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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KEONG HONG HOLDINGS LIMITED

ANNUAL REPORT 2013

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GROWING FOOTPRINT

ANNUAL REPORT 2013

Contents

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.

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Corporate Profile

In 2013, the Group launched *SkyPark Residences*, a 506-unit executive condominium project jointly developed with JBE Holdings Limited.

At the SIAS Investors' Choice Awards 2013, Keong Hong was conferred the Runner-Up for Most Transparent Company Award under the Catalist Category.

Established in Singapore in 1983 and listed on the Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") in December 2011, Keong Hong Holdings Limited is a provider of a broad range of building construction services to both private and public sectors for residential, commercial, industrial and institutional projects.

The 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.

Leveraging on its competencies in the construction business and its experience in working with established property developers and owners, the Group first forayed into property development in 2012 through a joint venture with Frasers Centrepoint Limited to develop the 728-unit Twin Waterfalls executive condominium in Punggol. In November 2013, the Group launched SkyPark Residences, a 506-unit executive condominium project jointly developed with JBE Holdings Pte. Ltd.. The Group's diversified portfolio of projects include IBIS Hotel, Singapore Institute of Management, Sime Darby Performance Centre, Martin Place Residences, The Parvis, 8@Woodleigh and The Residence Maldives and Kooddoo Airport in Maldives. Our customers include reputable property developers and owners such as Keppel Land group, Frasers Centrepoint Limited and MCL Land.

Led by a highly qualified and experienced management team with total staff strength of over 400, Keong Hong has built a strong reputation in the market for its commitment to quality and service. The Group has received numerous awards and achievements including ISO 9001:2008 and SS ISO 9001:2008 Certificate of Registration (Quality Management System), ISO 14001:2004 and SS ISO 14001:2004 Certificate of Registration (Environmental Management System) and OHSAS 18001:2007 Certificate of Registration (Occupational Health and Safety Management System). The Group has also been awarded Building and Construction Authority ("BCA") A1 grading under the category CW01 for general building, which allows it to tender for public sector construction projects of unlimited value. At the Securities Investments Association (Singapore) ("SIAS") Investors' Choice Awards 2013, Keong Hong was conferred the Runner-Up for Most Transparent Company Award under the Catalist Category.

* Paterson Collection – 89 units
Terrasse – 414 units
Alexandra Central – 450 units
SkyPark Residences – 506 units
Twin Waterfalls – 728 units
J Gateway – 738 units


2925*
Residential homes and hotel
rooms under construction

Chairman's Message

DEAR SHAREHOLDERS

I am very pleased to present to you our Annual Report 2013 particularly since Keong Hong Holdings Limited ("Keong Hong" or "the Group") has delivered a robust set of financial results for the financial year ended 30 September 2013 ("FY2013").

We achieved this against a backdrop of a healthy construction sector buttressed by the continued strong public sector demand for housing and infrastructure works as well as major public sector projects.

REVIEW OF OUR FINANCIAL PERFORMANCE

Despite a decrease in revenue, we registered a net profit of S$21.5 million for FY2013, an increase of 11.4% from S$19.3 million in financial year ended 30 September 2012 ("FY2012"). Our Group's revenue decreased by 12.4% to S$146.6 million in FY2013 from S$167.4 million in FY2012. The decrease was attributable to lower revenue recognition for ongoing projects as compared to the previous financial year as several of our projects were substantially completed in FY2012. Among these projects were *The Parvis, 8@ Woodleigh* and *The Residence Maldives* (previously called "*The Falhumaafushi Resort*"). The Group registered an improvement in gross profit of 3.8% to S$30.4 million as compared to S$29.3 million in FY2012. Cost savings from certain substantially completed projects, a S$0.4 million reward received from clients for surpassing clients' specified CONQUAS[1] score for two completed projects, and variation orders of some of our projects were the main factors which contributed to the higher gross profit. Consequently, the Group achieved gross profit margin of 20.7% in FY2013 against 17.5% in FY2012. On the back of improved gross profit and lower administrative expenses, profit before tax rose by 6.7% to S$25.5 million in FY2013 from S$23.9 million in FY2012.

Our cash and cash equivalents amounted to S$18.2 million during the financial year.

EXPANDING OUR FOOTPRINT

FY2013 has been a year of growth for our Group in terms of our financial performance as well as our business

1 The Construction Quality Assessment System ("CONQUAS") was introduced by the Building & Construction Authority ("BCA") in 1989. CONQUAS was designed to:
- Standardise quality assessment to benchmark quality of construction projects;
- Measure quality of constructed works against workmanship standards and specification; and
- Improve the quality standards of the Singapore's construction industry.

FY2013 has been a year of growth for our Group in terms of our financial performance as well as our business activities and capabilities. With respect to our core activity of building and construction, we secured three significant residential and commercial projects, namely *SkyPark Residences*, *Alexandra Central* and *J Gateway*, with a total contract value of S$412.9 million.

activities and capabilities. With respect to our core activity of building and construction, we secured three significant residential and commercial projects, namely *SkyPark Residences*, *Alexandra Central* and *J Gateway*, with a total contract value of S$412.9 million. *SkyPark Residences* is a 506-unit executive condominium project which we are jointly developing with JBE Holdings Pte. Ltd., in addition to the main contract work worth S$149.9 million. We have been seeing encouraging response for this project since its launch in November 2013 with 53% of the units sold within two weeks. *Alexandra Central* is a 19-storey hotel mixed development contract worth S$101.1 million while *J Gateway* is a S$161.9 million building contract for a prestigious private residential development at Boon Lay Way/Gateway Drive.

Our overseas investment and development activities have gained momentum. Following the successful completion of our first infrastructure project, namely the Kooddoo Airport in Maldives during the last financial year and our experience in the building and construction of *The Residence Maldives,* we entered into three lease agreements with the Government of the Republic of Maldives for the expansion, development and operation of the Kooddoo Airport, and the development and operation of a 50-room tourist hotel and a 120-room resort. Barring any unforeseen circumstances, the airport extension works and the development of the tourist hotel are currently slated for completion by the first quarter of 2015 and the resort by the end of 2016.

Chairman's Message

Work on our other projects, namely *Paterson Collection* and *Terrasse*, has been progressing smoothly, and we expect to achieve project completion in 2014.

INCREASING OUR CAPABILITIES TO SUSTAIN GROWTH

The forecast by the BCA of the average construction demand ranges between S$20 billion and S$28 billion for 2014 and 2015, which is lower than the S$26 billion to S$32 billion projected for the whole of 2013[2]. It is anticipated that private residential construction demand will soften as the effects of the several property cooling measures such as the additional buyer's stamp duty payable, reduced loan-to-value ratios and the total debt servicing ratio framework, begin to be felt. Added to this is the expected significant excess supply of completed housing projects over the immediate next few years. In line with the forecast and in anticipation of the volume of construction and development opportunities in the near term tapering to a lower level, we have sought new areas of growth in our business.

Towards this end, we entered into a S$5 million convertible bond ("Bond") subscription agreement with Kori Holdings Limited ("Kori"), a Catalist-listed company on the SGX-ST which is principally engaged in providing civil or structural engineering and infrastructural services for commercial, industrial and public infrastructural construction projects. The Bond is convertible into 11,904,000 ordinary shares in the capital of Kori within three years. With this Bond subscription, we have taken steps to gain a foothold in businesses which is complementary to our Group such as infrastructure works. We will continue to seek other similar strategic alliances where there are synergies and complementary competencies to be leveraged on.

The construction and building industry continues to face challenges including rising costs due to higher foreign worker levies and raw material expenses, a tight labour market due to the more stringent regulations on the inflow of foreign workers, the shortage of skilled labour and the intense competition. To mitigate the risks arising from the increasingly challenging environment, we have continued to invest in new machinery for greater mechanisation and automation to reduce reliance on labour, restructured project workflow processes for increased productivity and developed our human capital through continuous training and upgrading to keep up with developments in the construction industry. For FY2013, we invested S$4.5 million on plant and machinery such as tower cranes, a truck mounted concrete pump and a telescopic handler. We also increased our training and skills upgrading budget by 54% in FY2013 as part of our continuing efforts to improve productivity and competitiveness.

We will also be consolidating our corporate and operational activities in one location when our office and factory building in Sungei Kadut is completed in the first quarter of 2015. This will enable us to realise cost savings from shared resources and enhance coordination and communication amongst all our divisions. The five-storey building encompasses factory space for plant and machinery maintenance, rebar and formwork fabrication.

2 "Public Sector Projects to Boost Construction Demand in 2013" from the BCA's website. Available at: http://www.bca.gov.sg/Newsroom/pr16012013_CP.html

ACCOLADES RECEIVED

On the corporate front, we are proud to have attained the runner-up position in the category of the Most Transparent Catalist Company by SIAS during its 14th Investors' Choice Awards in November 2013. This is a notable achievement for the Group, given that it is only our second year as a listed company and it serves to encourage us to maintain transparency in our corporate practices and financial reporting in order to keep investors abreast of developments in our Group.

OUTLOOK FOR 2014

The Group remains positive of its prospects despite the challenges as highlighted. The Singapore economy, according to the Ministry of Trade and Industry ("MTI"), is forecasted to grow by 2.0% to 4.0% in 2014[3]. This outlook is premised on the modest improvement of the global economy which will be supported by economic recovery in the United States and the Eurozone and moderate growth in ASEAN economies.

We are cautiously optimistic of our performance in FY2014 given our strong business fundamentals, successful track record in building construction and property development, and healthy order book which stood at S$611 million as at 30 September 2013 which will stretch construction activities up to 2016. We have nonetheless taken steps to mitigate the risks of the increasingly challenging construction and building environment by forming strategic partnerships and alliances with reputable players in the industry to increase our ability to take on bigger development projects in Singapore. We have also intensified our overseas development activities in the Maldives and widened our revenue stream by expanding into other business activities such as hotel development which is expected to enhance our overall competitiveness and pave the way for future growth.

In light of the Group's performance for FY2013, the Board is recommending a one tier tax-exempt final dividend of 2.0 Singapore cents per share which, if approved at the Company's forthcoming Annual General Meeting, will be paid on 21 February 2014.

APPRECIATION AND ACKNOWLEDGEMENTS

We welcome Mr Lee Shaw Beng who joined the Group on 22 February 2013 and is now our Senior Manager (Business Development). He is responsible for overseeing the progress and development of the Group's real estate projects as well as evaluating real estate and other investment opportunities. His in-depth industry experience in corporate development and project management has strengthened our management team. We look forward to his contributions to the Group.

It leaves me to express my sincerest thanks, on behalf of my fellow Board members, to our management and staff for their efforts and contributions during the past financial year. Our appreciation also goes out to all our customers, suppliers, business partners and associates for their support during the year. I would also like to record my thanks to my fellow Board members for their counsel and guidance amidst the challenges faced.

We look forward to continued success in FY2014 which we believe will be achievable with the efforts of our staff and the support of our partners and business associates.

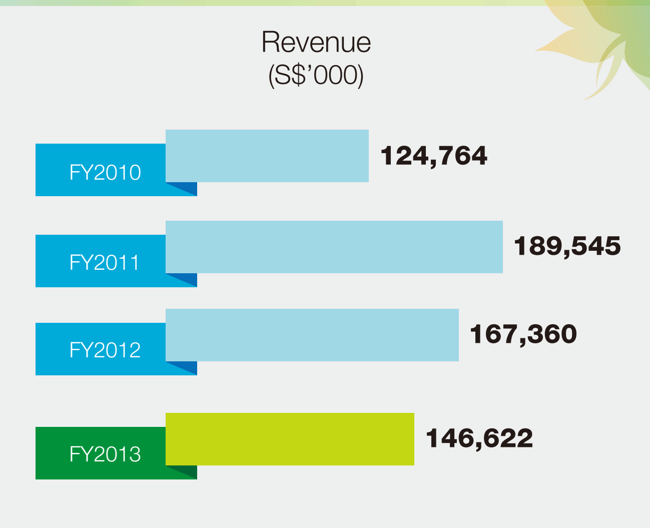
Leo Ting Ping Ronald
Chairman and Chief Executive Officer

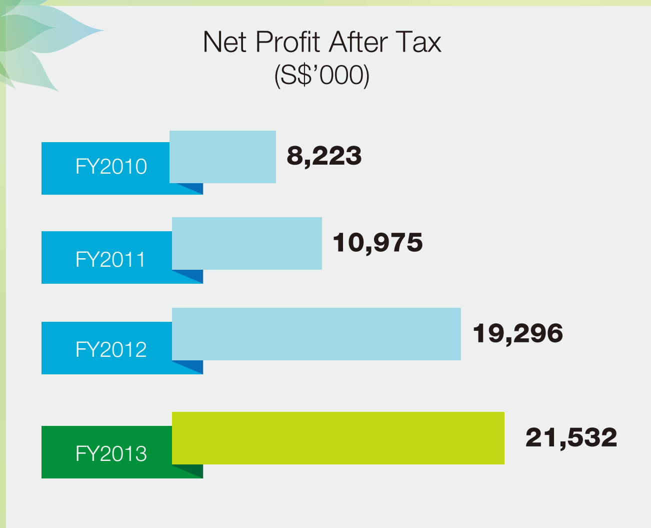
3 "MTI Forecasts Growth of 3.5 to 4.0 per cent in 2013 and 2.0 to 4.0 percent in 2014" 21 November 2013 from MTI's website. Available at: http://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2013/PR_3Q13.pdf

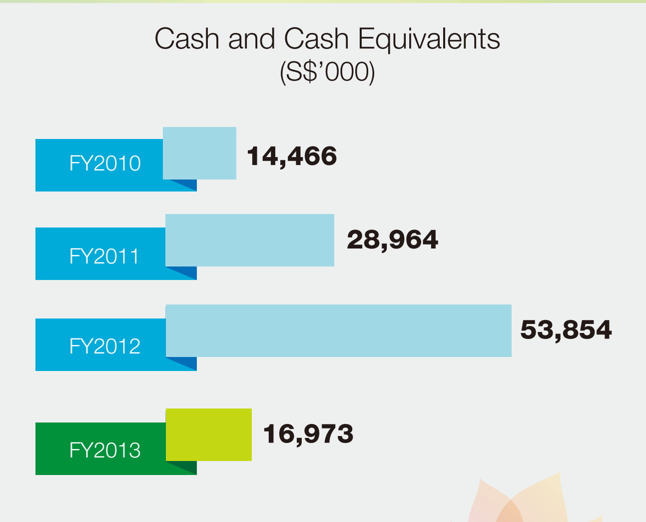
We have also intensified our overseas development activities in the Maldives and widened our revenue stream by expanding into other business activities such as hotel development which is expected to enhance our overall competitiveness and pave the way for future growth.


611
Million of
Singapore Dollars'
worth of order book

Financial Highlights







Revenue

The Group revenue decreased by 12.4% from S$167.4 million in FY2012 to S$146.6 million in FY2013, mainly due to lower revenue recognition for ongoing projects as several of the Group's projects were substantially completed in FY2013.

Net Profit After Tax

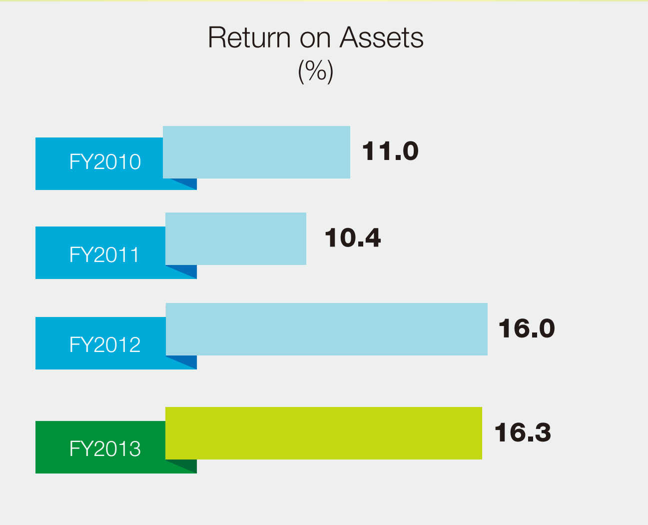
Net profit after tax increased by 11.4% from S$19.3 million in FY2012 to S$21.5 million in FY2013 as a result of higher gross profit generated during the year.

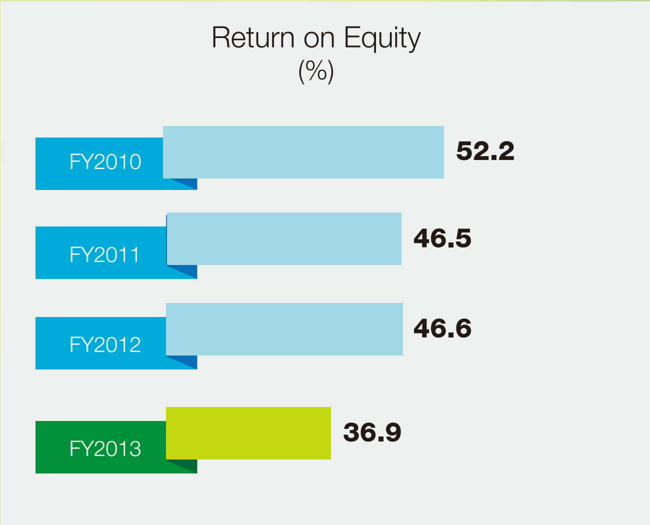
Gross profit rose by 3.8% to S$30.4 million in FY2013 from S$29.3 million in FY2012, with gross profit margin improving by 3.2 percentage points to 20.7%. The improvement in gross profit and gross margin was due to costs savings from certain substantially completed projects, a reward of S$0.4 million received from project clients for surpassing the benchmarked CONQUAS score for two completed projects and variation orders of some of the projects.

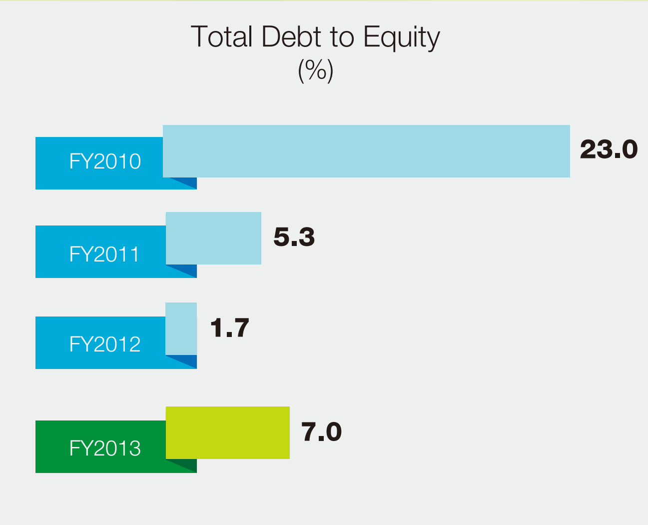
Cash and Cash Equivalents

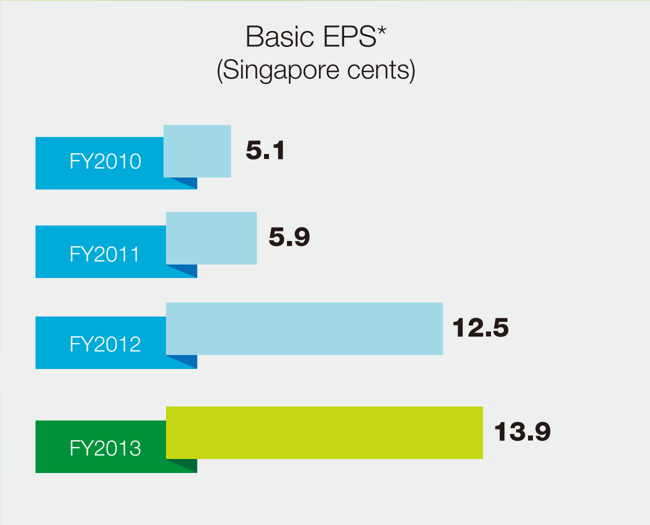
The Group's cash and cash equivalents decreased from S$53.9 million in FY2012 to S$17.0 million in FY2013.

The decrease was mainly due to more cash used for investing activities for acquisition of plant and machinery as well as to fund the convertible bond subscription in Kori Holdings Limited. A net cash of S$33.2 million was also used for financing activities for shareholder's loan, dividend payments and share buy-backs. The decrease was partially offset by proceeds from bank borrowings amounting to S$3.0 million.









* *Based on 160 million post IPO shares in issue for FY2010, FY2011 and FY2012. FY2013 is based on weighted average ordinary shares of 157,424,658*

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400

Employees

Financial and Operations Review

Singapore's latest economic data issued by Ministry of Trade and Industry ("MTI") indicates that Singapore's economy is estimated to have grown by 3.7% in 2013. The building and construction industry has grown by 4.7% in the fourth quarter of 2013 on a year-on-year basis although it contracted by 6.9% on a quarter-on-quarter seasonally adjusted annualised basis.[1] The Group recorded a healthy set of results for the financial year ended 30 September 2013 ("FY2013") leveraging on the healthy state of the construction industry. We also made notable progress in expanding our business and operational capabilities in order to ensure continued growth.

Despite a decrease in revenue of 12.4% to S$146.6 million in FY2013 as compared to S$167.4 million in the 12 months ended 30 September 2012 ("FY2012"), we recognised higher net profit after tax of S$21.5 million, a 11.4% increase from S$19.3 million in FY2012. The decrease in revenue was on account of lower revenue recognition from ongoing projects as compared to FY2012 as several of our projects had been substantially completed in FY2012, namely, *The Parvis, 8@Woodleigh* and *The Residence Maldives* (formerly called "*Falhumaafushi Resort*"). The lower revenue was partially offset by revenue contribution from existing projects such as *Terrasse*, *Twin Waterfalls* and *Alexandra Central*.

Gross profit rose by 3.8% to S$30.4 million in FY2013 from S$29.3 million in FY2012, with gross profit margin improved by 3.2 percentage points to 20.7%. The improvement in gross profit and gross profit margin was due to costs savings from certain substantially completed projects, a reward of S$0.4 million received from project clients for surpassing the benchmarked CONQUAS[2] score for two completed projects and the variation orders of some of the projects.

Our cash and cash equivalents remained healthy, standing at S$17.0 million as at the end of FY2013. The Group's earnings per share (basic and diluted) based on 157 million weighted average number of ordinary shares was 13.9 cents (14.9 cents in FY2012) while net asset value was 41.3 cents per share (31.4 cents per share in FY2012) based on 156 million ordinary shares (160 million ordinary shares in FY2012).

ONGOING PROJECTS

The Government's restriction on the employment of foreign labour remains one of the main challenges for the construction industry which has led to shortage of labour and increased labour costs. Despite the challenges, we have implemented various productivity-enhancing measures to mitigate its impact, including mechanisation, advanced skills training and upgrading of our labour force.

The two residential building construction projects which we had secured in FY2011, namely, *Paterson Collection* (previously known as "*Paterson 2*") and *Terrasse*, have progressed into the architectural finishing phase.

[1] "Singapore's GDP Grew 4.4 Per Cent in the Fourth Quarter of 2013", 2 January 2014 from the Ministry of Trade and Industry's ("MTI") website. Available at: http://www.mti.gov.sg/NewsRoom/SiteAssets/Pages/Singapore%27s-GDP-Grew-4.4-Per-Cent-in-the-Fourth-Quarter-of-2013/4Q13_Press%20Release%20of%20Advance%20GDP%20Estimates.pdf

[2] The Construction Quality Assessment System ("CONQUAS") was introduced by the Building & Construction Authority ("BCA") in 1989. CONQUAS was designed to:
- Standardise quality assessment to benchmark quality of construction projects;
- Measure quality of constructed works against workmanship standards and specification; and
- Improve the quality standards of the Singapore's construction industry.

Paterson Collection, a 19-storey condominium with twin tower blocks, will have its building façade envelop completed by the end of the first quarter of 2014. Finishing works have progressed to the 17th storey for Tower 1 and 15th storey for Tower 2. We expect to complete the project in 2014.

Our work on *Terrasse*, a 16-block, 5-storey, 414-unit design and build condominium development by MCL Land (Serangoon) Pte Ltd, is currently at various stages of the structural and architectural finishing phase. Two of the blocks are at the final finishing phase and are scheduled for the BCA Quality Mark inspection in the first quarter of 2014. The project's completion is expected to be at the end of 2014.

These two projects are estimated to be worth S$180 million collectively, of which S$80 million has been recognised as revenue in FY2013.

NEW CONTRACTS AWARDED

We secured two significant building contracts in FY2013. In March, we were awarded a S$101.1 million contract for the construction of a 19-storey hotel mixed development, *Alexandra Central*, by CEL-Alexandra Pte Ltd, a subsidiary of Chip Eng Seng Corporation Ltd. The development which is located at Jalan Bukit Merah/Alexandra Road comprises a 13-storey hotel tower block and a 6-storey commercial and carpark mix podium block. The project which commenced in the second quarter of 2013 has now progressed to the 6th storey super-structure. The project is expected to complete on schedule in the first half of 2015.

Another significant win for the Group is a contract to build a prestigious private condominium at Boon Lay Way/Gateway Drive by MCL Land (Gateway) Pte. Ltd. worth S$161.9 million. The development comprises two blocks of 38/34-storey and 20-storey condominium encompassing a total of 738 units with environmental deck, swimming pool and communal facilities. Work on the project has commenced in June 2013. The piling works have been completed and we are progressing to excavation and basement sub-structure works, with project completion expected at the end of 2016.

OVERSEAS VENTURES

We were very encouraged by the successful completion of our overseas projects last year in the Maldives, which comprised the construction of a 94-villa resort hotel, *The Residence Maldives*, at Falhumaafushi Island at Gaafu Alifu Atoll, and our first infrastructure project, the design and construction of a 1.2 km runway, passenger terminal, air-traffic control tower and other facilities for Kooddoo Airport. We, therefore, have taken steps to strengthen our foothold in the building and construction and hotel development in the Maldives given the strength and prospects of its tourism sector. We entered into three lease agreements with the Government of the Republic of Maldives. The first is for the expansion, development and operation of the Kooddoo domestic airport in Gaafu Alifu Atoll, including infrastructure work for the extension of its existing runway. The other two lease agreements are related to the development and operation of a 50-room tourist hotel on the island of Kooddoo and a 120-room tourist resort on the island of Maamutaa. Barring any unforeseen circumstances, the airport extension works and the tourist hotel are slated for completion by the first quarter of 2015 and the tourist resort by the end of 2016.

PROPERTY DEVELOPMENT

Our first joint-venture property development project with FCL Tampines Court Pte Ltd, the 728-unit executive condominium in Punggol, *Twin Waterfalls*, is progressing well. With 65% of the superstructure works completed, structural topping out is expected to be completed in the second quarter of 2014. We are on schedule for project completion in December 2014.

Financial and Operations Review

Given our growing expertise in property development, we entered into a joint venture with JBE Holdings Pte. Ltd. for a new residential development project, the *SkyPark Residences*, a 506-unit executive condominium project in Sembawang for which we are also undertaking the main contract work worth S$149.9 million. This is in line with our strategy of leveraging on the expertise of well-established players in the property development sector while providing them synergistic building and construction capabilities. Since the project launch in November 2013, 53% of the total number of units was sold within two weeks. We have commenced piling work and the project is scheduled for completion in the first quarter of 2017.

CONTINUOUS IMPROVEMENT TO MEET INDUSTRY CHALLENGES

The challenges faced by all the players in the building and construction industry such as the rising business and raw material costs, tighter labour market, more expensive and more stringent restrictions on foreign labour and intense competition are set to stay. Therefore, we have made efforts to improve productivity through increased mechanisation and automation, adoption of new technology, skills upgrading and training and development. In relation to these initiatives, we have invested a total of S$4.5 million on plant and machinery such as tower cranes, a truck mounted concrete pump and a telescopic handler. We have also invested in staff training and development which led to an increase in our skills upgrading budget by 54% as compared to the previous year.

Recognising that it is an ongoing challenge to attract suitable candidates to the building and construction industry and the competition for the limited pool of talents, we believe in partnering with institutes of higher education and industry bodies such as the BCA to offer scholarships, bursaries and other means of financial support to enable deserving students to pursue studies in related fields with the hope that they will eventually choose a career within the industry and contribute their knowledge and expertise for the overall improvement of the sector. 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 and Sponsorship”. Under an agreement with the Singapore Institute of Management University, we have also offered a scholarship to one of its students in the Bachelor of Applied Science (Construction Management) programme which covers the entire course fee.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As a responsible corporate citizen and a supporter of charitable and worthy causes, the Group has donated S$85,000 to various public and private organisations which carry out social outreach and other public and educational support for the disadvantaged in society. Among the recipients of our donations were The Singapore Association for the Deaf, The Boy’s Brigade Sponsorship, The Woodbridge Hospital Charity Fund Mindset Challenge 2013, Singapore Christian Home, Singapore’s Safety First Campaign, Singapore Chung Hwa Medical Institution and Singapore Thong Chai Medical Institution. We also contributed to the development of sports in Singapore through our support of charity events such as the CBN Golf Charity, APSN Charity Golf Tournament, and ORA Fund Raising Golf.

We will be consolidating our operations under one roof when our new office and factory facility at Sungei Kadut is completed next year. The five-storey industrial space will be our corporate headquarters and a factory space for plant and machinery maintenance, rebar and formwork fabrication.

LOOKING AHEAD

The BCA's forecast for the average construction demand in 2013 of S$26 billion to S$32 billion was boosted by the strong demand for public housing and infrastructure construction works. This will level down to between S$20 billion and S$28 billion in 2014 and 2015.[3] The several property cooling measures introduced by the Government as well as the excess supply of completed housing units over the next few years are expected to exert some downward pressure on prices and hence profits in the industry. These industry's outlooks and trends have prompted us to look into new avenues of revenue growth, in terms of markets as well as business activities. We have deepened our overseas footprint in the Maldives, and also expanded our expertise to include property and hotel development, adding on to our existing expertise in infrastructure and construction. Besides cost savings initiatives, we have also continued to look for potential property development partners in Singapore to jointly undertake residential development projects in order to stay competitive in the industry. Toward this end, we will be consolidating our operations under one roof when our new office and factory facility at Sungei Kadut is completed next year. The five-storey industrial space will be our corporate headquarters and a factory space for plant and machinery maintenance, rebar and formwork fabrication. We expect to achieve cost savings in terms of time and money from the consolidation of operations.

Given the improving, albeit uncertain economic outlook, and our portfolio of ongoing projects with order book of S$611 million as at 30 September 2013 which will stretch up to 2016, we are cautiously optimistic about our prospects in the coming financial year. Barring any unforeseen circumstances, we are confident of greater growth for the Group and positive results in the next financial year.

3 "Public Sector Projects to Boost Construction Demand in 2013" from BCA's website. Available at: http://www.bca.gov.sg/Newsroom/pr16012013_CP.html

* Based on closing price of S$0.585 on 30 September 2013
Offer price and market capitalisation at IPO was S$0.24 and S$38.4 million respectively

138*

Per cent growth in market capitalisation since IPO

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 2013. 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 of the Housing and Development Board ("HDB"). In 1980, as head of the construction technology unit with HDB, he spearheaded the drive towards prefabrication and mechanisation of the local construction industry. He later joined Eng Hup Heng Construction Pte Ltd from 1983 to 1985 as its general manager and was in charge of construction and management of the company projects, including Housing and Urban Development Corporation, HDB housing, factories, and institutional buildings.

Mr Leo graduated with a Bachelor of Engineering (Civil) with first class honours and a Master of Science (Construction Engineering) degree from the National University of Singapore in 1974 and 1977, respectively. He became a member of The Institution of Engineers Singapore and an associate of The Institute of Structural Engineers, 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. He was appointed to our Board on 26 September 2011 and was re-elected on 31 January 2013. He has been the project director of our wholly-owned subsidiary, Keong Hong Construction Pte. Ltd. ("KH Construction") since June 2010. He is responsible for all operational activities relating to construction projects undertaken by our Group.

Prior to being a project director of 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 of KH Construction.

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

LIM JUN XIONG STEVEN

Lead Independent Director

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 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, Mirach Energy Limited and Sapphire Corporation Limited. He was a director of Passion Holdings Limited, MAP Technology Holdings Limited and Gentrade Private Limited in the past three years.

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 the vice president (Electromagnetic Compatibility) in April 1995, senior vice president (Testing) in March 2002 and was appointed the chief executive officer of TUV SUD PSB Pte Ltd in January 2008, responsible for its business activities in the ASEAN region, with operations in Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines. In July 2013, he stepped down as the chief executive officer of TUV SUD PSB Pte Ltd and remains as a director of TUV SUD PSB Pte Ltd to provide advisory support in the development of their core business areas in ASEAN. Mr Chong 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 was previously an independent director of PCA Technology Ltd which was delisted from the Official List of the SGX-ST on 3 June 2013.

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 United States's 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 mainboard listed Asia Enterprises Holding Limited where he was responsible for financial, accounting and corporate secretarial matters. His previous appointments also include executive director of Strategic Capital Partners Pte Ltd where he specialised in financial and corporate advisory services, associate director of APS Services Pte Ltd, finance and business development director of Shunji Matsuo Pte Ltd, business development director of Virgin (Asia) Management Limited and chief financial officer and executive director of Form Holdings Limited.

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

DESMONDE CHONG WAI SWEE

Chief Operating Officer

Desmonde Chong Wai Swee joined our Group in 2011 as head of projects in KH Construction, our wholly-owned subsidiary and was appointed as our Chief Operating Officer in October 2012. 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 the Nanyang Technological Institute of Singapore with a Bachelor of Engineering (Civil) in 1985.

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.

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 Pte. Ltd, our wholly-owned subsidiary, 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 a assistant professor position in the United States of America) and the construction management/facilities management course director at the School of Architecture and Building, Faculty of Science and Technology, Deakin University, Australia; quantity surveying manager at Permasteelisa Pacific Holdings Ltd's Asia Pacific Regional Headquarters, Singapore; project manager at PM Link Pte Ltd; and resident quantity surveyor at PWD Consultants for The Esplanade Theatres on the Bay, PWD Corporation (now known as CPG Corporation).

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

LEE SHAW BENG

Senior Manager (Business Development)

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

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

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

Corporate 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*

JOINT 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

SHARE REGISTRAR

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

INDEPENDENT AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road
#05-01
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

Financial Contents

Corporate Governance Report

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

This report outlines the Company's corporate governance practices for the financial year ended 30 September 2013 ("FY2013"), with specific references made to the principles of the Code of Corporate Governance 2005 (the "Code"). The revised Code of Corporate Governance 2012 (the "Code 2012") issued on 2 May 2012 will take effect for the Company in respect of its annual report for the financial year commencing 1 October 2013. The Company is in the midst of putting its processes in place to ensure full compliance with the requirements of the Code 2012.

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.

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

The number of Board and Board committees meetings held and attended by each Board member during FY2013 are as follows:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	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*

Corporate Governance Report

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

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

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

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

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

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

(v) Evaluating performance of the 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, amongst others, any material acquisitions and disposals of assets, corporate or financial restructuring, share issuance and the proposal of dividends.

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

Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company’s or Director’s disclosure obligations, Directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals. Upon the appointment of a new Director, the Company will provide him/her with a formal letter, setting out his/her duties and obligations. The Company will put in place an orientation program for all newly appointed Director(s) to assimilate him/her into his/her new role. They will be briefed by the Management and the Chairman on the business activities of the Group and its strategic directions as well as the duties and responsibilities as Directors. Appropriate external training(s) will be arranged where necessary. The Directors are also regularly briefed on the development of the business activities of the Group.

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

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

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Corporate Governance Report

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.

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

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

The Board is able to exercise objective judgment independently from the 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 plays an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision. It is hence the view of the Board that it is currently in the best interests of the Group to adopt a single leadership structure.

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

Although the roles of Chairman and the CEO are not separated, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. All the Board committees are chaired by Independent Directors and 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 when they have concerns which contact through the normal channels to the Chairman and CEO or the Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

Corporate Governance Report

Principle 4: Board Membership

Principle 5: Board Performance Board Membership

Board Membership

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

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

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

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

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

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the 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.

Corporate Governance Report

After assessing their contribution and performance, the NC has recommended Mr Lim Jun Xiong Steven ("Mr Lim") and Mr Chong Weng Hoe ("Mr Chong"), who will be 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 Lim and Mr Chong have offered themselves for re-election and the Board has accepted the recommendations of the NC.

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

Board Performance

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

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

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

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole has been satisfactory. The NC recognizes the need to conduct formal assessment of the contribution of each individual Directors to the effectiveness of the Board and will institute such assessment from FY2014.

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 is therefore satisfied that, while some of the Directors have multiple board representations and/or other major commitments, the Directors were able to and had been adequately carrying out their duties as Directors 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. The Board papers are issued to the Directors at least three days prior to Board meetings. This is to allow sufficient time for the Board members to obtain further explanations, where necessary, to be properly briefed and adequately prepared for Board meetings.

In addition, monthly management accounts are made available to the Directors. Directors also have unrestricted access to the records and information of the Company. The Independent Directors have access to senior Management of the Company and other employees to seek additional information, if required. To facilitate such access, the contact particulars of the

Corporate Governance Report

senior Management and their secretaries have been provided to the Directors. Directors have the right to seek independent professional advice if required or as and when necessary to enable them to discharge their duties and responsibilities effectively. The costs of such independent professional advice will be borne by the Company.

The 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, *inter-alia*:

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

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

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

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key 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. Each member of the RC shall abstain from voting on any resolution and making any recommendations in respect of his remuneration package.

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

Corporate Governance Report

such period and on such terms as may be agreed between the Company and Mr Leo. Under the service agreement, Mr Leo will be paid performance bonus based on the consolidated profit before taxation of the Group, when it exceeds S$5.0 million for the financial year.

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

The following table shows the remuneration of Directors and key executives disclosed in bands for FY2013:

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Directors					
S$1,250,000 to below S$1,500,000					
Leo Ting Ping, Ronald	–	32	66	2	100
S$250,000 to below S$500,000					
Er Ang Hooa	–	70	24	6	100
Below $250,000					
Lim Jun Xiong Steven	100	–	–	–	100
Chong Weng Hoe	100	–	–	–	100
Wong Meng Yeng	100	–	–	–	100
Key Executives					
S$250,000 to below S$500,000					
Desmonde Chong Wai Swee(1)	–	80	20	–	100
Below $250,000					
Tan Kah Ghee(2)	–	74	26	–	100
Wu Chee Shien, Jeremy	–	81	19	–	100
Ng Siew Khim	–	66	30	4	100

Notes:

(1) Mr Desmonde Chong Wai Swee was appointed as the Chief Operating Officer ("COO") on 19 October 2012

(2) Mr Tan Kah Ghee was appointed as the Chief Financial Officer ("CFO") on 1 October 2012

There was no employee of the Group who was an immediate family member of a Director or the Chairman and CEO whose remuneration exceeded S$150,000 for FY2013.

Share Option Scheme

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

Corporate Governance Report

The Scheme, which forms an integral component of the Company's compensation plan, is designed to reward and retain eligible participants whose services are vital to the well-being and success of the Company. It provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate, and also increases the dedication and loyalty of these participants and motivates them to perform better.

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

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

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

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

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

Since the commencement of the Scheme till the end of the financial year under review, 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 FY2013. Further details of the Scheme were set out in the Company's Offer Document dated 8 December 2011.

Principle 10: Accountability

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

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

Corporate Governance Report

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 scope of audit by the external auditor as well as their independence. The functions of the AC include, *inter-alia*, the following:

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

(ii) Reviewing with the internal auditors on their 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 the Management, reviewing the assistance given by the 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 the Management where necessary);

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

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

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

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

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

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

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

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

Corporate Governance Report

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

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

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

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

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

The AC has been given full access and obtained the co-operation of the 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 the Management, to discuss the results of their audit and their evaluation of the systems of internal accounting controls.

The AC has reviewed the nature and extent of non-audit services in respect of the provision of tax services by the External Auditors, including the fees paid in respect of the financial year ended 30 September 2013, 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 2014 ("FY2014") at the forthcoming AGM. The aggregate audit and non-audit fees paid to the auditors for FY2013 are set out on page 87 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, shareholders, clients, consultants, vendors, contractors and sub-contractors, to raise concerns about possible improprieties in financial reporting, fraudulent acts and other irregularities, and to ensure that arrangements are in place for independent investigations of such matters and timely implementation of appropriate preventive and corrective actions.

Corporate Governance Report

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 the Management to ensure the integrity and reliability of the Group's financial information and to safeguard its assets. Any recommendations from the internal and external auditors to further improve the Company's internal controls are reported to the AC.

RISK MANAGEMENT

The Board is responsible for the governance of risk and sets the tone and direction for the Company in the way that it expects risks to be managed. The Board has overall responsibility for approving the business strategy of the Company in a manner which addresses stakeholders' expectations and does not expose the Company to an unacceptable level of risk.

The Company has developed a Risk Governance and Internal Control Manual which sets out the risk governance responsibilities and the accountability and oversight for risk management activities which mitigate the occurrence and exposure to significant risks that could impede business objectives. To supplement the Risk Governance and Internal Control Manual, the Board is in the process of establishing and implementing an Enterprise Risk Management ("ERM") framework. The ERM framework will be aligned with the ISO 31000:2009 Risk Management framework and the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Internal Controls Integrated Framework.

Risk Committee

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

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

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

The Board has obtained a declaration of compliance from the Chairman and CEO, COO and CFO:

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

Corporate Governance Report

b) regarding the effectiveness of the Group's risk management systems; and

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

Based on the internal control policies and procedures established and maintained by the Company, the reviews done by the internal and external auditors, the Management and the Board, the Board opines, with the concurrence of the AC, that the Group's internal controls were adequate as at 30 September 2013 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, fraud or other irregularities.

Principle 13: Internal Audit

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

The internal audit function of the Group is currently outsourced to Nexia TS Public Accounting Corporation 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 are adequately resourced and have appropriate standing within the Group to perform their 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 meeting and circular and notice pertaining to any extraordinary general meeting of the Company. To facilitate participation by the shareholders, the Articles of Association of the Company allow the shareholders entitled to attend and vote at general meetings of the Company to appoint not more than two proxies to attend and vote on their behalf. Separate resolutions on each distinct issue are requisite.

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

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Corporate Governance Report

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 Chairman and CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2013 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 FY2013.

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

NON-SPONSORSHIP FEES

No non-sponsorship fees were paid to the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2013.

USE OF PROCEEDS

Pursuant to the IPO, the Company received gross proceeds of S$6.48 million. On 25 April 2013, the Company announced a reallocation of unutilised IPO proceeds from general working capital and from IPO expenses to fund the Group's merger and acquisition activities and pursuant to which, the IPO proceeds had been fully utilised as follows:

Intended Usage	Allocation (S$'000)	After reallocation (S$'000)	Amount utilised (S$'000)	Amount unutilised (S$'000)
Merger and acquisition	1,500	5,144	(5,144)	–
General working capital	3,543	–	–	–
IPO expenses	1,437	1,336	(1,336)	–
TOTAL	6,480	6,480	(6,480)	–

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 2013 and the statement of financial position of the Company as at 30 September 2013.

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)
Chong Weng Hoe (Independent Director)
Wong Meng Yeng (Independent Director)

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 2012	Balance at 30 September 2013	Balance at 1 October 2012	Balance at 30 September 2013
Company				
Leo Ting Ping Ronald	40,615,500	35,615,500	40,615,500	45,615,500
Er Ang Hooa	200,000	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 2013 in the shares of the Company have not changed from those disclosed as at 30 September 2013 except for Er Ang Hooa has been granted 400,000 of share options on 1 October 2013 as disclosed in Note 33 of the accompanying financial statements.

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. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of corporations as disclosed in Note 29 of the accompanying financial statements.

Report of the Directors

5. SHARE OPTIONS

At the Company's Extraordinary General Meeting held on 21 November 2011, the shareholders approved the Keong Hong Holdings Limited Employee Share Option Scheme (the "Scheme"). The Scheme is administered by the Company's Remuneration Committee, comprising Wong Meng Yeng, Lim Jun Xiong Steven and Chong Weng Hoe (the "Committee").

Other information relating to the Scheme is set out below:

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

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

– The options can be exercised only after 2 years from the date of grant but before 10 years from the date of grant; and

– All options are settled by physical delivery of shares.

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

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 the management's response;

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

Report of the Directors

6. AUDIT COMMITTEE (CONTINUED)

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

(d) review the external auditors' reports;

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

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

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

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

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

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

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

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

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

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

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

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

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

Report of the Directors

6. AUDIT COMMITTEE (CONTINUED)

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

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

7. AUDITORS

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

On behalf of the Board of Directors

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

Singapore
10 December 2013

Statement by Directors

In the opinion of the Board of Directors,

(a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company as at 30 September 2013, 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 2013 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

Leo Ting Ping Ronald
Director

Er Ang Hooa
Director

Singapore
10 December 2013

Independent Auditors' Report to the Members of Keong Hong Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 45 to 102 which comprise the statements of financial position of the Group and of the Company as at 30 September 2013, 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 2013, 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 2013 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
Chartered Accountants

Singapore
10 December 2013

Statements of Financial Position

As at 30 September 2013

	Note	Group 2013	Group 2012	Company 2013	Company 2012
		$	$	$	$
Non-current assets					
Plant and equipment	4	**5,914,131**	3,511,401	**–**	–
Investments in subsidiaries	5	**–**	–	**20,618,554**	20,618,554
Investment in associate	6	**–**	–	**–**	–
Investments in joint ventures	7	**289,574**	89,107	**–**	–
Intangible assets	8	**235,952**	241,908	**–**	–
Convertible bond	9	**4,472,653**	–	**4,472,653**	–
Derivative on convertible bond	9	**811,853**	–	**811,853**	–
Financial assets, held-to-maturity	10	**2,839,000**	2,839,000	**–**	–
		14,563,163	6,681,416	**25,903,060**	20,618,554
Current assets					
Financial assets at fair value through profit or loss	11	**745,195**	602,870	**–**	–
Trade and other receivables	12	**104,410,142**	62,279,559	**–**	–
Current income tax recoverable		**288,722**	282,509	**–**	–
Prepayments		**84,397**	45,968	**6,940**	2,831
Cash and cash equivalents	13	**18,217,596**	56,095,428	**4,721,496**	4,626,079
		123,746,052	119,306,334	**4,728,436**	4,628,910
Less:					
Current liabilities					
Due to contract customers	14	**25,438,025**	28,978,090	**–**	–
Trade and other payables	15	**38,964,219**	40,570,554	**5,249,152**	203,511
Bank borrowing	16	**3,005,144**	–	**–**	–
Finance lease payables	17	**585,501**	509,055	**–**	–
Current income tax payable		**4,011,094**	4,158,113	**–**	–
		72,003,983	74,215,812	**5,249,152**	203,511
Net current assets/(liabilities)		**51,742,069**	45,090,522	**(520,716)**	4,425,399
Less:					
Non-current liabilities					
Finance lease payables	17	**929,829**	345,425	**–**	–
Deferred tax liabilities	18	**167,000**	74,000	**–**	–
		1,096,829	419,425	**–**	–
		65,208,403	51,352,513	**25,382,344**	25,043,953
Capital and reserves					
Share capital	19	**23,836,074**	23,836,074	**23,836,074**	23,836,074
Treasury shares	20	**(2,140,000)**	–	**(2,140,000)**	–
Other reserves	21	**(4,824,433)**	(4,846,734)	**–**	–
Retained earnings		**47,568,819**	31,275,974	**3,686,270**	1,207,879
Equity attributable to owners of the parent		**64,440,460**	50,265,314	**25,382,344**	25,043,953
Non-controlling interests		**767,943**	1,087,199	**–**	–
Total equity		**65,208,403**	51,352,513	**25,382,344**	25,043,953

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

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September 2013

	Note	2013	2012
		$	$
Revenue	22	**146,622,531**	167,360,298
Cost of sales		**(116,198,221)**	(138,054,784)
Gross profit		**30,424,310**	29,305,514
Other items of income			
Dividend income		**–**	21,192
Interest income		**682,335**	457,764
Other income	23	**926,390**	1,061,704
Other Items of expense			
Administrative expenses		**(6,495,963)**	(6,681,194)
Finance costs	24	**(61,893)**	(63,403)
Share of results of joint ventures, net of tax		**464**	45
Share of results of associate, net of tax		**–**	(200,000)
Profit before income tax	25	**25,475,643**	23,901,622
Income tax expense	26	**(3,943,479)**	(4,605,543)
Profit for the financial year		**21,532,164**	19,296,079
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**43,726**	(150,256)
Income tax on other comprehensive income		**–**	–
Other comprehensive income for the financial year, net of tax		**43,726**	(150,256)
Total comprehensive income for the financial year		**21,575,890**	19,145,823
Profit attributable to:			
Owners of the parent		**21,872,845**	20,015,082
Non-controlling interests		**(340,681)**	(719,003)
		21,532,164	19,296,079
Total comprehensive income attributable to:			
Owners of the parent		**21,895,146**	19,938,452
Non-controlling interests		**(319,256)**	(792,629)
		21,575,890	19,145,823
Earnings per share (cents)			
– Basic and diluted	27	**13.89**	14.90

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2013

	Note	Share capital	Treasury shares	Foreign currency translation account	Merger reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
		$	$	$	$	$	$	$	$
Group									
Balance at 1 October 2012		23,836,074	–	(53,027)	(4,793,707)	31,275,974	50,265,314	1,087,199	51,352,513
Profit for the financial year		–	–	–	–	21,872,845	21,872,845	(340,681)	21,532,164
Other comprehensive income for the financial year:									
Exchange differences on translating foreign operations		–	–	22,301	–	–	22,301	21,425	43,726
Total comprehensive income for the financial year		–	–	22,301	–	21,872,845	21,895,146	(319,256)	21,575,890
Contribution by and distribution to owners of the parent:									
Dividends	28	–	–	–	–	(5,580,000)	(5,580,000)	–	(5,580,000)
Purchase of treasury shares	20	–	(2,140,000)	–	–	–	(2,140,000)	–	(2,140,000)
Total transactions with owners of the parent		–	(2,140,000)	–	–	(5,580,000)	(7,720,000)	–	(7,720,000)
Balance at 30 September 2013		23,836,074	(2,140,000)	(30,726)	(4,793,707)	47,568,819	64,440,460	767,943	65,208,403

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

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Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2013

	Note	Share capital	Foreign currency translation account	Merger reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
		$	$	$	$	$	$	$
Group								
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
Contribution by and distribution to owners of the parent:								
Dividends	28	–	–	–	(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		(1,036,969)	–	–	(1,583,031)	(2,620,000)	–	(2,620,000)
Adjustments arising from restructuring exercise		4,793,707	–	(4,793,707)	–	–	–	–
Total transactions with owners of the parent		10,236,072	–	(4,793,707)	(4,623,031)	819,334	–	819,334
Balance at 30 September 2012		23,836,074	(53,027)	(4,793,707)	31,275,974	50,265,314	1,087,199	51,352,513

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

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Statement of Changes in Equity

For the financial year ended 30 September 2013

	Note	Share capital	Treasury shares	Accumulated (losses)/ Retained earnings	Total
		$	$	$	$
Company					
Balance at 1 October 2012		23,836,074	–	1,207,879	25,043,953
Profit for the financial year		–	–	8,058,391	8,058,391
Total comprehensive income for the financial year		–	–	8,058,391	8,058,391
Contribution by and distribution to owners of the parent:					
Dividends	28	–	–	(5,580,000)	(5,580,000)
Purchase of treasury shares		–	(2,140,000)	–	(2,140,000)
Total transactions with owners of the parent		–	(2,140,000)	(5,580,000)	(7,720,000)
Balance at 30 September 2013		23,836,074	(2,140,000)	3,686,270	25,382,344
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
Contribution by and distribution to owners of the parent:					
Dividends	28	–	–	(3,040,000)	(3,040,000)
Issuance of ordinary shares pursuant to the restructuring exercise	19	17,356,738	–	–	17,356,738
Issuance of ordinary shares pursuant to the initial public offer exercise	19	6,960,000	–	–	6,960,000
Share issue expenses		(480,666)	–	–	(480,666)
Total transactions with owners of the parent		23,836,072	–	(3,040,000)	20,796,072
Balance at 30 September 2012		23,836,074	–	1,207,879	25,043,953

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

Consolidated Statement of Cash Flows

For the financial year ended 30 September 2013

	2013	2012
	$	$
Operating activities		
Profit before income tax	**25,475,643**	23,901,622
Adjustments for:		
Bad third parties trade receivables written off	**3,036**	1,831
Amortisation of intangible assets	**9,762**	2,260
Depreciation of plant and equipment	**2,441,606**	2,918,664
Dividend income	**–**	(21,192)
Fair value gain on derivative on convertible bond	**(284,506)**	–
Fair value gain on financial assets at fair value through profit or loss	**(142,325)**	(20,874)
Gain on disposal of plant and equipment	**–**	(86,409)
Plant and equipment written off	**42,285**	2,417
Interest income	**(682,335)**	(457,764)
Interest expense	**61,893**	63,403
Share of results of joint ventures	**(464)**	(45)
Share of results of associate	**–**	200,000
Operating cash flows before working capital changes	**26,924,595**	26,503,913
Working capital changes:		
Trade and other receivables	**(13,580,215)**	12,497,245
Prepayments	**(38,429)**	161,166
Due to contract customers	**(3,540,065)**	8,216,889
Trade and other payables	**(1,606,335)**	(19,938,488)
Cash generated from operations	**8,159,551**	27,440,725
Income tax paid	**(3,997,498)**	(2,186,654)
Net cash from operating activities	**4,162,053**	25,254,071

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

Consolidated Statement of Cash Flows

For the financial year ended 30 September 2013

	Note	2013	2012
		$	$
Investing activities			
Investments in joint ventures		**(200,003)**	–
Purchase of convertible bond		**(5,000,000)**	–
Purchase of financial assets, held-to-maturity		**–**	(2,839,000)
Purchase of plant and equipment		**(3,332,935)**	(1,836,353)
Purchase of intangible assets		**(3,806)**	(243,505)
Proceeds from disposal of plant and equipment		**–**	122,367
Dividend received		**–**	21,192
Interest received		**682,335**	457,764
Net cash used in investing activities		**(7,854,409)**	(4,317,535)
Financing activities			
Fixed deposit pledged with financial institutions		**996,776**	8,519,019
Loan to associate		**(12,590)**	(4,389,046)
Loan to joint ventures		**(28,540,815)**	–
Proceeds from issuance of ordinary shares		**–**	6,960,000
Proceeds from bank borrowing		**3,000,000**	–
Purchase of treasury shares		**(2,140,000)**	–
Repayment of finance lease payables		**(889,550)**	(795,652)
Dividends paid		**(5,580,000)**	(3,040,000)
Shares buy-back		**–**	(2,620,000)
Share issue expenses		**–**	(480,666)
Interest paid		**(56,749)**	(63,403)
Net cash (used in)/from financing activities		**(33,222,928)**	4,090,252
Net change in cash and cash equivalents		**(36,915,284)**	25,026,788
Cash and cash equivalents at beginning of financial year		**53,854,089**	28,964,357
Exchange difference on cash and cash equivalents		**34,228**	(137,056)
Cash and cash equivalents at end of financial year	13	**16,973,033**	53,854,089

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

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

1. GENERAL 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 5 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of changes in equity of the Company for the financial year ended 30 September 2013 were authorised for issue in accordance with a Directors' resolution dated 10 December 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

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

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

FRS and INT FRS issued but not yet effective

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

			Effective date (annual periods beginning on or after)
FRS 19	:	Employee Benefits (Revised)	1 January 2013
FRS 27	:	Separate Financial Statements	1 January 2014
	:	Amendments to FRS 27 – Investment Entities	1 January 2014
FRS 28	:	Investments in Associates and Joint Ventures	1 January 2014
FRS 32	:	Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36	:	Amendments to FRS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
FRS 39	:	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
FRS 101	:	Amendments to FRS 101 – Government Loans	1 January 2013
FRS 107	:	Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 110	:	Consolidated Financial Statements	1 January 2014
	:	Amendments to FRS 110 – Investment Entities	1 January 2014
FRS 111	:	Joint Arrangements	1 January 2014
FRS 112	:	Disclosure of Interests in Other Entities	1 January 2014
	:	Amendments to FRS 112 – Investment 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
INT FRS 121	:	Levies	1 January 2014
Improvements to FRSs 2012			1 January 2013

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

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)

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.

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 quantify 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 111 Joint Arrangements

FRS 111 changes the definition of joint arrangements as either joint operations or joint ventures. FRS 111 requires the use of equity accounting method to account for joint ventures and no longer allows the choice of using the proportionate consolidation method for jointly controlled entities. The Group and the Company would need to assess their arrangements to determine whether they have invested in a joint operation or a joint venture upon adoption of this new standard which becomes effective from the financial year beginning 1 October 2014.

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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

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 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 or relevant observable inputs and minimise the use of unobservable inputs. It establishes a fair value hierarchy for doing this. This FRS is to be applied for annual periods beginning on or after 1 October 2013. The Group will determine the impact of this standard when it becomes effective.

2.2 Basis of consolidation

The 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 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests are presented in the statement of financial position of the Group within equity, separately from the Company's owners, and are separately disclosed in the statement of comprehensive income 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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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.

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.

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

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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Plant and equipment (Continued)

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associate (Continued)

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

2.5 Joint ventures

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.

2.6 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 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

2.7 Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets (Continued)

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.

2.8 Financial assets

The Group and the Company classify their financial assets as loans and receivables, 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 "convertible bond", "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

(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-derivative 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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Recognition and derecognition

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

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.

Gain and losses are recognised in profit or loss when the financial assets, held-to-maturity are derecognised 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".

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

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.

2.9 Embedded derivative

Derivative embedded in other financial instruments or other host contract is treated as separate derivative when its risks and characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. This embedded derivative is measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

2.10 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 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities

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

(i) Trade and other payables

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

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

(ii) Borrowing

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

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.

2.12 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.

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Equity instruments (Continued)

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

2.13 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.

Serviced rendered income is recognised on the completion of service provided.

2.14 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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Construction contracts (Continued)

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".

2.15 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.

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.

2.16 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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

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 joint ventures, 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.

2.18 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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Foreign currencies

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

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

In preparing the financial statements, transactions in a currency other than the entity'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 at 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 recognised 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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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 Segment reporting

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

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.

(ii) Impairment of investments in subsidiaries, associate, joint ventures 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.

(iii) Fair value of derivative

Fair values of derivative on convertible bond are determined using valuation techniques. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include the credit rating, spot price, volatility, risk-free rate of the host contract, etc. Changes in assumptions about these factors could affect the reported fair value of the financial instruments amounting to $811,853 (2012: Nil) as at 30 September 2013.

Notes to the Financial Statements

For the financial year ended 30 September 2013

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

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 2013 was $5,914,131 (2012: $3,511,401). The carrying amount of intangible assets of the Group as at 30 September 2013 were $235,952 (2012: $241,908). 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 2013 was $104,410,142 (2012: $62,279,559).

(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 2013 was $288,722 (2012: $282,509) and $4,011,094 (2012: $4,158,113) respectively. The carrying amounts of deferred tax liabilities of the Group as at 30 September 2013 was $167,000 (2012: $74,000) respectively.

Notes to the Financial Statements

For the financial year ended 30 September 2013

4. PLANT AND EQUIPMENT

	Office equipment	Furniture and fittings	Motor vehicles	Plant and machinery	Total
	$	$	$	$	$
Group					
Cost					
Balance at 1 October 2012	342,790	287,943	1,195,889	8,994,417	10,821,039
Additions	126,060	21,933	161,157	4,574,185	4,883,335
Write off	(190,386)	(85,122)	–	(1,238,231)	(1,513,739)
Currency realignments	349	70	–	11,162	11,581
Balance at 30 September 2013	278,813	224,824	1,357,046	12,341,533	14,202,216
Accumulated depreciation					
Balance at 1 October 2012	310,258	197,777	692,681	6,108,922	7,309,638
Depreciation	48,125	41,588	161,890	2,190,003	2,441,606
Write off	(190,386)	(85,122)	–	(1,195,946)	(1,471,454)
Currency realignments	217	35	–	8,043	8,295
Balance at 30 September 2013	168,214	154,278	854,571	7,111,022	8,288,085
Net carrying amount					
Balance at 30 September 2013	110,599	70,546	502,475	5,230,511	5,914,131
Cost					
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	342,790	287,943	1,195,889	8,994,417	10,821,039
Accumulated depreciation					
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	310,258	197,777	692,681	6,108,922	7,309,638
Net carrying amount					
Balance at 30 September 2012	32,532	90,166	503,208	2,885,495	3,511,401

Notes to the Financial Statements

For the financial year ended 30 September 2013

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	
	2013	**2012**
	$	**$**
Plant and machinery	**1,559,750**	470,925
Motor vehicles	**441,756**	494,323
	2,001,506	965,248

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

Motor vehicles with net carrying amounts of $206,669 (2012: $494,323) 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	
	2013	**2012**
	$	**$**
Additions of plant and equipment	**4,883,335**	1,836,353
Acquired under finance lease agreements	**(1,550,400)**	–
Cash payments to acquire plant and equipment	**3,332,935**	1,836,353

In the previous financial year, the Group carried out a review of the estimated useful life of its plant and equipment. The Group 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 led to additional depreciation charge of $1,482,177 for the previous 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 previous financial year.

Notes to the Financial Statements

For the financial year ended 30 September 2013

5. INVESTMENTS IN SUBSIDIARIES

	Company 2013	Company 2012
	$	$
Unquoted equity shares, at cost	**20,618,554**	20,618,554

The details of the subsidiaries are as follows:

Name of company (Country of incorporation)	Effective equity interest 2013	Effective equity interest 2012	Principal activities
	%	%	
Held by the Company			
Keong Hong Construction Pte Ltd[1] (Singapore)	**100**	100	General and building contractors
KH Trading Pte Ltd[1] (Singapore)	**100**	100	Trading of building construction materials
K.H. Land Pte Ltd[1] (Singapore)	**100**	100	Investment holding, real estate development and building construction
Held by Keong Hong Construction Pte Ltd			
Pristine Islands Investment Pte Ltd[2] (Singapore)	**100**	–	Investment holding (Dormant)
Held by K.H. Land Pte Ltd			
KHA Resorts & Hotels Construction Pvt Ltd[3] (Cayman Islands)	**51**	51	Hotel building contractors

(1) Audited by BDO LLP, Singapore
(2) Reviewed by BDO LLP, Singapore for consolidation purposes
(3) Audited by Ernst & Young, Maldives

Incorporation of a subsidiary

On 4 September 2013, the Group incorporated a wholly-owned subsidiary, Pristine Islands Investment Pte Ltd, a company incorporated in Singapore for a cash consideration of $1.

Notes to the Financial Statements

For the financial year ended 30 September 2013

6. INVESTMENT IN ASSOCIATE

	Group 2013	Group 2012
	$	$
Unquoted equity shares, at cost	**200,000**	200,000
Share of post-acquisition results of associate, net of tax	**(200,000)**	(200,000)
Carrying amount	**–**	–

The details of the associate are as follows:

Name of company (Country of incorporation)	Effective equity Interest held by the Group 2013	Effective equity Interest held by the Group 2012	Principal activities
	%	%	
Punggol Residences Pte Ltd* (Singapore)	**20**	20	Property development

* Audited by Ernst & Young, Singapore

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 2013	Group 2012
	$	$
Assets and liabilities		
Total assets	**357,811,736**	312,231,328
Total liabilities	**(368,538,985)**	(322,537,807)
Net liabilities	**(10,727,249)**	(10,306,479)
Results		
Revenue	**–**	–
Net loss for the financial year	**(420,771)**	(11,304,978)

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 share of unrecognised losses as at 30 September 2013 were $1,945,450 (2012: $1,861,296). The Group has no obligation in respect of those losses.

The Group's share of associate's capital commitments in respect of the construction of the development properties held for sale is $19,149,600 (2012: $29,538,000) as at 30 September 2013.

Notes to the Financial Statements

For the financial year ended 30 September 2013

7. INVESTMENTS IN JOINT VENTURES

	Group 2013	Group 2012
	$	$
Unquoted capital contributions, at cost	**289,065**	89,062
Share of results of joint ventures, net of tax	**509**	45
	289,574	89,107

The details of the joint ventures are as follows:

Name of company (Country of incorporation)	Effective equity interest held by the Group 2013	Effective equity interest held by the Group 2012	Principal activities
	%	%	
Held by the Company			
Keong Hong – Kienta Engineering JV LLP[(1)] (Singapore)	**50**	50	To carry out the construction of a project known as "IBIS Hotel" awarded by Bencool LA Pte Ltd.
Held by Keong Hong Construction Pte Ltd			
Oasis Development Pte Ltd[(2)] (Singapore)	**20**	–	Development of real estate
MKH (Punggol) Pte Ltd[(2)] (Singapore)	**30**	–	Development of real estate

(1) Audited by BDO LLP, Singapore
(2) Reviewed by BDO LLP, Singapore for consolidation purposes

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

On 18 January 2013, the Group subscribed for 200,000 ordinary shares, representing 20% of the issued share capital of Oasis Development Pte Ltd at a cash consideration of $200,000.

On 6 August 2013, the Group subscribed for 3 ordinary shares, representing 30% of the issued share capital of MKH (Punggol) Pte Ltd at a cash consideration of $3.

The Group carried out a review on the recoverable amount of its investments in joint ventures. The recoverable amount of the investments in joint ventures have 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 values of the joint ventures reasonably approximate its fair value less costs to sell.

The Group's share of joint ventures' capital commitments in respect of the construction of the development properties is $29,980,000 (2012: Nil) as at 30 September 2013.

Notes to the Financial Statements

For the financial year ended 30 September 2013

7. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The aggregate amounts of total assets, total liabilities, income and expenses related to the Group's interests in the joint ventures are as follows:

	Group 2013	Group 2012
	$	$
Assets and liabilities		
Total assets	**58,322,777**	140,023
Total liabilities	**(58,035,544)**	(52,561)
Results		
Income	**518**	151
Expenses	**(54)**	(106)

8. INTANGIBLE ASSETS

	Computer software	Transferable club memberships	Total
	$	$	$
Group			
Cost			
Balance at 1 October 2012	56,391	222,000	278,391
Additions	3,806	–	3,806
Written off	(31,637)	–	(31,637)
Balance at 30 September 2013	28,560	222,000	250,560
Accumulated amortisation			
Balance at 1 October 2012	36,483	–	36,483
Amortisation for the financial year	9,762	–	9,762
Written off	(31,637)	–	(31,637)
Balance at 30 September 2013	14,608	–	14,608
Carrying amount			
Balance at 30 September 2013	13,952	222,000	235,952

Notes to the Financial Statements

For the financial year ended 30 September 2013

8. INTANGIBLE ASSETS (CONTINUED)

	Computer software	Transferable club memberships	Total
	$	$	$
Group			
Cost			
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
Accumulated amortisation			
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
Carrying amount			
Balance at 30 September 2012	19,908	222,000	241,908

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

9. CONVERTIBLE BOND/DERIVATIVE ON CONVERTIBLE BOND

Convertible bond

	Group	
	2013	2012
	$	$
At inception and end of financial year	**4,472,653**	–

Derivative on convertible bond

	Group	
	2013	2012
	$	$
At inception	**527,347**	–
Fair value gain on derivative	**284,506**	–
At end of financial year	**811,853**	–

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

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Notes to the Financial Statements

For the financial year ended 30 September 2013

9. CONVERTIBLE BOND/DERIVATIVE ON CONVERTIBLE BOND (CONTINUED)

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

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

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

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

In accordance with FRS39, *Financial Instrument: Recognition and Measurement*, the Company has assessed and classified the equity conversion feature in the convertible bond as an embedded derivative as the economic characteristic and risks are not closely related to the bond. Accordingly, the Company has engaged an independent professional valuer to determine the fair value of the derivative, taking into consideration certain parameters such as the credit rating, spot price, volatility, risk-free rate of the host contract, etc. Based on this valuation, the total subscribed amount of the convertible bond of $5,000,000, were segregated into convertible bond (debt host) and derivative financial instrument (equity conversion embedded derivative) of $4,472,653 and $527,347 respectively.

The Group has re-measured the fair value of the derivative as at 30 September 2013 and recognised a fair value gain amounting to $284,506 during the financial year. The management is of the opinion that the carrying amount of the convertible bond as at the date of initial recognition is approximately the carrying amount as at 30 September 2013.

10. FINANCIAL ASSETS, HELD-TO-MATURITY

	Group	
	2013	**2012**
	$	**$**
Unquoted debt securities	**1,250,000**	1,250,000
Unquoted, structured deposits	**1,589,000**	1,589,000
	2,839,000	2,839,000

Debt securities

The average effective interest rate of the unquoted debt securities ranged from 4.00% (2012: 4.00%) per annum.

At 30 September 2013, the unquoted debt securities of the Group have nominal values amounting to $1,250,000 (2012: $1,250,000). The coupon rates range from 3.15% to 4.25% (2012: 3.15% to 4.25%) per annum and maturity dates range from 23 February 2015 to 11 July 2022 (2012: 23 February 2015 to 11 July 2022).

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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

10. FINANCIAL ASSETS, HELD-TO-MATURITY (CONTINUED)

Structured deposits (Continued)

The average effective interest rate of the unquoted structured deposits is 1.05% (2012: 1.05%) per annum. The major terms of the structured deposits are as follows:

Principal amount	Maturity date	Fixed interest returns	Variable interest returns
$		%	%
(Note 1)		(Note 2)	(Note 3)
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 be entitled to less than the principal amount if the structured deposits withdrawn 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.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	**2012**
	$	**$**
Investment fund	**745,195**	602,870
Investments held for trading		
Balance at beginning of financial year	**602,870**	581,996
Fair value gain recognised in profit or loss	**142,325**	20,874
Balance at end of financial year	**745,195**	602,870

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade receivables				
– third parties	**9,722,795**	3,481,175	**–**	–
– associate	**5,108,204**	3,289,767	**–**	–
– retention sum	**24,801,387**	28,344,820	**–**	–
– unbilled revenue	**14,958,940**	7,754,910	**–**	–
	54,591,326	42,870,672	**–**	–
Security deposits	**3,138,747**	1,631,769	**–**	–
Non-trade receivables				
– third parties	**1,641,921**	1,292,375	**–**	–
– joint ventures	**28,540,815**	–	**–**	–
– associate	**16,497,333**	16,484,743	**–**	–
	104,410,142	62,279,559	**–**	–

Trade receivables are non-interest bearing and generally on 30 to 60 days' (2012: 30 to 60 days') credit terms.

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

The non-trade amounts due from joint ventures are unsecured, repayable on demand and bears interest rate of 2.67% (2012: Nil) per annum.

The non-trade amounts due from an associate are unsecured, repayable on demand and bears interest rate of 0.98% to 1.21% (2012: 1.0%) per annum.

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

	Group	
	2013	2012
	$	$
Balance at beginning of financial year	**–**	1,190
Trade receivables written off against allowance	**–**	(1,190)
Balance at end of financial year	**–**	–

Notes to the Financial Statements

For the financial year ended 30 September 2013

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group	
	2013	2012
	$	$
Balance at beginning of financial year	–	92,040
Non-trade receivables written off against allowance	–	(92,040)
Balance at end of financial year	–	–

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

	Group	
	2013	2012
	$	$
Balance at beginning of financial year	–	9,645
Non-trade receivables written off against allowance	–	(9,645)
Balance at end of financial year	–	–

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Singapore dollar	**102,129,060**	60,353,801	–	–
United States dollar	**1,758,940**	1,259,151	–	–
Maldives Rufiyaa	**522,142**	666,607	–	–
	104,410,142	62,279,559	–	–

Notes to the Financial Statements

For the financial year ended 30 September 2013

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Fixed deposits	**7,709,404**	41,549,348	**3,517,303**	–
Cash and bank balances	**10,508,192**	14,546,080	**1,204,193**	4,626,079
Cash and cash equivalents on statements of financial position	**18,217,596**	56,095,428	**4,721,496**	4,626,079
Fixed deposits pledged	**(1,244,563)**	(2,241,339)		
Cash and cash equivalents included in the consolidated statement of cash flows	**16,973,033**	53,854,089		

Fixed deposits are placed for a period of 1 to 12 (2012: 1 to 12) months from the financial year- end and the effective interest rate on the fixed deposits range from between 0.50% to 2.95% (2012: 0.18% to 1.00%) per annum.

As at 30 September 2013, fixed deposits of the Group amounting to $1,244,563 (2012: $2,241,339) are pledged to bank facilities granted to the Group as disclosed in Note 16 to the financial statements.

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Ringgit Malaysia	**746,011**	796,918	**–**	–
Singapore dollar	**15,724,614**	54,884,457	**4,721,496**	4,626,079
United States dollar	**1,617,766**	414,053	**–**	–
Maldives Rufiyaa	**129,205**	–	**–**	–
	18,217,596	56,095,428	**4,721,496**	4,626,079

14. DUE TO CONTRACT CUSTOMERS

	Group	
	2013	2012
	$	$
Contract costs incurred to date	**543,639,658**	519,902,115
Recognised profits less recognised losses to date	**55,042,077**	54,646,971
	598,681,735	574,549,086
Less: Progress billings received and receivable	**(624,119,760)**	(603,527,176)
Amounts due to contract customers	**(25,438,025)**	(28,978,090)

Notes to the Financial Statements

For the financial year ended 30 September 2013

15. TRADE AND OTHER PAYABLES

	Group 2013	Group 2012	Company 2013	Company 2012
	$	$	$	$
Trade payables				
– third parties	**10,211,141**	7,182,055	**–**	–
– accrued subcontractor expenses	**22,651,792**	25,920,171	**–**	–
– goods and services tax payable	**702,827**	406,212	**–**	–
	33,565,760	33,508,438	**–**	–
Non-trade payables				
– third parties	**229,622**	768,030	**52**	–
– a subsidiary	**–**	–	**5,011,838**	–
Accrued operating expenses	**5,168,837**	6,294,086	**237,262**	203,511
	38,964,219	40,570,554	**5,249,152**	203,511

Trade payables are non-interest bearing and generally on 30 to 90 (2012: 30 to 90) days' credit terms.

The non-trade amount due to a subsidiary is unsecured, repayable on demand and bears interest rate of 2.98% (2012: Nil) per annum.

Trade and other payables are denominated in the following currencies:

	Group 2013	Group 2012	Company 2013	Company 2012
	$	$	$	$
Singapore dollar	**38,725,217**	38,088,335	**5,249,152**	203,511
United States dollar	**239,002**	2,482,219	**–**	–
	38,964,219	40,570,554	**5,249,152**	203,511

Notes to the Financial Statements

For the financial year ended 30 September 2013

16. BANK BORROWING

	Group	
	2013	**2012**
	$	**$**
Current liabilities		
Secured		
Revolving credit	**3,005,144**	–

The Group's revolving credit from a financial institution is repayable and rollover every 6-month commencing from 10 September 2013 and the effective interest rate is 2.98% per annum.

As at 30 September 2013, the revolving credit is secured by:

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

(ii) the corporate guarantee provided by the Company.

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

	Group	
	2013	**2012**
	$	**$**
Banking facilities granted	**168,671,696**	112,063,340
Banking facilities utilised	**71,684,630**	63,196,731

Bank borrowing is denominated in Singapore dollar.

Notes to the Financial Statements

For the financial year ended 30 September 2013

17. FINANCE LEASE PAYABLES

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$	$	$
Group			
2013			
Current liabilities			
Within one financial year	**627,288**	**(41,787)**	**585,501**
Non-current liabilities			
After one financial year but within five financial years	**958,280**	**(39,961)**	**918,319**
After five years	**11,766**	**(256)**	**11,510**
	970,046	**(40,217)**	**929,829**
	1,597,334	**(82,004)**	**1,515,330**
2012			
Current liabilities			
Within one financial year	539,290	(30,235)	509,055
Non-current liabilities			
After one financial year but within five financial years	354,316	(33,809)	320,507
After five years	25,438	(520)	24,918
	379,754	(34,329)	345,425
	919,044	(64,564)	854,480

The finance lease terms range from 2 to 7 (2012: 3 to 7) years for the financial year ended 30 September 2013. The effective interest rates for the finance lease obligations range from between 2.50% to 6.66% (2012: 4.15% to 6.66%) per annum for the financial year ended 30 September 2013.

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 2013

18. DEFERRED TAX LIABILITIES

	Group 2013	Group 2012
	$	$
Group		
Balance at beginning of financial year	**74,000**	74,000
Charged to profit or loss	**93,000**	–
Balance at end of financial year	**167,000**	74,000

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

19. SHARE CAPITAL

	Company 2013	Company 2012
	$	$
Issued and fully-paid:		
160,000,000 (2012: 2) ordinary shares at beginning of financial year	**23,836,074**	2
Issuance of Nil (2012: 130,999,998) ordinary shares pursuant to the restructuring exercise	–	17,356,738
Issuance of Nil (2012: 29,000,000) ordinary shares pursuant to initial public offering exercise	–	6,960,000
Share issue expenses	–	(480,666)
160,000,000 ordinary shares at end of financial year	**23,836,074**	23,836,074

	Group 2013	Group 2012
	$	$
Issued and fully-paid:		
At beginning of financial year	**23,836,074**	13,600,002
Issuance of ordinary shares pursuant to initial public offering exercise	–	6,960,000
Share issue expenses	–	(480,666)
Share buy-back	–	(1,036,969)
Adjustment arising from restructuring exercise	–	4,793,707
At end of financial year	**23,836,074**	23,836,074

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. 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.

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 2013

20. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired 4,000,000 (2012: Nil) of its ordinary shares in the open market during the financial year. The total amount paid to acquire the shares was $2,140,000 (2012: Nil) and this was presented as a component within shareholders' equity.

21. OTHER RESERVES

	Group	
	2013	**2012**
	$	**$**
Foreign currency translation account	**(30,726)**	(53,027)
Merger reserve	**(4,793,707)**	(4,793,707)
	(4,824,433)	(4,846,734)

Foreign currency translation account

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

Merger reserve

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

22. 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.

23. OTHER INCOME

	Group	
	2013	**2012**
	$	**$**
Fair value gain on financial assets at fair value through profit or loss	**142,325**	20,874
Fair value gain on derivative on convertible bond	**284,506**	–
Gain on disposal of plant and equipment	**–**	86,409
Gain on voluntary liquidation of subsidiary	**–**	2,940
Late charges charged to subcontractor	**131,760**	97,310
Rental income	**4,674**	151,850
Sales of scrap steel	**74,829**	26,905
Services rendered income	**129,798**	443,848
Supply of labour and materials	**–**	53,093
Others	**158,498**	178,475
	926,390	1,061,704

Notes to the Financial Statements

For the financial year ended 30 September 2013

24. FINANCE COSTS

	Group	
	2013	**2012**
	$	**$**
Interest expenses:		
– bank overdrafts	**–**	1,190
– revolving credit	**5,124**	–
– finance leases	**56,769**	62,213
	61,893	63,403

25. 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	
	2013	**2012**
	$	**$**
Cost of sales		
Depreciation of plant and equipment	**2,190,003**	2,644,602
Operating lease expenses	**230,233**	298,719
Administrative expenses		
Audit fees		
– Auditors of the Company	**56,000**	52,000
– Other auditors	**8,094**	8,191
Non-audit fees		
– Auditors of the Company	**29,550**	9,500
– Other auditors	**3,113**	3,151
Amortisation of intangible asset	**9,762**	2,260
Bad third parties trade receivables written off	**3,036**	1,831
Depreciation of plant and equipment	**251,603**	274,062
Initial public offering expenses*	**–**	562,963
Low value assets items expensed off	**91,271**	88,884
Operating lease expenses	**142,626**	93,353
Plant and equipment written off	**42,285**	2,417
Professional fees	**178,964**	94,821

* Included in this expense was an amount of approximately $39,350 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 2013

25. PROFIT BEFORE INCOME TAX (CONTINUED)

The profit before income tax also includes:

	Group	
	2013	2012
	$	$
Employee benefit expenses:		
Salaries, wages, bonuses and other staff benefits	**12,746,656**	11,833,213
Contributions to defined contribution plans	**358,975**	493,923
	13,105,631	12,327,136

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

	Group	
	2013	2012
	$	$
Cost of sales	**9,647,752**	8,623,964
Administrative expenses	**3,457,879**	3,703,172
	13,105,631	12,327,136

Included in the employee benefit expenses were Directors' remuneration as shown in Note 29 to the financial statements.

26. INCOME TAX EXPENSE

	Group	
	2013	2012
	$	$
Current income tax		
– current financial year	**3,962,526**	4,441,703
– (over)/under provision in prior financial years	**(112,047)**	119,090
	3,850,479	4,560,793
Deferred income tax		
– current financial year	**93,000**	44,750
Total income tax expense recognised in profit or loss	**3,943,479**	4,605,543

Notes to the Financial Statements

For the financial year ended 30 September 2013

26. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective income tax rate

	Group	
	2013	2012
	$	$
Profit before income tax	**25,475,643**	23,901,622
Less: Share of result of joint venture	**(464)**	(45)
Share of result of associate	**–**	200,000
	25,475,179	24,101,577
Income tax calculated at Singapore's statutory income tax rate of 17% (2012: 17%)	**4,330,780**	4,097,268
Effect of different tax rate in other country	**11,665**	22,565
Tax effect of income not subject to income tax	**(268,508)**	(153,082)
Tax effect of expenses not deductible for income tax purposes	**288,344**	645,078
Tax effect of tax exemption	**(89,142)**	(34,195)
(Over)/Under provision in prior financial years	**(112,047)**	119,090
Unrecognised deferred tax assets	**56,286**	156,036
Utilisation of previously unrecognised deferred tax assets	**(121,874)**	(150,894)
Enhanced tax deduction	**(148,234)**	–
Others	**(3,791)**	(96,323)
	3,943,479	4,605,543

Unrecognised deferred tax assets

	Group	
	2013	2012
	$	$
Balance at beginning of financial year	**285,804**	280,662
Amount not recognised during the financial year	**56,286**	156,036
Utilisation of deferred tax assets not recognised previously	**(121,874)**	(150,894)
Balance at end of financial year	**220,216**	285,804

Unrecognised deferred tax assets are attributable to:

	Group	
	2013	2012
	$	$
Unutilised tax losses	**220,216**	285,804

As at 30 September 2013, the Group has unutilised tax losses amounting to approximately $1,400,000 (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 2013

27. 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 outstanding during the financial year.

The weighted average number of ordinary shares outstanding during the financial year is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor.

As the Group has no dilutive potential ordinary shares at the end of the reporting period, the diluted earnings per share are equivalent to basic earnings per share.

	Group	
	2013	**2012**
The calculation of basic and diluted earnings per share is based on:		
Profit attributable to owners of the parent ($)	**21,872,845**	20,015,082
Weighted average number of ordinary shares	**157,424,658**	134,294,569

28. DIVIDENDS

	Group	
	2013	**2012**
	$	**$**
Interim tax-exempt dividend paid of 0.50 (2012: 0.50) cents per ordinary share in respect of the current financial year	**780,000**	800,000
Special tax-exempt dividend paid of 1.50 (2012: 1.40) cents per ordinary share in respect of the previous financial year	**2,400,000**	–
Final tax-exempt dividend paid of 1.50 (2012: 1.40) cents per ordinary share in respect of the previous financial year	**2,400,000**	2,240,000
	5,580,000	3,040,000

The Board of Directors proposed that a final dividend of 2.00 (2012: 1.50) cents per ordinary share and special tax-exempt dividend of Nil (2012: 1.50) cents per ordinary share amounting to $3,120,000 (2012: $2,400,000) and $Nil (2012: $2,400,000) respectively to be paid for the financial year ended 30 September 2013. These dividends have not been recognised as a liability as at the end of the reporting period as it is subject to the approval of the shareholders at the Annual General Meeting.

Notes to the Financial Statements

For the financial year ended 30 September 2013

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

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

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

	Group	
	2013	**2012**
	$	**$**
Related party		
Subcontractor costs from a related party	**–**	9,865,755
Joint ventures		
Subcontractor costs to joint venture	**1,300,802**	–
Loan to joint ventures	**28,289,318**	–
Interest charged to joint ventures	**251,497**	–
Associate		
Subcontractor costs to an associate	**43,272,356**	12,706,855
Loan to an associate	**–**	5,380,000
Interest charge to an associate	**181,251**	188,611

Notes to the Financial Statements

For the financial year ended 30 September 2013

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

	Group	
	2013	2012
	$	$
Directors of the Company		
– Short-term benefits	**1,865,597**	1,762,354
– Post-employment benefits	**12,075**	9,400
– Directors' fees	**125,000**	84,375
Other key management personnel		
– Short-term benefits	**904,219**	490,877
– Post-employment benefits	**52,700**	27,429
	2,959,591	2,374,435

Included in key management personnel remuneration was Directors' remuneration of $1,877,672 (2012: $1,771,754).

30. COMMITMENTS

30.1 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	
	2013	2012
	$	$
Not later than one financial year	**556,343**	370,606
Later than one financial year but not later than five financial years	**985,021**	120,257
After five years	**1,496,315**	–
	3,037,679	490,863

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

30. COMMITMENTS (CONTINUED)

30.2 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	
	2013	2012
	$	$
Plant and machinery	–	1,240,800

31. 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	
	2013	2012
	$	$
Singapore	**142,582,151**	138,730,982
Maldives	**4,040,380**	28,629,316
Total revenue	**146,622,531**	167,360,298

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

The location of the non-current assets in an individual foreign country are not significant at the end of the reporting period.

Major customers

During the financial year, the Group's revenue is attributable to 8 (2012: 8) customers representing approximately 92% (2012: 97%) of total revenue.

32. 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.

Notes to the Financial Statements

For the financial year ended 30 September 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

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.

32.1 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.

In relation to the financial guarantees issued by the Company on behalf of its subsidiaries, the credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiaries. As at 30 September 2013, the Company has provided corporate guarantee to banks for facilities granted to subsidiaries amounting to approximately $71,684,630 (2012: $63,196,731), being the maximum amounts of the guarantees are allocated to the earliest period in which the guarantees could be called. As at 30 September 2013, the Company does not consider it probable that a claim will be made against the Company under the guarantees.

The Group has no significant concentrations of credit risk except for trade receivables from third parties, retention sum and unbilled revenue which accounts for 47% (2012: 64%) of the total trade and other receivables as at 30 September 2013.

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 as at the end of the reporting period that are past due but not impaired is as follows:

	Group	
	2013	**2012**
	$	**$**
Past due 0 to 1 month	**53,260**	16,602
Past due over 1 month	**92,251**	86,753

Notes to the Financial Statements

For the financial year ended 30 September 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.2 Market risk

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

(i) Equity prices

The Group 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.

(ii) Foreign exchange risk management

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

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

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

	Group			
	Assets		Liabilities	
	2013	2012	2013	2012
	$	$	$	$
Singapore dollar	**117,853,674**	115,238,259	**38,723,216**	38,088,337
United States dollar	**3,376,706**	1,673,204	**239,002**	2,482,219
Ringgit Malaysia	**746,012**	796,918	**–**	–
Maldives Rufiyaa	**651,347**	666,607	**–**	–

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 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.2 Market risk (Continued)

(ii) 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	
	2013	**2012**
	$	**$**
United States dollar		
Strengthens against Singapore dollar	**156,886**	40,451
Weakens against Singapore dollar	**(156,886)**	(40,451)
Ringgit Malaysia		
Strengthens against Singapore dollar	**37,301**	39,846
Weakens against Singapore dollar	**(37,301)**	(39,846)
Singapore dollar		
Strengthens against United States dollar	**3,956,523**	3,857,946
Weakens against United States dollar	**(3,956,523)**	(3,857,946)
Maldives Rufiyaa		
Strengthens against United States dollar	**32,567**	33,330
Weakens against United States dollar	**(32,567)**	(33,330)

(iii) Interest rate risk

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

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowing 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.

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.3 Liquidity risk

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

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

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

Contractual maturity analysis

	Within one financial year	After one financial year but within five financial years	After five financial years	Total
	$	$	$	$
Group				
2013				
Financial assets				
Convertible bond and derivative on convertible bond	–	5,750,000	–	5,750,000
Financial assets, held-to-maturity	–	2,824,804	328,750	3,153,554
Financial assets at fair value through profit or loss	745,195	–	–	745,195
Trade and other receivables	104,410,142	–	–	104,410,142
Cash and cash equivalents	18,238,318	–	–	18,238,318
Total undiscounted financial assets	123,393,655	8,574,804	328,750	132,297,209
Financial liabilities				
Trade and other payables	38,964,219	–	–	38,964,219
Bank borrowing	3,044,333	–	–	3,044,333
Finance lease payables	627,288	958,280	11,766	1,597,334
Total undiscounted financial liabilities	42,635,840	958,280	11,766	43,605,886

Notes to the Financial Statements

For the financial year ended 30 September 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year	After one financial year but within five financial years	After five financial years	Total
	$	$	$	$
Group				
2012				
Financial assets				
Financial assets, held-to-maturity	–	2,293,304	860,250	3,153,554
Financial assets at fair value through profit or loss	602,870	–	–	602,870
Trade and other receivables	62,279,559	–	–	62,279,559
Cash and cash equivalents	56,095,428	–	–	56,095,428
Total undiscounted financial assets	118,977,857	2,293,304	860,250	122,131,411
Financial liabilities				
Trade and other payables	40,570,554	–	–	40,570,554
Finance lease payables	539,290	354,316	25,438	919,044
Total undiscounted financial liabilities	41,109,844	354,316	25,438	41,489,598
Company				
2013				
Financial assets				
Convertible bond and derivative on convertible bond	**–**	**5,750,000**	**–**	**5,750,000**
Cash and cash equivalents	**4,728,919**	**–**	**–**	**4,728,919**
Total undiscounted financial assets	**4,728,919**	**5,750,000**	**–**	**10,478,919**
Financial liabilities				
Other payables, representing total undiscounted financial liabilities	**5,398,505**	**–**	**–**	**5,398,505**

Notes to the Financial Statements

For the financial year ended 30 September 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year	After one financial year but within five financial years	After five financial years	Total
	$	$	$	$
Company				
2012				
Financial assets				
Cash and cash equivalents, representing total undiscounted financial assets	4,626,079	–	–	4,626,079
Financial liabilities				
Other payables, representing total undiscounted financial liabilities	203,511	–	–	203,511

32.4 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 2013 and 2012.

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 2013 and 2012.

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

Notes to the Financial Statements

For the financial year ended 30 September 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.4 Capital management policies and objectives (Continued)

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade and other payables	**38,964,219**	40,570,554	**5,249,152**	203,511
Bank borrowing	**3,005,144**	–	**–**	–
Finance lease payables	**1,515,330**	854,480	**–**	–
Less: Cash and cash equivalents	**(18,217,596)**	(56,095,428)	**(4,721,496)**	(4,626,079)
Net debt/(cash)	**25,267,097**	(14,670,394)	**527,656**	(4,422,568)
Total equity	**64,440,460**	50,265,314	**25,382,344**	25,043,953
Total capital	**89,707,557**	35,594,920	**25,910,000**	20,621,385
Gearing ratio (%)	**28**	n.m.	**2**	n.m.

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

32.5 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)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the financial year ended 30 September 2013

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

32.5 Fair values (Continued)

Fair value hierarchy (Continued)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Group				
2013				
Derivative on convertible bond	**–**	**811,853**	**–**	**811,853**
Financial assets at fair value through profit or loss	**745,195**	**–**	**–**	**745,195**
2012				
Financial assets at fair value through profit or loss	602,870	–	–	602,870
Company				
2013				
Derivative on convertible bond	**–**	**811,853**	**–**	**811,853**

32.6 Categories of financial instruments

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Financial assets				
Loans and receivables	**127,100,391**	118,374,987	**9,194,149**	4,626,079
Financial assets, held-to-maturity	**2,839,000**	2,839,000	**–**	–
Financial assets, through profit or loss	**1,557,048**	602,870	**811,853**	–
Financial liabilities				
Other financial liabilities, at amortised cost	**43,484,693**	41,425,034	**5,249,152**	203,511

Notes to the Financial Statements

For the financial year ended 30 September 2013

33. EVENTS AFTER THE REPORTING PERIOD

On 1 October 2013, the Company has granted 4,000,000 options to the employees of the Group, including 400,000 options granted to one of the director of the Company pursuant to the Company's Employee Share Option Scheme approved by the shareholders during the Company's Annual General Meeting on 31 January 2012. The exercise price of the share options granted is $0.47 per options and exercise period is from 1 October 2016 to 30 September 2023.

On 24 October 2013, the issued and paid-up share capital for one of the Group's joint ventures, MKH (Punggol) Pte Ltd has increased from 10 to 1,000,000 ordinary shares and the Group has subscribed 149,997 ordinary shares for cash consideration of $149,997. Accordingly, the share of equity interests in this joint venture has decreased from 30% to 15% at the date of this report. The directors of the Group are of the opinion that the Group still has the contractual arrangements to jointly share the control over the economic activities of MKH (Punggol) Pte Ltd.

On 2 November 2013, the Group applied for an adjudication for claims against one of its Group's customers for an amount of approximately $32 million in respective to the building works on one of the completed projects during the financial year. The Group has not recognised for this amount as at 30 September 2013 in view that the claim is still in the process of adjudication as at the date of this report.

ANALYSIS OF SHAREHOLDINGS

As at 12 December 2013

Issued and Fully Paid-Up Capital (including Treasury Shares)	:	24,316,740
Number of Issued Shares (excluding Treasury Shares)	:	156,000,000
Number/Percentage of Treasury Shares	:	4,000,000 (2.56%)
Class Of Shares	:	Ordinary shares
Voting Rights (excluding Treasury Shares)	:	One Vote Per Share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDINGS	%	NO. OF SHARES	%
1 – 999	0	0	0	0.00
1,000 – 10,000	49	30.06	304,000	0.19
10,001 – 1,000,000	94	57.67	16,406,000	10.52
1,000,001 AND ABOVE	20	12.27	139,290,000	89.29
TOTAL	163	100.00	156,000,000	100.00

Based on the information available to the Company, as at 12 December 2013, approximately 39.60% of the issued ordinary shares of the Company is held by the public. Hence, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 12 DECEMBER 2013	NO. OF SHARES	%
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	43,115,500	27.64
LEO TING PING RONALD	35,615,500	22.83
TEOU KEM ENG @ TEOU KIM ENG	10,668,000	6.84
LIM EWE GHEE	5,277,000	3.38
DBS NOMINEES PTE LTD	5,045,000	3.23
KIENTA ENGINEERING CONSTRUCTION PTE. LTD.	4,444,000	2.85
HONG LEONG FINANCE NOMINEES PTE LTD	3,929,000	2.52
SEAH HOE SENG	3,659,000	2.34
LAU ENG TIONG	3,444,000	2.21
UNITED OVERSEAS BANK NOMINEES PTE LTD	3,423,000	2.19
BANK OF EAST ASIA NOMINEES PTE LTD	3,145,000	2.02
LIM CHOON TECK HOLDING PTE LTD	2,777,000	1.78
GOH GEOK CHEONG	2,666,000	1.71
MAYBANK NOMINEES (S) PTE LTD	2,619,000	1.68
LIM SIAK MENG	2,611,000	1.67
TEOU CHUN TONG JASON	1,700,000	1.09
KUIK THIAM HUAT	1,388,000	0.89
LIAW WIE SEIN	1,388,000	0.89
MAYBANK KIM ENG SECURITIES PTE LTD	1,365,000	0.88
FOO CHEK HENG	1,011,000	0.65
	139,290,000	89.29

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 12 DECEMBER 2013 AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of shares held as Direct	%	No. of shares held as Deemed	%
LEO TING PING RONALD[1]	35,615,500	22.83%	45,615,500	29.24%
TEOU KEM ENG @ TEOU KIM ENG	10,018,000	6.42%	–	–

Note:

1. Mr Leo Ting Ping Ronald has a deemed interest in the 40,615,500 shares and 5,000,000 shares held in the name of BNP Paribas Nominees Singapore Pte Ltd and DBS Nominees Pte Ltd, respectively.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth 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 Monday, 27 January 2014 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 2013 and the Auditors' Report thereon. **Resolution 1**

2. To declare a one-tier tax exempt final dividend of 2 Singapore cents per ordinary share for the financial year ended 30 September 2013. **Resolution 2**

3. To approve the proposed Directors' Fees of S$125,000 for the financial year ended 30 September 2013. **Resolution 3**

4. To re-elect the following Directors retiring pursuant to Article 98 of the Company's Articles of Association:–

   Mr Lim Jun Xiong Steven [See Explanatory Note (a)] **Resolution 4**
   Mr Chong Weng Hoe [See Explanatory Note (b)] **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

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

Notice of Annual General Meeting

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:–

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next 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 (c)]

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 (d)]

Notice of Annual General Meeting

9. **Renewal of the Share Buy-Back Mandate** **Resolution 9**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act (Chapter 50 of Singapore) (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with an equal access scheme as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the memorandum and articles of association of the Company and the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("**Rules of Catalist**") as may for the time being be applicable be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the Relevant Period (as hereinafter defined) and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held;

(ii) the date by which the next AGM of the Company is required by law to be held;

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked; or

(iv) the date on which the Share Buybacks are carried out to the full extent mandated;

(c) for purposes of this Resolution:

"**Maximum Limit**" means ten per cent (10%) of the total issued Shares of the Company as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buy-back) in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as hereinafter defined) in which event the issued Shares of the Company shall be taken to be the total number of the issued Shares of the Company as altered by such capital reduction (the total number of Shares shall exclude any Shares that may be held as treasury shares by the Company from time to time);

Notice of Annual General Meeting

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the earlier of the date on which the next annual general meeting of the Company is held or is required by law to be held, or the date the said mandate is revoked or varied by the Company in a general meeting;

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, five per cent (5%) above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded before the day on which the Market Purchase was made by the Company and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, ten per cent (10%) above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded before the day on which the Company makes an announcement of an offer under the Off-Market Purchase scheme stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

(d) the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;

(e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buy-Back Mandate in any manner as they think fit, which is permitted under the Act; and

(f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution. [See Explanatory Note (e)]

By Order of the Board

Lo Swee Oi and Tan Ching Chek
Joint Company Secretaries

Dated: 10 January 2014

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 11 February 2014, for the preparation of dividend warrants for the proposed tax exempt (one-tier) final dividend of 2 Singapore cents per ordinary share for the financial year ended 30 September 2013 (the "**Proposed Dividend**").

Duly completed transfers received by the Company's Share Registrar, B.A.C.S. Private Limited of 63 Cantonment Road, Singapore 089758 up to the close of business at 5.00 p.m. on 10 February 2014 will be registered to determine shareholders' entitlement to the Proposed Dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 10 February 2014, will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by members at the AGM to be held on 27 January 2014, will be paid on 21 February 2014.

Explanatory Notes:

(a) Mr Lim Jun Xiong Steven, if re-elected, will continue to serve as the Chairman of the Audit Committee and a member of the Nominating and the Remuneration Committees. Mr Lim is considered to be independent for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited.

(b) Mr Chong Weng Hoe, if re-elected, will continue to serve as the Chairman of the Nominating Committee and a member of the Audit and the Remuneration Committees. Mr Chong is considered to be independent for the purposes of Rule 704(7) of the Listing Manual (Section B Rules of Catalist) of the Singapore Exchange Securities Trading Limited.

(c) 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).

(d) 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.

(e) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to ten per cent (10%) of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company, at the price up to but not exceeding the Maximum Price. The rationale for the Share Buy-Back Mandate, the source of funds to be used for the Share Buy-Back Mandate, the impact of the Share Buy-Back Mandate on the Company's financial position, the implications arising as a result of the Share Buy-Back Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST are set out in the Letter to Shareholders dated 10 January 2014, which is enclosed together with the Annual Report.

Notes to Proxy Form:

(i) A member entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(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.

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 Monday, 27 January 2014 at 11.00 a.m. and at any adjournment thereof in the following manner:

No	Resolutions:	TO BE USED ON A SHOW OF HANDS		TO BE USED IN THE EVENT OF A POLL	
	Ordinary Business	**For***	**Against***	**Number of Votes For****	**Number of Votes Against****
1.	To adopt the Directors' Reports, Auditors' Report and Audited Financial Statements for financial year ended 30 September 2013				
2.	To declare a one-tier tax exempt Final Dividend of 2 Singapore cents per ordinary share for the financial year ended 30 September 2013				
3.	To approve Directors' Fees of S$125,000 for the financial year ended 30 September 2013				
4.	To re-elect Mr Lim Jun Xiong Steven as a Director of the Company				
5.	To re-elect Mr Chong Weng Hoe as a Director of the Company				
6.	To re-appoint BDO LLP as Auditors of the Company				
	Special Business				
7.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore				
8.	To authorise Directors to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme				
9.	To approve the proposed renewal of the Share Buy-Back Mandate				

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

** If you wish to exercise all your votes "For" or "Against", please indicate so with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

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

Dated this ____________ day of ____________________ 2014.

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

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Fold here

Affix Stamp

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

Fold here

NOTES:–

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, 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.

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