informed decisions.

The Company was formally admitted to the Official List of the Catalist of the SGX-ST on 16 December 2011. The Company held its first meetings on 16 December 2011. Since the listing of the Company up to the date of this report, the number of meetings of the Board and Board committees held and the attendance of the Directors at the meetings are as follows:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	1	1	1	1
Leo Ting Ping Ronald	1	1*	1*	1*
Er Ang Hooa	1	1*	1*	1*
Lim Jun Xiong Steven	1	1	1	1
Chong Weng Hoe	1	1	1	1
Wong Meng Yeng	1	1	1	1

* attendance by invitation

The profile of each Director and other relevant information as at the date of this report are set out on pages 4 and 5 of the Annual Report.

The Board oversees the business affairs of the Group, approves the financial objectives and the strategies to be implemented by management and monitors standards of performance and issues of policy directly. 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 results announcements and approving of 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 (Cap 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 proposing of dividends.

The Board has adopted a set of internal guidelines on the matters requiring Board 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 would be reviewed on a regular basis.

Changes to regulations and accounting standards are monitored closely by the management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or director's disclosure obligations, Directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals. Newly appointed Directors will be briefed by the Chairman on the business activities of the Group and its strategic directions as well as the duties and responsibilities as Directors.

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

The Directors are also regularly briefed on the business activities of the Group.

The Directors have separate and independent access to the Company Secretary at all times and the Company Secretary attends all Board and Board committee meetings and is responsible for ensuring that Board procedures are followed. The Directors also has access to independent professional advice, where necessary, at the Company's expense.

Principle 2: Board Composition and Guidance

The Board comprises five members of whom two are Executive Directors and three are Independent Directors. The Company endeavours to maintain a strong and independent element on the Board. Three of the Company's Directors are independent, thereby fulfilling the Code's requirements that at least one-third of the Board should comprise of Independent Directors.

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.

CORPORATE GOVERNANCE REPORT

The independence of each Director will be reviewed annually by the NC. The NC will adopt the Code's definition of what constitutes an Independent Director in its review.

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 NC is of the view that the current Board size of five Directors is appropriate taking into account the nature and scope of the Group's operations, the core competencies of knowledge and the business experiences of the Directors to govern and meet the Group's objectives.

The Board has no dissenting view on the Chairman's statement for the year in review.

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

The roles of the Chairman and the CEO are currently held by Leo Ting Ping Ronald. 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 the nature of the operations of the group. Mr Leo played an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision. It is hence the view of the Board that it is currently in the best interests of the Group to adopt a single leadership structure.

The Chairman and CEO remains involved in significant corporate matters, especially those of strategic nature. In addition, he is responsible for the effective function of the Board and exercise control over the quality, quantity and timeliness of the flow of information between the management of the Company and the Board, and in ensuring compliance with the guidelines set out in the Code.

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

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

Principle 4: Board Membership

Principle 5: Board Performance

Board Membership

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

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

The NC's written terms of reference describe its responsibilities, and these include:

- (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; and
- (iv) Reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC will decide how the Board's performance is to be evaluated. It 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 will also implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Articles of Association of the Company, one third of the Board is to retire from office by rotation and be subject to re-election at the annual general meeting of the Company.

The NC has recommended Leo Ting Ping Ronald, who is retiring by rotation at the forthcoming annual general meeting ("AGM") under Article 98 of the Company's Articles of Association, to be nominated for re-election. Mr Leo has offered himself for re-election. The Board has accepted the recommendations of the NC.

The NC also recommended that Er Ang Hooa, Lim Jun Xiong Steven, Chong Weng Hoe and Wong Meng Yeng who are retiring at the forthcoming AGM under Article 102 of the Company's Articles of Association, to be nominated for re-election. The retiring Directors have offered themselves for re-election. The Board has accepted the recommendations of the NC.

Lim Jun Xiong Steven will, upon re-election as a Director, remain as the Chairman of the AC and a member of the NC and the RC. Chong Wen Hoe will, upon re-election as a Director, remain as a member of the AC and the RC and the Chairman of the NC. Wong Meng Yeng will, upon re-election as a Director, remain as a member of the AC and the NC and the Chairman of the RC.

The dates of initial appointment of each Director are set out as following:

Name of Director	Appointment	Date of initial appointment
Leo Ting Ping Ronald	Chairman and CEO	15 April 2008
Er Ang Hooa	Executive Director	26 September 2011
Lim Jun Xiong Steven	Lead Independent Director	22 November 2011
Chong Weng Hoe	Independent Director	22 November 2011
Wong Meng Yeng	Independent Director	22 November 2011

The performance of the Board is ultimately reflected in the performance of the Company. The Board should ensure compliance with the applicable laws. Board members should act in good faith, with 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 nominating of any Director for re-election, will evaluate the performance of the Director involved.

Informal 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. The Chairman and CEO will act on the results of the evaluation and where appropriate and in consultation with the NC, will propose the appointment of new directors or seek the resignation of current Directors. Renewal or replacement of directors does not necessarily reflect their contribution to date; it may be driven by the need to position and shape the Board in line with the medium term needs of the Company and its business.

CORPORATE GOVERNANCE REPORT

The search and nomination process for new directors, if any, will be through search companies, contacts and recommendations that go through the normal selection process, to cast its net as wide as possible for the right candidates.

New directors are appointed after the NC has reviewed and nominated them for appointment. Such new directors will submit themselves for re-election at the annual general meeting of the Company.

Principle 6: Access to Information

All Directors receive a set of Board papers that include explanatory information relating to matters to be brought before the Board, copies of disclosure notes and internal group financial statements prior to Board meetings. This is generally issued to them 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.

In addition, Directors receive the monthly management accounts of the Company and have unrestricted access to the records and information of the Company. The Independent Directors have access to senior executives in the Company and other employees to seek additional information if required. To facilitate such access, the contact particulars of the senior management and secretaries of the Company have been provided to the Directors. Directors can seek independent professional advice if required and in accordance with procedure. The costs of such independent professional advice will be borne by the Company.

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

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level & Mix of Remuneration

Principle 9: Disclosure of Remuneration

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

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

The written code of the RC describes its responsibilities. These include:

- (i) Reviewing and recommending a framework of remuneration for the Directors and key officers, 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 Employment Share Option Scheme of the Company.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key officers. Although the recommendations are made in consultation with the Chairman and CEO, the remuneration packages are ultimately approved by the entire Board. No Director is involved in deciding his own remuneration.

The Company adopts a remuneration policy for employees 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. The remuneration package of the Chairman and CEO, Leo Ting Ping Ronald ("Mr Leo"), includes a variable performance bonus.

Mr Leo had entered into a service agreement with the Company in which terms of his employment are stipulated. His initial term of employment is for a period of three (3) years from the date of admission of the Company to Official List of the Catalist of the SGX-ST (the "Initial Term") on 16 December 2011. At the end of the Initial Term, his employment may be renewed on such period and terms as may be agreed between the Company and Mr Leo, unless otherwise terminated by the Company or Mr Leo by giving at least six (6) months' prior written notice or an amount equal to six (6) months' salary in lieu of such notice to the other.

Under the service agreement, Mr Leo will be paid performance bonus based on the consolidated profit before taxation of the Group, when it exceeds \$5.0 million for the financial year.

Directors' fees are set in accordance with the remuneration framework comprising basic fees and committee fees. These are subject to the approval of the Company during the annual general meeting.

The following table shows the remuneration of Directors and key executives disclosed in bands for FY2011:

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Directors					
Above \$500,000					
Leo Ting Ping Ronald	2.5*	53.4	30.1	14.0	100
Below \$250,000					
Er Ang Hooa	–	68.3	27.0	4.7	100
Key Executives					
Below \$250,000					
Ng Siew Ge	–	65.5	17.3	17.2	100
Loo Toon Boon	–	84.5	15.5	–	100
Ng Siew Khim	–	75.7	19.5	4.8	100

* These fees are related to the remuneration of Mr Leo as a director of the Company's subsidiary prior to the listing of the Company.

Note: The Independent Directors were appointed after FY2011.

No employee of the Group was an immediate family member of a Director or the CEO whose remuneration exceeded \$150,000 for FY2011.

Share Option Scheme

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

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.

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.

CORPORATE GOVERNANCE REPORT

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 day preceding the relevant date of 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 shareholder shall not exceed 10% of the shares available under the Scheme.

The options that are granted under the Scheme may have exercise prices that are, at the RC's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of Catalist for the five consecutive market 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.

Since the commencement of the Scheme till the end of the financial year under review and up to current date of this report, no options were granted under the Scheme to Directors of the Company, controlling shareholders of the Company and their associates; and employees of the Group. There were no outstanding options as at the end of FY2011.

Principle 10: Accountability

The Board, through its announcements of the Group's half-year and full-year financial results to shareholders, aims to present a balanced and understandable assessment of the Group's position and prospects.

In preparing the financial statements, the Directors have:

- (i) Selected suitable accounting policies and applied them consistently;
- (ii) Made judgments and estimates that are reasonable and prudent;
- (iii) Ensured that all applicable accounting standards have been followed; and
- (iv) Prepared financial statements on the basis that the Directors have reasonable expectations, having made enquires, that the Group and Company have adequate resources to continue operations for the foreseeable future.

Principle 11: Audit Committee

Principle 12: Internal Controls

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

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

The role of the AC is to assist the Board in overseeing the adequacy of the overall internal control functions, the internal audit functions within the Group, the relationship of those functions to external audit, the scope of audit by the external auditor as well as their independence. The functions of the AC include the following:

- (i) Reviewing with the external auditors the audit plans, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;
- (ii) Reviewing with the internal auditors the internal audit plans and their evaluation of the adequacy of 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 and ensuring 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);
- (iii) Reviewing the external auditors' reports;
- (iv) Reviewing the co-operation given by the Company's officers to the external auditors;
- (v) Reviewing the half-year and full-year, (quarterly if applicable) financial results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (vi) Reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and management's response;
- (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 9 and Chapter 10 of the Catalist Listing Manual (if any);
- (x) Reviewing potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- (xi) Reviewing the effectiveness and adequacy of the Group's administrative, operating, internal 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 or 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) Generally to undertake such other functions and duties as may be required by statute or the Catalist Listing Manual, and by such amendments made thereto from time to time;
- (xv) Reviewing 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
- (xvi) Reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Listing Manual, including such amendments made thereto from time to time.

CORPORATE GOVERNANCE REPORT

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 Company'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 the management of the Company. The AC has the explicit authority to investigate any matter within its terms of reference. It also has full access to and cooperation by management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

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

The AC has reviewed the non-audit services provided by the External Auditors and is of the view that the provision of such non-audit services does not compromise the independence of the External Auditors.

The aggregate amount of fees paid to the External Auditors amounted to approximately \$9,500 for tax services and \$130,650 for the initial public offering (the "IPO") work during the financial year under review.

The AC has recommended that BDO LLP be re-appointed as the Company's External Auditors in respect of the financial year ending 30 September 2012 ("FY2012") at the forthcoming annual general meeting.

The Company confirms that Rules 712 and 715 of the Catalist Listing Manual has been complied with.

The Company will implement a whistle-blowing policy in 2012. This policy will provide well-defined and accessible channels in the Group through the employees may raise concerns about improper conduct within the Group.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board recognises that, in the absence of evidence to the contrary, the internal control system maintained by the Group's management and that was in place throughout FY2011 and up to the date of this report is adequate to meet the needs of the Company in its current business environment.

The Board, with the concurrence of the AC, is of the view that the Group's internal control procedures are adequate to address financial, operational and compliance risks.

Principle 13: Internal Audit

During the financial year under review, in connection with the IPO of the Company, a pre-IPO internal audit was carried out by Stone Forest Consulting Pte Ltd. The AC is in the process of identifying an external firm to be appointed as the internal auditors of the Company for FY2012.

The work procedure being that the internal auditors plan their internal audit schedules in consultation with the management and its plans are submitted to the AC for approval. The AC reviews and approves the internal audit plans and ensures that the internal audit function is adequately resourced.

Principle 14: Communication with Shareholders

Principle 15: Shareholder Participation

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

Shareholders are encouraged to attend the annual general meetings to ensure a greater level of shareholders' participation and for them to be kept up to date as to the strategies and goals of the Group. All shareholders of the Company receive a copy of the annual report, the notice of annual general meetings and circulars and notices pertaining to any extraordinary general meetings of the Company. To facilitate participation by the shareholders, the Articles of Association of the Company allow the shareholders to attend and vote at general meetings of the Company by proxies. Separate resolutions on each distinct issue are requisite.

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

RISK MANAGEMENT

The management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

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. 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 one month before the announcement of the half-year and full-year financial results respectively, and ending on the date of the announcements of the results. In addition, Directors and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

DISCLOSURE OF MATERIAL CONTRACTS

Save as disclosed in pages 141 to 143 of the Offer Document dated 8 December 2011 (the "Offer Document"), there were no material contracts entered into by the Company or its subsidiary involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2011 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.

Save for the ongoing interested person transactions as referred in pages 110 and 111 of the Offer Document, there were no interested person transactions entered into during FY2011.

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

NON-SPONSORSHIP FEES

For FY2011, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. fees of S\$210,000 to act as the issue manager, sponsor and placement agent pursuant to the Company's IPO.

USE OF PROCEEDS

Pursuant to the IPO, the Company received total proceeds of S\$6.48 million and up till the date of this report, the IPO proceeds have been utilised as follows:

Intended Usage in accordance with the Offer Document	Allocation (S\$'000)	Amount utilised (S\$'000)	Amount unutilised (S\$'000)
Merger and acquisition	1,500	–	1,500
General working capital	3,543	–	3,543
IPO expenses	1,437	987	684
TOTAL	6,480	987	5,727



FINANCIAL CONTENTS

REPORT OF THE DIRECTORS	25
STATEMENT BY DIRECTORS	28
INDEPENDENT AUDITORS' REPORT	29
STATEMENTS OF FINANCIAL POSITION	30
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	32
CONSOLIDATED STATEMENT OF CASH FLOWS	33
NOTES TO THE FINANCIAL STATEMENTS	35
ANALYSIS OF SHAREHOLDINGS	81
NOTICE OF ANNUAL GENERAL MEETING	82
PROXY FORM	

REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 30 September 2011 and the statement of financial position of the Company as at 30 September 2011.

1. DIRECTORS

The Directors of the Company in office at the date of this report are:

Leo Ting Ping Ronald (Chairman and Chief Executive Officer)

Er Ang Hooa (Executive Director) (Appointed on 26 September 2011)

Lim Jun Xiong Steven (Lead Independent Director) (Appointed on 22 November 2011)

Chong Weng Hoe (Independent Director) (Appointed on 22 November 2011)

Wong Meng Yeng (Independent Director) (Appointed on 22 November 2011)

2. 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 is 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.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as detailed below:

	Number of ordinary shares	
	Balance at 1 October 2010	Balance at 30 September 2011
Company		
Leo Ting Ping Ronald	1	1

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 October 2011 in the shares of the Company have not changed from those disclosed as at 30 September 2011.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements.

REPORT OF THE DIRECTORS

5. SHARE OPTIONS

There were no share options granted by the Company or its subsidiaries during the financial year under review.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or of its subsidiaries under options as at the end of the financial year under review.

6. AUDIT COMMITTEE

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

Lim Jun Xiong Steven (Chairman)

Chong Weng Hoe

Wong Meng Yeng

The Audit Committee carries out its functions in accordance with Section 201B (5) of the Companies Act, Cap. 50, and the Code of Corporate Governance, including the following:

- (a) review with the external auditors the audit plans, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;
- (b) review with the internal auditors the internal audit plans and their evaluation of the adequacy of the internal control and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report (where necessary);
- (c) review the internal control and procedures and ensure co-ordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- (d) review the external auditors' reports;
- (e) review the co-operation given by the Company's officers to the external auditors;
- (f) review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (g) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- (h) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

6. AUDIT COMMITTEE (cont'd)

- (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 SGX-NET;
- (m) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (n) generally to undertake such other functions and duties as may be required by statute or the Catelist Rules, and by such amendments made thereto from time to time;
- (o) review arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- (p) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time.

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

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

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

7. AUDITORS

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

On behalf of the Board of Directors

Leo Ting Ping Ronald
Director

Singapore
21 December 2011

Er Ang Hooa
Director

STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

- (a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company as at 30 September 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2011 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; 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.

On behalf of the Board of Directors

Leo Ting Ping Ronald

Director

Singapore

21 December 2011

Er Ang Hooa

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Keong Hong Holdings Limited (the "Company") (formerly known as Keong Hong Holdings Pte. Ltd.) and its subsidiaries (the "Group") as set out on pages 30 to 80, which comprise the statements of financial position of the Group and of the Company as at 30 September 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year ended 30 September 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the accompanying 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2011 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

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

BDO LLP

Public Accountants and
Certified Public Accountants

Singapore
21 December 2011

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2011

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
Non-current assets					
Plant and equipment	4	4,645,287	4,986,670	–	–
Investment properties	5	–	5,300,000	–	–
Investment in associate	6	200,000	–	–	–
Investment in joint venture	7	89,062	523,754	–	–
Intangible asset	8	663	4,360	–	–
Deferred tax assets	9	44,750	–	–	–
		4,979,762	10,814,784	–	–
Current assets					
Property held for sale	10	–	650,000	–	–
Financial assets at fair value through profit or loss	11	581,996	2,002,249	–	–
Trade and other receivables	12	70,596,724	53,589,386	1,000	–
Cash and cash equivalents	13	39,724,715	27,675,909	5,764	2
		110,903,435	83,917,544	6,764	2
Less:					
Current liabilities					
Due to contract customers	14	20,761,201	14,268,694	–	–
Trade and other payables	15	60,509,043	59,294,273	25,215	4,740
Bank borrowings	16	–	202,498	–	–
Finance lease payables	17	797,851	898,369	–	–
Current income tax payable		1,501,465	1,314,398	–	–
		83,569,560	75,978,232	25,215	4,740
Net current assets/(liabilities)		27,333,875	7,939,312	(18,451)	(4,738)
Less:					
Non-current liabilities					
Bank borrowings	16	–	1,082,259	–	–
Finance lease payables	17	852,281	1,464,166	–	–
Deferred tax liabilities	9	74,000	368,000	–	–
		926,281	2,914,425	–	–
		31,387,356	15,839,671	(18,451)	(4,738)
Capital and reserves					
Share capital	18	13,600,002	8,400,002	2	2
Foreign currency translation account	19	23,603	(12,987)	–	–
Accumulated profits/(losses)		15,883,923	7,208,482	(18,453)	(4,740)
Equity attributable to owners of the parent		29,507,528	15,595,497	(18,451)	(4,738)
Non-controlling interests		1,879,828	244,174	–	–
Total equity		31,387,356	15,839,671	(18,451)	(4,738)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2011

	Note	2011 \$	2010 \$
Revenue	20	189,544,535	124,764,023
Cost of sales		(175,706,812)	(114,621,752)
Gross profit		13,837,723	10,142,271
Other income	21	2,738,530	2,732,237
Administrative expenses		(4,366,379)	(3,132,144)
Other expenses		(157,090)	(116,439)
Finance costs	22	(144,805)	(292,800)
Share of results of joint venture		140,309	64,677
Profit before income tax	23	12,048,288	9,397,802
Income tax expense	24	(1,073,455)	(1,240,993)
Profit for the financial year		10,974,833	8,156,809
Other comprehensive income			
Exchange differences on translating foreign operations		71,504	(25,464)
Income tax on other comprehensive income		-	-
Other comprehensive income for the financial year, net of tax		71,504	(25,464)
Total comprehensive income for the financial year		11,046,337	8,131,345
Profit attributable to:			
Owners of the parent		9,374,093	8,222,579
Non-controlling interests		1,600,740	(65,770)
		10,974,833	8,156,809
Total comprehensive income attributable to:			
Owners of the parent		9,410,683	8,209,592
Non-controlling interests		1,635,654	(78,247)
		11,046,337	8,131,345
Earnings per share (cents)			
- Basic and diluted	25	97.67	97.89
- Based on Post-Placement shares		5.86	5.14

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial year ended 30 September 2011

	Note	Share capital \$	Foreign currency translation account \$	Accumulated profits \$	Equity attributable to owners of the parent \$	Non-controlling interests \$	Total \$
Balance at 1 October 2010		8,400,002	(12,987)	7,208,482	15,595,497	244,174	15,839,671
Profit for the financial year		–	–	9,374,093	9,374,093	1,600,740	10,974,833
Other comprehensive income for the financial year							
Exchange differences on translating foreign operations		–	36,590	–	36,590	34,914	71,504
Total comprehensive income for the financial year		–	36,590	9,374,093	9,410,683	1,635,654	11,046,337
Contribution by and distribution to owners of the parent:							
Dividends	26	–	–	(698,652)	(698,652)	–	(698,652)
Issue of shares	18	5,200,000	–	–	5,200,000	–	5,200,000
Total transactions with owners of the parent		5,200,000	–	(698,652)	4,501,348	–	4,501,348
Balance at 30 September 2011		13,600,002	23,603	15,883,923	29,507,528	1,879,828	31,387,356
Balance at 1 October 2009		8,400,002	–	6,984,653	15,384,655	–	15,384,655
Profit for the financial year		–	–	8,222,579	8,222,579	(65,770)	8,156,809
Other comprehensive income for the financial year:							
Exchange differences on translating foreign operations		–	(12,987)	–	(12,987)	(12,477)	(25,464)
Total comprehensive income for the financial year		–	(12,987)	8,222,579	8,209,592	(78,247)	8,131,345
Distribution to owners of the parent:							
Dividends	26	–	–	(7,998,750)	(7,998,750)	–	(7,998,750)
Total transaction with owners of the parent		–	–	(7,998,750)	(7,998,750)	–	(7,998,750)
Subscription of shares by non-controlling interest in a newly incorporated subsidiary		–	–	–	–	322,421	322,421
Balance at 30 September 2010		8,400,002	(12,987)	7,208,482	15,595,497	244,174	15,839,671

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2011

	2011	2010
	\$	\$
Operating activities		
Profit before income tax	12,048,288	9,397,802
Adjustments for:		
Amortisation of intangible asset	4,633	7,202
Depreciation of plant and equipment	1,546,227	1,224,572
Dividend income from financial assets at fair value through profit or loss	(1,771)	(7,641)
Fair value loss/(gain) on financial assets at fair value through profit or loss	157,090	(136,994)
Gain on disposal of plant and equipment	(101,064)	(167,009)
Gain on disposal of financial assets at fair value through profit or loss	(34,018)	(74,515)
Gain on disposal of property held for sale	(50,000)	–
Interest income	(147,187)	(96,860)
Interest expense	144,805	292,800
Gain on disposal of investment properties	(637,203)	(1,375,569)
Return of surplus asset from joint venture upon termination	–	(34,919)
Share of results of joint ventures	(140,309)	(64,677)
Write-back of allowance for doubtful third parties trade receivables	(3,879)	–
Operating cash flows before working capital changes	12,785,612	8,964,192
Working capital changes:		
Trade and other receivables	(16,957,980)	(26,351,640)
Due to contract customers	6,496,898	8,872,350
Trade and other payables	9,258,620	25,553,845
Cash generated from operations	11,583,150	17,038,747
Income tax paid	(1,223,933)	(192,287)
Net cash from operating activities	10,359,217	16,846,460

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2011

	Note	2011 \$	2010 \$
Investing activities			
Investment in associate		(200,000)	–
Purchase of plant and equipment		(904,252)	(1,524,459)
Purchase of financial assets at fair value through profit or loss		–	(1,611,898)
Purchase of intangible asset		(936)	(8,720)
Proceeds from disposal of plant and equipment		235,583	167,009
Proceeds from disposal of financial assets at fair value through profit or loss		598,529	534,715
Proceeds from disposal of investment properties		5,937,203	4,925,569
Proceeds from disposal of property held for sale		700,000	–
Proceeds from profit and capital withdrawal of investment in joint ventures		575,001	216,559
Dividend received		1,771	7,641
Interest received		147,187	96,860
Net cash from investing activities		7,090,086	2,803,276
Financing activities			
Fixed deposit pledged with financial institutions		2,449,371	(2,307,417)
Proceeds from issuance of shares		5,200,000	–
Repayment of bank borrowings		(1,284,757)	(2,935,318)
Repayment of finance lease payables		(1,151,721)	(1,068,794)
Dividend paid		(7,998,750)	(500,000)
Interest paid		(144,805)	(292,800)
Net cash used in financing activities		(2,930,662)	(7,104,329)
Net change in cash and cash equivalents		14,518,641	12,545,407
Cash and cash equivalents at beginning of financial year		14,466,180	1,928,494
Exchange difference on cash and cash equivalents		(20,464)	(7,721)
Cash and cash equivalents at end of financial year	13	28,964,357	14,466,180

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

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

1. CORPORATE INFORMATION

1.1 Domicile and activities

The Company was incorporated in the Republic of Singapore on 15 April 2008 under the Singapore Companies Act, Cap. 50 (the "Act") as an exempt private limited company under the name of Keong Hong Holdings Pte. Ltd. In connection with its conversion into a public company limited by shares, the Company changed its name from Keong Hong Holdings Pte. Ltd. to Keong Hong Holdings Limited on 7 December 2011. The Company was listed on the Catalist board of the Singapore Exchange Securities Trading Limited on 16 December 2011.

The address of the Company's registered office and principal place of business is at Block 151 Bukit Batok Street 11 #03-250, Singapore 650151. The Company's registration number is 200807303W.

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

The principal activities of the subsidiaries are set out in Note 1.2 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2011 were authorised for issue in accordance with a Directors' resolution dated 21 December 2011.

1.2 Restructuring exercise

Prior to the listing of the Company, a restructuring exercise (the "Restructuring Exercise") was carried out which resulted in the Company becoming the holding company of the Group. The following steps were taken in the Restructuring Exercise:

- (i) Pre-IPO investment in Keong Hong Construction Pte Ltd ("KH Construction")

On 21 February 2011, the Company, KH Construction, Leo Ting Ping Ronald and Teou Kem Eng @ Teou Kim Eng and certain Pre-IPO Investors entered into share subscription agreement for, inter alia, the subscription of shares in KH Construction. Such Pre-IPO Investors comprised Kuik Thiam Huat, Lim Ewe Ghee, Lau Eng Tiong, Lim Siak Meng, Seah Hoe Seng, Tan Lee Meng, Tan Tin Nam, Liaw Wie Sein, Foo Chek Heng, Guan Chuan Engineering Construction Pte Ltd and Kienta Engineering Construction Pte Ltd.

Pursuant to the aforesaid share subscription agreement, such Pre-IPO Investors collectively subscribed for 1,969,697 shares of KH Construction, constituting 20.8% of the issued share capital of KH Construction, for an aggregate consideration of \$5,200,000. The shares were issued to such Pre-IPO Investors on 9 March 2011.

Further to the aforesaid share subscription agreement, the same parties entered into three supplemental agreements dated 26 August 2011, 13 October 2011 and 21 November 2011 respectively to confirm, inter alia, the Restructuring Exercise and the agreement to enter into all necessary agreements, resolutions and any other documents to effect the Restructuring Exercise. KH Trading Pte. Ltd. ("KH Trading"), K.H. Land Pte Ltd ("KH Land") and the remaining Pre-IPO Investors comprising Chua Kian Lin, Goh Geok Cheong and Lim Choon Teck Holding Pte. Ltd., have also entered into similar undertakings dated 13 October 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

1. CORPORATE INFORMATION (CONT'D)

1.2 Restructuring exercise (cont'd)

- (ii) Share buy back by each of KH Construction, KH Land and KH Trading

On 21 November 2011, each of KH Construction, KH Land and KH Trading entered into a share buy back agreement for 946,969, 85,000 and 5,000 shares owned by Teou Kem Eng @ Teou Kim Eng, representing 10% of the issued share capital of KH Construction, KH Land and KH Trading respectively. The consideration paid by KH Construction, KH Land and KH Trading to Teou Kem Eng @ Teou Kim Eng was \$2,500,000, \$100,000 and \$20,000 respectively. The aforesaid purchased shares shall not be held as treasury shares but shall be cancelled immediately.

The resultant issued share capital of KH Construction, KH Land and KH Trading further to the aforesaid share buy backs was \$11,753,031 comprising 8,522,728 shares, \$765,000 comprising 765,000 shares and \$45,000 comprising 45,000 shares respectively.

- (iii) Sale of Teou Kem Eng @ Teou Kim Eng's shares in KH Construction

Subsequent to the completion of KH Construction's share buy back, Teou Kem Eng @ Teou Kim Eng entered into a sale and purchase agreement on 21 November 2011 with Leo Ting Ping Ronald and certain Pre-IPO Investors. Such Pre-IPO Investors comprised Lim Choon Teck Holding Pte. Ltd., Chua Kian Lin, Goh Geok Cheong, Lau Eng Tiong, Lim Siak Meng, Seah Hoe Seng, Tan Tin Nam and Kienta Engineering Construction Pte Ltd.

Pursuant to the aforesaid sale and purchase agreement, Teou Kem Eng @ Teou Kim Eng sold an aggregate of 2,363,637 shares in KH Construction to Leo Ting Ping Ronald and such Pre-IPO Investors. The aggregate consideration for the sale of shares was \$6,239,997.

- (iv) Sale of Teou Kem Eng @ Teou Kim Eng's shares in KH Land and KH Trading

Subsequent to the completion of KH Land and KH Trading's respective share buy backs, on 21 November 2011, Teou Kem Eng @ Teou Kim Eng (as seller) entered into two sale and purchase agreements with Leo Ting Ping Ronald (as purchaser) for the sale of his remaining 339,999 and 20,000 shares in KH Land and KH Trading respectively. The consideration for the sale of Teou Kem Eng @ Teou Kim Eng's shares in KH Land and KH Trading was \$399,999 and S\$80,000 respectively.

- (v) Acquisition of KH Construction

Pursuant to a share swap agreement dated 21 November 2011 entered into between the Company (as the purchaser), Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors (as the vendors), the Company acquired the entire issued and fully paid-up share capital of KH Construction, comprising 8,522,728 ordinary shares by the allotment and issue of 125,000,000 shares credited as fully paid, by the Company to Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors. This was arrived at based on the audited net asset value of KH Construction as at 30 September 2010 and adjusted for the interim dividend in specie, the share buy back and the investment by the Pre-IPO Investors.

Following the completion of the aforesaid share swap agreement, the Company holds the entire issued and paid-up share capital of KH Construction.

1. CORPORATE INFORMATION (CONT'D)

1.2 Restructuring exercise (cont'd)

(vi) Acquisition of KH Land

Pursuant to a share swap agreement dated 21 November 2011 entered into between the Company (as the purchaser) and Leo Ting Ping Ronald (as the vendor), the Company acquired the entire issued and fully paid-up share capital of KH Land, comprising 765,000 ordinary shares by the allotment and issue of 5,000,000 shares credited as fully paid, by the Company to Leo Ting Ping Ronald. This was arrived at based on the audited net asset value of KH Land and its subsidiaries comprising KHA Resorts Construction Pvt Ltd. and Sum Keong Realty Pte Ltd as at 30 September 2010 and adjusted for the share buy back.

Following the completion of the aforesaid share swap agreement, the Company holds the entire issued and paid-up share capital of KH Land.

(vii) Acquisition of KH Trading

Pursuant to a share swap agreement dated 21 November 2011 entered into between the Company (as the purchaser) and Leo Ting Ping Ronald (as the vendor), the Company acquired the entire issued and fully paid-up share capital of KH Trading, comprising 45,000 ordinary shares by the allotment and issue of 999,998 shares credited as fully paid, by the Company to Leo Ting Ping Ronald. This was arrived at based on the audited net asset value of KH Trading as at 30 September 2010 and adjusted for the share buy back.

Following the completion of the aforesaid share swap agreement, the Company holds the entire issued and paid-up share capital of KH Trading.

(viii) Sale of odd-lot shares by Pre-IPO Investors and Teou Kem Eng @ Teou Kim Eng to Leo Ting Ping Ronald

Subsequent to the issue of shares by the Company pursuant to the acquisition of KH Construction, KH Trading and KH Land, Leo Ting Ping Ronald (as purchaser) entered into a sale and purchase agreement dated 21 November 2011 with Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors (as vendors) for an aggregate of 8,773 shares. This aimed to consolidate the odd-lot shares among Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors. The aggregate consideration to be paid by Leo Ting Ping Ronald to the vendors for the purchase of such shares was \$1,464.10.

The restructuring exercise as described in the above paragraphs (i) to (viii) is considered to be a transfer of equity interests under common control by the management and have accounted for it in a similar manner to the "pooling-of-interests" method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

1. CORPORATE INFORMATION (CONT'D)

1.2 Restructuring exercise (cont'd)

Upon the completion of the Restructuring Exercise which is after the end of the reporting period, the Company has the following subsidiaries, joint venture and associated company:

Name of company	Date and country of incorporation	Registered and paid in capital	Principal activities	Effective equity interest
Subsidiaries				
Keong Hong Construction Pte Ltd ("KH Construction") ⁽¹⁾	1 October 1983 Singapore	\$11,753,031	General and building contractors	100%
K. H. Land Pte Ltd ("KH Land") ⁽¹⁾	28 July 1993 Singapore	\$765,000	Investment holding, real estate development and building construction	100%
KH Trading Pte. Ltd. ("KH Trading") ⁽¹⁾	30 May 2007 Singapore	\$45,000	Trading of building construction materials	100%
KHA Resorts & Hotels Construction Pvt Ltd. ("KHA Resorts") ⁽²⁾	9 March 2010 Incorporated in Cayman Island and re-registered in Republic of Maldives	US\$500,000 (registered) US\$250,000 (paid in capital)	Hotel building contractors	51%
Sum Keong Realty Pte Ltd ("SKR") ⁽¹⁾	6 June 1994 Singapore	\$1,000,000	Dormant	99%
Joint venture				
Keong Hong – Kienta Engineering JV LLP ("KH-Kienta JV LLP") ⁽¹⁾	12 February 2007 Singapore	\$1,000,000	Construction activities pertaining to the Ibis Hotel development project at Bencoolen Street	50%
Associated company				
Punggol Residences Pte. Ltd. ⁽³⁾	5 August 2011 Singapore	\$1,000,000	Real estate developer	20%

One of the subsidiaries, SKR, was placed under members' voluntary liquidation pursuant to Section 209(1)(b) of the Singapore Companies Act, Cap. 50 on 8 December 2010.

⁽¹⁾ Audited by BDO LLP

⁽²⁾ Audited by Ernst & Young, Maldives

⁽³⁾ Not audited since the date of incorporation

1. CORPORATE INFORMATION (CONT'D)

1.2 Restructuring exercise (cont'd)

During the financial year ended 30 September 2010, one of the joint ventures, Sim Lian – Keong Hong JV was dissolved on 30 October 2009 as its construction project has been completed. The joint venture was incorporated for the purpose of undertaking the building works of its construction project, “Palm Gardens Condominium”. The results of the joint venture have been included in the financial statements for the financial year ended 30 September 2010 but excluded from the financial statements for the financial year ended 30 September 2011. As the joint venture was dissolved before the completion of the Restructuring Exercise, the joint venture would not form part of the Group.

On 6 April 2010, KHA Resorts was re-registered in the Republic of Maldives under the Companies Act of the Republic of Maldives to engage in the construction of proposed Falhumaafushi Resort at Falhumaafushi Island, Maldives. This re-registration is valid until 25 June 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The Restructuring Exercise involved companies which are under common control. The financial statements of the Group for the financial years ended 30 September 2011 and 2010 have been prepared in a manner similar to the “pooling-of-interest” method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the end of the reporting periods.

These financial statements of the Group are a combination or aggregation of the financial statements of the Company and its subsidiaries after the Restructuring Exercise.

The statutory audited financial statements of the Company, KH Construction, KH Land, KH Trading, SKR and KH-Kienta JV LLP are prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The statutory audited financial statements of KHA Resorts are prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared in accordance with FRS. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Although the Company’s current liabilities exceeded its current assets by \$18,451 (2010: \$4,738) as at 30 September 2011, the management is of the opinion that the preparation of financial statements based on the going concern assumption is appropriate as the Company increased its working capital through initial public offering of its shares as disclosed in Note 31 to the financial statements.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group’s and the Company’s accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of revenue and expenses throughout the financial years. Although these estimates are based on managements’ best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation of financial statements (cont'd)

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

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

FRS and INT FRS issued but not yet effective

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

		Effective date (Annual periods beginning on or after)
FRS 1	: Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 12	: Amendments to FRS 12 – Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 19	: Employee Benefits (Revised)	1 January 2013
FRS 24	: Related Party Disclosures (Revised)	1 January 2011
FRS 27	: Separate Financial Statements	1 January 2013
FRS 28	: Investments in Associates and Joint Ventures	1 January 2013
FRS 101	: Amendments to FRS 101 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
FRS 107	: Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
FRS 110	: Consolidated Financial Statements	1 January 2013
FRS 111	: Joint Arrangements	1 January 2013
FRS 112	: Disclosure of Interests in Other Entities	1 January 2013
FRS 113	: Fair Value Measurement	1 January 2013
INT FRS 114	: Amendments to INT FRS 114 – Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 115	: Agreements for the Construction of Real Estate	1 January 2011
	Singapore Financial Reporting Standard for Small Entities	1 January 2011

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

The Group and the Company expect that the adoption of the above FRS and INT FRS, if applicable, will have no material impact on the financial statements in the period of initial application except as discussed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation of financial statements (cont'd)

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 24 Related Party Disclosures (Revised)

FRS (2010) made related parties relations symmetrical between each of the related parties and new relationships were included and clarified in the definition of related parties. The Group and the Company will apply the amendments to FRS 24 retrospectively for annual periods beginning on or after 1 October 2011 and is currently determining the impact of the changes to the definition of related parties on the related disclosures. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company or the Group when implemented.

FRS 110 Consolidated Financial Statements

FRS110 changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. FRS 110 requires an investor to reassess the decision on whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group will determine the impact of this standard when it becomes effective.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented.

FRS 113 Fair Value Measurement

FRS113 provides guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosure about fair values. It does not address or change the requirements on when fair values should be used. When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. It establishes a fair value hierarchy for doing this. This FRS is to be applied for annual periods beginning on or after 1 October 2013. The Group will determine the impact of this standard when it becomes effective.

2.2 Basis of consolidation

The financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

Acquisition under common control

Business combination 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 equity. Any difference between the cash paid for the acquisition and net assets acquired is recognised directly to equity.

Transactions eliminated on consolidation

Intra-group balances and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the financial statements.

2.3 Plant and equipment

Plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

An item of 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 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.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the plant and equipment over their estimated useful lives as follows:

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

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding, of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls and entity.

2.5 Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group have significant influence, but not control. This generally coincides with the Group having not less than 20% or not more than 50% of the voting power and has board representation.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investment in an associate is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associate's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in an associate.

2.6 Joint venture

Joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activities of the entities with another party.

The Group's interests in joint ventures are accounted for using equity method. Under the equity method, the investments in joint ventures are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net assets of the joint venture. The share of results of the joint ventures is recognised in profit or loss. Where there has been a change recognised directly to equity of the joint ventures, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint ventures.

The Group's share of results and reserves of joint ventures acquired or disposed of are included in the financial statements from the date of acquisition or up to the date of disposal or cessation of significant influence.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investment properties

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.

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the financial year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the financial year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment properties, the property is accounted for in accordance with FRS 16, Property, Plant and Equipment, up to the date of change in use.

2.8 Intangible asset

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 asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

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

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

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

2.9 Property held for sale

Property held for sale is held for sale in the ordinary course of business and is stated at the lower of cost and estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

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. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable willing parties less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment losses recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.11 Financial assets

The Group and the Company classify their financial assets as loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables" (excluding prepayments) and "cash and cash equivalents" on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

- (ii) Financial assets at fair value through profit or loss

This category has two sub-categories, financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in profit or loss.

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment, if any, and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in fair value of the "financial assets at fair value through profit or loss" are recognised in profit or loss in the financial year in which the changes in fair value arise.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Impairment

The Group and the Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

- (i) Loans and receivables

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance 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 amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

Impairment (cont'd)

(i) Loans and receivables (cont'd)

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 either directly or by adjusting on allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2.12 Cash and cash equivalents

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

2.13 Financial liabilities

The accounting policies adopted for specific financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(ii) Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the bank borrowings using the effective interest method.

Bank borrowings which are due to be settled within 12 months after the end of the reporting period are presented as current borrowings even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other bank borrowings due to be settled more than 12 months after the end of the reporting period are presented as non-current borrowings in the statements of financial position.

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial liabilities (cont'd)

Recognition and derecognition (cont'd)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts are recognised in profit or loss.

2.14 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

2.15 Revenue recognition

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

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

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

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

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

Management fee income is recognised when the consulting services are performed.

2.16 Grants

Grants are recognised at the fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

Government grant – Jobs Credit Scheme

The Singapore government introduced a cash grant known as the Jobs Credit Scheme in its Budget for 2009 in a bid to help businesses preserve jobs in the economic downturn. The amounts received for jobs credit are to be paid to eligible employers in instalments and the amount an employer can receive would depend on the fulfilment of the conditions as stated in the Scheme.

The Group recognises the amounts received for jobs credit at their fair value as other income in the month of receipt of these grants from the government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Contract costs are recognised as and when they are incurred.

When the outcome of a contract can be estimated reliably, contract revenue and costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (percentage-of-completion method). The stage of completion is measured by reference to surveys of work performed. When 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. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

At the end of the reporting period, the aggregated costs incurred plus recognised profits (less recognised losses) 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 as "due from contract customers" as current asset in the statements of financial position. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "due to contract customers" as current liabilities in the statements of financial position.

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

2.18 Leases

Group as lessor of operating leases

Leases where the Group retains substantially all risks and rewards incidental to the ownership are classified as operating leases.

Assets leased out under operating leases are included in investment properties.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Group as lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Leases (cont'd)

Group as lessee of finance leases

Leases in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in profit or loss.

2.19 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the reporting period.

2.20 Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.21 Income tax

Income tax expense for the financial year 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.

Deferred tax is provided, using the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Income tax (cont'd)

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 income 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.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.22 Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The financial statements are presented in Singapore dollar, which is the functional currency of the Company and presentation currency of the Group. All financial information are presented in Singapore dollar unless otherwise stated.

In preparing the financial statements, transactions in a currency other than the Group's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are included in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Foreign currencies (cont'd)

For purpose of presenting financial statements, the result and financial position of the Group's entity that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for the consolidated statement of financial position presented are translated at the closing exchange rate at the end of the reporting period;
- (ii) income and expenses for the consolidated statement of comprehensive income are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) the resulting exchange differences are recognised in the foreign currency translation account within equity.

2.23 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.

2.24 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 group comprising the executive directors and the chief executive officer who make strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

- (i) Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to surveys of work performed.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group evaluates by relying on past experiences of the specialists.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

(ii) Impairment of investments or financial assets

The Group follows the guidance of FRS 36 and FRS 39 on determining when an investment or a financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of the near-term business outlook for an investment or a financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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) Depreciation of plant and equipment and amortisation of intangible asset

The plant and equipment and intangible asset are depreciated or amortised on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be within 2 to 10 years. The carrying amount of plant and equipment as at 30 September 2011 was \$4,645,287 (2010: \$4,986,670). The carrying amount of intangible asset as at 30 September 2011 was \$663 (2010: \$4,360). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation or amortisation could be revised.

(ii) Allowance for doubtful trade and other receivables

The management establishes allowance for doubtful receivables when it believes that payment of amounts owed is unlikely to occur. In establishing the allowance, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of the ability to make the required payments, additional allowance may be required. The carrying amount of trade and other receivables (excluding prepayments) as at 30 September 2011 was \$70,389,590 (2010: \$53,521,034).

(iii) Income taxes

The Group recognises expected income tax liabilities based on estimates of income tax payable. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions, in the financial year in which such determination is made. The carrying amount of current income tax payable as at 30 September 2011 was \$1,501,465 (2010: \$1,314,398). The carrying amounts of deferred tax assets and liabilities as at 30 September 2011 were \$44,750 (2010: \$Nil) and \$74,000 (2010: \$368,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

- (iv) Investment properties

The Group's investment properties are stated at fair value in accordance with the accounting policy stated in Note 2.7 to the financial statements. The fair value of the investment properties were determined by independent professional valuers and the carrying value of investment properties as at 30 September 2011 was \$Nil (2010: \$5,300,000). Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, consideration has been given to assumption that are mainly based on market conditions existing as at the end of the reporting period. These estimates are regularly compared to actual market data.

4. PLANT AND EQUIPMENT

Group	Office equipment \$	Furniture and fittings \$	Motor vehicles \$	Plant and machinery \$	Total \$
Cost					
Balance at 1 October 2010	300,783	274,809	1,151,299	6,523,806	8,250,697
Additions	107,335	16,746	439,318	780,171	1,343,570
Disposals	(2,325)	(6,747)	(276,669)	–	(285,741)
Currency realignments	72	(51)	–	(465)	(444)
Balance at 30 September 2011	405,865	284,757	1,313,948	7,303,512	9,308,082
Accumulated depreciation					
Balance at 1 October 2010	227,562	132,214	674,626	2,229,625	3,264,027
Depreciation	81,827	49,122	121,992	1,293,286	1,546,227
Disposals	(2,325)	(6,747)	(142,150)	–	(151,222)
Currency realignments	91	13	–	3,659	3,763
Balance at 30 September 2011	307,155	174,602	654,468	3,526,570	4,662,795
Net carrying amount					
Balance at 30 September 2011	98,710	110,155	659,480	3,776,942	4,645,287

4. PLANT AND EQUIPMENT (CONT'D)

Group	Office equipment \$	Furniture and fittings \$	Motor vehicles \$	Plant and machinery \$	Total \$
Cost					
Balance at 1 October 2009	217,526	235,819	1,072,833	5,143,488	6,669,666
Additions	86,877	41,110	554,440	1,380,318	2,062,745
Disposals	(3,620)	(2,120)	(475,974)	–	(481,714)
Balance at 30 September 2010	300,783	274,809	1,151,299	6,523,806	8,250,697
Accumulated depreciation					
Balance at 1 October 2009	184,442	82,900	1,036,797	1,219,933	2,524,072
Depreciation	46,776	51,448	113,803	1,012,545	1,224,572
Disposals	(3,620)	(2,120)	(475,974)	–	(481,714)
Currency realignments	(36)	(14)	–	(2,853)	(2,903)
Balance at 30 September 2010	227,562	132,214	674,626	2,229,625	3,264,027
Net carrying amount					
Balance at 30 September 2010	73,221	142,595	476,673	4,294,181	4,986,670

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	
	2011 \$	2010 \$
Plant and machinery	2,114,625	2,730,392
Motor vehicles	647,364	461,326
	2,761,989	3,191,718

Finance lease assets are pledged as securities for the related finance lease payables (Note 17).

Motor vehicles with net carrying amounts as at 30 September 2011 were \$647,364 (2010: \$287,868) were registered in the name of the Directors and staff who are holding the motor vehicles in trust for the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

4. PLANT AND EQUIPMENT (CONT'D)

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

	Group	
	2011	2010
	\$	\$
Additions of plant and equipment	1,343,570	2,062,745
Acquired under finance lease agreements	(439,318)	(538,286)
Cash payments to acquire plant and equipment	<u>904,252</u>	<u>1,524,459</u>

5. INVESTMENT PROPERTIES

	Group	
	2011	2010
	\$	\$
At fair value		
Balance at beginning of financial year	5,300,000	9,500,000
Disposals	(5,300,000)	(3,550,000)
Reclassification to property held for sale (Note 10)	–	(650,000)
Balance at end of financial year	<u>–</u>	<u>5,300,000</u>

The fair values of investment properties at 30 September 2010 have been determined on the basis of valuation carried out by independent valuers having the appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuations were arrived at by reference to market evidences of transaction prices for similar properties, and were performed in accordance with International Valuation Standards.

The Group's investment properties are held under leasehold interests.

On 30 September 2010, the Group reclassified an investment property with a net carrying amount of \$650,000 from investment properties to property held for sale as the Group has entered into an option to sell the property within the next financial year.

The following amounts are recognised in profit or loss:

	Group	
	2011	2010
	\$	\$
Rental income	116,940	304,557
Property taxes and other direct operating expenses arising from investment properties	<u>12,778</u>	<u>43,921</u>

The investment properties of \$Nil (2010: \$5,300,000) at 30 September 2011 were mortgaged as securities for the banking facilities as set out in Note 16 to the financial statements.

6. INVESTMENT IN ASSOCIATE

	Group	
	2011	2010
	\$	\$
Cost of investment in associate	200,000	–

The details of the associate are as follows:

Name of company (Country of incorporation)	Effective equity interest held by the Group		Principal activities
	2011	2010	
	%	%	
Punggol Residences Pte Ltd* (Singapore)	20	–	Property development

* Not audited since the date of incorporation.

On 5 August 2011, the Group invested in 20% of the issued share capital of Punggol Residences Pte Ltd at a cash consideration of \$200,000.

The associate's financial year-end is 30 September. The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:

	Group	
	2011	2010
	\$	\$
Assets and liabilities		
Total assets	61,518,822	–
Total liabilities	60,518,822	–
Net assets	1,000,000	–
Group's share of associate's net assets	200,000	–
Results		
Revenue	–	–
Net profit for the financial year	–	–

7. INVESTMENT IN JOINT VENTURE

	Group	
	2011	2010
	\$	\$
Unquoted capital contributions, at cost	500,000	500,000
Share of results of joint venture	140,309	5,523,754
Net profit and capital withdrawal	(551,247)	(5,500,000)
	89,062	523,754

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

7. INVESTMENTS IN JOINT VENTURE (CONT'D)

The details of the joint venture are as follows:

Name of company (Country of incorporation)	Effective equity interest held by the Group		Principal activities
	2011	2010	
	%	%	
Keong Hong – Kienta Engineering JV LLP ⁽¹⁾ (Singapore)	50	50	To carry out the construction of a project known as "IBIS Hotel" awarded by Bencool LA Pte Ltd.

⁽¹⁾ Audited by BDO LLP, Singapore

The financial year end of Keong Hong – Kienta Engineering JV LLP is 30 September.

The Group carried out a review on the recoverable amount of its investment in joint venture. The recoverable amount of the investment in joint venture has been determined on the basis of its net asset value as at the end of the reporting period as in the opinion of the Directors, the net asset value of the joint venture reasonably approximate its fair value less costs to sell.

The aggregate amounts of non-current assets, current assets, current liabilities, revenue and expenses related to the Group's interests in the jointly-controlled entity are as follows:

	Group	
	2011	2010
	\$	\$
Assets and liabilities		
Non-current assets	–	127
Current assets	142,428	750,405
Current liabilities	(53,366)	(226,778)
Results		
Income	144,489	67,300
Expenses	(4,180)	(2,623)

8. INTANGIBLE ASSET

Computer software

	Group	
	2011	2010
	\$	\$
Cost		
Balance at beginning of financial year	33,950	25,230
Additions	936	8,720
Balance at end of financial year	34,886	33,950
Accumulated amortisation		
Balance at beginning of financial year	29,590	22,388
Amortisation during the financial year	4,633	7,202
Balance at end of financial year	34,223	29,590
Net carrying amount		
Balance at end of financial year	663	4,360

9. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets

Group	Accelerated tax depreciation \$
At 1 October 2009 and 30 September 2010	–
Credited to profit or loss	43,545
Currency realignments	1,205
At 30 September 2011	44,750

Deferred tax liabilities

Group	Accelerated tax depreciation \$	Changes in fair value of investment property \$	Others \$	Total \$
At 1 October 2009	82,000	319,000	–	401,000
Credited to profit or loss	(8,000)	–	(25,000)	(33,000)
At 30 September 2010	74,000	319,000	(25,000)	368,000
(Credited)/Charged to profit or loss	–	(319,000)	25,000	(294,000)
At 30 September 2011	74,000	–	–	74,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

10. PROPERTY HELD FOR SALE

	Group	
	2011	2010
	\$	\$
Balance at beginning of financial year	650,000	–
Transferred from investment properties (Note 5)	–	650,000
Disposal	(650,000)	–
Balance at end of financial year	–	650,000

As at 30 September 2010, the fair value of freehold property held for sale was \$700,000, representing the total consideration offered by a third party to acquire the property.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	\$	\$
Quoted equity investments	–	1,250,232
Investment fund	581,996	752,017
	581,996	2,002,249
<i>Investments held for trading</i>		
Balance at beginning of financial year	2,002,249	713,557
Additions	–	1,611,898
Disposals	(564,511)	(460,200)
Distribution as dividends (Note 26)	(698,652)	–
Fair value (loss)/gain recognised in profit or loss	(157,090)	136,994
Balance at end of financial year	581,996	2,002,249

Financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2011	2010
	\$	\$
Singapore dollar	–	1,250,232
United States dollar	581,996	752,017
	581,996	2,002,249

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade receivables				
– third parties	12,198,042	22,110,857	–	–
– retention sum	23,749,690	17,026,460	–	–
– unbilled revenue	20,791,097	12,108,793	–	–
	56,738,829	51,246,110	–	–
Allowance for doubtful trade receivables				
– third parties	(1,190)	(5,171)	–	–
	56,737,639	51,240,939	–	–
Deposit for purchase of properties (Note 28.2)	–	739,593	–	–
Security deposits	1,217,560	762,444	–	–
Prepayments	207,134	68,352	1,000	–
Other receivables – third parties	106,481	375,084	–	–
Allowance for doubtful non-trade receivables – third parties	(92,040)	(92,040)	–	–
	14,441	283,044	–	–
Due from related parties – non-trade	333,898	504,659	–	–
Allowance for doubtful non-trade receivables – related parties	(9,645)	(9,645)	–	–
	324,253	495,014	–	–
Due from an associate	12,095,697	–	–	–
	70,596,724	53,589,386	1,000	–

Trade receivables are non-interest bearing and generally on 30 to 60 days' credit terms.

The non-trade amounts due from related parties and an associate are unsecured, interest-free and repayable on demand.

The deposit for purchase of property as at 30 September 2010 amounting to \$739,593 relates to a property where, subsequent to the option to purchase the property, the Group has entered in an option agreement on 29 September 2010 to sell the said property to one of the Directors of the Company. The balance of capital commitment disclosed in Note 28.2 to the financial statements relates to the same property.

Movements in allowance for doubtful third parties trade receivables were as follows:

	Group	
	2011	2010
	\$	\$
Balance at beginning of financial year	5,171	5,171
Write-back of allowance no longer required	(3,879)	–
Bad trade receivables written off against allowance	(102)	–
Balance at end of financial year	1,190	5,171

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

12. TRADE AND OTHER RECEIVABLES (CONT'D)

During the financial year, the Group carried out a review on the recoverable amount of its trade receivables. The review led to a write-back of allowance no longer required of \$3,879 (2010: \$Nil) recognised in profit or loss.

The write-back of allowance for doubtful third parties trade receivables was made when the related trade receivables were collected from the customers.

Movement in allowance for doubtful third parties non-trade receivables was as follows:

	Group	
	2011	2010
	\$	\$
Balance at beginning and end of financial year	<u>92,040</u>	<u>92,040</u>

Movement in allowance for doubtful related parties non-trade receivables was as follows:

	Group	
	2011	2010
	\$	\$
Balance at beginning and end of financial year	<u>9,645</u>	<u>9,645</u>

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Singapore dollar	69,575,049	52,830,776	1,000	-
United States dollar	322,422	493,947	-	-
Maldive Rufiyaa	699,253	264,663	-	-
	<u>70,596,724</u>	<u>53,589,386</u>	<u>1,000</u>	<u>-</u>

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Fixed deposits	28,493,329	18,654,273	-	-
Cash and bank balances	11,231,386	9,021,636	5,764	2
Cash and cash equivalents on statements of financial position	<u>39,724,715</u>	<u>27,675,909</u>	<u>5,764</u>	<u>2</u>
Fixed deposits pledged	<u>(10,760,358)</u>	<u>(13,209,729)</u>		
Cash and cash equivalents included in the consolidated statement of cash flows	<u>28,964,357</u>	<u>14,466,180</u>		

13. CASH AND CASH EQUIVALENTS (CONT'D)

Fixed deposits are placed for a period of 1 to 12 (2010: 1 to 12) months and bear effective interest rate on the fixed deposits ranging from between 0.15% to 0.75% (2010: 0.14% to 0.86%) per annum for the financial year ended 30 September 2011.

The fixed deposits of \$10,760,358 (2010: \$13,209,729) for the financial year ended 30 September 2011 have been pledged as securities for banking facilities as disclosed in Note 16 to the financial statements.

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

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Ringgit Malaysia	776,323	689,266	–	–
Singapore dollar	38,611,443	26,678,209	5,764	2
United States dollar	336,949	308,434	–	–
	39,724,715	27,675,909	5,764	2

14. DUE TO CONTRACT CUSTOMERS

	Group	
	2011	2010
	\$	\$
Contract costs incurred to date	367,426,771	166,381,498
Recognised profits less recognised losses to date	26,897,850	12,499,536
	394,324,621	178,881,034
Less: Progress billings received and receivable	(415,085,822)	(193,149,728)
Amounts due to contract customers	(20,761,201)	(14,268,694)

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade payables				
– third parties	56,933,177	47,959,606	–	–
– related parties	–	680,553	–	–
	56,933,177	48,640,159	–	–
Other payables				
– third parties	149,682	182,542	–	–
– related parties	42,705	–	–	2,755
– subsidiaries	–	–	23,415	–
Dividend payable	–	7,998,750	–	–
Accrued operating expenses	3,383,479	2,472,822	1,800	1,985
	60,509,043	59,294,273	25,215	4,740

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

15. TRADE AND OTHER PAYABLES (CONT'D)

Trade payables are non-interest bearing and generally on 30 to 150 days' credit terms.

Trade payables due to related parties are unsecured, interest-free and repayable within trade credit terms.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Singapore dollar	60,186,488	59,287,693	25,215	4,740
United States dollar	322,555	6,580	-	-
	60,509,043	59,294,273	25,215	4,740

16. BANK BORROWINGS

	Group	
	2011	2010
	\$	\$
Current liabilities		
Secured		
Bank loan I	-	134,246
Bank loan II	-	68,252
	-	202,498
Non-current liabilities		
Secured		
Bank loan I	-	359,400
Bank loan II	-	722,859
	-	1,082,259
	-	1,284,757

Non-current bank borrowings are repayable as follows:

	Group	
	2011	2010
	\$	\$
In the second year	-	209,718
In the third year	-	217,327
In the fourth year	-	131,425
In the fifth year	-	68,252
After five years	-	455,537
	-	1,082,259

16. BANK BORROWINGS (CONT'D)

The effective interest rates per annum of the bank borrowings are as follows:

	Group	
	2011 %	2010 %
Bank loan I	–	5.25
Bank loan II	–	3.50 – 4.25

Bank borrowings are arranged at floating rates, thus exposing the Group to interest rate risk.

Secured

Banking facilities are secured on fixed deposits amounting to \$10,760,358 (2010: \$13,209,729) for the financial year ended 30 September 2011 as disclosed in Note 13 to the financial statements and supported by joint and several guarantees of the Directors of KH Construction amounting to \$64,610,000 (2010: \$64,610,000) for the financial year ended 30 September 2011.

The bank loan I from a financial institution is repayable over 120 months commencing from May 2004 to July 2014. In May 2011, bank loan I was fully repaid and is secured by:

- (a) first legal mortgage over an investment property with a carrying value of \$Nil (2010: \$3,700,000) for the financial year ended 30 September 2011 as referred to in Note 5 to the financial statements;
- (b) assignment of all rental proceeds relating to the mortgaged investment property;
- (c) first fixed charge over all past, present and future contract proceeds of certain projects of the Group; and
- (d) joint and several guarantees of the Directors of KH Construction amounting to \$Nil (2010: \$31,000,000) for the financial year ended 30 September 2011.

Bank loan II from a financial institution is repayable over 120 months commencing from December 2008 to November 2018. In March 2011, bank loan II was fully repaid and is secured by:

- (a) first legal mortgage over an investment property with a carrying value of \$Nil (2010: \$1,600,000) at financial year ended 30 September 2011 as referred to in Note 5 to the financial statements;
- (b) assignment of all rental proceeds relating to the mortgaged investment property;
- (c) first fixed charge over all past, present and future contract proceeds of certain projects of the Group; and
- (d) joint and several guarantees of the Directors of KH Construction amounting to \$Nil (2010: \$33,610,000) for the financial year ended 30 September 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

16. BANK BORROWINGS (CONT'D)

As at the end of the reporting period, the Group has banking facilities as follows:

	Group	
	2011	2010
	\$	\$
Banking facilities granted	79,231,750	75,933,780
Banking facilities utilised	<u>49,978,295</u>	<u>49,209,936</u>

Bank borrowings are denominated in Singapore dollar.

Borrowing is arranged at floating rates, thus exposing the Group to interest rate risk.

17. FINANCE LEASE PAYABLES

Group	Minimum lease payments \$	Future finance charges \$	Present value of minimum lease payments \$
2011			
Current liabilities			
Within one financial year	860,701	(62,850)	797,851
Non-current liabilities			
After one financial year but within five financial years	891,407	(64,044)	827,363
After five financial years	25,438	(520)	24,918
	<u>916,845</u>	<u>(64,564)</u>	<u>852,281</u>
	<u>1,777,546</u>	<u>(127,414)</u>	<u>1,650,132</u>
2010			
Current liabilities			
Within one financial year	995,684	(97,315)	898,369
Non-current liabilities			
After one financial year but within five financial years	1,469,049	(90,264)	1,378,785
After five financial years	88,424	(3,043)	85,381
	<u>1,557,473</u>	<u>(93,307)</u>	<u>1,464,166</u>
	<u>2,553,157</u>	<u>(190,622)</u>	<u>2,362,535</u>

The finance lease terms range from 3 to 7 (2010: 5 to 7) years for the financial year ended 30 September 2011. The effective interest rates for the finance lease obligations range from between 4.15% to 6.66% (2010: 3.84% to 6.18%) per annum for the financial year ended 30 September 2011.

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.

17. FINANCE LEASE PAYABLES (CONT'D)

The Group's obligations under finance leases are secured by the lessors' title to 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.

18. SHARE CAPITAL

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Issued and fully-paid ordinary share capital of:				
– Keong Hong Holdings Limited	2	2	2	2
– Keong Hong Construction Pte Ltd (“KH Construction”)	12,700,000	7,500,000	–	–
– KH Trading Pte. Ltd.	50,000	50,000	–	–
– K.H. Land Pte. Ltd.	850,000	850,000	–	–
	13,600,002	8,400,002	2	2

For the purpose of these financial statements, the share capital of the Group represents the paid-up share capital of the Company and the aggregation of the Group's interest in the paid-up capital of its subsidiaries.

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.

During the financial year, KH Construction issued 1,969,697 ordinary shares for a cash consideration of \$5,200,000 as stated in Note 1.2 (i) to the financial statements.

19. FOREIGN CURRENCY TRANSLATION ACCOUNT

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

20. REVENUE

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

21. OTHER INCOME

	Group	
	2011	2010
	\$	\$
Dividend income from financial assets at fair value through profit or loss	1,771	7,641
Fair value gain on financial assets at fair value through profit or loss	–	136,994
Foreign exchange gain, net	766,410	21,338
Gain on disposal of financial assets at fair value through profit or loss	34,018	74,515
Gain on disposal of investment properties	637,203	1,375,569
Gain on disposal of plant and equipment	101,064	167,009
Gain on disposal of property held for sale	50,000	–
Government grant – jobs credit scheme	–	58,645
Interest income from fixed deposits	147,187	96,860
Management fee income	63,783	83,425
Rental income	470,430	304,557
Return of surplus asset from joint venture upon termination	–	34,919
Sales of scrap steel	78,998	65,703
Supply of labour and materials	118,465	17,735
Write-back of accrued litigation expense	–	104,413
Write-back of allowance for doubtful third parties trade receivables	3,879	–
Others	265,322	182,914
	2,738,530	2,732,237

22. FINANCE COSTS

	Group	
	2011	2010
	\$	\$
Interest expenses:		
– bank overdrafts	1,669	221
– bank loans	35,262	156,220
– finance leases	107,874	136,359
	144,805	292,800

23. PROFIT BEFORE INCOME TAX

The above is arrived at after charging:

	Group	
	2011	2010
	\$	\$
<i>Cost of sales</i>		
Depreciation of plant and equipment	1,299,806	1,013,779
<i>Administrative expenses</i>		
Amortisation of intangible asset	4,633	7,202
Depreciation of plant and equipment	246,421	210,793
Operating lease expenses	242,495	147,456
Professional fees	638,352	154,977
<i>Other expenses</i>		
Fair value loss on financial assets at fair value through profit or loss	157,090	-
The profit before income tax also includes:		
<i>Staff costs:</i>		
Salaries, wages, bonuses and other staff benefits	9,565,355	7,507,286
Contributions to defined contribution plans	400,728	359,595
	9,966,083	7,866,881
The staff costs are recognised in the following line items in profit or loss:		
Cost of sales	7,964,632	6,265,809
Administrative expenses	1,839,581	1,495,875
Other expenses	161,870	105,197
	9,966,083	7,866,881

Included in the staff costs were Directors' remuneration as shown in Note 27 to the financial statements.

24. INCOME TAX EXPENSE

	Group	
	2011	2010
	\$	\$
Current income tax		
– current financial year	1,411,000	1,273,993
Deferred income tax		
– current financial year	(18,545)	(33,000)
– effect of changes in expected manner of recovery of assets	(319,000)	-
	(337,545)	(33,000)
Total income tax expense recognised in profit or loss	1,073,455	1,240,993

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

24. INCOME TAX EXPENSE (CONT'D)

Reconciliation of effective income tax rate

	Group	
	2011	2010
	\$	\$
Profit before income tax	12,048,288	9,397,802
Income tax calculated at Singapore's statutory income tax rate of 17%	2,048,209	1,597,626
Effect of different tax rate in other country	(57,119)	22,874
Tax effect of income not subject to income tax	(913,015)	(422,470)
Tax effect of expenses not deductible for income tax purposes	347,902	78,262
Tax effect of tax exemption	(28,603)	(27,308)
Effect of changes in expected manner of recovery of assets	(319,000)	–
Others	(4,919)	(7,991)
	1,073,455	1,240,993

25. EARNINGS PER SHARE

The calculations for basic earnings per share are based on the profit attributable to owners of the parent for the financial year divided by the actual aggregated weighted average number of ordinary shares in issue during the current financial year.

As the Group has no dilutive potential ordinary shares, the diluted earnings per share are equivalent to basic earnings per share.

	Group	
	2011	2010
The calculation of basic and diluted earnings per share is based on:		
Profit attributable to owners of the parent (\$)	9,374,093	8,222,579
Weighted average (2010: Actual) number of ordinary shares	9,598,009	8,400,002
The calculation of earnings per share on Post-Placement is based on:		
Profit attributable to owners of the parent (\$)	9,374,093	8,222,579
Post-Placement shares	160,000,000	160,000,000

26. DIVIDENDS

	Group	
	2011	2010
	\$	\$
Interim exempt (one – tier) dividend declared by Keong Hong Construction Pte Ltd of \$0.09 (2010: \$1.07) per share	698,652	7,998,750

26. DIVIDENDS (CONT'D)

The Board of Directors proposed that a first and final tax-exempt (1-tier) dividend of 1.40 cents per share amounting to \$2,240,000 to be paid for the financial year ended 30 September 2011. This dividend has 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.

During the financial year ended 30 September 2011, investments held for trading amounting to \$698,652 were distributed as dividends in lieu of cash to shareholders of a subsidiary.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group have 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 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 are significant related party transactions between the Group or the Company and its related parties during the financial year at rates and terms agreed between the parties:

	2011	2010
	\$	\$
Group		
Related party		
Expenses paid on behalf of a related party	764	–
Expenses paid on behalf by a related party	205,833	–
Services rendered by a related party	90,803	41,017
Subcontractor costs to a related party	1,407,408	1,292,660
Joint venture		
Management fee income received from joint venture	–	83,425
Company		
Related party		
Settlement of liabilities on behalf by a related party	–	280

Compensation of key management personnel

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

	Group	
	2011	2010
	\$	\$
Short-term benefits	1,379,334	732,186
Post-employment benefits	36,237	16,553
Directors' fees	30,000	30,000
	1,445,571	778,739

Included in key management personnel remuneration was Directors' remuneration of \$1,101,416 (2010: \$748,739).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

28. COMMITMENTS

28.1 Operating lease commitments

Group as a lessor

As at the end of the reporting period, the Group has contracted with its tenants for the following future minimum lease payments:

	Group	
	2011	2010
	\$	\$
Not later than one financial year	–	115,500

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	
	2011	2010
	\$	\$
Not later than one financial year	256,255	100,236
Later than one financial year but not later than five financial years	91,275	67,779
	347,530	168,015

The above operating lease commitments are based on existing rental rates as at the end of the reporting period.

28.2 Capital commitments

As at the end of the reporting period, the Group has the following capital expenditure contracted for but not recognised in the financial statements:

	Group	
	2011	2010
	\$	\$
Investment properties	–	2,591,282

29. SEGMENT INFORMATION

The Group operates in only one business segment, which is the construction segment. Accordingly, no segmental information is prepared based on business segment as it is not meaningful.

Geographical segment information:

	Group	
	2011	2010
	\$	\$
Singapore	149,226,366	117,747,107
South Asia	40,318,169	7,016,916
	189,544,535	124,764,023

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

29. SEGMENT INFORMATION (CONT'D)

Major customers

During the financial year, the Group's revenue is attributable to 5 (2010: 4) customers representing approximately 97% (2010: 93%) of total revenue.

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities expose them to credit risk, market risk (including 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.

30.1 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 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.

The Group has no significant concentrations of credit risk except for trade receivables from third parties, retention sum and unbilled revenue which accounts for 80% (2010: 96%) of the total trade and other receivables for the financial years ended 30 September 2011.

The carrying amounts of financial assets recorded in the financial statements grossed up for any allowance for losses, represents the Group's maximum exposure to credit risk.

The Group's major classes of financial assets are trade and other receivables, cash and cash equivalents and financial assets at fair value through profit or loss.

The Group believes that no impairment in value is necessary in respect of the past due trade receivables as all the receivables are from customers that have a good collection track record with the Group.

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

	Gross	Group
	receivables	receivables
	2011	2010
	\$	\$
Past due 0 to 1 month	60,070	288,532
Past due over 1 month	19,102	25,245

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

30.2 Market risk

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

The Group monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Directors.

The primary goal of the Group's investment strategy is to maximise investment returns in order to meet, partially, its working capital needs. In accordance with this strategy, the investments are designated at financial assets at fair value through profit or loss because their performance is constantly monitored and they are managed on a fair value basis.

(i) 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 Singapore dollar, United States dollar, Ringgit Malaysia and Maldive 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	
	2011	2010	2011	2010
	\$	\$	\$	\$
Singapore dollar	28,515,525	3,975,016	28,003,930	6,210,485
United States dollar	851,937	875,677	–	–
Ringgit Malaysia	776,323	689,266	–	–
Maldive Rufiyaa	699,253	264,663	–	–

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

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

The Company is not exposed to any foreign exchange risk.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% 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 possible change in foreign exchange rates.

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

30.2 Market risk (cont'd)

(i) *Foreign exchange risk management (cont'd)*

Foreign currency sensitivity analysis (cont'd)

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% change in foreign currency rates.

	Group	
	Profit or loss	
	2011	2010
	\$	\$
<i>United States dollar</i>		
Strengthens against Singapore dollar	42,597	43,784
Weakens against Singapore dollar	(42,597)	(43,784)
<i>Ringgit Malaysia</i>		
Strengthens against Singapore dollar	38,816	34,463
Weakens against Singapore dollar	(38,816)	(34,463)
<i>Singapore dollar</i>		
Strengthens against United States dollar	25,580	(111,773)
Weakens against United States dollar	(25,580)	111,773
<i>Maldiva Rufiyaa</i>		
Strengthens against United States dollar	34,963	13,233
Weakens against United States dollar	(34,963)	(13,233)

(ii) *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings and finance lease payables as shown in Notes 16 and 17 to the financial statements.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings and finance lease payables which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

30.2 Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate sensitivity analysis (cont'd)

If the interest rate increases/decreases by 1%, with all other variables held constant, profit before income tax, will decrease or increase by:

	Group Profit or loss	
	2011	2010
	\$	\$
Bank borrowings	-	12,848

30.3 Liquidity risk

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

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

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

Contractual maturity analysis

	Within one financial year \$	After one financial year but within five financial years \$	After five financial years \$	Total \$
Group				
2011				
Financial assets				
Non-interest bearing	82,410,106	-	-	82,410,106
Interest bearing	28,493,329	-	-	28,493,329
	110,903,435	-	-	110,903,435
Financial liabilities				
Non-interest bearing	60,509,043	-	-	60,509,043
Interest bearing	860,701	891,407	25,438	1,777,546
	61,369,744	891,407	25,438	62,286,589

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

30.3 Liquidity risk (cont'd)

Contractual maturity analysis (cont'd)

	Within one financial year	After one financial year but within five financial years	After five financial years	Total
2010				
<u>Financial assets</u>				
Non-interest bearing	64,613,271	–	–	64,613,271
Interest bearing	18,654,273	–	–	18,654,273
	<u>83,267,544</u>	<u>–</u>	<u>–</u>	<u>83,267,544</u>
<u>Financial liabilities</u>				
Non-interest bearing	59,294,273	–	–	59,294,273
Interest bearing	1,198,182	2,095,771	543,961	3,837,914
	<u>60,492,455</u>	<u>2,095,771</u>	<u>543,961</u>	<u>63,132,187</u>
Company				
2011				
<u>Financial assets</u>				
Non-interest bearing	<u>6,764</u>	–	–	<u>6,764</u>
<u>Financial liabilities</u>				
Non-interest bearing	<u>25,215</u>	–	–	<u>25,215</u>
2010				
<u>Financial assets</u>				
Non-interest bearing	<u>2</u>	–	–	<u>2</u>
<u>Financial liabilities</u>				
Non-interest bearing	<u>4,740</u>	–	–	<u>4,740</u>

30.4 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 not subject to any externally imposed capital requirements for the financial years ended 30 September 2011 and 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

30.4 Capital management policies and objectives (cont'd)

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 from the financial year ended 30 September 2010.

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

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade and other payables	60,509,043	59,294,273	25,215	4,740
Bank borrowings	–	1,284,757	–	–
Finance lease payables	1,650,132	2,362,535	–	–
Less: Cash and cash equivalents	(39,724,715)	(27,675,909)	(5,764)	(2)
Net debt	22,434,460	35,265,656	19,451	4,738
Total equity	31,387,356	15,839,671	(18,451)	(4,738)
Total capital	53,821,816	51,105,327	1,000	–
Gearing ratio (%)	42%	69%	1,945%	n.m.

n.m. – Not meaningful

30.5 Fair values

The carrying amounts of the current financial assets and current financial liabilities approximate their fair values as at the end of the reporting period due to the relatively short period of maturity of these financial instruments. The fair values of non-current financial liabilities were not materially different from their carrying amounts at the end of the reporting period.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

30.5 Fair values (cont'd)

Fair value hierarchy (cont'd)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Group				
2011				
Financial assets at fair value through profit or loss	581,996	–	–	581,996
2010				
Financial assets at fair value through profit or loss	2,002,249	–	–	2,002,249

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2011, the following events have taken place:

- (i) The restructuring exercise as set out in Note 1.2 to the financial statements.
- (ii) At an extraordinary general meeting held on 21 November 2011, the shareholders of the Company approved, inter alia, the following:
 - (a) the conversion of the Company into public limited company and the change of its name to Keong Hong Holdings Limited;
 - (b) the listing and quotation of all the issued shares (including the new shares to be allotted and issued as part of the placement, the new shares to be issued to Primepartners Corporate Finance Pte. Ltd. ("PPCF") as part of PPCF's professional fees as the Manager and Sponsor of the Company ("PPCF Shares") and the new shares which may be allotted and issued upon the exercise of the Company's share option ("Option Shares")) on the Catalist to be approved;
 - (c) the adoption of a new set of Articles of Association (the "Articles");
 - (d) the allotment and issue of 27,000,000 new shares which are the subject of the placement, on the basis that the new shares, when allotted, issued and fully-paid, will rank pari passu in all respects with the existing issued and fully paid-up shares;
 - (e) the Restructuring Exercise;
 - (f) the appointment of Chong Weng Hoe, Lim Jun Xiong Steven and Wong Meng Yeng (as the Company's Independent Directors) to the Board of Directors;
 - (g) the payment of fees to the Independent Directors of an aggregate amount of \$51,250 for the services rendered in connection with the placement;
 - (h) the Service Agreement for the Executive Director and CEO, Leo Ting Ping Ronald;
 - (i) the allotment and issue of 2,000,000 PPCF Shares to PPCF in satisfaction of their professional fees as Manager and Sponsor;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2011

31. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

(ii) At an extraordinary general meeting held on 21 November 2011, the shareholders of the Company approved, inter alia, the following: (Continued)

- (j) the authorisation of the Directors of the Company, pursuant to Section 161 of the Companies Act, to (i) allot and issue shares in the Company; and (ii) issue convertible securities and any shares in the Company pursuant to the convertible securities, whether by way of rights, bonus or otherwise, at any time and upon such terms and conditions, whether for cash or otherwise and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to such authority shall not exceed 100% of the issued share capital of the Company immediately after the Placement excluding treasury shares and that the aggregate number of shares to be issued other than on a pro-rata basis to the then-existing shareholders of the Company shall not exceed 50% of the issued share capital of the Company immediately after the Placement excluding treasury shares. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law or by the Articles to be held, whichever is earlier, except that the Directors of the Company shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this resolution and pursuant to Rules 806(3) and 806(4) of the Listing Manual, "issued share capital of the Company immediately after the Placement excluding treasury shares" shall mean the enlarged issued and paid-up share capital of the Company after the Placement excluding treasury shares after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time such authority is given, provided that the options or awards were granted in compliance with the Listing Manual; and (iii) any subsequent consolidation or sub-division of shares; and

- (k) the adoption of the Keong Hong Employee Share Option Scheme ("ESOS") that the Directors of the Company be authorised to allot and issue Option Shares upon the exercise of the option(s) granted under the ESOS.

32. COMPARATIVE FIGURES

As described in Note 1.2 to the financial statements, the comparative figures of the Group for the preceding financial year have been presented under pooling-of-interest manner. The effective date of pooling-of-interest for accounting purposes predates 1 October 2009, the beginning of the financial year for which the comparative figures are presented, as the Group has been under common control prior to 1 October 2009.

ANALYSIS OF SHAREHOLDINGS

As at 16 December 2011

ISSUED AND FULLY PAID-UP CAPITAL	:	24,316,740
NO. OF SHARES ISSUED	:	160,000,000
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 999	0	0	0	0.00
1,000 – 10,000	175	58.92	895,000	0.56
10,001 – 1,000,000	98	33.00	16,500,000	10.31
1,000,001 AND ABOVE	24	8.08	142,605,000	89.13
TOTAL	297	100.00	160,000,000	100.00

Based on the information available to the Company, as at 16 December 2011, approximately 49.10% of the issued ordinary shares of the Company is held by the public. Hence, Rule 723 of the Listing Manual Section B: Rules of Catalyst issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 16 DECEMBER 2011	NO. OF SHARES	%
LEO TING PING RONALD	81,231,000	50.77
TEOU KEM ENG @ TEOU KIM ENG	6,444,000	4.03
LIM EWE GHEE	5,277,000	3.30
SEAH HOE SENG	4,999,000	3.12
KIENTA ENGINEERING CONSTRUCTION PTE. LTD.	4,444,000	2.78
LAU ENG TIONG	4,444,000	2.78
GOH GEOK CHEONG	4,166,000	2.60
LIM SIAK MENG	3,611,000	2.26
TAN TIN NAM	3,055,000	1.91
FOO CHEK HENG	2,777,000	1.73
LIM CHOON TECK HOLDING PTE. LTD.	2,777,000	1.73
TAN LEE MENG	2,500,000	1.56
PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.	2,000,000	1.25
KIM ENG SECURITIES PTE LTD	1,895,000	1.18
GUAN CHUAN ENGINEERING CONSTRUCTION PTE LTD	1,388,000	0.87
KUIK THIAM HUAT	1,388,000	0.87
LIAW WIE SEIN	1,388,000	0.87
LIM VON NNA @ LIM BOON NAA	1,340,000	0.84
NG AIK HONG	1,340,000	0.84
LEE WAN LING (LI WANLING)	1,300,000	0.81
	137,764,000	86.10

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 16 DECEMBER 2011 AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Number of Shares held as Direct	%	Number of Shares held as Deemed
LEO TING PING RONALD	81,231,000	50.77	–

NOTICE OF ANNUAL GENERAL MEETING

KEONG HONG HOLDINGS LIMITED

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

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting ("AGM") of Keong Hong Holdings Limited (the "Company") will be held at Jurong Country Club, Albizia Room, Level 2, 9 Science Centre Road, Singapore 609078 on Tuesday, 31 January 2012 at 11.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 September 2011 and the Auditors' Report thereon. **Resolution 1**
2. To declare a one-tier tax exempt first & final dividend of 1.40 cents per ordinary share for the financial year ended 30 September 2011. **Resolution 2**
3. To re-elect Mr Leo Ting Ping Ronald who is retiring pursuant to Article 98 of the Company's Articles of Association, as Director of the Company. **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 102 of the Company's Articles of Association, as Directors of the Company:

Mr Er Ang Hooa **Resolution 4**
Mr Lim Jun Xiong Steven [See Explanatory Note (a)] **Resolution 5**
Mr Wong Meng Yeng [See Explanatory Note (b)] **Resolution 6**
Mr Chong Weng Hoe [See Explanatory Note (c)] **Resolution 7**
5. To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**
6. To transact any other business of the Company which may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:

7. **General authority to allot and issue new shares in the capital of the Company** **Resolution 9**

"That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "Act") and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Rules of Catalist"), authority be and is hereby given to the Directors of the Company to:

(a) (i) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any instruments or 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 that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (d)]

8. **Authority to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme**

Resolution 10

"That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, the Directors of the Company be authorised and empowered to allot and issue shares in the capital of the Company ("Shares") to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Keong Hong Employee Share Option Scheme (the "Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Scheme (including options granted under the Scheme and any other scheme or plan for the time being of the Company), shall not exceed fifteen per cent (15%) of the total issued Shares (excluding treasury shares) from time to time and such authority shall, unless revoked or varied by the Company in 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."

By Order of the Board
Lo Swee Oi and Tan Ching Chek
Joint Company Secretaries
Dated: 12 January 2012

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 10 February 2012, for the preparation of dividend warrants for the proposed first and final tax exempt (one-tier) dividend of 1.40 cents per ordinary share for the financial year ended 30 September 2011 (the "Proposed Final Dividend").

Duly completed transfers received by the Company's Share Registrar, B.A.C.S. Private Limited of 63 Cantonment Road, Singapore 089758 up to the close of business at 5:00 p.m. on 9 February 2012 will be registered to determine shareholders' entitlement to the Proposed Final 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 2012, will be entitled to the Proposed Final Dividend. The Proposed Final Dividend, if approved by members at the annual general meeting to be held on 31 January 2012, will be paid on 23 February 2012.

Explanatory Notes:

- (a) Mr Lim Jun Xiong Steven, if re-elected, will continue to serve as the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. Mr Lim is considered to be independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the SGX-ST.
- (b) Mr Wong Meng Yeng, if re-elected, will continue to serve as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. Mr Wong is considered to be independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the SGX-ST.
- (c) Mr Chong Weng Hoe, if re-elected, will continue to serve as the Chairman of the Nominating Committee and a Member of the Audit and Remuneration Committees. Mr Chong is considered to be independent for the purposes of Rule 704(7) of the Listing Manual Section B Rules of Catalist of the SGX-ST.
- (d) The Ordinary Resolution 9 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 Instruments. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares), of which the aggregate number of Shares and/or convertible securities other than on a pro-rata basis to all existing shareholders of the Company shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares).
- (e) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above AGM until the next annual general meeting 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 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.

Notes to Proxy Form:

- (i) A member entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) If a proxy is to be appointed, the form must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758 not less than 48 hours before the time set for the AGM.
- (iii) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.
- (iv) In the case of joint shareholders, all holders must sign the form of proxy.

This page has been intentionally left blank

KEONG HONG HOLDINGS LIMITED

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

ANNUAL GENERAL MEETING

PROXY FORM

I/We _____ (Name)

_____ (NRIC/Passport No./Company Registration No.)

of _____ (Address)

being a member/members of Keong Hong Holdings Limited hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the annual general meeting of the Company (the "Meeting"), as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at Jurong Country Club, Albizia Room, Level 2, 9 Science Centre Road, Singapore 609078 on Tuesday, 31 January 2012 at 11.00 a.m. and at any adjournment thereof in the following manner:

No.	Resolutions:	For	Against
	Ordinary Business		
1.	To adopt the Directors' Reports, Auditors' Report and Audited Financial Statements for financial year ended 30 September 2011		
2.	To declare a First and Final Dividend (tax-exempt one-tier) of 1.40 cents per ordinary share for financial year ended 30 September 2011		
3.	To re-elect Mr Leo Ting Ping Ronald as a Director		
4.	To re-elect Mr Er Ang Hooa as a Director		
5.	To re-elect Mr Lim Jun Xiong Steven as a Director		
6.	To re-elect Mr Wong Meng Yeng as a Director		
7.	To re-elect Mr Chong Weng Hoe as a Director		
8.	To re-appoint BDO LLP as Auditors of the Company		
	Special Business		
9.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore		
10.	To authorise Directors to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme		

If you wish to exercise all your votes For or Against, please tick with '√'. Alternatively, please indicate the number of votes For or Against each resolution.

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

Dated this _____ day of _____ 2012.

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



Fold here

Affix
Stamp



Office of the Share Registrar
KEONG HONG HOLDINGS LIMITED
B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

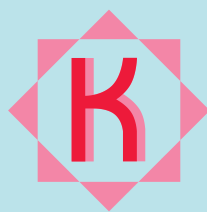
Fold here

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 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 registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



强枫控股有限公司

KEONG HONG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 15 April 2008)

(Company Registration No.: 200807303W)

Block 151 Bukit Batok Street 11#03-250 Singapore 650151

Tel: (65) 6564 1479 Fax: (65) 6566 2784

www.keonghong.com

