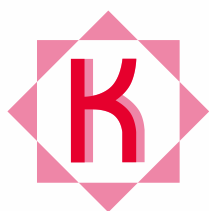


# Building on Strengths



强枫控股有限公司  
KEONG HONG HOLDINGS LIMITED

**ANNUAL REPORT**  
**2012**



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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 in December 2011, Keong Hong Holdings Limited (the “Company”, together with its subsidiaries and associated company, 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 and Build (“D&B”) projects in Singapore and the Maldives, and property development in Singapore.

With over 25 years of experience, the 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 IBIS Hotel Project, The Residence Resort in Maldives (previously called “The Falhumaafushi Resort”), Singapore Institute of Management, Sime Darby Performance Centre, Martin Place Residences, The Parvis and 8@Woodleigh. We also forayed into property development through a joint venture with FCL Tampines Court Pte. Ltd. to develop Twin Waterfalls, a 728-unit executive condominium project in Punggol. Our first infrastructure project, a

domestic airport in the Maldives with a design and build 1.2km runway, passenger terminal, air-traffic control tower and supporting ancillary facilities was completed and officially opened in September 2012.

Led by a highly qualified and experienced management team with total staff strength of over 200, Keong Hong has built a strong reputation in the market for its commitment to quality and service. The Group achieved numerous industry recognitions including BCA A1 grading under the category CW01 for general building which allows us to tender for public sector construction projects of unlimited value with no restriction for private sector construction projects, as well as BCA Award for Construction Excellence. The Group was also awarded ISO 9001:2008 and SS ISO 9001:2008 Certificate of Registration (Quality Management System) for design management and building construction services, 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).

## YEAR IN REVIEW

### FEBRUARY

*L* launched the 728-unit executive condominium development, Twin Waterfalls



*A*warded Singapore SME 1000 Silver Anniversary Achievement Award for sales growth crossing S\$100 million

*A*chieved A1 grading for general building from the Building and Construction Authority (BCA), which allows tenders for public sector construction projects of unlimited value



## JUNE

Completion and handover of the 94-villa resort hotel on Falhumaafushi Island in Maldives, hotel renamed as The Residence Resort

## AUGUST

Temporary Occupation Permit of 8@Woodleigh

## SEPTEMBER


Temporary Occupation Permit of The Parvis

Official opening of Kooddoo Airport and The Residence Resort in Maldives

## NOVEMBER

Reported record net profit of S\$19.3 million for financial year ended 30 September 2012





# Enduring Passion

BUILDING AND SUSTAINING A CORPORATE  
CULTURE OF ENGAGEMENT AND  
ASPIRATIONS THAT ENDURE OVER TIME



**S**WOODLEIGH

## CHAIRMAN'S MESSAGE

### DEAR SHAREHOLDERS

Despite a rather challenging year for businesses in Singapore, I am very pleased to present to you a strong set of financial results for our Group, Keong Hong Holdings Limited ("Keong Hong"), for the financial year ended 30 September ("FY") 2012 in this annual report.

The construction sector in Singapore went against the general decline in performance of Singapore's various industries. In fact, the expansion in the construction sector is anticipated to be one of the main catalysts for Singapore's modest growth of 1.5%<sup>1</sup> in 2012. We have benefitted from the performance of this sector and have leveraged on opportunities to sustain our growth in FY2012.

### REVIEW OF OUR FINANCIAL PERFORMANCE

Our revenue fell by 11.7% to S\$167.4 million in FY2012 from S\$189.5 million in FY2011 on account of lower revenue recognition from projects which had received their Temporary Occupation Permit ("TOP") at the end of FY2011 and projects which the Group completed towards the end of FY2012. The drop in revenue was mitigated by revenue recognised from new projects commenced during the financial year. The Group registered gross profit of S\$29.3 million, a two-fold or 111.8% increase over FY2011's gross profit of S\$13.8 million. Gross profit margin correspondingly increased to 17.5% from 7.3% in FY2011. The improved gross profit and gross profit margin were attributable to the completion of a few projects with higher profit margin in FY2012. On the back of improved gross profit, profit before tax rose by 98.4% to S\$23.9 million from S\$12.0 million in the corresponding period last year while profit before tax margin improved from 6.4% in FY2011 to 14.3% in FY2012. Net profit after tax increased by a commendable 75.8% from S\$11.0 million in FY2011 to S\$19.3 million for FY2012.

### BUILDING ON OUR STRENGTHS

Since our listing on the Catalist board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), we have successfully undertaken several notable building construction projects for both the public and private sectors and also successfully ventured into property development. During the year, we completed 8@Woodleigh and The Parvis at Holland Hill which obtained their TOPs in August 2012 and September 2012 respectively. The construction of The Residence Resort in the Maldives (previously called "The Falhumaafushi Resort"), which began in 2010, was completed in June 2012, adding to our portfolio of completed commercial projects. The project has provided us with a blueprint for future



<sup>1</sup> "MTI Forecasts Growth of Around 1.5 per cent in 2012 and 1.0 to 3.0 per cent in 2013", 16 November 2012 from MTI website. Available: <http://www.mti.gov.sg/NewsRoom/Pages/MTI-Forecasts-Growth-of-Around-1.5-Per-Cent-in-2012-and-1.0-to-3.0-Per-Cent-in-2013.aspx>

## CHAIRMAN'S MESSAGE

WE WILL, HOWEVER, ADOPT A PRUDENT APPROACH IN TENDERING FOR PROJECTS TO ENSURE THAT OUR PROFITABILITY IS NOT ERODED AND OUR COMMITMENT TO QUALITY AND THE HIGHEST STANDARDS OF PERFORMANCE IS NOT COMPROMISED.

overseas hotel and resort ventures and also well-positioned us for further opportunities in the Maldives and other regions where there is a strong demand for new resort construction.

Work on our other projects progressed well during the year. The Kooddoo Airport, a domestic airport in the Maldives, was completed and officially opened by the President of the Maldives on 10 September 2012, while Paterson 2 and The Terrasse are on track to achieve project completion by 9 Feb 2014 and 1 May 2014, respectively. The 728-unit executive condominium development, Twin Waterfalls, a project with Fraser Centrepoint Limited in which we hold a 20% interest and for which we are also the main contractor, was officially launched in February 2012. To-date, over 99% of the units have been sold.

On the corporate front, we received the Singapore SME 1000 Silver Anniversary Achievement Award for sales growth crossing S\$100 million. We also achieved a Building Construction Authority ("BCA") grading of A1 under the category CW01 for general building which now allows us to tender for public sector construction projects of unlimited value with no restriction for private sector projects, thus enhancing the scale of projects that we are able to bid for and undertake.

### ANTICIPATING THE FUTURE AND SUSTAINING GROWTH

In the immediate future, the Group remains positive of its prospects. Although the Singapore economy, according to the Ministry of Trade and Industry ("MTI"), grew by only 0.3% on a year-on-year basis in the third quarter of 2012, the construction sector outperformed the rest of the sectors to grow by 7.7% on a year-on-year basis during the same period. In fact, MTI forecasts that the expansion in the construction sector could provide modest growth to support the overall economy<sup>2</sup>. Additionally, BCA has projected the average construction demand in 2013 and 2014 to lie between S\$19 billion and S\$27 billion each year, comparable to the amount projected for 2012 of between S\$22 billion and S\$28 billion. It is also anticipated that construction demand will be sustainable in the near term until at least 2014, as private investments and public sector projects in public housing, healthcare, educational and transport infrastructure continue in earnest.





Although prices of construction raw material such as concrete and steel are stable at the moment, we do anticipate some other industry challenges. Chief among them are the shortage in skilled and experienced labour arising from government policies to reduce foreign labour and rising business costs due to surging construction volume. Demand for private sector construction may also contract amid the global economic uncertainty heralded by the US debt problem and Eurozone crisis.

We, nevertheless, remain optimistic of our performance for the coming financial year given our capabilities, solid track record and a strong order book of S\$339 million as at the end of FY2012, with some of our projects stretching into 2014. We will keep a close watch on the economic situation and make necessary operational adjustments to cope with changes in market condition.

We will continue to bid for new construction projects and further our experience in property development so as to enhance our pipeline of projects.

#### **APPRECIATION AND ACKNOWLEDGEMENTS**

In light of the Group's financial performance, the Board is recommending a one tier tax-exempt final dividend of 1.5 cents per share and special dividend of 1.5 cents per share which, if approved at the Company's forthcoming annual general meeting, will be paid on 27 February 2013.

During the course of the year, we had two significant changes in our executive management team. Mr Loo Toon Boon relinquished his position as General Manager (Operations) in July 2012 to pursue other career opportunities, while Mr Ng Siew Ge, our previous Chief Financial Officer, left the Group in September 2012. Both were important members of the team which oversaw our listing on the Catalist board of the SGX-ST. We thank them for their past contributions and wish them well in their future endeavours. We would like to welcome on board Dr Jeremy Wu Chee Shien who took up the position of General Manager (Operations) in August 2012 and Mr Tan Kah Ghee, our new Chief Financial Officer, who joined us in October 2012. Dr Wu brings with him 13 years of industry experience in construction and architecture. Mr Tan has more than 20 years experience in finance, business development and strategic consulting. Additionally, in seeking to further strengthen the leadership and management of the Group, we appointed Mr Desmond Chong Wai Swee as Chief Operating Officer of our subsidiary, Keong Hong Construction Pte. Ltd.. He was formerly Head of Projects of Keong Hong Construction Pte. Ltd.. He has more than 20 years' experience in this industry. We are confident of the contributions that our new colleagues will make towards the growth of the Group.

It leaves me to express my sincerest thanks, on behalf of my fellow Board members, to our management and staff for their tremendous efforts and contributions. Our appreciation also goes to all our customers, suppliers, business partners and associates for the continued support and loyalty during the year. I would also like to thank my fellow Board members for their counsel and guidance in steering the Company to another year of growth.

I look forward to a new year ahead which will bring with it much opportunities amidst some inevitable challenges. With the support of all our stakeholders, we are confident that Keong Hong will once again achieve much in financial year ending 2013.

#### **LEO TING PING RONALD**

*Chairman and Chief Executive Officer*

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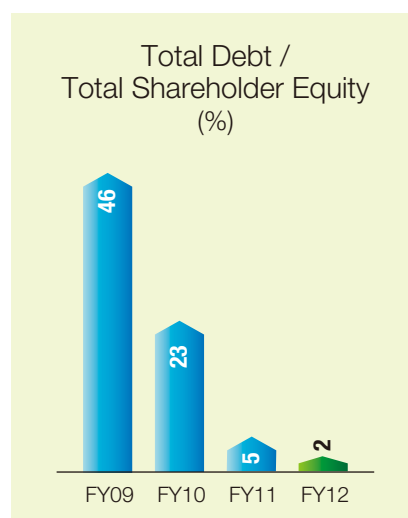
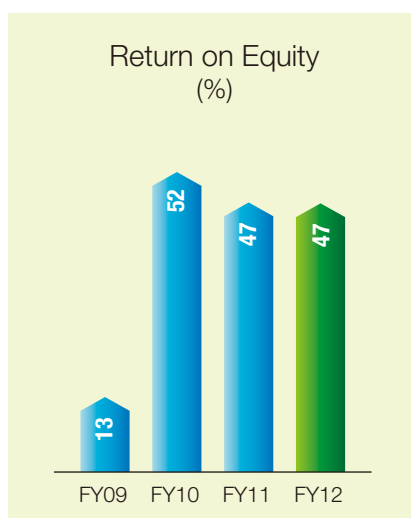
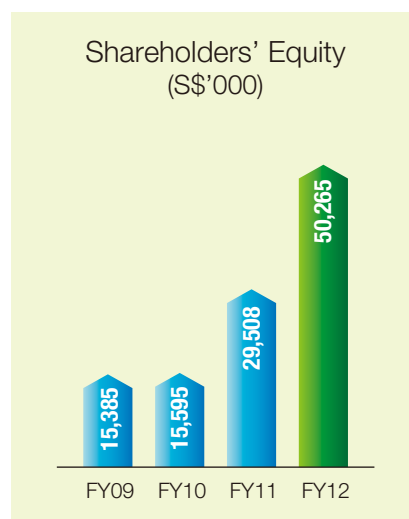
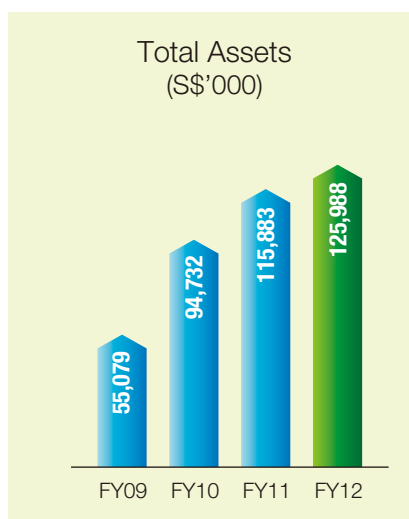
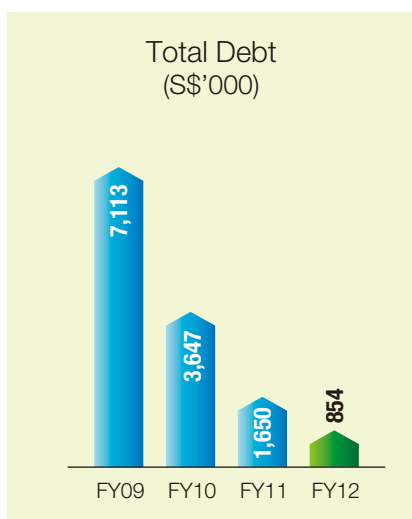
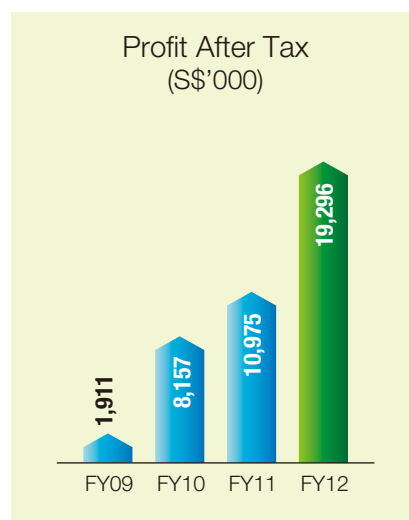
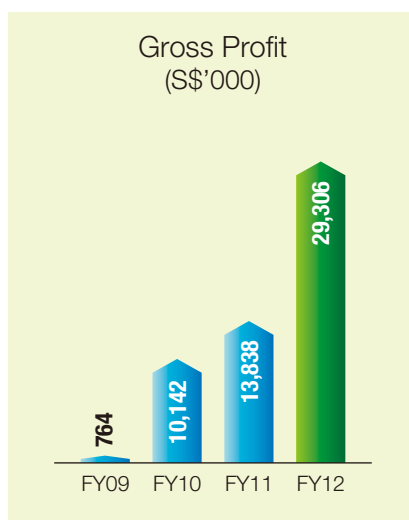
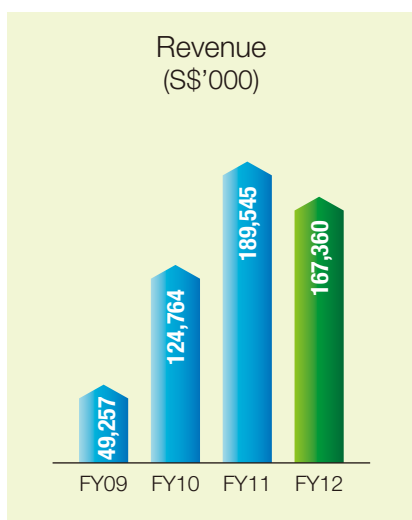
2 "MTI Forecasts Growth of Around 1.5 per cent in 2012 and 1.0 to 3.0 per cent in 2013", 16 November 2012 from MTI website. Available: <http://www.mti.gov.sg/NewsRoom/Pages/MTI-Forecasts-Growth-of-Around-1.5-Per-Cent-in-2012-and-1.0-to-3.0-Per-Cent-in-2013.aspx>

An aerial photograph of a construction site. A large blue tower crane stands prominently in the upper left. Several buildings are under construction, with their upper floors covered in green safety netting. The site is surrounded by lush green trees and a paved road with yellow markings. In the foreground, there are residential buildings with orange and grey roofs, and more greenery.

# Building Trust

DELIVERING QUALITY PRODUCTS CONSISTENTLY AND WINNING TRUST AND UNDERSTANDING WITH OUR CUSTOMERS, LEADING TO LONG-TERM MEANINGFUL RELATIONSHIPS

## FINANCIAL HIGHLIGHTS





# Driving Productivity

IMPROVING PRODUCTIVITY AND DRIVING GROWTH THROUGH SKILLS UPGRADING, CREATIVE PROBLEM SOLVING AND INVESTMENTS IN AUTOMATION

PARVVIS

## FINANCIAL AND OPERATIONS REVIEW

Singapore's building and construction industry has shown great resilience against the economic forces which have exerted downward pressure on the rest of the economy. The sector grew by 7.7% in the third quarter of 2012 on a year-on-year basis although it contracted from the previous quarter by an annualised rate of 17.2% due to a decline in private sector building activities<sup>1</sup>. With the core of our business in construction and a healthy portfolio of ongoing projects, we have achieved an encouraging set of financial results for the financial year ended 30 September ("FY") 2012 which is reflective of the buoyant state of the building and construction sector as a whole.

While Group's revenue decreased, gross profit and net profit grew strongly. Group's revenue fell by 11.7% to S\$167.4 million in FY2012 from S\$189.5 million in FY2011, resulting largely from lower revenue recognition from projects which received their Temporary Occupation Permit ("TOP") at the end of FY2011, namely, The Martin Place Residences and the extension work to Singapore Institute of Management as well as projects which were completed towards the end of FY2012 such as The Parvis, 8@Woodleigh and our overseas resort project, The Residence Resort (previously called "The Fulhumaafushi Resort") in Maldives. Gross profit rose by 111.8% to S\$29.3 million in FY2012 from S\$13.8 million in FY2011 and gross profit margin improved to 17.5% in FY2012 from 7.3% in FY2011. The improvement in gross profit and gross profit margin were attributable to projects with higher margin that were completed towards the end of FY2012. On the back of the improved gross profit, the Group posted a 98.4% increase in profit before tax to S\$23.9 million in FY2012 from S\$12.0 million in FY2011 and a 75.8% improvement in net profit to S\$19.3 million in FY2012 from S\$11.0 million in the previous financial year.

On our balance sheet, we maintained healthy cash and cash equivalents of S\$56.1 million as at the end of FY2012. The Group had no bank borrowings in FY2012. The Group's earnings per share (basic and diluted) based on 160 million ordinary shares was 12.5 cents (5.9 cents in FY2011) while net asset value per share was 31.4 cents (18.4 cents as at end of FY2011) based on 160 million ordinary shares.

### COMPLETED AND ONGOING PROJECTS

During the financial year, we successfully completed two condominium projects as scheduled. 8@Woodleigh, a 330-unit design and build condominium development by FCL Homes Pte Ltd, obtained its TOP on 7 August 2012, yielding us a total contract sum of approximately S\$74.5 million. The Parvis at Holland Hill, a 248-unit condominium development by Calne Pte Ltd, obtained its TOP on 4 September 2012, providing us a total contract sum of approximately S\$130 million.

Two residential projects which we secured in FY2011 are currently at various stages of development. Paterson 2, an 89-unit high-end condominium development by Bukit Sembawang View Pte Ltd, is currently targeted for completion in February 2014. We have already commenced work on the superstructure, reaching the

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<sup>1</sup> "MTI Forecasts Growth of Around 1.5 Per Cent in 2012 and 1.0 to 3.0 Per Cent in 2013", 16 November 2012 from MTI website. Available: <http://www.mti.gov.sg/NewsRoom/Pages/MTI-Forecasts-Growth-of-Around-1.5-Per-Cent-in-2012-and-1.0-to-3.0-Per-Cent-in-2013.aspx>

## FINANCIAL AND OPERATIONS REVIEW



THE LAUNCH OF OUR MAIDEN PROPERTY DEVELOPMENT JOINT-VENTURE PROJECT WITH FCL TAMPINES COURT PTE LTD, THE 12 BLOCKS OF 728-UNIT EXECUTIVE CONDOMINIUM IN PUNGGOL, TWIN WATERFALLS, WAS A RESOUNDING SUCCESS.

fifth story, with architectural and mechanical and electrical services installation progressing at basement 1 and 2. Construction on Terrace, a 414-unit design and build condominium development by MCL Land (Serangoon) Pte Ltd, is also underway. With 65% of the basement cast completed, and the advanced block superstructures reaching the attic roof level, the project is progressing smoothly towards completion in May 2014. The two projects are estimated to be worth a contract sum of S\$180 million collectively, of which S\$21 million has been recognised as revenue in FY2012.

### OVERSEAS VENTURES

Our first overseas resort project for the construction of a 94-villa resort hotel, The Residence Resort at Falthumaafushi Island at Gaafu Alifu Atoll, Maldives, was completed on 17 June 2012 with its soft opening held on 8 April 2012. The project worth S\$73 million in contract sum and has given us an important foothold in the Maldivian construction scene.

We had also been successful in securing a project to design and build a 1.2km runway, passenger terminal, air-traffic control tower and other infrastructure facilities for Kooldoo Airport in the Maldives. Worth a contract sum of US\$7.7 million, the airport was officially opened on 10 September 2012, two months ahead of the scheduled official completion date of 12 November 2012.

### PROPERTY DEVELOPMENT

The launch of our maiden property development joint-venture project with FCL Tampines Court Pte Ltd, the 12 blocks of 728-unit executive condominium in Punggol, Twin Waterfalls, was a resounding success. It was launched on 18 February 2012, with overwhelming demand from home buyers. To-date only four units remain unsold. We are also the main contractor for the building and construction works which are worth approximately S\$162.4 million. Piling works have been completed and four tower blocks have already progressed to superstructure levels, ranging from the second to fourth storey with the remaining blocks at various stages of substructure works, from pile cap to ground floor slab construction. We are on schedule for completion in December 2014.

### INVESTING FOR THE FUTURE

Realising the importance of constant improvement, the Group actively supports initiatives to increase productivity, enhance project management processes and strengthen capabilities. We have thus been proactive in our participation of various government programmes which are aimed at raising performance standards within the building and construction industry. To this end we have tapped into various Government Incentive Schemes, such as the Building and Construction Authority ("BCA") Construction Productivity and Capability Funds ("CPCF"), Investment Allowance Scheme and the Inland Revenue Authority of Singapore's Productivity and Innovation Credit ("PIC") for the purchase of new plant and machinery. In FY2012, we invested in new plant and machinery, including boom lift, JCB telescopic handler, tower crane and scissor lifts. We also invested approximately S\$22,000 in the Building Information Model Application software and training. 12 of our staff had

been trained in the use of this software which has enhanced our level of construction productivity. The mechanisation of our work processes and adoption of technology have helped to boost our construction productivity by approximately 25% to 35%.

On the workforce development front, we have partnered BCA in attracting young talents to pursue careers in the built environment by offering the “BCA-Keong Hong Built Environment Diploma Scholarship”. We have also entered into an agreement to offer a scholarship to a Singapore Institute of Management University student in the Bachelor of Applied Science (Construction Management) programme which covers the entire course fee. The scholarship is in line with our belief in providing deserving students opportunities for study within this field. It also motivates them to greater heights of academic excellence with the aim of eventually having them contribute their knowledge and expertise to the construction industry.

#### CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

A firm believer of giving back to society and supporting worthy causes, we have contributed approximately S\$60,000 to various social support and educational causes during the year. Among the recipients of our donations were PAP Community Foundation, Nee Soon South Citizens’ Consultative Committee Community Development and Welfare Fund (“CCC CDWF”), the Singapore Children’s Society, Queenstown CCC CDWF and the Franciscan Missionaries of Mary.

#### THE YEAR AHEAD

The Ministry of Trade and Industry (“MTI”) has forecasted that Singapore’s economy will grow by approximately 1.0-3.0% in 2013 given the weak external demand due to the Eurozone crisis, the US debt situation, labour concerns and a slow-down in growth of emerging economies. The construction industry, however, given its strong pipeline of projects, is anticipated to be one of the economic clusters that will provide support for the Singapore economy as a whole, even as external factors rein in its growth. According to the BCA, the average construction demand in 2013 and 2014 is expected to remain strong at between S\$19 billion and S\$27 billion each year with private and public sector investments in housing, commercial, healthcare, transport and educational facilities fueling strong growth.

Given the economic outlook and our own portfolio of ongoing projects, we are positive about our prospects in the coming financial year. We will continue to seek out opportunities including those in overseas markets to further strengthen our project pipeline. We anticipate challenges from rising business costs, shortage of experienced and skilled manpower in the sector as well as difficulties in attracting and grooming local talent at the professional, managerial and executive levels. We will take necessary measures to cope with these obstacles and other challenges that may confront us during the coming financial year. We will enhance our competencies by keeping abreast of developments in technology and work processes, improving our internal systems and investing in training and development to achieve greater growth for the Group and garner positive results in the financial year ending 2013.



ACCORDING TO  
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S\$27 BILLION  
EACH YEAR WITH  
PRIVATE AND  
PUBLIC SECTOR  
INVESTMENTS  
IN HOUSING,  
COMMERCIAL,  
HEALTHCARE,  
TRANSPORT AND  
EDUCATIONAL  
FACILITIES FUELING  
STRONG GROWTH.



# Sustaining Growth

SEIZING STRATEGIC OPPORTUNITIES AND PARTNERSHIPS TO CREATE GREATER SYNERGIES AND VALUE FOR OUR STAKEHOLDERS



## 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 and was re-elected on 31 January 2012. 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.

Mr Leo graduated with a Bachelor of Engineering (Civil) with first class honours and a Master of Science (Construction Engineering) 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 was re-elected on 31 January 2012. 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 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.

Mr Er graduated from University of Dundee, UK with a Bachelor of Science in Civil Engineering in 1978. He also graduated from Imperial College, London with a Masters of Science 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 was re-elected on 31 January 2012.

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



## BOARD OF DIRECTORS

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 currently sits on the board of Bund Centre Investment Ltd and Mirach Energy Limited.

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 was re-elected on 31 January 2012.

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 the 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. He currently sits on the board of Hisaka Holdings Ltd and PCA Technology Ltd.

Mr Chong graduated with a Bachelor of Engineering (Electrical) from the National University of Singapore in 1989 and obtained a Master of Business Administration (Accountancy) from the Nanyang Technological University of Singapore in 1997. He is a member of the Singapore National Council for International Electrotechnical Commission and 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. He was re-elected on 31 January 2012.

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 Baker Technology Ltd, KS Energy Services Ltd and Multi-Chem Ltd.

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



## KEY MANAGEMENT

### TAN KAH GHEE

*Chief Financial Officer*

Tan Kah Ghee is our Chief Financial Officer. He joined our Group in October 2012 and his responsibilities include overseeing all financial, accounting and corporate secretarial matters in the Group.

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

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



### DESMONDE CHONG WAI SWEE

*Chief Operating Officer*

Desmonde Chong Wai Swee joined our Group in 2011 and was appointed as our Chief Operating Officer in October 2012. He has been the head of projects at KH Construction since August 2011. He is responsible for overseeing all the day-to-day operations of KH Construction.

He has over 20 years of experience in the construction industry. From 1990 to 2009, he was a senior construction manager at Koon Seng Construction Pte Ltd. He held the position of general manager at Fujseng Construction LLC (formerly a joint venture company of Koon Seng Construction Pte Ltd) from 2006 to 2009. He later joined PM Link Pte Ltd from 2010 to 2011 as its program director and was in charge of providing leadership in project management services in major projects to both local and international companies.

Mr Chong graduated from Nanyang Technological Institute of Singapore with a Bachelor of Engineering (Civil) in 1985.



## KEY MANAGEMENT



### **DR WU CHEE SHIEN JEREMY**

*General Manager (Operations)*

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

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

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



### **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 the quantity surveying, the administration of the tender process and the preparation of technical correspondences and other contractual documentation.

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

## 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*  
Chong Weng Hoe – *Member*  
Wong Meng Yeng – *Member*

### REMUNERATION COMMITTEE

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

### NOMINATING COMMITTEE

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

### COMPANY SECRETARIES

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: [www.keonghong.com](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

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## 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 Catalyst of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Catalist Listing Manual") requires an issuer to outline the corporate governance practices adopted 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 2012 ("FY2012"), 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 memorandum enabling the Directors to make informed decisions.

The Company was formally admitted to the Official List of the Catalyst of the SGX-ST on 16 December 2011. The Company held its first meetings on 16 December 2011. The number of Board and Board committees meetings held and attended by each Board member during the period from 16 December 2011 to 30 September 2012 are as follows:—

	Board	Audit Committee	Remuneration Committee	Nominating Committee
<b>Number of meetings held</b>	4	4	2	1
Leo Ting Ping Ronald	4	4*	2*	1*
Er Ang Hooa	4	4*	2*	1*
Lim Jun Xiong Steven	4	4	2	1
Chong Weng Hoe	4	4	2	1
Wong Meng Yeng	4	4	2	1

\* attendance by invitation

The profile of each Director and other relevant information are set out on pages 15 to 16 of this Annual Report.

## CORPORATE GOVERNANCE REPORT

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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 (Chapter 50) of Singapore and the rules and regulations of the relevant regulatory bodies;
- (v) Evaluating performance of Management; and
- (vi) Reviewing and approving the remuneration framework for the Board and key executives.

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

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

Changes to regulations and accounting standards are monitored closely by Management. To keep pace with 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.

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

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

The Directors have separate and independent access to the Company Secretaries at all times and the Company Secretaries attend all Board and Board committees meetings and are responsible for ensuring that Board procedures are followed.

### **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 Independent Directors.



## CORPORATE GOVERNANCE REPORT

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

The independence of each Director 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 NC has reviewed and determined that the Independent Directors are independent.

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

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

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

The roles of the Chairman and the CEO are currently held by Mr Leo Ting Ping, Ronald ("Mr Leo"). The Board is of the opinion that it is not necessary to separate the roles of the Chairman and the CEO after taking into account the size, scope and nature of the operations of the Group. Mr Leo 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 exercises 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, Mr Lim Jun Xiong Steven, the AC Chairman, 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 to the Chairman and the 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

## CORPORATE GOVERNANCE REPORT

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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 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.

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. At the date of this report, the Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole. The appraisal process focus on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with senior Management and the Directors' standard of conduct. The NC discussed the results of the Board's performance evaluation to identify areas where improvements were necessary and made recommendations to the Board for action to be taken. 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.

After assessing their contribution and performance, the NC has recommended Mr Leo and Mr Er Ang Hooa ("Mr Er"), who are 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 and Mr Er have offered themselves for re-election. The Board has accepted the recommendations of the NC.

### **Board Performance**

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

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

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, 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 NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole has been satisfactory. The Board will be adopting an internal guideline that seeks to address the competing time commitments that may be faced when a Director holds multiple board appointments. The NC noted that based on the attendance of the Board and Board committee meetings during the financial year, all the Directors were able to participate in all the meetings to carry out their duties. The NC was therefore satisfied that where a Director had multiple board representations and/or other major commitments, the Director was able to and had been adequately carrying out his duties as a Director 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, monthly management accounts are made available to the Directors. Directors also have unrestricted access to the records and information of the Company. The Independent Directors have access to senior 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 terms of reference 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 Employee Share Option Scheme.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key 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 will be involved in deciding his own remuneration.

## CORPORATE GOVERNANCE REPORT

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, 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 the 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 for such period and on such terms as may be agreed between the Company and Mr Leo.

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

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

The following table shows the remuneration of Directors and key executives disclosed in bands for FY2012:

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
<b>Directors</b>					
<b>S\$1,250,000 to below S\$1,500,000</b>					
Leo Ting Ping Ronald	–	31	68	1	100
<b>S\$250,000 to below S\$500,000</b>					
Er Ang Hooa	–	71	26	3	100
<b>Below \$250,000</b>					
Lim Jun Xiong Steven	100	–	–	–	100
Chong Weng Hoe	100	–	–	–	100
Wong Meng Yeng	100	–	–	–	100
<b>Key Executives</b>					
<b>Below S\$250,000</b>					
Ng Siew Ge <sup>(1)</sup>	–	100	–	–	100
Loo Toon Boon <sup>(2)</sup>	–	100	–	–	100
Ng Siew Khim	–	64	33	3	100
Wu Chee Shien, Jeremy <sup>(3)</sup>	–	92	8	–	100

Note:

(1) Mr Ng Siew Ge ceased as Chief Financial Officer on 30 September 2012

(2) Mr Loo Toon Boon resigned as General Manager (Operations) on 15 July 2012

(3) Mr Jeremy Wu was appointed as General Manager (Operations) on 15 August 2012

No employee of the Group was an immediate family member of a Director or the CEO whose remuneration exceeded S\$150,000 for FY2012.

### Share Option Scheme

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

## CORPORATE GOVERNANCE REPORT

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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.

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 Committee'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 the date of this report, no options were granted under the Scheme to Directors of the Company and/or employees of the Group. There were no outstanding options as at end of FY2012.

### **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.

# CORPORATE GOVERNANCE REPORT

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## 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 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, ensuring co-ordination between the external auditors and Management, reviewing the assistance given by Management to the auditors, discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- (iv) Reviewing the external auditors' reports;
- (v) Reviewing the co-operation given by the Company's officers to the external auditors;
- (vi) Reviewing the half-year and full-year (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;
- (vii) Reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- (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 setting out a framework to resolve or mitigate any potential conflicts of interests;
- (xi) Reviewing the effectiveness and adequacy of the Group's administrative, operating, accounting and financial control procedures;

## CORPORATE GOVERNANCE REPORT

- (xii) Reviewing the Group's key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports if the findings are material, immediately announced via SGXNET;
- (xiii) Undertaking such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (xiv) 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 ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- (xvi) Reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or Catalist Listing Manual, including such amendments made thereto from time to time.

Apart from the duties listed above, the AC, if required, may commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the 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 Management. The AC has the explicit authority to investigate any matter within its terms of reference. It has full discretion to invite any Director or executive officer to attend its meetings, and be given reasonable resources to enable it to discharge its functions properly.

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

The AC has reviewed the nature and extent of non-audit services in respect of the provision of tax services by the External Auditors, including the fees paid in respect of the financial year ended 30 September 2012, is of the view that the provision of such non-audit services does not compromise the independence of the External Auditors.

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

The AC is satisfied with the independence and objectivity of the External Auditors and has recommended that BDO LLP be re-appointed as the Company's External Auditors in respect of financial year ending 30 September 2013 ("FY2013") at the forthcoming AGM. The aggregate audit and non-audit fees paid to the auditors for FY2012 are set out on page 80 of this Annual Report.

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

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

## **CORPORATE GOVERNANCE REPORT**

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

Based on the internal control policies and procedures established and maintained by the Company, the reviews done by the internal and external auditors, Management and the Board, and that there were no incidents of whistle blowing received, the Board opines, with the concurrence of the AC, that the Group's internal controls were adequate as at 30 September 2012 to address the financial, operational and compliance risks.

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

### **Principle 13 : Internal Audit**

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

The internal audit function is currently outsourced to Nexia TS who reports directly to the AC. The internal auditors support the AC in their role to assess the effectiveness of the Group's overall system of operational and financial controls as well as assist in the implementation of a risk management framework. To ensure the adequacy of the internal audit function, the AC will review and approve the internal audit plan on annual basis. The AC is satisfied that the internal auditors is independent and has appropriate standing to perform its functions effectively.

### **Principle 14 : Communication with Shareholders**

#### **Principle 15 : Shareholder Participation**

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

Shareholders are encouraged to attend the annual general meeting to ensure a greater level of shareholders' participation and for them to be kept up to date with the strategies and goals of the Group. All shareholders of the Company receive a copy of the annual report, the notice of 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 the general meetings of the Company to air their views and query the Directors and Management on matters relating to the Group and its operations.



# CORPORATE GOVERNANCE REPORT

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## RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business, financial, operational and compliance risks as well as appropriate measures to control and mitigate these risks. The Group's financial risk management objectives and policies are discussed in Note 31 of the Notes to the Financial Statements, on pages 86 to 92 of the Annual Report. To address the operational and compliance risks, the Company carries out regular review of the following:

- (i) Business plan and internal policies and procedures;
- (ii) Human resource policies in an effort to recruit and retain skilled and experienced employees necessary for its business; and
- (iii) Legal and regulatory changes to keep abreast with developments which may have an impact on its business and operations.

Management reports and highlights all significant risk management matters to the Directors and the AC for discussions and appropriate actions.

## 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

There were no material contracts entered into by the Company or its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2012 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.

There were no interested person transactions entered into during FY2012.

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 FY2012, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. fees of S\$176,720 for the provision of financial advisory services and to act as the placement agent pursuant to the company's initial public offering ("IPO").

## CORPORATE GOVERNANCE REPORT

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### 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:

<b>Intended Usage in accordance with the Offer Document</b>	<b>Allocation (S\$'000)</b>	<b>Amount utilised (S\$'000)</b>	<b>Amount unutilised (S\$'000)</b>
Merger and acquisition	1,500	32	1,468
General working capital	3,543	–	3,543
IPO expenses	1,437	1,336	101
<b>TOTAL</b>	<b>6,480</b>	<b>1,368</b>	<b>5,112</b>

## 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 and statement of changes in equity of the Company for the financial year ended 30 September 2012 and the statement of financial position of the Company as at 30 September 2012.

### 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)  
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, Chapter 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			
	Shareholdings registered in the name of directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 October 2011	Balance at 30 September 2012	Balance at 1 October 2011	Balance at 30 September 2012
<b>Company</b>				
Leo Ting Ping Ronald	1	40,615,500	–	40,615,500
Er Ang Hooa	–	200,000	–	–

In accordance with the continuing listing requirements of the Catalist Listing Manual, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 October 2012 in the shares of the Company have not changed from those disclosed as at 30 September 2012.

### 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

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### 5. SHARE OPTIONS

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

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.

### 6. AUDIT COMMITTEE

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

Lim Jun Xiong Steven (Chairman)  
Chong Weng Hoe  
Wong Meng Yeng

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

- (a) review with the external auditors the audit plans, their evaluation of the system of internal controls, their audit report, their management letter and 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 Management, and review the assistance given by 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 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 Management's response;
- (h) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

## REPORT OF THE DIRECTORS

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### 6. AUDIT COMMITTEE (CONTINUED)

- (i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Listing Manual (if any);
- (j) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- (k) review the effectiveness and adequacy of the administrative, operating, internal accounting and financial control procedures;
- (l) review the key financial risk areas, with a view to providing an independent 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 Catalist Listing Manual, and by such amendments made thereto from time to time;
- (o) review arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- (p) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Listing Manual, including such amendments made thereto from time to time.

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

The Audit Committee has full access to and co-operation of 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

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**Leo Ting Ping Ronald**

Director

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**Er Ang Hooa**

Director

Singapore  
28 December 2012

## STATEMENT BY DIRECTORS

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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 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 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 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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

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**Leo Ting Ping Ronald**

Director

Singapore

28 December 2012

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**Er Ang Hooa**

Director

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

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## 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 38 to 92, which comprise the statements of financial position of the Group and of the Company as at 30 September 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and statement of changes in equity of the Company for the financial year ended 30 September 2012, 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, Chapter 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 and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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  
28 December 2012

## STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

	Note	Group		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
<b>Non-current assets</b>					
Plant and equipment	4	3,511,401	4,645,287	-	-
Investment properties	5	-	-	-	-
Investments in subsidiaries	6	-	-	20,618,554	-
Investment in associate	7	-	200,000	-	-
Investment in joint venture	8	89,107	89,062	-	-
Intangible assets	9	241,908	663	-	-
Deferred tax assets	10	-	44,750	-	-
Financial assets, held-to-maturity	11	2,839,000	-	-	-
		<b>6,681,416</b>	<b>4,979,762</b>	<b>20,618,554</b>	<b>-</b>
<b>Current assets</b>					
Property held for sale	12	-	-	-	-
Financial assets at fair value through profit or loss	13	602,870	581,996	-	-
Trade and other receivables	14	62,279,559	70,389,590	-	-
Current income tax recoverable		282,509	-	-	-
Prepayments		45,968	207,134	2,831	1,000
Cash and cash equivalents	15	56,095,428	39,724,715	4,626,079	5,764
		<b>119,306,334</b>	<b>110,903,435</b>	<b>4,628,910</b>	<b>6,764</b>
Less:					
<b>Current liabilities</b>					
Due to contract customers	16	28,978,090	20,761,201	-	-
Trade and other payables	17	40,570,554	60,509,043	203,511	25,215
Finance lease payables	18	509,055	797,851	-	-
Current income tax payable		4,158,113	1,501,465	-	-
		<b>74,215,812</b>	<b>83,569,560</b>	<b>203,511</b>	<b>25,215</b>
<b>Net current assets/(liabilities)</b>		<b>45,090,522</b>	<b>27,333,875</b>	<b>4,425,399</b>	<b>(18,451)</b>
Less:					
<b>Non-current liabilities</b>					
Finance lease payables	18	345,425	852,281	-	-
Deferred tax liabilities	10	74,000	74,000	-	-
		<b>419,425</b>	<b>926,281</b>	<b>-</b>	<b>-</b>
		<b>51,352,513</b>	<b>31,387,356</b>	<b>25,043,953</b>	<b>(18,451)</b>
<b>Capital and reserves</b>					
Share capital	19	23,836,074	13,600,002	23,836,074	2
Other reserves	20	(4,846,734)	23,603	-	-
Accumulated profits/(losses)		31,275,974	15,883,923	1,207,879	(18,453)
Equity attributable to owners of the parent		<b>50,265,314</b>	<b>29,507,528</b>	<b>25,043,953</b>	<b>(18,451)</b>
Non-controlling interests		1,087,199	1,879,828	-	-
<b>Total equity</b>		<b>51,352,513</b>	<b>31,387,356</b>	<b>25,043,953</b>	<b>(18,451)</b>

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

	Note	2012 \$	2011 \$
Revenue	21	167,360,298	189,544,535
Cost of sales		<u>(138,054,784)</u>	<u>(175,706,812)</u>
Gross profit		29,305,514	13,837,723
<b>Other items of income</b>			
Dividend income		21,192	1,771
Interest income		457,764	147,187
Other income	22	1,061,704	2,589,572
<b>Other items of expense</b>			
Administrative expenses		(6,681,194)	(4,366,379)
Other expenses		–	(157,090)
Finance costs	23	(63,403)	(144,805)
Share of results of joint venture, net of tax		45	140,309
Share of results of associate, net of tax		<u>(200,000)</u>	–
Profit before income tax	24	23,901,622	12,048,288
Income tax expense	25	<u>(4,605,543)</u>	<u>(1,073,455)</u>
<b>Profit for the financial year</b>		<u>19,296,079</u>	<u>10,974,833</u>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		(150,256)	71,504
Income tax on other comprehensive income		–	–
<b>Other comprehensive income for the financial year, net of tax</b>		<u>(150,256)</u>	<u>71,504</u>
<b>Total comprehensive income for the financial year</b>		<u>19,145,823</u>	<u>11,046,337</u>
<b>Profit attributable to:</b>			
Owners of the parent		20,015,082	9,374,093
Non-controlling interests		<u>(719,003)</u>	<u>1,600,740</u>
		<u>19,296,079</u>	<u>10,974,833</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		19,938,452	9,410,683
Non-controlling interests		<u>(792,629)</u>	<u>1,635,654</u>
		<u>19,145,823</u>	<u>11,046,337</u>
<b>Earnings per share (cents)</b>			
– Basic and diluted	26	<u>14.90</u>	<u>97.67</u>

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

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

Note	Share capital \$	Foreign currency translation reserve \$	Merger reserve \$	Accumulated profits \$	Equity attributable to owners of the parent \$	Non-controlling interests \$	Total \$
<b>Group</b>							
Balance at 1 October 2011	13,600,002	23,603	–	15,883,923	29,507,528	1,879,828	31,387,356
Profit for the financial year	–	–	–	20,015,082	20,015,082	(719,003)	19,296,079
Other comprehensive income for the financial year:							
Exchange differences on translating foreign operations	–	(76,630)	–	–	(76,630)	(73,626)	(150,256)
Total comprehensive income for the financial year	–	(76,630)	–	20,015,082	19,938,452	(792,629)	19,145,823
<b>Contribution by and distribution to owners of the parent:</b>							
Dividends	27	–	–	(3,040,000)	(3,040,000)	–	(3,040,000)
Issuance of ordinary shares pursuant to the initial public offer exercises	19	6,960,000	–	–	6,960,000	–	6,960,000
Share issue expenses		(480,666)	–	–	(480,666)	–	(480,666)
Shares buy-back	1.2	(1,036,969)	–	(1,583,031)	(2,620,000)	–	(2,620,000)
Adjustments arising from restructuring exercise	1.2	4,793,707	–	(4,793,707)	–	–	–
<b>Total transactions with owners of the parent</b>		<u>10,236,072</u>	<u>–</u>	<u>(4,793,707)</u>	<u>(4,623,031)</u>	<u>819,334</u>	<u>819,334</u>
Balance at 30 September 2012		<u>23,836,074</u>	<u>(53,027)</u>	<u>(4,793,707)</u>	<u>31,275,974</u>	<u>1,087,199</u>	<u>51,352,513</u>

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

Note	Share capital \$	Foreign currency translation reserve \$	Accumulated profits \$	Equity attributable to owners of the parent \$	Non-controlling interests \$	Total \$
<b>Group</b>						
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
<b>Contribution by and distribution to owners of the parent:</b>						
Dividends	27	–	(698,652)	(698,652)	–	(698,652)
Issue of shares	1.2	5,200,000	–	5,200,000	–	5,200,000
<b>Total transactions with owners of the parent</b>						
	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

Note	Share capital \$	Accumulated (losses)/ profits \$	Total \$
<b>Company</b>			
Balance at 1 October 2011	2	(18,453)	(18,451)
Profit for the financial year	–	4,266,332	4,266,332
Total comprehensive income for the financial year	–	4,266,332	4,266,332
<b>Contribution by and distribution to owners of the parent:</b>			
Dividends	27	–	(3,040,000)
Issuance of ordinary shares pursuant to the restructuring exercise	19	17,356,738	–
Issuance of ordinary shares pursuant to the initial public offer exercise	19	6,960,000	–
Share issue expenses		(480,666)	–
<b>Total transactions with owners of the parent</b>			
	23,836,072	(3,040,000)	20,796,072
Balance at 30 September 2012	23,836,074	1,207,879	25,043,953
Balance at 1 October 2010	2	(4,740)	(4,738)
Loss for the financial year	–	(13,713)	(13,713)
Total comprehensive income for the financial year	–	(13,713)	(13,713)
Balance at 30 September 2011	2	(18,453)	(18,451)

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

	2012 \$	2011 \$
<b>Operating activities</b>		
Profit before income tax	<b>23,901,622</b>	12,048,288
Adjustments for:		
Amortisation of intangible asset	<b>2,260</b>	4,633
Depreciation of plant and equipment	<b>2,918,664</b>	1,546,227
Dividend income	<b>(21,192)</b>	(1,771)
Fair value (gain)/loss on financial assets at fair value through profit or loss	<b>(20,874)</b>	157,090
Gain on disposal of plant and equipment	<b>(86,409)</b>	(101,064)
Gain on disposal of financial assets at fair value through profit or loss	-	(34,018)
Gain on disposal of property held for sale	-	(50,000)
Plant and equipment written off	<b>2,417</b>	-
Interest income	<b>(457,764)</b>	(147,187)
Interest expense	<b>63,403</b>	144,805
Gain on disposal of investment properties	-	(637,203)
Share of results of joint venture	<b>(45)</b>	(140,309)
Share of results of associate	<b>200,000</b>	-
Write-back of allowance for doubtful third parties trade receivables	-	(3,879)
Operating cash flows before working capital changes	<b>26,502,082</b>	12,785,612
Working capital changes:		
Trade and other receivables	<b>8,110,030</b>	(16,819,198)
Prepayments	<b>161,166</b>	(138,782)
Due to contract customers	<b>8,216,889</b>	6,496,898
Trade and other payables	<b>(19,938,488)</b>	9,258,620
Cash generated from operations	<b>23,051,679</b>	11,583,150
Income tax paid	<b>(2,186,654)</b>	(1,223,933)
Net cash from operating activities	<b>20,865,025</b>	10,359,217

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

	Note	2012 \$	2011 \$
<b>Investing activities</b>			
Investment in associate		–	(200,000)
Purchase of financial assets, held-to-maturity		<b>(2,839,000)</b>	–
Purchase of plant and equipment		<b>(1,836,353)</b>	(904,252)
Purchase of intangible assets		<b>(243,505)</b>	(936)
Proceeds from disposal of plant and equipment		<b>122,367</b>	235,583
Proceeds from disposal of financial assets at fair value through profit or loss		–	598,529
Proceeds from disposal of investment properties		–	5,937,203
Proceeds from disposal of property held for sale		–	700,000
Proceeds from profit and capital withdrawal of investment in joint venture		–	575,001
Dividends received		<b>21,192</b>	1,771
Interest received		<b>457,764</b>	147,187
Net cash (used in)/from investing activities		<b>(4,317,535)</b>	7,090,086
<b>Financing activities</b>			
Fixed deposit pledged with financial institutions		<b>8,519,019</b>	2,449,371
Proceeds from issuance of ordinary shares		<b>6,960,000</b>	5,200,000
Repayment of bank borrowings		–	(1,284,757)
Repayment of finance lease payables		<b>(795,652)</b>	(1,151,721)
Dividends paid		<b>(3,040,000)</b>	(7,998,750)
Shares buy-back		<b>(2,620,000)</b>	–
Share issue expenses		<b>(480,666)</b>	–
Interest paid		<b>(63,403)</b>	(144,805)
Net cash from/(used in) financing activities		<b>8,479,298</b>	(2,930,662)
Net change in cash and cash equivalents		<b>25,026,788</b>	14,518,641
Cash and cash equivalents at beginning of financial year		<b>28,964,357</b>	14,466,180
Exchange difference on cash and cash equivalents		<b>(137,056)</b>	(20,464)
Cash and cash equivalents at end of financial year	15	<b>53,854,089</b>	28,964,357

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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, Chapter 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 6 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of changes in equity of the Company for the financial year ended 30 September 2012 were authorised for issue in accordance with a Directors' resolution dated 28 December 2012.

### 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 2012

## 1. CORPORATE INFORMATION (CONTINUED)

### 1.2 Restructuring exercise (Continued)

- 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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## 1. CORPORATE INFORMATION (CONTINUED)

### 1.2 Restructuring exercise (Continued)

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 buyback.

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 2012

## 1. CORPORATE INFORMATION (CONTINUED)

### 1.2 Restructuring exercise (Continued)

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

<u>Name of company</u>	<u>Date and country of incorporation</u>	<u>Registered and paid in capital</u>	<u>Principal activities</u>	<u>Effective equity interest</u>
<b>Subsidiaries</b>				
Keong Hong Construction Pte Ltd ("KH Construction")	1 October 1983 Singapore	\$15,014,847	General and building contractors	100%
K. H. Land Pte Ltd ("KH Land")	28 July 1993 Singapore	\$765,000	Investment holding, real estate development and building construction	100%
KH Trading Pte. Ltd. ("KH Trading")	30 May 2007 Singapore	\$45,000	Trading of building construction materials	100%
KHA Resorts & Hotels Construction Pvt Ltd. ("KHA Resorts")	9 March 2010 Incorporated in Cayman Island and re-registered in Republic of Maldives	US\$500,000 (registered) US\$255,000 (paid in capital)	Hotel building contractors	51%
Sum Keong Realty Pte Ltd ("SKR")	6 June 1994 Singapore	\$1,000,000	Dormant	99%
<b>Joint venture</b>				
Keong Hong – Kienta Engineering JV LLP ("KH-Kienta JV LLP")	12 February 2007 Singapore	\$1,000,000	Construction activities pertaining to the Ibis Hotel development project at Bencoolen Street	50%
<b>Associated company</b>				
Punggol Residences Pte. Ltd.	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, Chapter 50 on 8 December 2010 and SKR was dissolved on 20 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. The financial statements of the Group have been prepared in a manner similar to the “pooling-of-interest” method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 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 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.

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. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

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

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

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:

	<b>Effective date (Annual periods beginning on or after)</b>
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 27 : Separate Financial Statements	1 January 2014
FRS 28 : Investments in Associates and Joint Ventures	1 January 2014
FRS 32 : Amendments to FRS 32 – Offsetting of Financial Assets And Financial Liabilities	1 January 2014
FRS 101 : Amendments to FRS 101 – Government Loans	1 January 2013
FRS 107 : Offsetting of Financial Assets and Financial Liabilities	1 January 2013
FRS 110 : Consolidated Financial Statements	1 January 2014
FRS 111 : Joint Arrangements	1 January 2014
FRS 112 : Disclosure of Interests in Other Entities	1 January 2014
FRS 113 : Fair Value Measurement	1 January 2013
INT FRS 120 : Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Improvements to FRSs 2012	1 January 2013

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.

#### *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 and the Company do not expect any impact on its financial position or performance upon adoption of this standard from the financial year beginning 1 October 2013.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

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

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

##### *FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes control as the basis of determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from the financial year beginning 1 October 2014, with full retrospective application. When the Group adopts FRS 110, entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation. The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

##### *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 assists 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. This FRS becomes effective from annual periods beginning on or after 1 October 2014. 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*

FRS 113 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

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

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are eliminated in some way as unrealised gains, but only to the extent that there is no impairment.

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

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

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

Investments in subsidiaries are carried at cost less any impairment losses that have been recognised in profit or loss.

#### **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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 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:

	<u>Years</u>
Office equipment	2
Furniture and fittings	5
Motor vehicles	5
Plant and machinery	3-5

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.

### 2.4 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.4 Investment properties (Continued)

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.

### 2.5 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 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.

### 2.7 Intangible assets

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.7 Intangible assets (Continued)

#### *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.

#### *Transferable club memberships*

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

### 2.8 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.

### 2.9 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.9 Impairment of non-financial assets (Continued)

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.

### 2.10 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 and held-to-maturity. 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 2012

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

### 2.10 Financial assets (Continued)

- (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.

- (iii) Financial assets, held-to-maturity

Non-derivate financial assets with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity date are classified as financial assets, held-to-maturity.

#### **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. Financial assets, held-to-maturity are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.10 Financial assets (Continued)

#### *Initial and subsequent measurement (Continued)*

Gain and losses are recognised in profit or loss when the financial assets, held-to-maturity are derecognized or impaired, and through the amortisation process.

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 and financial assets, held-to-maturity

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.

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.

### 2.11 Cash and cash equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.12 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.

#### ***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.

### 2.13 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. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

### 2.14 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.15 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”.

### 2.16 Leases – Group as lessee

#### *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 2012

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

### 2.16 Leases – Group as lessee (Continued)

#### *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.

### 2.17 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.

### 2.18 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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

### 2.18 Income tax (Continued)

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.

### 2.19 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 2012

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

### 2.19 Foreign currencies (Continued)

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.

### 2.20 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.

### 2.21 Segment reporting

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

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### **3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

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

- (ii) Impairment of investments in subsidiaries 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 assets

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 5 years. The carrying amount of plant and equipment of the Group as at 30 September 2012 was \$3,511,401 (2011: \$4,645,287). The carrying amount of intangible assets of the Group as at 30 September 2012 were \$241,908 (2011: \$663). 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 of the Group as at 30 September 2012 was \$62,279,559 (2011: \$70,389,590).

- (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 recoverable and payable of the Group as at 30 September 2012 was \$282,509 (2011: Nil) and \$4,158,113 (2011: \$1,501,465) respectively. The carrying amounts of deferred tax assets and liabilities of the Group as at 30 September 2012 were \$Nil (2011: \$44,750) and \$74,000 (2011: \$74,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

## 4. PLANT AND EQUIPMENT

Group	Office equipment \$	Furniture and fittings \$	Motor vehicles \$	Plant and machinery \$	Total \$
<b>Cost</b>					
Balance at 1 October 2011	405,865	284,757	1,313,948	7,303,512	9,308,082
Additions	4,663	29,850	–	1,801,840	1,836,353
Disposals	–	–	(118,059)	(82,275)	(200,334)
Write off	(66,981)	(26,497)	–	–	(93,478)
Currency realignments	(757)	(167)	–	(28,660)	(29,584)
Balance at 30 September 2012	<u>342,790</u>	<u>287,943</u>	<u>1,195,889</u>	<u>8,994,417</u>	<u>10,821,039</u>
<b>Accumulated depreciation</b>					
Balance at 1 October 2011	307,155	174,602	654,468	3,526,570	4,662,795
Depreciation	68,426	49,364	156,272	2,644,602	2,918,664
Disposals	–	–	(118,059)	(46,317)	(164,376)
Write off	(64,939)	(26,122)	–	–	(91,061)
Currency realignments	(384)	(67)	–	(15,933)	(16,384)
Balance at 30 September 2012	<u>310,258</u>	<u>197,777</u>	<u>692,681</u>	<u>6,108,922</u>	<u>7,309,638</u>
<b>Net carrying amount</b>					
Balance at 30 September 2012	<u>32,532</u>	<u>90,166</u>	<u>503,208</u>	<u>2,885,495</u>	<u>3,511,401</u>
<b>Cost</b>					
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	<u>405,865</u>	<u>284,757</u>	<u>1,313,948</u>	<u>7,303,512</u>	<u>9,308,082</u>
<b>Accumulated depreciation</b>					
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	<u>307,155</u>	<u>174,602</u>	<u>654,468</u>	<u>3,526,570</u>	<u>4,662,795</u>
<b>Net carrying amount</b>					
Balance at 30 September 2011	<u>98,710</u>	<u>110,155</u>	<u>659,480</u>	<u>3,776,942</u>	<u>4,645,287</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 4. PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2012 \$	2011 \$
Plant and machinery	470,925	2,114,625
Motor vehicles	494,323	647,364
	<b>965,248</b>	<b>2,761,989</b>

Finance lease assets are pledged as securities for the related finance lease payables (Note 18).

Motor vehicles with net carrying amounts as at 30 September 2012 were \$494,323 (2011: \$647,364) were registered in the name of the Directors and staff who are holding the motor vehicles in trust for the Group.

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

	Group	
	2012 \$	2011 \$
Additions of plant and equipment	1,836,353	1,343,570
Acquired under finance lease agreements	-	(439,318)
Cash payments to acquire plant and equipment	<b>1,836,353</b>	<b>904,252</b>

During the financial year ended 30 September 2012, the Group carried out a review of the estimated useful life of its plant and equipment. The Group has changed the estimated useful life of two classes of plant and machinery from 5 to 3 years and 10 to 5 years respectively to better reflect the economic benefits of those plant and equipment. This change has led to additional depreciation charge of \$1,482,177 for the financial year.

Should the Group have used the previous estimate of useful lives for depreciation, the carrying amount of plant and equipment would have been \$4,993,578 instead of \$3,511,401 as at the end of the financial year.

### 5. INVESTMENT PROPERTIES

	Group	
	2012 \$	2011 \$
<b>At fair value</b>		
Balance at beginning of financial year	-	5,300,000
Disposals	-	(5,300,000)
Balance at end of financial year	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 5. INVESTMENT PROPERTIES (CONTINUED)

The following amounts are recognised in profit or loss:

	Group	
	2012	2011
	\$	\$
Rental income	-	116,940
Property taxes and other direct operating expenses arising from investment properties	-	12,778

### 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	\$	\$
Unquoted equity shares, at cost	<b>20,618,554</b>	-

The details of the subsidiaries are as follows:

Name of company (Country of incorporation)	Effective equity interest		Principal activities
	2012	2011	
	%	%	
<b><u>Held by the Company</u></b>			
Keong Hong Construction Pte Ltd <sup>(1)</sup> (Singapore)	<b>100</b>	-	General and building contractors
KH Trading Pte Ltd <sup>(1)</sup> (Singapore)	<b>100</b>	-	Trading of building construction materials
K.H. Land Pte Ltd <sup>(1)</sup> (Singapore)	<b>100</b>	-	Investment holding, real estate development and building construction
<b><u>Held by K.H. Land Pte Ltd</u></b>			
KHA Resorts & Hotels Construction Pvt Ltd <sup>(2)</sup> (Cayman Island)	<b>51</b>	-	Hotel building contractors

<sup>(1)</sup> Audited by BDO LLP, Singapore

<sup>(2)</sup> Audited by Ernst & Young, Maldives

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 16 June 2013.

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 above subsidiaries as disclosed in Note 1.2 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 7. INVESTMENT IN ASSOCIATE

	Group	
	2012 \$	2011 \$
Unquoted equity shares, at cost	200,000	200,000
Share of post-acquisition results of associate, net of tax	<b>(200,000)</b>	–
Carrying amount	<b>–</b>	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
	2012 %	2011 %	
Punggol Residences Pte Ltd* (Singapore)	20	20	Property development

\* Audited by Ernst & Young, Singapore

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	
	2012 \$	2011 \$
<b>Assets and liabilities</b>		
Total assets	312,231,328	61,518,822
Total liabilities	<b>(322,537,807)</b>	(60,518,822)
Net (liabilities)/assets	<b>(10,306,479)</b>	1,000,000
Group's share of associate's net (liabilities)/assets	<b>(2,061,296)</b>	200,000
<b>Results</b>		
Revenue	–	–
Net loss for the financial year	<b>(11,304,978)</b>	–

The Group has not recognised losses relating to associate where its share of losses exceed the Group's carrying amount of its investment. The Group's cumulative shares of unrecognised losses as at 30 September 2012 were \$1,861,296. The Group has no obligation in respect of those losses.

The Group's shares of capital commitments in respect of the construction of the development properties held for sale was \$29,538,000 as at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 8. INVESTMENT IN JOINT VENTURE

	Group	
	2012 \$	2011 \$
Unquoted capital contributions, at cost	89,062	500,000
Share of results of joint venture, net of tax	45	140,309
Net profit and capital withdrawal	-	(551,247)
	<b>89,107</b>	<b>89,062</b>

The details of the joint venture are as follows:

Name of company (Country of incorporation)	Effective equity interest held by the Group		Principal activities
	2012 %	2011 %	
Keong Hong – Kienta Engineering JV LLP <sup>(1)</sup> (Singapore)	50	50	To carry out the construction of a project known as "IBIS Hotel" awarded by Bencool LA Pte Ltd.

<sup>(1)</sup> 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. In the opinion of the Directors, the net asset value of the joint venture reasonably approximates 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	
	2012 \$	2011 \$
<b>Assets and liabilities</b>		
Total assets	280,046	142,428
Total liabilities	<b>(105,122)</b>	<b>(53,366)</b>
<b>Results</b>		
Income	301	144,489
Expenses	<b>(211)</b>	<b>(4,180)</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 9. INTANGIBLE ASSETS

Group	Computer software \$	Transferable club memberships \$	Total \$
<b>Cost</b>			
Balance at 1 October 2011	34,886	–	34,886
Additions	21,505	222,000	243,505
Balance at 30 September 2012	56,391	222,000	278,391
<b>Accumulated amortisation</b>			
Balance at 1 October 2011	34,223	–	34,223
Amortisation for the financial year	2,260	–	2,260
Balance at 30 September 2012	36,483	–	36,483
<b>Carrying amount</b>			
Balance at 30 September 2012	19,908	222,000	241,908
<b>Cost</b>			
Balance at 1 October 2011	33,950	–	33,950
Additions	936	–	936
Balance at 30 September 2012	34,886	–	34,886
<b>Accumulated amortisation</b>			
Balance at 1 October 2011	29,590	–	29,590
Amortisation for the financial year	4,633	–	4,633
Balance at 30 September 2012	34,223	–	34,223
<b>Carrying amount</b>			
Balance at 30 September 2012	663	–	663

As at the end of the reporting period, the transferable club memberships rights are held in trust by a Director of the Company.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

## 10. DEFERRED TAX ASSETS/LIABILITIES

### Deferred tax assets

	Group	
	2012	2011
	\$	\$
<b>Accelerated tax depreciation</b>		
Balance at beginning of financial year	44,750	–
(Charged)/Credited to profit or loss	(44,750)	43,545
Currency realignments	–	1,205
Balance at end of financial year	–	44,750

### Deferred tax liabilities

	Accelerated tax depreciation	Changes in fair value of investment property	Others	Total
	\$	\$	\$	\$
<b>Group</b>				
At 1 October 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
Charged to profit or loss	–	–	–	–
At 30 September 2012	74,000	–	–	74,000

## 11. FINANCIAL ASSETS, HELD-TO-MATURITY

	Group	
	2012	2011
	\$	\$
Unquoted debt securities	1,250,000	–
Unquoted, structured deposits	1,589,000	–
	<b>2,839,000</b>	–

### Debt securities

The average effective interest rate of the unquoted debt securities is 4.00% per annum.

At 30 September 2012, the unquoted debt securities have nominal values amounting to \$1,250,000 with coupon rates ranging from 3.15% to 4.25% per annum and maturity dates ranging from 23 February 2015 to 11 July 2022.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 11. FINANCIAL ASSETS, HELD-TO-MATURITY (CONTINUED)

#### Structured deposits

The structured deposits are placed with banks in Singapore and contain embedded derivatives. The returns comprise fixed and variable element, the variable returns are determined by reference to the change in market prices of certain underlying quoted securities in the Singapore Stock Exchange.

The average effective interest rate of the unquoted structured deposits is 1.05% per annum. The major terms of the structured deposits are as follows:

<b>Principal amount</b>	<b>Maturity date</b>	<b>Fixed interest returns</b>	<b>Variable interest returns</b>
<b>\$</b>		<b>%</b>	<b>%</b>
<b>(Note 1)</b>		<b>(Note 2)</b>	<b>(Note 3)</b>
100,000	15 January 2018	1.00% to 2.08%	0.10% to 6.00%
200,000	15 January 2018	1.00% to 2.08%	0.10% to 6.00%
200,000	15 January 2018	1.00% to 2.08%	0.10% to 6.00%
1,089,000	2 July 2015	0.65% to 2.50%	0.00% to 4.50%

#### Note 1

The Group may entitle less than the principal amount if the structured deposits withdraw before maturity date.

#### Note 2

The Group is entitled for the guaranteed fixed interest returns at the end of each year if the structured deposits are held until maturity.

#### Note 3

The Group is entitled for the variable interest returns at the maturity date which are determined by reference to the change in market prices of certain underlying quoted securities in the Singapore Stock Exchange.

There is no disposal or allowance for impairment for these unquoted debt securities and structured deposits.

The financial assets, held-to-maturity are denominated in Singapore dollar.

### 12. PROPERTY HELD FOR SALE

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year	-	650,000
Disposal	-	(650,000)
Balance at end of financial year	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012 \$	2011 \$
Investment fund	<b>602,870</b>	581,996
<i>Investments held for trading</i>		
Balance at beginning of financial year	<b>581,996</b>	2,002,249
Disposals	–	(564,511)
Distribution as dividends (Note 27)	–	(698,652)
Fair value gain/(loss) recognised in profit or loss	<b>20,874</b>	(157,090)
Balance at end of financial year	<b>602,870</b>	581,996

The financial assets at fair value through profit or loss are denominated in United States dollar.

### 14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Trade receivables				
– third parties	<b>3,481,175</b>	12,198,042	–	–
– associate	<b>3,289,767</b>	–	–	–
– retention sum	<b>28,344,820</b>	23,749,690	–	–
– unbilled revenue	<b>7,754,910</b>	20,791,097	–	–
	<b>42,870,672</b>	56,738,829	–	–
Allowance for doubtful trade receivables				
– third parties	–	(1,190)	–	–
	<b>42,870,672</b>	56,737,639	–	–
Security deposits	<b>1,631,769</b>	1,217,560	–	–
Other receivables – third parties	<b>33,224</b>	106,481	–	–
Allowance for doubtful non-trade receivables – third parties	–	(92,040)	–	–
	<b>33,224</b>	14,441	–	–
Due from related parties (non-trade)	<b>1,259,151</b>	333,898	–	–
Allowance for doubtful non-trade receivables – related parties	–	(9,645)	–	–
	<b>1,259,151</b>	324,253	–	–
Due from an associate (non-trade)	<b>16,484,743</b>	12,095,697	–	–
	<b>62,279,559</b>	70,389,590	–	–

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

The non-trade amounts due from an associate are unsecured, repayable on demand and bears interest rate of 1.0 % (2011: Nil) per annum.

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

	Group	
	2012	2011
	\$	\$
Balance at beginning of financial year	1,190	5,171
Write-back of allowance no longer required	-	(3,879)
Bad trade receivables written off against allowance	(1,190)	(102)
Balance at end of financial year	-	1,190

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 \$Nil (2011: \$3,879) 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	
	2012	2011
	\$	\$
Balance at beginning of financial year	92,040	92,040
Bad non-trade receivables written off against allowance	(92,040)	-
Balance at end of financial year	-	92,040

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

	Group	
	2012	2011
	\$	\$
Balance at beginning of financial year	9,645	9,645
Bad non-trade receivables written off against allowance	(9,645)	-
Balance at end of financial year	-	9,645

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Singapore dollar	60,353,801	69,367,915	-	-
United States dollar	1,259,151	322,422	-	-
Maldivé Rufiyaa	666,607	699,253	-	-
	<b>62,279,559</b>	70,389,590	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Fixed deposits	<b>41,549,348</b>	28,493,329	-	-
Cash and bank balances	<b>14,546,080</b>	11,231,386	<b>4,626,079</b>	5,764
Cash and cash equivalents on statements of financial position	<b>56,095,428</b>	39,724,715	<b>4,626,079</b>	5,764
Fixed deposits pledged	<b>(2,241,339)</b>	(10,760,358)		
Cash and cash equivalents included in the consolidated statement of cash flows	<b>53,854,089</b>	28,964,357		

Fixed deposits are placed for a period of 1 to 12 (2011: 1 to 12) months from the financial year end and the effective interest rate on the fixed deposits range from between 0.18% to 1% (2011: 0.15% to 0.75%) per annum.

Banking facilities are secured on fixed deposits amounting to \$2,241,339 (2011: \$10,760,358) as at 30 September 2012 and supported by guarantees of the Company amounting to \$63,196,731 (2011: \$49,979,295) as at 30 September 2012.

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

	Group	
	2012	2011
	\$	\$
Banking facilities granted	<b>112,063,340</b>	79,231,750
Banking facilities utilised	<b>63,196,731</b>	49,978,295

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

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Ringgit Malaysia	<b>796,918</b>	776,323	-	-
Singapore dollar	<b>54,884,457</b>	38,611,443	<b>4,626,079</b>	5,764
United States dollar	<b>414,053</b>	336,949	-	-
	<b>56,095,428</b>	39,724,715	<b>4,626,079</b>	5,764

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 16. DUE TO CONTRACT CUSTOMERS

	Group	
	2012 \$	2011 \$
Contract costs incurred to date	<b>519,902,115</b>	367,426,771
Recognised profits less recognised losses to date	<b>54,646,971</b>	26,897,850
	<b>574,549,086</b>	394,324,621
Less: Progress billings received and receivable	<b>(603,527,176)</b>	(415,085,822)
Amounts due to contract customers	<b>(28,978,090)</b>	(20,761,201)

### 17. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Trade payables				
– third parties	<b>33,102,226</b>	56,933,177	–	–
– goods and services tax payable	<b>406,212</b>	–	–	–
	<b>33,508,438</b>	56,933,177	–	–
Other payables				
– third parties	<b>768,030</b>	149,682	<b>203,511</b>	–
– related parties	–	42,705	–	23,415
Accrued operating expenses	<b>6,294,086</b>	3,383,479	–	1,800
	<b>40,570,554</b>	60,509,043	<b>203,511</b>	25,215

Trade payables are non-interest bearing and generally on 30 to 90 (2011: 30 to 150) days' credit terms.

The non-trade payables due to related parties are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Singapore dollar	<b>38,088,335</b>	60,186,488	<b>203,511</b>	25,215
United States dollar	<b>2,482,219</b>	322,555	–	–
	<b>40,570,554</b>	60,509,043	<b>203,511</b>	25,215

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

## 18. FINANCE LEASE PAYABLES

Group	Minimum lease payments \$	Future finance charges \$	Present value of minimum lease payments \$
<b>2012</b>			
<b>Current liabilities</b>			
Within one financial year	539,290	(30,235)	509,055
<b>Non-current liabilities</b>			
After one financial year but within five financial years	354,316	(33,809)	320,507
After five years	25,438	(520)	24,918
	<b>379,754</b>	<b>(34,329)</b>	<b>345,425</b>
Total finance lease payables	<b>919,044</b>	<b>(64,564)</b>	<b>854,480</b>
<b>2011</b>			
<b>Current liabilities</b>			
Within one financial year	860,701	(62,850)	797,851
<b>Non-current liabilities</b>			
After one financial year but within five financial years	891,407	(64,044)	827,363
After five financial years	25,438	(520)	24,918
	<b>916,845</b>	<b>(64,564)</b>	<b>852,281</b>
Total finance lease payables	<b>1,777,546</b>	<b>(127,414)</b>	<b>1,650,132</b>

The finance lease terms range from 3 to 7 (2011: 3 to 7) years for the financial year ended 30 September 2012. The effective interest rates for the finance lease obligations range from between 4.15% to 6.66% (2011: 4.15% to 6.66%) per annum for the financial year ended 30 September 2012.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 19. SHARE CAPITAL

	Company	
	2012 \$	2011 \$
Issued and fully-paid:		
2 (2011: 2) ordinary shares at beginning of financial year	2	2
Issuance of 130,999,998 ordinary shares pursuant to the restructuring exercise	<b>17,356,738</b>	–
Issuance of 29,000,000 ordinary shares pursuant to initial public offering exercise	<b>6,960,000</b>	–
Less: Share issue expenses	<b>(480,666)</b>	–
160,000,000 (2011: 2) ordinary shares at end of financial year	<b>23,836,074</b>	2
	Note	Group 2012 \$
Issued and fully paid:		
At beginning of financial year		<b>13,600,002</b>
Issuance of ordinary shares pursuant to the initial public offer exercise	19	<b>6,960,000</b>
Share issue expenses		<b>(480,666)</b>
Share buy-back	1.2	<b>(1,036,969)</b>
Adjustments arising from restructuring exercise	1.2	<b>4,793,707</b>
At end of financial year		<b>23,836,074</b>

On 21 November 2011, the Company issued of 130,999,998 ordinary shares pursuant to the Restructuring Exercise for the acquisition of subsidiaries of \$17,356,738. The Restructuring Exercise is disclosed in Note 1.2 to the financial statements.

On 8 December 2011, the Company issued of 29,000,000 ordinary shares at \$0.24 per share for cash pursuant to the Company's initial public offering. The proceeds from the initial public offering will be used for merger and acquisition and working capital of the Group.

Included in the share issue expenses were professional fees paid to the auditors of the Company amounting to \$30,000 in respect of the professional services rendered in connection with the Company's initial public offering.

For the Group comparative figures in 30 September 2011, 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

## 20. OTHER RESERVES

	Group	
	2012	2011
	\$	\$
Foreign currency translation reserve	(53,027)	23,603
Merger reserve	(4,793,707)	–
	<b>(4,846,734)</b>	<b>23,603</b>

### Foreign currency translation reserve

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

### Merger reserve

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

## 21. 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.

## 22. OTHER INCOME

	Group	
	2012	2011
	\$	\$
Fair value gain on financial assets at fair value through profit or loss	20,874	–
Foreign exchange gain, net	–	766,410
Gain on disposal of financial assets at fair value through profit or loss	–	34,018
Gain on disposal of investment properties	–	637,203
Gain on disposal of plant and equipment	86,409	101,064
Gain on disposal of property held for sale	–	50,000
Gain on voluntary liquidation of subsidiary	2,940	–
Late charges charged to subcontractor	97,310	138,079
Management fee income	–	63,783
Rental income	151,850	470,430
Sales of scrap steel	26,905	78,998
Services rendered income	443,848	–
Supply of labour and materials	53,093	118,465
Write-back of allowance for doubtful third parties trade receivables	–	3,879
Others	178,475	127,243
	<b>1,061,704</b>	<b>2,589,572</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 23. FINANCE COSTS

	Group	
	2012	2011
	\$	\$
Interest expenses:		
– bank overdrafts	1,190	1,669
– bank loans	–	35,262
– finance leases	<b>62,213</b>	107,874
	<b>63,403</b>	144,805

### 24. PROFIT BEFORE INCOME TAX

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

	Group	
	2012	2011
	\$	\$
<i>Cost of sales</i>		
Depreciation of plant and equipment	<b>2,644,602</b>	1,299,806
Operating lease expenses	<b>298,719</b>	–
<i>Administrative expenses</i>		
Audit fees		
– Auditors of the Company	<b>52,000</b>	52,200
– Other auditors	<b>8,191</b>	6,869
Non-audit fees		
– Auditors of the Company	<b>9,500</b>	9,500
– Other auditors	<b>3,151</b>	2,977
Amortisation of intangible asset	<b>2,260</b>	4,633
Depreciation of plant and equipment	<b>274,062</b>	246,421
Initial public offering expenses *	<b>562,963</b>	635,274
Operating lease expenses	<b>93,353</b>	242,495
Plant and equipment written off	<b>2,417</b>	–
Professional fees	<b>94,821</b>	12,951
<i>Other expenses</i>		
Fair value loss on financial assets at fair value through profit or loss	–	157,090

\* Included in this expense in an amount approximately \$39,350 (2011: \$93,150) paid to auditors of the Company in respect of professional services rendered as independent reporting auditors.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 24. PROFIT BEFORE INCOME TAX (CONTINUED)

The profit before income tax also includes:

	Group	
	2012	2011
	\$	\$
<i>Employee benefit expenses:</i>		
Salaries, wages, bonuses and other staff benefits	11,833,213	9,565,355
Contributions to defined contribution plans	493,923	400,728
	<b>12,327,136</b>	<b>9,966,083</b>

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

	Group	
	2012	2011
	\$	\$
Cost of sales	8,623,964	7,964,632
Administrative expenses	3,703,172	2,001,451
	<b>12,327,136</b>	<b>9,966,083</b>

Included in the employee benefit expenses were Directors' remuneration as shown in Note 28 to the financial statements.

### 25. INCOME TAX EXPENSE

	Group	
	2012	2011
	\$	\$
Current income tax		
– current financial year	4,441,703	1,411,000
– under provision in prior financial years	119,090	–
	<b>4,560,793</b>	<b>1,411,000</b>
Deferred income tax		
– current financial year	44,750	(18,545)
– effect of changes in expected manner of recovery of assets	–	(319,000)
	<b>44,750</b>	<b>(337,545)</b>
Total income tax expense recognised in profit or loss	<b>4,605,543</b>	<b>1,073,455</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 25. INCOME TAX EXPENSE (CONTINUED)

#### Reconciliation of effective income tax rate

	Group	
	2012	2011
	\$	\$
Profit before income tax	<b>23,901,622</b>	12,048,288
Less: Share of results of joint venture	<b>(45)</b>	(140,309)
Share of results of an associate	<b>200,000</b>	–
	<b>24,101,577</b>	11,907,979
Income tax calculated at Singapore's statutory income tax rate of 17%	<b>4,097,268</b>	2,024,356
Effect of different tax rate in other country	<b>22,565</b>	(57,119)
Tax effect of income not subject to income tax	<b>(153,082)</b>	(913,015)
Tax effect of expenses not deductible for income tax purposes	<b>645,078</b>	371,755
Tax effect of tax exemption	<b>(34,195)</b>	(28,603)
Under provision in prior financial years	<b>119,090</b>	–
Unrecognised deferred tax assets	<b>156,036</b>	–
Utilisation of previously unrecognised deferred tax assets	<b>(150,894)</b>	(42,467)
Effect of changes in expected manner of recovery of assets	<b>–</b>	(319,000)
Others	<b>(96,323)</b>	37,548
	<b>4,605,543</b>	1,073,455

#### Unrecognised deferred tax assets

	Group	
	2012	2011
	\$	\$
Balance at beginning of financial year	<b>280,662</b>	323,129
Amount not recognised during the financial year	<b>156,036</b>	–
Utilisation of deferred tax assets not recognised previously	<b>(150,894)</b>	(42,467)
Balance at end of financial year	<b>285,804</b>	280,662

#### Unrecognised deferred tax assets are attributable to:

	Group	
	2012	2011
	\$	\$
Unutilised tax losses	<b>285,804</b>	280,662

As at 30 September 2012, the Group has unutilised tax losses amounting to approximately \$1,802,000 (2011: \$1,650,000) which are available for set-off against future taxable profits subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 26. 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 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	
	2012	2011
The calculation of basic and diluted earnings per share is based on:		
Profit attributable to owners of the parent (\$)	<b>20,015,082</b>	9,374,093
Weighted average number of ordinary shares	<b>134,294,569</b>	9,598,009

### 27. DIVIDENDS

	Group	
	2012	2011
	\$	\$
Interim exempt (one – tier) dividend declared by Keong Hong Construction Pte Ltd of 9.00 cents per share	–	698,652
Interim tax-exempt dividend paid of 0.50 cents per share in respect of the current financial year	<b>800,000</b>	–
Final tax-exempt dividend paid of 1.40 cents per share in respect of the previous financial year	<b>2,240,000</b>	–
	<b>3,040,000</b>	698,652

The Board of Directors proposed that a final dividend of 1.50 (2011: 1.40) cents per share and special tax-exempt dividend of 1.50 (2011: Nil) cents per share amounting to \$2,400,000 and \$2,400,000 respectively to be paid for the financial year ended 30 September 2012. These dividends have not been recognised as a liability as at the end of the reporting period as it is subject to the approval of the shareholders at the Annual General Meeting.

In the previous financial year, investments held for trading amounting to \$698,652 were distributed as dividends in lieu of cash to shareholders of a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 28. 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 were 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:

	2012 \$	2011 \$
<b>Group</b>		
<b>Related party</b>		
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
Subcontractor costs to a related party	–	1,407,408
Subcontractor costs from a related party	<b>9,865,755</b>	–
<b>Associate</b>		
Subcontractor costs to an associate	<b>12,706,855</b>	–
Loan to an associate	<b>5,380,000</b>	12,095,697
Interest charge to an associate	<b>188,611</b>	–
<b>Company</b>		
<b>Subsidiaries</b>		
Expenses recharged by a subsidiary	<b>5,540</b>	–
Advance from a subsidiary	<b>2,460,000</b>	–

#### Compensation of key management personnel

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

	Group	
	2012 \$	2011 \$
Short-term benefits	<b>2,304,481</b>	1,379,334
Post-employment benefits	<b>36,829</b>	36,237
Directors' fees	<b>84,375</b>	30,000
	<b>2,425,685</b>	1,445,571

Included in key management personnel remuneration was Directors' remuneration of \$1,907,379 (2011: \$1,101,416).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 29. COMMITMENTS

#### 29.1 Operating lease commitments

##### *Group as a lessee*

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

	Group	
	2012	2011
	\$	\$
Not later than one financial year	370,606	256,255
Later than one financial year but not later than five financial years	120,257	91,275
	<b>490,863</b>	<b>347,530</b>

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

#### 29.2 Capital commitment

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	
	2012	2011
	\$	\$
Plant and machinery	1,240,800	–

### 30. 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	
	2012	2011
	\$	\$
Singapore	138,730,982	149,226,366
South Asia	28,629,316	40,318,169
Total revenue	<b>167,360,298</b>	<b>189,544,535</b>

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

#### Major customers

During the financial year, the Group's revenue is attributable to 8 (2011: 5) customers representing approximately 97% (2011: 97%) of total revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

## 31. 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.

### 31.1 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 64% (2011: 80%) of the total trade and other receivables for the financial year ended 30 September 2012.

The Group's major classes of financial assets are trade and other receivables, cash and cash equivalents, financial assets, held-to-maturity 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:

	<b>Group</b>	
	<b>Gross receivables 2012</b>	<b>Gross receivables 2011</b>
	<b>\$</b>	<b>\$</b>
Past due 0 to 1 month	<b>16,602</b>	60,070
Past due over 1 month	<b>86,753</b>	19,102



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 31.2 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 Maldivian 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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Singapore dollar	115,238,259	28,515,525	38,088,337	28,003,930
United States dollar	1,673,204	851,937	2,482,219	-
Ringgit Malaysia	796,918	776,323	-	-
Maldivian Rufiyaa	666,607	699,253	-	-

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

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

The Company is not exposed to any foreign exchange risk.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 31.2 Market risk (Continued)

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

###### 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.

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	
	2012	2011
	\$	\$
<i>United States dollar</i>		
Strengthens against Singapore dollar	40,451	42,597
Weakens against Singapore dollar	(40,451)	(42,597)
<i>Ringgit Malaysia</i>		
Strengthens against Singapore dollar	39,846	38,816
Weakens against Singapore dollar	(39,846)	(38,816)
<i>Singapore dollar</i>		
Strengthens against United States dollar	3,857,946	25,580
Weakens against United States dollar	(3,857,946)	(25,580)
<i>Maldivé Rufiyaa</i>		
Strengthens against United States dollar	33,330	34,963
Weakens against United States dollar	(33,330)	(34,963)

##### (ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to finance lease payables as shown in Note 18 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

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## 31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 31.2 Market risk (Continued)

#### (ii) Interest rate risk (Continued)

However, as at the end of the reporting period, the Group does not have exposure to changes in interest rates as it does not have any bank borrowings and the finance lease payables are contracted at fixed interest rates.

### 31.3 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 31.3 Liquidity risk (Continued)

##### *Contractual maturity analysis*

	Within one financial year \$	After one financial year but within five financial years \$	After five financial years \$	Total \$
<b>Group</b>				
<b>2012</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	77,711,018	-	-	77,711,018
Interest bearing	<u>41,549,348</u>	<u>2,089,000</u>	<u>750,000</u>	<u>44,388,348</u>
	<u>119,260,366</u>	<u>2,089,000</u>	<u>750,000</u>	<u>122,099,366</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	40,570,554	-	-	40,570,554
Interest bearing	<u>539,290</u>	<u>354,316</u>	<u>25,438</u>	<u>919,044</u>
	<u>41,109,844</u>	<u>354,316</u>	<u>25,438</u>	<u>41,489,598</u>
<b>2011</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	82,202,972	-	-	82,202,972
Interest bearing	<u>28,493,329</u>	<u>-</u>	<u>-</u>	<u>28,493,329</u>
	<u>110,696,301</u>	<u>-</u>	<u>-</u>	<u>110,696,301</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	60,509,043	-	-	60,509,043
Interest bearing	<u>860,701</u>	<u>891,407</u>	<u>25,438</u>	<u>1,777,546</u>
	<u>61,369,744</u>	<u>891,407</u>	<u>25,438</u>	<u>62,286,589</u>
<b>Company</b>				
<b>2012</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	<u>4,626,079</u>	<u>-</u>	<u>-</u>	<u>4,626,079</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	<u>203,511</u>	<u>-</u>	<u>-</u>	<u>203,511</u>
<b>2011</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	<u>5,764</u>	<u>-</u>	<u>-</u>	<u>5,764</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	<u>25,215</u>	<u>-</u>	<u>-</u>	<u>25,215</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 31.4 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 2012 and 2011.

The Group and the Company constantly review the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's and the Company's overall strategy remain unchanged during the financial years ended 30 September 2012 and 2011.

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

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Trade and other payables	<b>40,570,554</b>	60,509,043	<b>203,511</b>	25,215
Finance lease payables	<b>854,480</b>	1,650,132	-	-
Less: Cash and cash equivalents	<b>(56,095,428)</b>	(39,724,715)	<b>(4,626,079)</b>	(5,764)
Net (cash)/debt	<b>(14,670,394)</b>	22,434,460	<b>(4,422,568)</b>	19,451
Total equity	<b>51,352,513</b>	31,387,356	<b>25,043,953</b>	(18,451)
Total capital	<b>36,682,119</b>	53,821,816	<b>20,621,385</b>	1,000
Gearing ratio (%)	<b>n.m.</b>	42%	<b>n.m.</b>	1.945%

n.m. – Not meaningful as the cash and cash equivalents are higher than total borrowings.

#### 31.5 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 management considers that the fair values of non-current financial assets 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)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

### 31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

#### 31.5 Fair values (Continued)

##### *Fair value hierarchy (Continued)*

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Group</b>				
<b>2012</b>				
Financial assets at fair value through profit or loss	<b>602,870</b>	-	-	<b>602,870</b>
<b>2011</b>				
Financial assets at fair value through profit or loss	581,996	-	-	581,996

### 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 2010, 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 2010.

Certain reclassifications have been made to comparative information to better reflect the nature of accounts, consistent with current year presentation. The following reclassifications do not have any impact on the Group's and the Company's financial position or results:

<b>Group</b>	<b>Previously reported 2011 \$</b>	<b>After reclassification 2011 \$</b>
<b>Statement of financial position</b>		
Trade and other receivables	70,596,724	70,389,590
Prepayments	-	207,134
<b>Statement of comprehensive income</b>		
Dividend income	-	1,771
Interest income	-	147,187
Other income	2,738,530	2,589,572
<b>Statement of cash flows</b>		
Trade and other receivables	(16,957,980)	(16,819,198)
Prepayments	-	(138,782)

## ANALYSIS OF SHAREHOLDINGS

AS AT 17 DECEMBER 2012

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
NO. OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	22	16.79	139,000	0.09
10,001 – 1,000,000	84	64.12	12,695,000	7.93
1,000,001 AND ABOVE	25	19.09	147,166,000	91.98
TOTAL	131	100.00	160,000,000	100.00

Based on the information available to the Company, as at 17 December 2012, approximately 49.10% of the issued ordinary shares of the Company is held by the public. Hence, Rule 723 of the Catalist Listing Manual is complied with.

TOP TWENTY SHAREHOLDERS AS AT 17 DECEMBER 2012	NO. OF SHARES	%
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	40,615,500	25.38
LEO TING PING RONALD	40,615,500	25.38
TEOU KEM ENG @ TEOU KIM ENG	7,854,000	4.91
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	2.25
TAN TIN NAM	3,055,000	1.91
TAN LEE MENG	2,800,000	1.75
FOO CHEK HENG	2,777,000	1.74
LIM CHOON TECK HOLDING PTE. LTD.	2,777,000	1.74
UOB KAY HIAN PTE LTD	2,513,000	1.57
HSBC (SINGAPORE) NOMINEES PTE LTD	2,200,000	1.37
MAYBAN NOMINEES (S) PTE LTD	1,802,000	1.13
TEOU CHUN TONG JASON	1,800,000	1.13
OCBC SECURITIES PRIVATE LTD	1,557,000	0.97
GUAN CHUAN ENGINEERING CONSTRUCTION PTE LTD	1,388,000	0.87
KUIK THIAM HUAT	1,388,000	0.87
	140,083,000	87.55

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 17 DECEMBER 2012 AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of shares held as Direct	%	No. of shares held as Deemed	%
LEO TING PING RONALD <sup>1</sup>	40,615,500	25.38	40,615,500	25.38

Note:

1. Mr Leo Ting Ping Ronald has a deemed interest in the 40,615,500 shares held in the name of BNP Paribas Nominees Singapore Pte Ltd

## NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN THAT the Fifth 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 Thursday, 31 January 2013 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 2012 and the Auditors’ Report thereon. **Resolution 1**
2. To declare a one-tier tax exempt final dividend of 1.50 cents per ordinary share and a one-tier tax exempt special dividend of 1.50 cents per ordinary share for the financial year ended 30 September 2012. **Resolution 2**
3. To approve the proposed Directors’ Fees of \$84,375 for the financial year ended 30 September 2012. **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 98 of the Company’s Articles of Association:–  
Mr Leo Ting Ping Ronald **Resolution 4**  
Mr Er Ang Hooa **Resolution 5**
5. To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
6. To transact any other business of the Company which may properly be transacted at an annual general meeting.

### AS SPECIAL BUSINESS

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

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

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

  - (a) (i) allot and issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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



## NOTICE OF ANNUAL GENERAL MEETING

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- (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) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);
  - (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:–
    - (i) new Shares arising from the conversion or exercise of any convertible securities;
    - (ii) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
    - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
  - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and
  - (4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.” [See Explanatory Note (a)]

## NOTICE OF ANNUAL GENERAL MEETING

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

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to allot and issue shares in the capital of the Company (“Shares”) to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Keong Hong Employee Share Option Scheme (the “Scheme”) upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Scheme (including options granted under the Scheme and any other scheme or plan for the time being of the Company), shall not exceed fifteen per cent (15%) of the total issued Shares (excluding treasury shares) from time to time and such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the expiration of period within which the next AGM is required by law to be held, whichever is earlier.” [See Explanatory Note (b)]

By Order of the Board  
Lo Swee Oi and Tan Ching Chek  
Joint Company Secretaries  
Dated: 15 January 2013

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of the Company will be closed on 15 February 2013, for the preparation of dividend warrants for the proposed tax exempt (one-tier) final dividend of 1.50 cents per ordinary share and the special dividend of 1.50 cents per ordinary share for the financial year ended 30 September 2012 (the “Proposed Dividends”).

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 14 February 2013 will be registered to determine shareholders’ entitlement to the Proposed Dividends. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 14 February 2013, will be entitled to the Proposed Dividends.

The Proposed Dividends, if approved by members at the AGM to be held on 31 January 2013, will be paid on 27 February 2013.

## NOTICE OF ANNUAL GENERAL MEETING

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### Explanatory Notes:

- (a) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting whichever is the earlier, to allot and issue Shares and/or the convertible securities. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares), of which the aggregate number of Shares and/or convertible securities other than on a pro-rata basis to all existing shareholders of the Company shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares).
- (b) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares of up to a number not exceeding fifteen per cent (15%) of the total issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme and any other scheme or plan of the Company for the time being.

### 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.

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# KEONG HONG HOLDINGS LIMITED

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

## ANNUAL GENERAL MEETING PROXY FORM

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

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

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

being a member/members of Keong Hong Holdings Limited 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 Thursday, 31 January 2013 at 11.00 a.m. and at any adjournment thereof in the following manner:

No.	Resolutions:	For	Against
	<b>Ordinary Business</b>		
1.	To adopt the Directors' Reports, Auditors' Report and Audited Financial Statements for the financial year ended 30 September 2012		
2.	To declare a one-tier tax exempt Final Dividend of 1.50 cents per ordinary share and a one-tier tax exempt Special Dividend of 1.50 cents per ordinary share for the financial year ended 30 September 2012		
3.	To approve Directors' Fees of \$84,375 for the financial year ended 30 September 2012		
4.	To re-elect Mr Leo Ting Ping Ronald as a Director of the Company		
5.	To re-elect Mr Er Ang Hooa as a Director of the Company		
6.	To re-appoint BDO LLP as Auditors of the Company		
	<b>Special Business</b>		
7.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		
8.	To authorise Directors to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme		

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 \_\_\_\_\_ 2013.

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

Total Number of shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



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

Affix  
Stamp

Fold here

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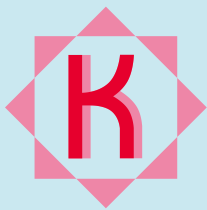
#### NOTES

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, Chapter 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)

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