强楓控股有限公司

KEONG HONG HOLDINGS LIMITED

BUILDING A SUSTAINABLE FUTURE

ANNUAL REPORT 2014

A gem develops its brilliancy and scintillation by cutting and shaping its facets. It is a delicate process that commands patience, precision and perseverance.

Like a gem in the making, at Keong Hong, we continuously hone our craft and perfect our skills in order to deliver first-grade solutions to our clients and partners. We pursue clear growth strategies that will lead the Group to new heights.

FY2014 saw the Group deliver another year of steady performance. Our growth is a testament to our business capabilities, strong management and dedicated and talented human capital. Going forward, we will continue to harness these strengths to secure sustainable growth and a brighter future.

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Ms. Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.

Year In Review

80,000,000

Bonus shares issued to our shareholders to reflect the growth and expansion of the Group's business, as well as to reward shareholders for their loyalty towards and support of our Group

463**

Million of Singapore Dollars worth of order book and a construction pipeline stretching till 2017

3,077

Units of residential and hotel rooms under construction

1st

Hotel development at East Coast Road with food and beverage outlets and retail shops

137*

Per cent growth in market capitalisation since IPO

150,000

Singapore Dollars to establish the Keong Hong Holdings Bursary for deserving students in Department of Civil Engineering, National University of Singapore Faculty of Engineering

* Based on closing price of S$0.39 as at 26 December 2014

** As of 30 September 2014

Robust Engines of Growth

FY2014 has been a year of growth for the Group in terms of financial and business activities. As at 30 September 2014, our order book stood at S$463 million. We will continue to pursue our strategy of leveraging on our competencies in building, construction and hotel and property development and in forming strategic partnerships with established players in the industry to explore other synergistic and related activities with growth prospects. We will strengthen our overseas activities in the Maldives and seek new geographical markets.

Hotel Indigo Singapore Katong and Holiday Inn Express Singapore Katong

Artist's Impression

Chairman's Message

"...another area in which we are currently actively exploring opportunities to participate is civil and structural engineering and infrastructural works for the extension of the existing MRT network."

Leo Ting Ping Ronald
Chairman and Chief Executive Officer

Dear Shareholders,

On behalf of the Board of Directors, I present to you our Annual Report 2014. For the financial year ended 30 September 2014 ("FY2014"), Keong Hong Holdings Limited ("Keong Hong" or "the Group") registered commendable top-line growth. While there was continued healthy civil engineering construction demand in the public sector driven by infrastructure works such as the extension of the MRT networks and highway and road constructions, the private sector construction output slowed down due to weaker private residential building works and a fall in private commercial and industrial building works [1]. Likewise, the property sector's performance was lackluster as the effects of the government's cooling measures, namely, the additional buyer's stamp duty payable, reduced loan-to-value ratios and the total debt servicing ratio framework, and the considerable supply of completed housing units in the market, kicked in. High operational and business costs and policies relating to the regulation of the inflow of foreign manpower were once again issues that the building and construction industry had to grapple with. These factors impacted our bottom-line performance, despite the healthy revenue growth.

REVIEW OF OUR FINANCIAL PERFORMANCE

Our revenue increased by 86.1% from S$146.6 million for the financial year ended 30 September 2013 ("FY2013") to S$272.9 million in FY2014 on recognition of a higher percentage of revenue from our ongoing projects as well as new projects as they reached their active stage of construction. These projects included our property development projects such as *Twin Waterfalls* and *SkyPark Residences*, as well as construction projects such as *Alexandra Central* and *J Gateway*. Despite the higher revenue, our net profit fell by 9.9% to S$19.4 million from S$21.5 million, as we had to contend with higher administrative expenses and finance costs. Our gross profit increased by 0.5% from S$30.4 million in FY2013 to S$30.6 million in FY2014, with lower gross profit margin of 11.2% as compared to 20.7%. The decline in gross profit margin was due to increased cost of sales attributed mainly to higher wages, and labour levies and other business costs such as those associated with our ongoing efforts to improve workplace safety.

Our cash and cash equivalents stood at a robust S$38.7 million during the financial period under review. This was from positive net cash generated from operating activities of S$48.1 million after taking into consideration changes in working capital.

REINFORCING OUR ENGINES OF GROWTH

We actively sought to ensure that our engines of growth, namely our building and construction and growing property development activities, were firmly anchored given the uncertain near-term conditions of the construction sector. Towards this end, we secured an executive condominium building contract during FY2014, *The Amore* at Edgedale Plains in Punggol Central, with a contract value of S$118.0 million. The Group owns a 15% interest in this 17-storey, 378-unit project. Construction of this project commenced in second half of 2014 with an estimated completion date in November 2016. Our property development portfolio

[1] Economic Survey of Singapore Second Quarter 2014, Ministry of Trade and Industry Press Release, "2014 GDP Forecast Narrowed to 2.5 to 3.5 Per Cent". Available: http://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Second-Quarter-2014/PR_2Q14.pdf.

was given an added boost with the recent successful joint tender with FCL Tampines Court Pte. Ltd., a wholly-owned subsidiary of Frasers Centrepoint Limited, for the development of an executive condominium project at Sembawang Avenue. This is our fourth residential development project to date and contributes to our growing stable of property development initiatives which have been steadily strengthening since we entered this sector in 2012.

Other ongoing building and construction projects include the 506-unit executive condominium, *SkyPark Residences* (which we hold a 20% share in the development), the hotel mixed development, *Alexandra Central,* and the private residential development, *J Gateway*. In total, our order book on construction projects as at the end of FY2014 stood at approximately S$463 million.

The Group took a significant step in hotel and resort development, bringing our overseas experience in the Maldives to Singapore. In January 2014, the Group was successfully awarded a parcel of land in East Coast Road through our wholly-owned subsidiary, Keong Hong Construction Pte Ltd and our joint venture partner, Master Contract Services Pte. Ltd, for the development of two hotels, namely the 131-room Hotel Indigo Singapore Katong and the 451-room Holiday Inn Express Singapore Katong. Construction work of these hotels, in which we have a 20% interest, has commenced and is expected to be completed in 2016.

Our local building and construction activities are reinforced by our overseas activities in the Maldives, where we are currently undertaking three projects, namely, the expansion, development and operation of the Kooddoo Airport, and the development and operation of a 68-villa airport hotel and a 120-villa resort. The airport extension works and the development of airport hotel are slated for completion by the end of 2015 and the resort by the end of 2017.

To increase the issued share capital base of the Group and to reflect the growth and expansion of the Group's business, as well as to reward our shareholders for their loyalty towards and support of our Group, we have issued a bonus issue of new ordinary shares in our Group on the basis of one bonus share for every two existing issued shares in the capital of the Group in June 2014. The total number of issued Shares of the Group increased from 160,000,000 to 240,000,000.

BUILDING A SUSTAINABLE FUTURE

The near to mid-term outlook for the building and construction sector in Singapore is challenging, especially in the residential segment. The Building and Construction Authority ("BCA") forecasts that average construction demand will be between S$25 billion and S$34 billion per annum for 2015 and 2016, with building projects constituting 60% of the total demand and the remaining 40% from civil engineering projects [2]. The outlook is less bullish compared with the S$31 billion to S$38 billion construction demand for 2014 in view of the current market volatility amidst the Government's multi-pronged

[2] Building and Construction Authority Press Release, "Construction demand for 2014 to remain strong". Available: http://www.bca.gov.sg/Newsroom/pr09012014_BCA.html.

Chairman's Message

approach to stabilise the property market, the substantial supply of completed housing units coming on-stream over the next few years, as well as the scaling back of new Government land sales for the first half of 2014.

In anticipation of the increased competition due to limited land sales resulting in restricted tendering opportunities for new building and construction and development projects, higher business and operational costs and tight labour supply, all of which may significantly impact our Group's performance, we have sought new opportunities which we hope will see us through both the near-term turbulence and longer-term challenges. Specifically, we have intensified our diversification efforts into related activities by forming strategic alliances with reputable industry players where there are synergies and complementary competencies. One such area is the property and hotel development sector and another area in which we are currently actively exploring opportunities to participate is civil and structural engineering and infrastructural works for the extension of the existing MRT network. We will continue to actively seek such new contracts both locally and overseas to replenish and strengthen our project pipeline.

Heeding the need to raise our competitive business position and to counter rising costs and the shrinking pool of available skilled labour, we have implemented productivity measures, sponsored the upgrading of our technical personnel for key technology courses such as the Specialist Diploma in Building Information Modeling, Construction, Specialist Diploma in Construction Management and increased automation of processes for greater standardisation, reduced errors and faster turnaround. In line with the Government's initiative to enhance construction productivity, we will continue to tap into Government funding to optimise mechanisation. In FY2014, we invested approximately S$1.2 million in the acquisition of plant and machinery such as forklifts, bar bending machines, auto climbing system formwork, Preston loading platform, scissors lifts and boom lifts. We also increased our training and skills upgrading budget by 34% as part of our relentless efforts to improve productivity and competitiveness.

Our corporate and operational activities will soon be consolidated in one location as we work towards the final phase of completion of our office and factory building in Sungei Kadut. With the impending move to our new headquarters, we anticipate cost savings from shared resources and opportunities to leverage on the various synergies across our business divisions for greater efficiencies.

2015 AND BEYOND

In spite of the challenges highlighted, we are cautiously optimistic of the performance of our Group in 2015 and beyond, due in part to new and ongoing projects which will extend till 2017. Furthermore, we will be recognising the first tranche of revenue from our property development project, *Twin Waterfalls*, in 2015. Several of our construction projects will also be completed next year allowing for further revenue recognition upon receipt of their Temporary Occupation Permits ("TOPs"). *Terrasse* and *Alexandra Central* Phase 1 have already obtained TOP

To reward our shareholders, the Board is recommending a one tier tax-exempt final dividend of 1.25 Singapore cents per share which, if approved at the Company's forthcoming Annual General Meeting, will be paid on 13 February 2015. This will bring the full-year payout to 2.25 cents per share which yields a dividend payout ratio of 22.7%.

on 24 November 2014 and 11 December 2014 respectively. *Alexandra Central* Phase 2 is expected to be completed by the end of March 2015.

The Singapore economy, according to the Ministry of Trade and Industry ("MTI"), is forecasted to grow by 2.0 to 4.0 per cent in 2015. The construction sector, among other labour intensive sectors, is expected to be stretched by the tight labour market. The economy as a whole is anticipated to perform moderately in 2015 given the uneven economic performance of the global economy [3].

In light of the macro factors and the sector performance outlook, we will adopt a prudent financial approach and a conservative stance to our activities with a focus on improving internal efficiencies and enhancing our operations across the board. We will, nevertheless, be open to ventures that present sustainable growth opportunities for the Group.

To reward our shareholders, the Board is recommending a one tier tax-exempt final dividend of 1.25 Singapore cents per share which, if approved at the forthcoming Annual General Meeting, will be paid on 13 February 2015. This will bring the full-year payout to 2.25 cents per share which yields a dividend payout ratio of 22.7%.

APPRECIATION AND ACKNOWLEDGEMENTS

We welcome Mr Leo Zhen Wei Lionel to the Board of Directors. Lionel assumed the role of a Non-Executive and Non-Independent Director and a Member of the Audit Committee on 10 June 2014. Lionel brings with him considerable commercial legal expertise, having served in the public sector before bringing his experience to the private sector where he is now a partner in one of the largest law firms in Singapore.

Finally, but no less importantly, I would like to express my sincerest thanks, on behalf of my fellow Board members, to our management and staff for their hard work and dedication during the past financial year. As always, the achievements of our Group would not have been possible without their efforts and talents. Our appreciation also goes out to our shareholders, 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 FY2015 and the opportunities the new year will bring.

Leo Ting Ping Ronald
Chairman and Chief Executive Officer

[3] Economic Survey of Singapore Third Quarter 2014, Ministry of Trade and Industry Press Release, "MTI Forecasts Growth of Around 3.0 Per Cent in 2014 and 2.0 to 4.0 Per Cent in 2015". Available:http://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2014/PR_3Q14.pdf.

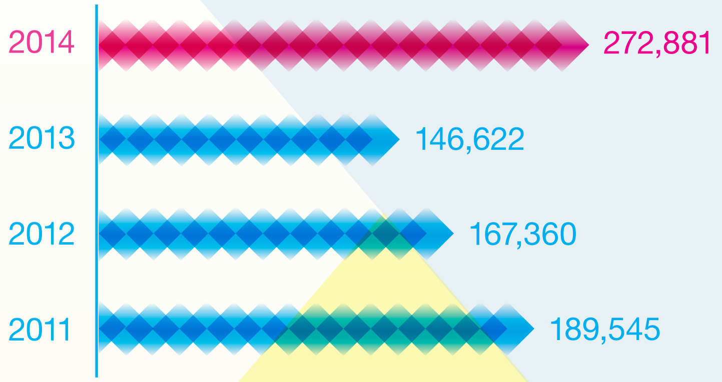
ENHANCING CAPABILITIES

A key facet keeping us on the competitive edge is our relentless focus on quality. We continuously invest in skills upgrading, automation and productivity initiatives to better our capabilities to remain relevant in the face of changing customer demands, technological advancements and economic conditions.

Financial Highlights

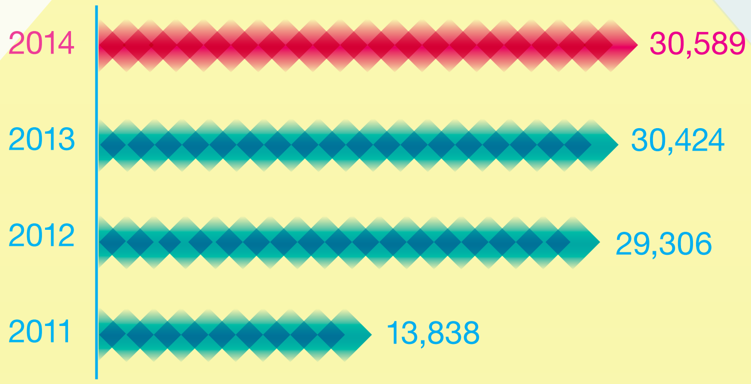
The Group revenue increased by 86.1% from S$146.6 million in FY2013 to S$272.9 million in FY2014, mainly due to higher revenue recognition from ongoing projects as well as new projects as they reached active stage of construction.

Revenue
(S$'000)



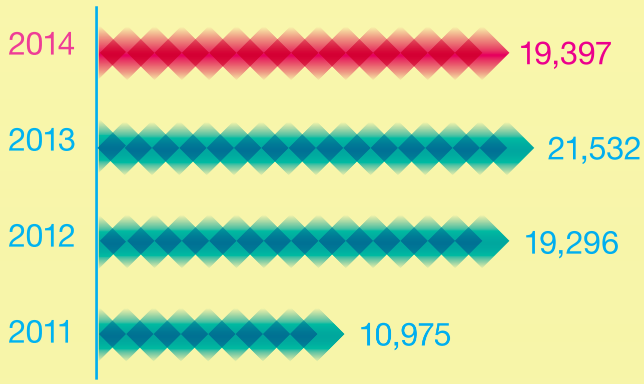
Gross profit saw a marginal 0.5% increase from S$30.4 million in FY2013 to S$30.6 million in FY2014, with lower gross profit margin of 11.2% as compared to 20.7%. The decline in gross profit margin was due to increased cost of sales attributed to higher wages and labour levies and other business costs such as those associated with efforts to improve workplace safety.

Gross Profit
(S$'000)

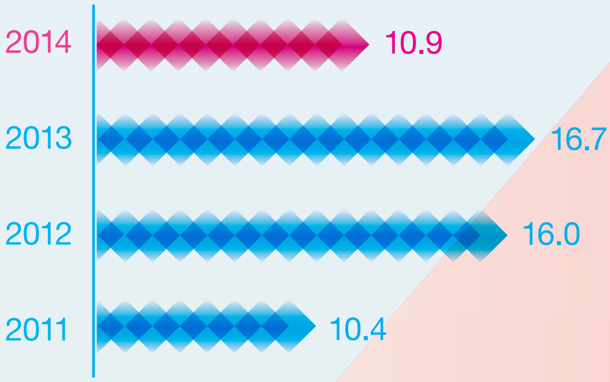


Net profit after tax decreased by 9.9% from S$21.5 million in FY2013 to S$19.4 million in FY2014 as a result of higher administrative expenses and finance costs.

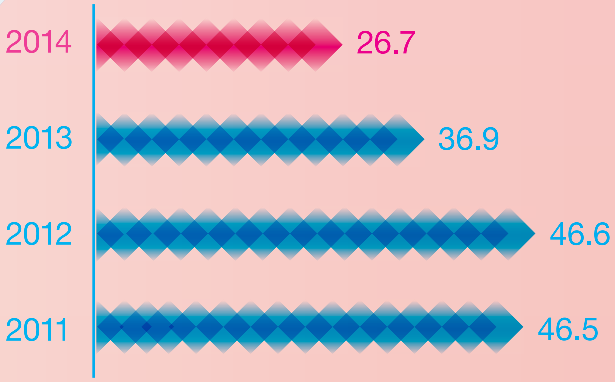
Net Profit After Tax
(S$'000)



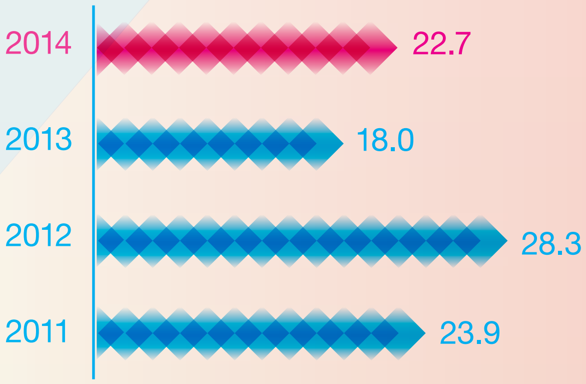
Return on Assets
(%)



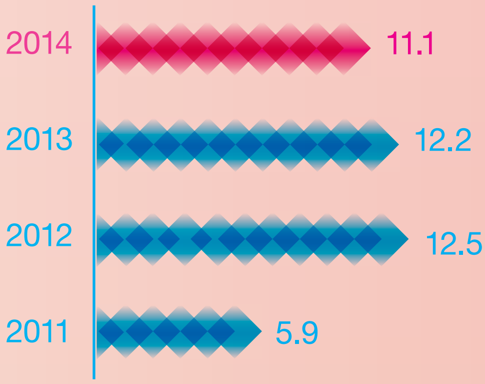
Return on Equity
(%)



Dividend Payout Ratio
(Per cent)



Basic EPS*
(Singapore cents)



* Based on 160 million post IPO shares in issue for FY2011 and FY2012. FY2013 and FY2014 are based on weighted average ordinary shares of 179,365,068 and 177,653,912 respectively.

J Gateway

Improving Productivity

At Keong Hong, we take measures to continuously improve productivity though investments in mechanisation and automation, adoption of new technology, skills upgrading and training and development to stay competitive and to overcome the challenges of our industry.

Financial and Operations Review

Singapore's economy is estimated to have grown by 2.8 per cent for 2014, moderating from the 3.9 per cent growth in 2013, according to advanced estimates released by the Ministry of Trade and Industry. The construction sector is estimated to have grown by 3.0 per cent for the whole of 2014, lower than the 6.1 per cent growth in 2013 [1]. Despite the weaker economy and slowdown in the construction industry, the Group has turned in a commendable set of results for the financial year ended 30 September 2014 ("FY2014"), with continued improvements made in our business and operational capabilities in order to ensure sustained growth.

Our revenue increased by 86.1% to S$272.9 million in FY2014 as compared to S$146.6 million for the 12 months ended 30 September 2013 ("FY2013"). The increase in revenue was on account of higher revenue recognised for our ongoing projects and from new projects on which we commenced work mainly in the fourth quarter of FY2013 such as *Alexandra Central, J Gateway* and *SkyPark Residences*. We have also commenced work on a new executive condominium, *The Amore,* at Edgedale Plains in Punggol Central in the fourth quarter of FY2014.

Higher costs associated with the industry, such as wages, labour levies and work safety expenditure and lower margins realised on our new projects which were are only in their initial stages of construction, led to lower gross profit margin. Gross profit increased marginally by 0.5% to S$30.6 million as compared to S$30.4 million in the previous year, while gross profit margin decreased 9.5 percentage points to 11.2% in FY2014 versus 20.7% in FY2013.

Our net profit before tax decreased to S$23.6 million in FY2014 or by 7.3% from S$25.5 million in FY2013 flowing from the lower gross profit as well as higher administrative expenses associated with property tax, land lease, professional fees, grant of employee Share Options, fair value loss on the derivative of the convertible bond and finance costs related to increased bank borrowings.

Our cash position remained robust, with cash and cash equivalents of S$38.7 million as at 30 September 2014. The Group's basic earnings per share was 11.1 cents (12.2 cents as at the end of FY2013) with net asset value standing at 34.1 cents per share (41.3 cents per share in FY2013).

COMPLETED AND ONGOING PROJECTS

We made good progress on our projects in this financial year. We have completed one project with another two projects near completion.

Terrase, a 16-block, 5-storey, 414-unit design and build condominium development by MCL Land (Serangoon) Pte Ltd obtained its Temporary Occupation Permit ("TOP") in November 2014. Our maiden property development project, *Twin Waterfalls,* a 728-unit executive condominium in Punggol, which is a joint-venture with FCL Tampines Court Pte Ltd, is scheduled for completion in the second quarter of the financial year ended 30 September 2015

[1] Ministry of Trade and Industry Press Release, "Singapore's GDP Grew by 1.5 Per Cent in Fourth Quarter of 2014". Available:http://www.mti.gov.sg/NewsRoom/SiteAssets/Pages/Singapore's-GDP-Grew-by-1.5-Per-Cent-in-Fourth-Quarter-of-2014/Press%20Release%20on%20Advance%20GDP%20Estimates%20For%204Q2014.pdf

("FY2015"). *Paterson Collection* (previously known as *"Paterson 2"*), a 19-storey condominium with twin tower blocks is also expected to receive its TOP in the second quarter of FY2015.

The 19-storey hotel mixed development at Jalan Bukit Merah/Alexandra Road, *Alexandra Central*, awarded to us last year by CEL-Alexandra Pte Ltd, at a contract sum of S$101.1 million, has obtained its Phase 1 TOP in December 2014. The project is on schedule for final phase completion in the second quarter of FY2015.

The other significant contract secured last year, *J Gateway*, a 738-unit private condominium at Boon Lay Way/Gateway Drive by MCL Land (Gateway) Pte Ltd worth S$161.9 million, is currently at superstructure phase with the advanced block Tower 2 reaching the 13th storey. Architectural works at Tower 2 have progressed well. The project is scheduled for completion in the fourth quarter of the financial year ended 30 September 2016 ("FY2016").

GROWING OUR PROPERTY DEVELOPMENT PORTFOLIO

We continued to strengthen our portfolio of property development projects since our foray into this sector with *Twin Waterfalls* executive condominium in 2012. We have since entered into three more private residential development projects.

We secured an executive condominium building contract during FY2014, *The Amore,* at Edgedale Plains in Punggol Central, in which we have a 15% interest. The 17-storey, 378-unit project has a contract value of S$118.0 million. Construction work commenced in the third quarter of FY2014 with the launch of the project to be held on 17 January 2014. The estimated completion date for the project is the first quarter of the financial year ended 30 September 2017 ("FY2017").

Our property development portfolio was given an added boost with the recent successful joint tender with FCL Tampines Court Pte. Ltd., a wholly-owned subsidiary of Frasers Centrepoint Limited, for the development of an executive condominium project at Sembawang Avenue. The 22,189.7 sqm site was secured for S$214.1 million. The project is expected to be launched in the fourth quarter of FY2015.

Our other residential development project, *SkyPark Residences,* a joint venture with JBE Holdings Limited, is now progressing into the superstructure and finishing phase, with the advanced block already completed and the superstructure and finishing works having reached the 10th storey. This 9-block, 506-unit executive condominium in Sembawang, for which we are undertaking the main contract work worth S$149.9 million, has been well-received with 68.8% of the units sold to date. Completion is on schedule for October 2016.

With our growing portfolio of property development projects and with overseas experience in hotel development in the Maldives, we took a significant step of venturing into hotel development in Singapore. We have successfully jointly-tendered for a 8,238.5 sqm parcel of land on East Coast Road at the site of the former Joo Chiat Police Station. Together with our partners, Master Contact Services Pte

Financial and Operations Review

Ltd and Asia Development Pte Ltd, the site will be developed into two distinctive hotels serving the historic Katong area. The 131-room Hotel Indigo Singapore Katong and the 451-room Holiday Inn Express Singapore Katong, both of which will be managed by InterContinental Hotels Group, will boast food and beverage outlets and retail shops. We hold a 20% interest in the project. Work on the project has commenced and the main contractor has completed the substructure. The estimated completion dates for the retail mall and both hotels are in FY2016.

OVERSEAS VENTURES

With the Maldives' growing tourist market, we strengthened our foothold in the building and construction as well as the hotel development and management industries with the three lease agreements entered into with the Government of the Republic of Maldives in 2013. All three projects are well-underway. The expansion, development and operation of the Kooddoo domestic airport in Gaafu Alifu Atoll, including infrastructure work for the extension of its existing runway have progressed into the land reclamation phase with completion slated for the end of FY2015. The development of a 68-villa airport hotel on Kooddoo and a 120-villa resort on the island of Maamutaa are also progressing well. The airport hotel, which will be completed at the end of FY2015 is currently at the footings and structural framing stage for land villas and back of house, with water villas commencing soon. The resort, now in its final phase of development and planning stage, is on target for completion at the end of FY2017.

UPGRADING CAPABILITIES ON ALL FRONTS

The ongoing restriction on the employment of foreign labour and the imposition of foreign worker levies are challenges which the construction industry has to cope with. These policies are not anticipated to be amended in the immediate future and thus we had to find other ways of maximising our talent pool and realising greater returns from our existing resources. Productivity, automation and mechanisation as well as skills enhancement are some of the means to mitigate the impact of labour shortage, rising costs and time and margin pressures. With challenges such as rising raw material costs and other associated costs of conducting business, our efforts at capabilities upgrading in relation to our plant and machinery as well as our human capital pool has enabled us to maintain our competitive edge in the construction industry.

In relation to such initiatives, we have invested approximately S$1.2 million in the acquisition of plant and machinery such as forklifts, bar bending machines, auto climbing system formwork, Preston loading platform and scissors and boom lifts. Additionally, our staff training and development budget has increased by 34% compared to FY2013.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

In keeping with our philosophy of developing the next generation of building and construction and engineering professionals, and in furtherance of our support of educational initiatives, we continued our partnership with institutes of higher education to offer scholarships, bursaries and other means of financial support to

deserving students in these fields of study. This is in order to allow them to gain a solid foundation and hopefully use their talents for the benefit of the industry in future. Towards this end, we have established a Keong Hong Holdings Bursary of S$150,000 for deserving students in the Department of Civil Engineering, National University of Singapore Faculty of Engineering.

As a responsible corporate citizen, we have supported multiple non-for-profit organisations. We have stepped up our efforts to help the less fortunate with our level of charitable giving increasing by 60% compared to FY2013. We made financial contributions to the Singapore Association for the Deaf, the Singapore Children's Society, the Community Chest and other charitable organisations.

LOOKING AHEAD

The average construction demand, according to the BCA's forecast for 2015 and 2016 is between S$25 billion and S$34 billion per annum. This is significantly below the construction demand for 2014 [2]. The property market remains muted and possible interest rate hikes by the banks will further impact buyer sentiments which have been considerably dampened by the Government's property cooling measures.

The landscape for the coming year is expected to be more challenging than FY2014. We nonetheless remain confident of our ability to meet the challenges of the near future. With an order book on construction projects of approximately S$463 million as at end of FY2014 and a construction pipeline stretching till 2017, we are in a stable position despite the less-than-favourable outlook of the industry. Furthermore, we have expanded our capabilities beyond just residential construction and development, to hotel development both locally and overseas.

Our growing expertise in construction and development in the Maldives will stand us in good stead for possible projects in other markets. It has also widened the base of our revenue stream and provided a hedge against possible downsides in the local building and construction industry.

Internally, we will continue to develop our capabilities, improve our productivity and invest for growth. These are the engines that will propel us to future sustainable growth. The near-term landscape necessitates that we take a more prudent and circumspect approach in our activities. Specifically, cost-savings and economies of scale should result from consolidating our operations at our new headquarters at Sungei Kadut.

We intend to look into undertaking high-value infrastructure projects, especially in the MRT segment, through possible joint ventures and/or suitable acquisitions. We will remain vigilant for opportunities that will provide good returns on investment and long-term growth prospects.

[2] Building and Construction Authority Press Release, "Construction demand for 2014 to remain strong". Available: http://www.bca.gov.sg/Newsroom/pr09012014_BCA.html.

INVESTING FOR THE FUTURE

Human capital is our most precious asset. We put our people first and are committed to nurturing both our present talents and a future generation workforce as we believe that the strength of the industry depends on talented individuals.

Artist's Impression

Board Of Directors

From left to right: Chong Weng Hoe, Leo Zhen Wei Lionel, Leo Ting Ping Ronald, Lim Jun Xiong Steven, Er Ang Hooa and Wong Meng Yeng.

LEO TING PING RONALD

Chairman and Chief Executive Officer

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

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

Mr Leo graduated with a Bachelor of Engineering (Civil) with first class honours and a Master of Science (Construction Engineering) degree from The National University of Singapore in 1974 and 1977, respectively. He became a member of The Institution of Engineers Singapore and an associate of The Institute of Structural Engineers, 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

Mr Er 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, he was the general manager from 2005 to 2010, assistant general manager from 2001 to 2004 and senior project manager from 1996 to 2000 of KH Construction.

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

LIM JUN XIONG STEVEN

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

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

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

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

CHONG WENG HOE

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

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

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

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

Mr Chong graduated with a Bachelor of Engineering (Electrical) from the National University of Singapore in 1989 and obtained a Master of Business Administration (Accountancy) from the Nanyang Technological University of Singapore in 1997. He is a member of the Singapore National Council for International Electrotechnical Commission and is a member of the Singapore Accreditation Council (Marketing Committee). He is also a member of the task force for the Singapore-Thailand Enhanced Economic Relationship (STEER).

WONG MENG YENG

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

Mr Wong was appointed to our Board on 22 November 2011 and was re-elected on 31 January 2013.

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

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

LEO ZHEN WEI LIONEL

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

Mr Leo was appointed to our Board on 10 June 2014.

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

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

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

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

Key Management

From left to right: Tan Kah Ghee, Dr Wu Chee Shien Jeremy, Ng Siew Khim, Lee Shaw Beng and Desmonde Chong Wai Swee.

TAN KAH GHEE

Chief Financial Officer

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

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

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

DESMONDE CHONG WAI SWEE

Chief Operating Officer

Mr Chong joined our Group in 2011 as head of projects in Keong Hong Construction Pte. Ltd. ("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.

Mr Chong 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

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

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

DR WU CHEE SHIEN JEREMY

General Manager (Operations)

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

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

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

LEE SHAW BENG

Senior Manager (Business Development)

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

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

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

Corporate Information

BOARD OF DIRECTORS
Leo Ting Ping Ronald (Chairman and CEO)
Er Ang Hooa
Lim Jun Xiong Steven
Chong Weng Hoe
Wong Meng Yeng
Leo Zhen Wei Lionel [1]

AUDIT COMMITTEE
Lim Jun Xiong Steven (Chairman)
Chong Weng Hoe
Wong Meng Yeng
Leo Zhen Wei Lionel [1]

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

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

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: Hong Bee Lain Jacqueline
(Appointed since the financial year ended 30 September 2014)

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

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

Notes:
[1] Appointed on 10 June 2014

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 2014 ("FY2014"), with specific references made to the principles of the Code of Corporate Governance 2012 (the "Code").

Principle 1: The Board's Conduct of its Affairs

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

Leo Ting Ping, Ronald	Chairman and Chief Executive Officer
Er Ang Hooa	Executive Director
Lim Jun Xiong Steven	Lead Independent Director
Chong Weng Hoe	Independent Director
Wong Meng Yeng	Independent Director
Leo Zhen Wei Lionel (appointed on 10 June 2014)	Non-Executive and Non-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 FY2014 are as follows:—

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	4	4	2	1
Name of Directors	**Number of Meetings attended in FY2014**			
Leo Ting Ping, Ronald	4	4*	2*	1*
Er Ang Hooa	4	4*	2*	1*
Lim Jun Xiong Steven	4	4	2	1
Chong Weng Hoe	4	4	2	1
Wong Meng Yeng	4	4	2	1
Leo Zhen Wei Lionel [(1)]	1	1	NA	NA

** Attendance by invitation*

(1) Mr Leo Zhen Wei Lionel was appointed as a Non-Executive Non-Independent Director on 10 June 2014.

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 announcement and financial statements;

Corporate Governance Report

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

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

(v) Evaluating performance of Management; and

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

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

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

Changes to regulations and accounting standards are monitored closely by Management. To keep pace with the regulatory changes, where these changes have an important bearing on the Company's or Director's disclosure obligations, Directors are briefed 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 has put in place an orientation program for all newly appointed Director(s) to assimilate him/her into his/her new role. They will be briefed by Management and the Chairman on the business activities of the Group and its strategic directions as well as the duties and responsibilities as Directors. Appropriate external training for Directors will be arranged when necessary. The Directors are also regularly briefed on developments in the business activities of the Group.

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

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

Principle 2: Board Composition and Guidance

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

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company and its shareholders.

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

There are no Directors whom have served on the Board beyond nine years from the date of his first appointment.

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

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

Corporate Governance Report

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

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

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

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

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

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

Principle 4: Board Membership

Principle 5: Board Performance

Board Membership

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

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

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

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

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

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

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

(v) Reviewing the composition of the Board annually;

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

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

Corporate Governance Report

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

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

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

The NC will decide how the Board's performance is to be evaluated and will also propose objective performance criteria which, subject to the approval of the Board, address how the Board has enhanced long-term shareholders' value. The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and the contribution of each individual director to the effectiveness of the Board. For the performance of the Board as a whole, the appraisal process focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with senior Management and the Directors' standard of conduct. 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, 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 subjected to re-election at the AGM of the Company.

After assessing the contribution and performance of the retiring Directors, the NC has recommended Mr Er Ang Hooa ("Mr Er") and Mr Wong Meng Yeng ("Mr Wong"), who will be retiring by rotation at the forthcoming AGM under Article 98 of the Company's Articles of Association ("AA"), and Mr Leo Zhen Wei Lionel ("Mr L Leo") who will be retiring under Article 102 of the Company's AA, to be nominated for re-election. Mr Er, Mr Wong and Mr Leo have offered themselves for re-election and the Board has accepted the recommendations of the NC.

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

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, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole, its Board Committees and of each individual Director were satisfactory.

Directors' Multiple Board Representations

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

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. 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. Either one or both of the Company Secretaries will be in attendance at meetings of the Board and Board committees. The appointment and removal of the Company Secretaries should be a matter for the Board as a whole.

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level & Mix of Remuneration

Principle 9: Disclosure of Remuneration

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

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

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

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

Corporate Governance Report

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

Directors' fees are subject to the approval of the Company's shareholders at the Company's AGM.

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

A breakdown showing the level and mix of each individual Director's and key executive's remuneration payable for FY2014 in bands of S$250,000 which provides sufficient overview of the remuneration of the Directors and key executives are as follows:

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Directors					
S$1,500,000 to S$1,750,000					
Leo Ting Ping, Ronald	–	32	66	2	100
S$250,000 to below S$500,000					
Er Ang Hooa	–	68	25	7	100
Below $250,000					
Lim Jun Xiong Steven	100	–	–	–	100
Chong Weng Hoe	100	–	–	–	100
Wong Meng Yeng	100	–	–	–	100
Leo Zhen Wei Lionel [(1)]	100	–	–	–	100
Key Executives					
S$250,000 to below S$500,000					100
Desmonde Chong Wai Swee	–	80	20	–	100
Below $250,000					
Tan Kah Ghee	–	72	28	–	100
Wu Chee Shien, Jeremy	–	81	19	–	100
Ng Siew Khim	–	68	28	4	100
Lee Shaw Beng		75	25	–	100

Note:

(1) Mr Leo Zhen Wei Lionel was appointed as a Non-Executive Non-Independent Director on 10 June 2014

Corporate Governance Report

The annual aggregate remuneration paid to the five Key Executives for FY2014 was S$1.25 million.

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$50,000 for FY2014.

Share Option Scheme

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

The Scheme, which forms an integral component of the Company's compensation plan, was 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 in the Scheme, and encourages 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 and employees of the Group, who are not controlling shareholders are eligible to participate in the Scheme.

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

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

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

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

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

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. On 31 December 2013, the Company's market capitalisation was S$98.28 million. Consequent thereto and pursuant to Rule 705(2)(c) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited, the Company is subject to mandatory quarterly reporting and is required to submit its first quarterly financial statements for the quarter ending 31 December 2014 within the prescribed time.

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, of which three members; including its Chairman, are independent and one is non-independent:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The AC has reviewed the nature and extent of non-audit services in respect of the provision of tax services by the External Auditors, including the fees paid in respect of the financial year ended 30 September 2014, and is of the view that the provision of such non-audit services does not compromise the independence of the External Auditors.

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

The AC is satisfied with the independence and objectivity of the External Auditors and has recommended that BDO LLP be re-appointed as the Company's external auditors in respect of financial year ending 30 September 2015 ("FY2015") at the forthcoming AGM. The aggregate audit and non-audit fees paid to the External Auditors for FY2014 are set out on page 85 of this Annual Report.

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

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

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

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

RISK MANAGEMENT

The Board is responsible for the governance of risk and sets the tone and direction 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 Board sets the direction for how risk is to be managed in the pursuit of business objectives and promotes a risk awareness and risk consciousness culture, which is one where Management understands the importance of risk management and their responsibilities therein.

Corporate Governance Report

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

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

The Company maintains a risk register which identifies the material risks facing the Group and the internal controls in place to manage or mitigate those risks. Management reviews and updates the risk register regularly and updates the Board.

On an annual basis from FY2015, the Group's internal auditors will take into consideration risks identified and assessed from the ERM framework when preparing the audit plan. This risk-based audit plan is approved by the Audit Committee and audits the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

Risk Committee

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

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

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

Corporate Governance Report

The Board has obtained a declaration of compliance from the Company's key executives including the Chairman and CEO, Chief Operating Officer and Chief Financial Officer that:

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

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

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

Based on the internal control policies and procedures established and maintained by the Company, the reviews done by the internal and external auditors, Management and the Board, the Board opines, with the concurrence of the AC, that the Group's internal controls were adequate as at 30 September 2014 to address the financial, operational, compliance and information technology controls, and risk management systems.

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 can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities.

Principle 13: Internal Audit

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

The internal audit function of the Group is currently outsourced to Nexia TS Public Accounting Corporation which reports directly to the AC. The internal audit has unrestricted access to all the Company's documents, records, properties and personnel and 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 reviews and approves the internal audit plan on annual basis. The AC has recognized the importance of meeting with the Internal Auditors without the presence of Management. The AC would be meeting up with the Internal Auditors without the presence of Management after the Internal Auditors have completed their review covering the risks that had been identified from the ERM framework implemented in FY2014.

The AC is satisfied that the Internal Auditors are adequately qualified and experienced to execute their functions effectively. The Internal Auditors are also carrying out their functions in accordance to standards set by the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Principle 14: Communication with Shareholders

Principle 15: Shareholder Participation

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

Shareholders are encouraged to attend the AGM to ensure a greater level of shareholders' participation and for them to be kept up to date with the strategies and goals of the Group. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circular and notice pertaining to any extraordinary general meeting of the Company. To facilitate participation by the shareholders, the 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 behalf. Separate resolutions on each distinct issue are requisite.

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

Corporate Governance Report

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

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code which prohibits dealings in the securities of the Company by Directors and officers while in possession of price-sensitive information. The Company, its 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 FY2014 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 FY2014.

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

NON-SPONSORSHIP FEES

No non-sponsorship fees were paid to the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd., in FY2014.

FINANCIAL STATEMENTS

Directors' Report

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 2014 and the statement of financial position of the Company as at 30 September 2014.

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)
Leo Zhen Wei Lionel	(Non-Executive and Non-Independent Director) (Appointed on 10 June 2014)

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, except for the options mentioned in Note 5 of the report of the directors.

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 2013	Balance at 30 September 2014	Balance at 1 October 2013	Balance at 30 September 2014
Company				
Leo Ting Ping Ronald	35,615,500	53,423,250	45,615,500	68,423,250
Er Ang Hooa	200,000	300,000	–	–

By virtue of section 7 of the Singapore Companies Act, Mr Leo Ting Ping Ronald is deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares and options of the company at 21 October 2014 were the same at 30 September 2014.

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.

Directors' Report

5. Share options

(a) Options to take up unissued shares

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

Other information regarding the Scheme is set out below:

- The exercise price of the options can be set at a price at a discount to the market price not exceeding 20% of the market price;
- The market price is determined based on the average of the last dealt prices of the ordinary shares of the Company on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") over the five consecutive market days immediately preceding the date of grant;
- The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the options are exercisable over a period of 8 years.
- All options are settled by physical delivery of shares.

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

(b) Unissued shares under option and options exercised

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

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised/ lapsed/ forfeited/ expired during the year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	–	4,000,000	–	4,000,000	(1)0.47	1.10.2015 to 30.09.2023
20/6/2014	–	2,000,000	–	2,000,000	0.31	1.10.2015 to 30.09.2023
Total	–	6,000,000	–	6,000,000		

In respect of options granted during the financial year, 600,000 options were granted to executive directors, 1,500,000 options were granted to key executive officers and 3,900,000 options were granted to employees.

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

Directors' Report

5. Share options (Continued)

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

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

Notes:

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

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

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

6. Audit committee

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

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

The Audit Committee has met 4 times during the financial year ended 30 September 2014. The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act, and the Code of Corporate Governance, including the following:

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

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

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

(d) review the external auditors' reports;

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

6. Audit committee (Continued)

(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.

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

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

Directors' Report

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
29 December 2014

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 2014, 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 2014 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
29 December 2014

Independent Auditors' Report

To the Members of Keong Hong Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year ended 30 September 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair 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 2014 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
29 December 2014

Statements of Financial Position

As at 30 September 2014

	Note	Group 2014 $	Group 2013 $ (Restated)	Company 2014 $	Company 2013 $
Non-current assets					
Plant and equipment	4	**15,194,055**	5,914,131	**–**	–
Investments in subsidiaries	5	**–**	–	**21,573,554**	20,618,554
Investment in associates	6	**5,752,336**	–	**–**	–
Investments in joint ventures	7	**89,808**	289,574	**–**	–
Intangible assets	8	**242,579**	235,952	**–**	–
Convertible bond	9	**4,633,242**	4,472,653	**4,633,242**	4,472,653
Derivative on convertible bond	9	**307,123**	811,853	**307,123**	811,853
Financial assets, held-to-maturity	10	**–**	2,839,000	**–**	–
Total non-current assets		**26,219,143**	14,563,163	**26,513,919**	25,903,060
Current assets					
Financial assets at fair value through profit or loss	11	**–**	745,195	**–**	–
Trade and other receivables	12	**144,227,870**	89,451,202	**250,000**	–
Due from contract customers	13	**12,464,534**	8,995,782	**–**	–
Current income tax recoverable		**293,029**	288,722	**–**	–
Prepayments		**168,276**	84,397	**8,097**	6,940
Cash and cash equivalents	14	**38,725,972**	18,217,596	**5,092,190**	4,721,496
Total current assets		**195,879,681**	117,782,894	**5,350,287**	4,728,436
Total assets		**222,098,824**	132,346,057	**31,864,206**	30,631,496
Equity					
Share capital	15	**23,836,074**	23,836,074	**23,836,074**	23,836,074
Treasury shares	16	**(2,425,000)**	(2,140,000)	**(2,425,000)**	(2,140,000)
Share option reserve	17	**479,021**	–	**479,021**	–
Foreign currency translation reserve	18	**(24,399)**	(30,726)	**–**	–
Merger reserve	19	**(4,793,707)**	(4,793,707)	**–**	–
Retained earnings		**62,566,983**	47,568,819	**3,356,012**	3,686,270
Equity attributable to owners of the parent		**79,638,972**	64,440,460	**25,246,107**	25,382,344
Non-controlling interests		**497,581**	767,943	**–**	–
Total equity		**80,136,553**	65,208,403	**25,246,107**	25,382,344
Non-current liabilities					
Bank Borrowing	20	**2,494,932**	–	**–**	–
Finance lease payables	21	**326,125**	929,829	**–**	–
Deferred tax liabilities	22	**167,000**	167,000	**–**	–
Total non-current liabilities		**2,988,057**	1,096,829	**–**	–
Current liabilities					
Due to contract customers	13	**17,127,173**	8,918,276	**–**	–
Trade and other payables	23	**97,862,165**	49,520,810	**6,618,099**	5,249,152
Bank borrowing	20	**18,917,991**	3,005,144	**–**	–
Finance lease payables	21	**603,704**	585,501	**–**	–
Current income tax payable		**4,463,181**	4,011,094	**–**	–
Total current liabilities		**138,974,214**	66,040,825	**6,618,099**	5,249,152
Total liabilities		**141,962,271**	67,137,654	**6,618,099**	5,249,152
Total equity and liabilities		**222,098,824**	132,346,057	**31,864,206**	30,631,496

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

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September 2014

	Note	2014	2013
		$	$
Revenue	24	**272,880,877**	146,622,531
Cost of sales		**(242,291,550)**	(116,198,221)
Gross profit		**30,589,327**	30,424,310
Other items of income			
Interest income		**1,587,670**	682,335
Other income	25	**1,189,933**	926,390
Other Items of expense			
Administrative expenses		**(8,842,960)**	(6,495,963)
Finance costs	26	**(319,814)**	(61,893)
Share of results of joint ventures, net of tax		**(549,763)**	464
Share of results of associate, net of tax		**(35,945)**	–
Profit before income tax	27	**23,618,448**	25,475,643
Income tax expense	28	**(4,221,722)**	(3,943,479)
Profit for the financial year		**19,396,726**	21,532,164
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**12,403**	43,726
Other comprehensive income for the financial year, net of tax		**12,403**	43,726
Total comprehensive income for the financial year		**19,409,129**	21,575,890
Profit attributable to:			
Owners of the parent		**19,673,164**	21,872,845
Non-controlling interests		**(276,438)**	(340,681)
		19,396,726	21,532,164
Total comprehensive income attributable to:			
Owners of the parent		**19,679,489**	21,895,146
Non-controlling interests		**(270,360)**	(319,256)
		19,409,129	21,575,890
Earnings per share (cents)			
Basic	29	**11.07**	12.19
Diluted	29	**10.80**	12.19

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 September 2014

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

	Note	Share capital	Treasury shares	Foreign currency translation account	Merger reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
		← Attributable to equity holders of the Company					→		
		$	$	$	$	$	$	$	$
Group									
Balance at 1 October 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	30	–	–	–	–	(5,580,000)	(5,580,000)	–	(5,580,000)
Purchase of treasury shares	16	–	(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.

Statement of Changes in Equity

For the financial year ended 30 September 2014

	Note	Share capital	Treasury shares	Share option reserve	Retained earnings	Total
		$	$	$	$	$
Company						
Balance at 1 October 2013		23,836,074	(2,140,000)	–	3,686,270	25,382,344
Profit for the financial year, representing total comprehensive income for the financial year		–	–	–	4,344,742	4,344,742
Contribution by and distribution to owners of the parent:						
Dividends	30	–	–	–	(4,675,000)	(4,675,000)
Grant of share options to employees	17	–	–	479,021	–	479,021
Purchase of treasury shares	16	–	(285,000)	–	–	(285,000)
Total transactions with owners of the parent		–	(285,000)	479,021	(4,675,000)	(4,480,979)
Balance at 30 September 2014		23,836,074	(2,425,000)	479,021	3,356,012	25,246,107
Balance at 1 October 2012		23,836,074	–	–	1,207,879	25,043,953
Profit for the financial year, representing total comprehensive income for the financial year		–	–	–	8,058,391	8,058,391
Contribution by and distribution to owners of the parent:						
Dividends	30	–	–	–	(5,580,000)	(5,580,000)
Purchase of treasury shares	16	–	(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

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

Consolidated Statement of Cash Flows

For the financial year ended 30 September 2014

	Note	2014 $	2013 $ (Restated)
Operating activities			
Profit before income tax		**23,618,448**	25,475,643
Adjustments for:			
Loss on disposal of financial assets held to maturity		**57,814**	–
Bad third parties trade receivables written off		**–**	3,036
Amortisation of intangible assets		**12,203**	9,762
Depreciation of plant and equipment		**2,243,425**	2,441,606
Fair value loss/(gain) on derivative on convertible bond		**504,730**	(284,506)
Fair value gain on financial assets at fair value through profit or loss		**(48,396)**	(142,325)
Gain on disposal of plant and equipment		**(966)**	–
Plant and equipment written off		**1,501**	42,285
Interest income		**(1,587,670)**	(682,335)
Interest expense		**319,814**	61,893
Accretion of convertible bond discount		**(160,589)**	–
Share option expenses		**479,021**	–
Share of results of joint ventures		**549,763**	(464)
Share of results of associate		**35,945**	–
		26,025,043	26,924,595
Operating cash flows before movements in working capital			
Trade and other receivables		**(27,161,879)**	(4,495,315)
Prepayments		**(83,879)**	(38,429)
Due from contract customers		**(3,468,752)**	(6,514,369)
Due to contract customers		**8,208,897**	(11,420,281)
Trade and other payables		**48,341,355**	3,703,350
Cash generated from operations		**51,860,785**	8,159,551
Income tax paid		**(3,769,635)**	(3,997,498)
Net cash from operating activities		**48,091,150**	4,162,053
Investing activities			
Investments in joint ventures		**(349,997)**	(200,003)
Investments in associate		**(5,788,281)**	–
Loan to associate		**(12,388,188)**	(12,590)
Loan to joint ventures		**(26,677,791)**	(28,540,815)
Purchase of convertible bond		**–**	(5,000,000)
Purchase of plant and equipment		**(11,520,398)**	(3,332,935)
Purchase of intangible assets		**(18,830)**	(3,806)
Proceeds from disposal of plant and equipment		**966**	–
Proceeds from financial assets thru profit & loss		**804,828**	–
Proceeds from financial assets, held-to-maturity		**2,781,186**	–
Repayment of loan from joint ventures		**11,451,190**	–
Interest received		**1,587,670**	682,335
Net cash used in investing activities		**(40,117,645)**	(36,407,814)
Financing activities			
Fixed deposit pledged with financial institutions		**1,016,125**	996,776
Proceeds from bank borrowing		**18,407,779**	3,000,000
Purchase of treasury shares		**(285,000)**	(2,140,000)
Repayment of finance lease payables		**(585,501)**	(889,550)
Dividends paid		**(4,675,000)**	(5,580,000)
Interest paid		**(319,814)**	(56,749)
Net cash from/(used in) financing activities		**13,558,589**	(4,669,523)
Net change in cash and cash equivalents		**21,532,094**	(36,915,284)
Cash and cash equivalents at beginning of financial year		**16,973,033**	53,854,089
Effect of foreign exchange rate changes on cash and cash equivalents		**(7,593)**	34,228
Cash and cash equivalents at end of financial year	14	**38,497,534**	16,973,033

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

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

1. General corporate information

The Company is a public listed company incorporated and domiciled in Singapore with its registered office and principal place of business 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 2014 were authorised for issue in accordance with a Directors' resolution dated 29 December 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

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

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

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

			Effective date (annual periods beginning on or after)
FRS 16 and FRS 38 (Amendments)	:	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and FRS 41 (Amendments)	:	Agriculture: Bearer Plants	1 January 2016
FRS 19 (Amendments)	:	Defined Benefit Plan: Employee Contributions	1 July 2014
FRS 27 (Amendments)	:	Equity Method in Separate Financial Statements	1 January 2016
FRS 27 (Revised)	:	Separate Financial Statements	1 January 2014
FRS 28 (Revised)	:	Investments in Associates and Joint Ventures	1 January 2014
FRS 32 (Amendments)	:	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36 (Amendments)	:	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
FRS 39 (Amendments)	:	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
FRS 109	:	Financial Instruments	1 January 2018
FRS 110	:	Consolidated Financial Statements	1 January 2014
FRS 110 and FRS 28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 110, FRS 112 and FRS 27 (Amendments)	:	Investment Entities	1 January 2014
FRS 111	:	Joint Arrangements	1 January 2014
FRS 111 (Amendments)	:	Accounting for Acquisition of Interests in Joint Operation	1 January 2016
FRS 112	:	Disclosure of Interests in Other Entities	1 January 2014
FRS 114	:	Regulatory Deferral Accounts	1 January 2016
FRS 115	:	Revenue from Contracts with Customers	1 January 2017
INT FRS 121	:	Levies	1 January 2014
Improvements to FRSs (January 2014)			1 July 2014
Improvements to FRSs (February 2014)			1 July 2014
Improvements to FRSs (November 2014)			1 January 2016

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 2014

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 109 Financial Instruments

Management has not yet completed its assessment of the impact of the adoption of FRS 109 in the initial adoption of the standard in the financial year beginning on 1 October 2018 due to the recent issue of the change to FRS.

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 a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 October 2014 with full retrospective application.

Management is currently in the process of determining the impact on the Group, but does not expect that there will be any changes to the entities being consolidated by the Group.

FRS 111 Joint Arrangements and FRS 28 Investments in Associates and Joint Ventures

FRS 111 supersedes FRS 31, Interest in Joint Ventures, and INT FRS 13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. Under FRS 111 all joint ventures must be accounted for under the equity method, as described in the revised FRS 28, with proportionate consolidation prohibited. These changes will take effect from the financial year beginning on 1 October 2014 with full retrospective application.

The Group currently uses the equity method in consolidating their joint ventures. The Group does not expect any material net impact on its financial position or performance on initial adoption.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. This new standard is likely to result in more extensive disclosures in the financial statements, however, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 October 2014.

FRS 115 Revenue from Contracts with Customers

FRS 115 is a new standard which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of FRS 115 is that entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. These changes will take effect from the financial year beginning on or after 1 October 2017 with full retrospective application.

Management is currently in the process of determining the impact on the Group.

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

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

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

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

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

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

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

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

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) 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.

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

Plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

An item of 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 2014

2. Summary of significant accounting policies (Continued)

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.

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

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment loss of individual investments. Any premium paid for a joint venture above the fair value at the group's share of identifiable net assets is included in the carrying amount of the joint venture.

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.

Where the Group transacts with its jointly controlled entities, unrealised profits are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

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.

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. Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets

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

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

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

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

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

2.8 Financial instruments

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

Effective interest method

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

Financial assets

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held to maturity investments and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

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

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

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

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

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

Held-to-maturity investments

Debt securities and structured deposits with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method, less impairment, with revenue recognised on an effective yield basis.

Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

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

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

Other financial liabilities

Trade and other payables

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Borrowings

Borrowings are initially measured at fair value (net of transaction costs), and are subsequently measured 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.

Financial guarantee contracts

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

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

Intra-group transactions are eliminated on consolidation.

Derecognition of financial liabilities

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

2.9 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.

2.11 Share-based payments

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition

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

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

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

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

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

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

2.13 Construction contracts

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

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

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

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

2.14 Leases – Group as lessee

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs in Note 2.16.

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.14 Leases – Group as lessee (Continued)

Operating Leases

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

2.15 Provisions

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

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

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

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

2.16 Borrowing costs

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

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

2.17 Retirement benefit costs

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

2.18 Employee leave entitlements

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.19 Taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

2. Summary of significant accounting policies (Continued)

2.19 Taxes (Continued)

Sales tax

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

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

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

2.20 Dividends

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

2.21 Foreign currency transactions and translation

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

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

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

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

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

2.22 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

(i) 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 $307,123 (2013: $811,853) as at 30 September 2014.

Notes to the Financial Statements

For the financial year ended 30 September 2014

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 2014 was $15,194,055 (2013: $5,914,131). The carrying amount of intangible assets of the Group as at 30 September 2014 were $242,579 (2013: $235,952). 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 2014 was $144,227,870 (2013: $89,451,202).

(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 2014 was $293,029 (2013: $288,722) and $4,463,181(2013: $4,011,094) respectively. The carrying amounts of deferred tax liabilities of the Group as at 30 September 2014 was $167,000 (2013: $167,000) respectively.

Notes to the Financial Statements

For the financial year ended 30 September 2014

4. Plant and equipment

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

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	
	2014	2013
	$	$
Plant and machinery	**1,192,750**	1,559,750
Motor vehicles	**268,279**	441,756
	1,461,029	2,001,506

Finance lease assets are pledged as securities for the related finance lease payables (Note 21).

Motor vehicles with net carrying amounts of $101,138 (2013: $206,669) 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:

	2014	2013
	$	$
Additions of plant and equipment	**11,520,398**	4,883,335
Acquired under finance lease agreements	**–**	(1,550,400)
Cash payments to acquire plant and equipment	**11,520,398**	3,332,935

5. Investments in subsidiaries

	Company	
	2014	**2013**
	$	**$**
Unquoted equity shares, at cost	**21,573,554**	20,618,554

The details of the subsidiaries are as follows:

Name of company (Country of incorporation)	**Effective equity interest 2014**	**Effective equity interest 2013**	**Principal activities**
	%	**%**	
Held by the Company			
Keong Hong Construction Pte Ltd[(1)] (Singapore)	**100**	100	General and building contractors
KH Capital Pte Ltd[(1)] *(Formerly known as KH Trading Pte Ltd) (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

5. Investments in subsidiaries (Continued)

Name of company (Country of incorporation)	Effective equity interest 2014	2013	Principal activities
	%	%	
Held by Keong Hong Construction Pte Ltd			
Pristine Islands Investment Pte Ltd[(1)] (Singapore)	**–**	100	Investment holding (Dormant)
Held by K.H. Land Pte Ltd			
KHA Resorts & Hotels Construction Pvt Ltd[(2)] (Cayman Islands)	**51**	51	Hotel building contractors
KHA Resorts & Hotels Construction (Maldives) Pvt Ltd[(3)] (Maldives Islands)	**51**	–	Hotel building contractors

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

During the year, the Company has increased its investment in K.H. Capital Pte Ltd (formerly known as K.H. Trading Pte Ltd) with an additional injection of cash amounting to $955,000. Since it is a wholly-owned subsidiary, there are no changes in the shareholdings.

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

In the previous financial year, through the investment of Keong Hong Construction Pte Ltd, the Company incorporated a wholly-owned subsidiary, Pristine Islands Investment Pte Ltd, a company incorporated in Singapore for a cash consideration of $1.

Dilution of equity interest in Pristine Islands Investment Pte Ltd

On 17 July 2014, Pristine Islands Investment Pte Ltd ("Pristine") entered into a Shareholders' Agreement with Keong Hong Construction Pte Ltd, Sansui Holding Pte. Ltd, BRC Asia Limited, L3 Development Pte. Ltd. and Hotel & Resort Construction Pvt. Ltd in relation to an increase in the issued and paid-up share capital of Pristine from 1 ordinary share to 10,000,001 ordinary shares by way of an allotment and issue of 10,000,000 New Pristine Shares at a cash consideration of US$10,000,000 (equivalent to S$12,418,400). Upon completion, the Group subscribed for additional 4,500,000 ordinary shares representing 45% of the issued share capital of Pristine at a cash consideration of US$4,500,000 (equivalent to S$5,588,280). Arising from the new issuance of shares, the Group's equity interest in Pristine was then diluted from 100% to 45%. Accordingly, the remaining equity interest of 45% was classified as investment in associate as at 30 September 2014.

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

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

6. Investment in associates

	Group 2014	Group 2013
	$	$
Unquoted equity shares, at cost	**5,988,281**	200,000
Share of post-acquisition results of associate, net of tax	**(235,945)**	(200,000)
Carrying amount	**5,752,336**	–

The details of the associates are as follows:

Name of company (Country of incorporation)	Effective equity interest held by the Group 2014	Effective equity interest held by the Group 2013	Principal activities
	%	%	
Punggol Residences Pte Ltd[1] (Singapore)	**20**	20	Property development
Sembawang Residences Pte Ltd[1] (Singapore)	**20**	–	Property development
Pristine Islands Investment Pte Ltd[2] (Singapore)	**45**	–	Investment holdings

(1) Audited by Ernst & Young, Singapore
(2) Audited by BDO LLP, Singapore

On 13 August 2014, the Group subscribed for 200,000 ordinary shares, representing 20% of the issued share capital at Sembawang Residences Pte Ltd at a cash consideration of $200,000.

On 17 July 2014, the Group's equity interest in Pristine Islands Investment Pte Ltd ("Pristine") reduced from 100% to 45% through the dilution of shareholding arising from the issuance of new shares. Accordingly, the remaining equity interest of 45% was classified as investment in associate as at 30 September 2014. Further information are set out in Note 5 to the financial statements.

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

	Group 2014	Group 2013
	$	$
Assets and liabilities		
Total assets	**500,871,457**	357,811,736
Total liabilities	**(498,218,835)**	(368,538,985)
Net assets/(liabilities)	**2,652,622**	(10,727,249)
Results		
Revenue	**161,562**	–
Net profit/(loss) for the financial year	**33,531**	(420,771)

The Group has not recognised losses relating to Punggol Residences Pte Ltd where its share of losses exceed the Group's carrying amount of its investment. The Group's cumulative share of unrecognised losses as at 30 September 2014 were $2,104,623 (2013: $1,945,450). The Group has no obligation in respect of those losses.

The Group's share of associates' capital commitments in respect of the construction of the development properties is $8,670,008 (2013: $19,149,600) as at 30 September 2014.

Notes to the Financial Statements

For the financial year ended 30 September 2014

7. Investments in joint ventures

	Group 2014	Group 2013
	$	$
Unquoted capital contributions, at cost	**639,062**	289,065
Share of results of joint ventures, net of tax	**(549,254)**	509
	89,808	289,574

The details of the joint ventures are as follows:

Name of company (Country of incorporation)	Effective equity interest held by the Group 2014	Effective equity interest held by the Group 2013	Principal activities
	%	%	
Held by Keong Hong Construction Pte Ltd			
Keong Hong - Kienta Engineering JV LLP[(1)] (Singapore)	**50**	50	To carry out the construction of a project known as "IBIS Hotel" awarded by Bencool LA Pte Ltd.
Oasis Development Pte Ltd[(2)] (Singapore)	**20**	20	Development of real estate
MKH (Punggol) Pte Ltd[(3)] (Singapore)	**15**	30	Development of real estate
Katong Holdings Pte Ltd[(3)] (Singapore)	**20**	–	Hotel developer of 883 East Coast Road

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

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

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

In the previous financial year, 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.

Subsequently, on 24 October 2013, the Group subscribed for additional 149,997 ordinary shares, representing 15% of the issued share capital of MKH (Punggol) Pte Ltd at a cash consideration of $149,997. Total shares subscribed were 150,000 ordinary shares and representing 15% of shareholdings.

On 11 April 2014, the Group subscribed for 200,000 ordinary shares, representing 20% of the issued share capital of Katong Holdings Pte Ltd at a cash consideration of $200,000.

The Group 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.

Notes to the Financial Statements

For the financial year ended 30 September 2014

7. Investments in joint ventures (Continued)

The Group's share of joint ventures' capital commitments in respect of the construction of the development properties is $29,979,600 (2013: $29,980,000) as at 30 September 2014.

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	
	2014	**2013**
	$	**$**
Assets and liabilities		
Total assets	**158,942,371**	58,322,777
Total liabilities	**(159,958,647)**	(58,035,544)
Net (liabilities)/assets	**(1,016,276)**	287,233
Results		
Income	**25,336**	518
Expenses	**(1,648,328)**	(54)

8. Intangible assets

	Computer software	Transferable club memberships	Total
	$	**$**	**$**
Group			
Cost			
Balance at1 October 2013	28,560	222,000	250,560
Additions	18,830	–	18,830
Balance at 30 September 2014	47,390	222,000	269,390
Accumulated amortisation			
Balance at 1 October 2013	14,608	–	14,608
Amortisation for the financial year	12,203	–	12,203
Balance at 30 September 2014	26,811	–	26,811
Carrying amount			
Balance at 30 September 2014	20,579	222,000	242,579

Notes to the Financial Statements

For the financial year ended 30 September 2014

8. Intangible assets (Continued)

	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

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 and Company	
	2014	2013
	$	$
At beginning of the financial year/at inception	**4,472,653**	4,472,653
Accretion of convertible bond discount	**160,589**	–
At end of the financial year	**4,633,242**	4,472,653

Derivative on convertible bond

	Group and Company	
	2014	2013
	$	$
At the beginning of the financial year/at inception	**811,853**	527,347
Fair value (loss)/gain on derivative	**(504,730)**	284,506
At end of financial year	**307,123**	811,853

Notes to the Financial Statements

For the financial year ended 30 September 2014

9. Convertible bond/Derivative on convertible bond (Continued)

Derivative on convertible bond (Continued)

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

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

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

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

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

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

The Group has re-measured the fair value of the derivative as at 30 September 2014 and recognised a fair value loss amounting to $504,730 (2013: $284,506 gain) as at the end of the financial year respectively.

The convertible bond is denominated in Singapore dollar.

10. Financial assets, held-to-maturity

	Group	
	2014	2013
	$	$
Unquoted debt securities	–	1,250,000
Unquoted, structured deposits	–	1,589,000
	–	2,839,000

Debt securities

In the previous financial year, the unquoted debt securities of the Group have nominal values amounting to $1,250,000. The coupon rates range from 3.15% to 4.25% per annum and maturity dates range from 23 February 2015 to 11 July 2022. The average effective interest rate of the unquoted debt securities approximates 4.00% per annum. During the financial year, the Group disposed all of its holdings in the unquoted debt securities.

Notes to the Financial Statements

For the financial year ended 30 September 2014

10. Financial assets, held-to-maturity (Continued)

Structured deposits

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

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

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.

During the financial year, the Group disposed all its holdings in the structured deposits.

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

11. Financial assets at fair value through profit or loss

	Group	
	2014	**2013**
	$	**$**
Investment fund	**–**	745,195
Investments held for trading:		
Balance at beginning of financial year	**745,195**	602,870
Disposal during the financial year	**(804,828)**	–
Foreign exchange difference	**11,237**	–
Fair value gain recognized in profit or loss	**48,396**	142,325
Balance at end of financial year	**–**	745,195

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 2014

12. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$	$ (Restated)	$	$
Trade receivables				
- third parties	**13,230,630**	9,722,795	**–**	–
- associate	**9,775,032**	5,108,204	**–**	–
- joint ventures	**10,788,030**	–	**–**	–
- retention sum	**33,837,375**	24,801,387	**–**	–
	67,631,067	39,632,386	**–**	–
Security deposits	**1,359,590**	3,138,747	**–**	–
Non–trade receivables				
- third parties	**2,584,276**	1,641,921	**250,000**	–
- joint ventures	**43,767,416**	28,540,815	**–**	–
- associate	**28,885,521**	16,497,333	**–**	–
	144,227,870	89,451,202	**250,000**	–

Trade and non-trade receivables from third parties, trade receivables from associate and joint ventures are unsecured, non-interest bearing and generally on 30 to 60 days (2013: 30 to 60 days) credit terms.

The non-trade amounts due from joint ventures are unsecured, repayable on demand and bear interest rate of 2.67% to 2.78% (2013: 2.67%) per annum.

The non-trade amounts due from an associate are unsecured, repayable on demand and bear interest rate of 0% to 1.10% (2013: 0.98% to 1.21%) per annum.

At 30 September 2014, retention sum held by customers for contract work amounted to $33,837,375 (2013: $24,801,387). Retention sum of $33,837,375 (2013: $24,801,387) are due for settlement after more than 12 months. They have been classified as current because they are expected to be realised in the normal operating cycle of the Group.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$	$ (Restated)	$	$
Singapore dollar	**141,787,165**	87,170,120	**250,000**	–
United States dollar	**2,098,650**	1,758,940	**–**	–
Maldives Rufiyaa	**342,055**	522,142	**–**	–
	144,227,870	89,451,202	**250,000**	–

Notes to the Financial Statements

For the financial year ended 30 September 2014

13. Due from/(to) contract customers

	Group 2014	Group 2013
	$	$ (Restated)
Amounts due from contract customers	**12,464,534**	8,995,782
Amounts due to contract customers	**(17,127,173)**	(8,918,276)
	(4,662,639)	77,506
Contract costs incurred plus recognised profits (less recognised losses to date)	**802,139,497**	541,332,764
Less: Progress billings	**(806,802,136)**	(541,255,258)
	(4,662,639)	77,506

The due from contract customers are denominated in Singapore dollar.

14. Cash and cash equivalents

	Group 2014	Group 2013	Company 2014	Company 2013
	$	$	$	$
Fixed deposits	**3,935,154**	7,709,404	**602,030**	3,517,303
Cash and bank balances	**34,790,818**	10,508,192	**4,490,160**	1,204,193
Cash and cash equivalents on statements of financial position	**38,725,972**	18,217,596	**5,092,190**	4,721,496
Fixed deposits pledged	**(228,438)**	(1,244,563)	**–**	–
Cash and cash equivalents included in the consolidated statement of cash flows	**38,497,534**	16,973,033		

Fixed deposits will mature within 1 to 12 (2013: 1 to 12) months from the financial year-end and the effective interest rate on the fixed deposits range from between 0.15% to 3.05% (2013: 0.50% to 2.95%) per annum.

As at 30 September 2014, fixed deposits of the Group amounting to $228,438 (2013: $1,244,563) are pledged to bank for facilities granted to the Group as disclosed in Note 20 to the financial statements.

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

	Group 2014	Group 2013	Company 2014	Company 2013
	$	$	$	$
Ringgit Malaysia	**774,663**	746,011	**–**	–
Singapore dollar	**35,018,754**	15,724,614	**5,092,190**	4,721,496
United States dollar	**2,801,687**	1,617,766	**–**	–
Maldives Rufiyaa	**130,868**	129,205	**–**	–
	38,725,972	18,217,596	**5,092,190**	4,721,496

Notes to the Financial Statements

For the financial year ended 30 September 2014

15. Share capital

	Company	
	2014	2013
	$	$
Issued and fully-paid:		
240,000,000 (2013: 160,000,000) ordinary shares at beginning and end of financial year	**23,836,074**	23,836,074

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

	Group	
	2014	2013
	$	$
Issued and fully-paid:		
At beginning and end of financial year	**23,836,074**	23,836,074

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

16. Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired 500,000 (2013: 4,000,000) of its ordinary shares in the open market during the financial year. The total amount paid to acquire the shares was $285,000 (2013: $2,140,000) and this was presented as a component within shareholders' equity.

17. Share option reserve

Equity-settled share option scheme

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

17. Share option reserve (Continued)

Equity-settled share option scheme (Continued)

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

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

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised/ lapsed/ forfeited/ expired during the year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	–	4,000,000	–	4,000,000	0.47	1.10.2015 to 30.09.2023
20/6/2014	–	2,000,000	–	2,000,000	0.31	1.10.2015 to 30.09.2023

No Options were exercised during the financial year to subscribe for ordinary shares of the Company. The Options outstanding at end of the year have a weighted remaining contractual life of 9 years (2013: Nil).

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

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

17. Share option reserve (Continued)

Equity-settled share option scheme (Continued)

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

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

The Group recognised share based payment expenses and a corresponding share option reserve of $479,021 for the financial year ended 30 September 2014.

18. 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.

19. Merger reserve

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

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

20. Bank borrowing

	Group	
	2014	**2013**
	$	**$**
Current liabilities		
Secured		
- Revolving credit	**17,917,991**	3,005,144
- Term loan	**1,000,000**	–
	18,917,991	3,005,144
Non-current liabilities		
Secured		
- Term loan	**2,494,932**	–
	21,412,923	3,005,144

The bank borrowings of the Group are denominated in Singapore dollars. Revolving credits are repayable or rollover within 3 to 6 months from the financial year end and the interest are revised to the market rates on the rollover date. The exposure of the Group's borrowings to interest rate changes and contractual repricing dates as at balance sheet are as follows:

	Weighted average effective interest rate		Group	
	2014	**2013**	**2014**	**2013**
			$	$
Within 6 months	**2.91**	2.98	**17,917,991**	3,005,144
After 6 months but within 12 months	**2.51**	–	**1,000,000**	–
After one year but within two years	**2.51**	–	**2,494,932**	–
Total			**21,412,923**	3,005,144

Management estimates that the carrying amounts of the Group's and Company's borrowings approximate their fair values.

The management estimates the fair value of the bank borrowings using discounted cash flow analysis. The discount rate is determined based on a prevailing available market borrowing rates as at the end of the financial year.

(a) Security granted

The Group's secured bank borrowings are secured by:

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

(ii) The corporate guarantee provided by the Company; and

(iii) Fixed deposits of subsidiary.

(b) Undrawn banking facilities

At 30 September 2014, the Group had available $90 million (2013: $97 million) of undrawn committed banking facilities in respect of which all conditions precedent had been met.

Notes to the Financial Statements

For the financial year ended 30 September 2014

21. Finance lease payables

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$	$	$
Group			
2014			
Current liabilities			
Within one financial year	627,288	(23,584)	603,704
Non-current liabilities			
After one financial year but within five financial years	330,992	(16,377)	314,615
After five years	11,766	(256)	11,510
	342,758	(16,633)	326,125
	970,046	(40,217)	929,829
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	944,132	(39,040)	905,092
After five years	25,914	(1,177)	24,737
	970,046	(40,217)	929,829
	1,597,334	(82,004)	1,515,330

The finance lease terms range from 1 to 6 (2013: 2 to 7) years for the financial year ended 30 September 2014. The effective interest rates for the finance lease obligations range from between 2.50% to 5.56% (2013: 2.50% to 6.66%) per annum for the financial year ended 30 September 2014.

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

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

Finance lease payables are denominated in Singapore dollar.

Notes to the Financial Statements

For the financial year ended 30 September 2014

22. Deferred tax liabilities

	Group	
	2014	2013
	$	$
Group		
Balance at beginning of financial year	**167,000**	74,000
Charged to profit or loss	**–**	93,000
Balance at end of financial year	**167,000**	167,000

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

23. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$	$ (Restated)	$	$
Trade payables				
- third parties	**22,787,487**	10,211,141	**–**	–
- accrued subcontractor expenses	**67,369,192**	33,208,383	**–**	–
- goods and services tax payable	**1,748,594**	702,827	**–**	–
	91,905,273	44,122,351	**–**	–
Non-trade payables				
- third parties	**1,090,504**	229,622	**–**	52
- due to a subsidiary	**–**	–	**6,374,750**	5,011,838
Accrued operating expenses	**4,866,388**	5,168,837	**243,349**	237,262
	97,862,165	49,520,810	**6,618,099**	5,249,152

Trade and non-trade payables are unsecured, non-interest bearing and generally on 30 to 90 (2013: 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% (2013: 2.98%) per annum.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$	$ (Restated)	$	$
Singapore dollar	**97,041,020**	49,281,808	**6,618,099**	5,249,152
United States dollar	**821,145**	239,002	**–**	–
	97,862,165	49,520,810	**6,618,099**	5,249,152

Notes to the Financial Statements

For the financial year ended 30 September 2014

24. 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.

25. Other income

	Group	
	2014	**2013**
	$	**$**
Fair value gain on financial assets at fair value through profit or loss	**48,396**	142,325
Accretion of convertible bond discount	**160,589**	–
Fair value gain on derivative on convertible bond	**–**	284,506
Foreign exchange gains	**180,202**	–
Late charges charged to subcontractor	**156,476**	131,760
Rental income	**103,092**	4,674
Sales of scrap steel	**139,668**	74,829
Services rendered income	**–**	129,798
Management fee	**301,325**	–
Others	**100,185**	158,498
	1,189,933	926,390

26. Finance costs

	Group	
	2014	**2013**
	$	**$**
Interest expenses:		
- revolving credit	**278,027**	5,124
- finance leases	**41,787**	56,769
	319,814	61,893

27. 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	
	2014	**2013**
	$	**$**
Cost of sales		
Depreciation of plant and equipment	**1,956,341**	2,190,003
Operating lease expenses	**140,377**	230,233
Administrative expenses		
Audit fees		
- Auditors of the Company	**63,887**	56,000
- Other auditors	**8,902**	8,094
Non-audit fees		
- Auditors of the Company	**14,591**	29,550
- Other auditors	**4,507**	3,113
Amortisation of intangible asset	**12,202**	9,762
Bad third parties trade receivables written off	**–**	3,036
Depreciation of plant and equipment	**287,084**	251,603
Fair value loss on convertible bond	**504,730**	–
Low value assets items expensed off	**106,144**	91,271
Loss on disposal of financial assets held to maturity	**57,814**	–
Operating lease expenses	**243,344**	142,626
Plant and equipment written off	**1,501**	42,285
Professional fees	**426,357**	178,964

The profit before income tax also includes:

	Group	
	2014	**2013**
	$	**$**
Employee benefit expenses:		
Salaries, wages, bonuses and other staff benefits	**14,612,505**	12,746,656
Contributions to defined contribution plans	**462,968**	358,975
Share option expense	**479,021**	–
	15,554,494	13,105,631

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

	Group	
	2014	**2013**
	$	**$**
Cost of sales	**11,538,248**	9,647,752
Administrative expenses	**4,016,246**	3,457,879
	15,554,494	13,105,631

Included in the employee benefit expenses were Directors' remuneration as shown in Note 31 to the financial statements.

Notes to the Financial Statements

For the financial year ended 30 September 2014

28. Income tax expense

	Group	
	2014	2013
	$	$
Current income tax		
- current financial year	**3,604,717**	3,962,526
- under/(over) provision in prior financial years	**617,005**	(112,047)
	4,221,722	3,850,479
Deferred income tax		
- current financial year	**–**	93,000
Total income tax expense recognised in profit or loss	**4,221,722**	3,943,479

Domestic income tax is calculated at 17% (2013: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2013: 17%) to profit before income tax as a result of the following differences:

	Group	
	2014	2013
	$	$
Profit before income tax	**23,618,448**	25,475,643
Add/Less: Share of result of joint venture	**549,763**	(464)
Share of result of associate	**35,945**	–
	24,204,156	25,475,179
Income tax calculated at Singapore's statutory income tax rate of 17% (2013: 17%)	**4,114,707**	4,330,780
Effect of different tax rate in other country	**15,076**	11,665
Tax effect of income not subject to income tax	**(965,330)**	(268,508)
Tax effect of expenses not deductible for income tax purposes	**664,041**	288,344
Tax effect of tax exemption	**(53,284)**	(89,142)
Under/(Over) provision in prior financial years	**617,005**	(112,047)
Unrecognised deferred tax assets	**117,291**	56,286
Utilisation of previously unrecognised deferred tax assets	**–**	(121,874)
Enhanced tax deduction	**(237,446)**	(148,234)
Others	**(50,338)**	(3,791)
	4,221,722	3,943,479

Unrecognised deferred tax assets

	Group	
	2014	2013
	$	$
Balance at beginning of financial year	**220,216**	285,804
Amount not recognised during the financial year	**117,291**	56,286
Utilisation of deferred tax assets not recognised previously	**–**	(121,874)
Balance at end of financial year	**337,507**	220,216

28. Income tax expense (Continued)

Unrecognised deferred tax assets are attributable to:

	Group 2014	Group 2013
	$	$
Unutilised tax losses	**337,507**	220,216

As at 30 September 2014, the Group has unutilised tax losses amounting to approximately $2,000,000 (2013: $1,300,000) available for set-off against future taxable profits subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

		Group 2014	Group 2013
Year incurred	**Year of expiry**	$	$
2012	2017	**56,815**	56,815
2013	2018	**163,401**	163,401
2014	2019	**117,291**	–
		337,507	220,216

Deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits in KHA Resorts & Hotels Construction Pvt Ltd to realise these future benefits. Accordingly, the deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.19 to the financial statements.

29. Earnings per share

(a) Basic earnings per share

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

	2014	2013
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent ($)	**19,673,164**	21,872,845
Weighted average number of ordinary shares outstanding for basic earnings per share	**177,653,912**	179,365,068
Basic earnings per share (cents)	**11.07**	12.19

(b) Diluted earnings per share

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

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

29. Earnings per share (Continued)

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

	2014	2013
Profit attributable to owners of the parent ($)	**19,673,164**	21,872,845
Weighted average number of ordinary shares outstanding for basic earnings per share	**177,653,912**	179,365,068
Adjustments for share options	**4,558,905**	–
	182,212,817	179,365,068
Diluted earnings per share (cents)	**10.80**	12.19

30. Dividends

	Group	
	2014	2013
	$	$
Interim tax-exempt dividend paid of 2.00 (2013: 0.50) cents per ordinary share in respect of the current financial year	**3,120,000**	780,000
Special tax-exempt dividend paid of Nil (2013: 1.50) cents per ordinary share in respect of the previous financial year	**–**	2,400,000
Final tax-exempt dividend paid of 1.00 (2013: 1.50) cents per ordinary share in respect of the previous financial year	**1,555,000**	2,400,000
	4,675,000	5,580,000

The Board of Directors proposed that a final dividend of 1.25 (2013: 2.00) cents per ordinary share amounting to $2,915,625 (2013: $3,120,000) to be paid for the financial year ended 30 September 2014. 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.

31. 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).

Notes to the Financial Statements

For the financial year ended 30 September 2014

31. Significant related party transactions (Continued)

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

(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	
	2014	**2013**
	$	**$**
Joint ventures		
Subcontractor costs to joint venture	**44,050,654**	1,300,802
Loan to joint ventures	**14,222,850**	28,289,318
Management fee charged to joint ventures	**80,250**	–
Interest charged to joint ventures	**1,003,750**	251,497
Associate		
Subcontractor costs to an associate	**69,637,790**	43,272,356
Loan to an associate	**11,758,895**	–
Management fee charged to associate	**221,075**	–
Interest charge to an associate	**169,488**	181,251

Compensation of key management personnel

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

	Group	
	2014	**2013**
	$	**$**
Directors of the Company		
- Short-term benefits	**1,855,558**	1,865,597
- Post-employment benefits	**11,900**	12,075
- Directors' fees	**138,333**	125,000
- Share option expenses	**49,334**	–
Other key management personnel		
- Short-term benefits	**1,187,392**	904,219
- Post-employment benefits	**66,300**	52,700
- Share option expenses	**123,334**	–
	3,432,151	2,959,591

Included in key management personnel remuneration was Directors' remuneration of $1,867,458 (2013: $1,877,672).

Notes to the Financial Statements

For the financial year ended 30 September 2014

32. Commitments

32.1 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	
	2014	**2013**
	$	**$**
Not later than one financial year	**546,276**	556,343
Later than one financial year but not later than five financial years	**1,072,636**	985,021
After five years	**1,271,693**	1,496,315
	2,890,605	3,037,679

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.

32.2 Capital commitments

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

	Group	
	2014	**2013**
	$	**$**
Commitments for construction in progress	**5,880,000**	–

33. Contingent liabilities

The Company has issued corporate guarantees amounting to $145 million (2013: $165 million) to banks for banking facilities of certain subsidiaries. These banking facilities outstanding as at the financial year end amounted to $59.6 million (2013: $71.7 million).

34. Segment information

The Group primarily operates in 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	
	2014	**2013**
	$	**$**
Singapore	**271,783,036**	142,582,151
Maldives	**1,097,841**	4,040,380
Total revenue	**272,880,877**	146,622,531

Notes to the Financial Statements

For the financial year ended 30 September 2014

34. Segment information (Continued)

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 (2013: 8) customers representing approximately 98% (2013: 92%) of total revenue.

35. Financial instruments, financial risks and capital management

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

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

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

35.1 Credit risk

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

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

	Group	
	2014	**2013**
Company	**$**	**$**
Corporate guarantees provided to banks for subsidiaries' banking facilities utilised as at the end of financial year	**59,641,599**	71,684,630

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year.

Notes to the Financial Statements

For the financial year ended 30 September 2014

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

35.1 Credit risk (Continued)

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

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

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

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

The age analysis of trade receivables as at the end of the reporting period that are past due but not impaired is as follows:

	Group	
	2014	**2013**
	$	**$**
Past due 0 to 1 month	**5,002,221**	53,260
Past due over 1 month	**344,258**	92,251

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.

35.2 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.

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

35.2 Market risk (Continued)

(ii) Foreign exchange risk management (Continued)

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	
	2014	2013	**2014**	2013
	$	$	**$**	$
United States dollar	**4,900,337**	3,376,706	**821,145**	239,002
Ringgit Malaysia	**774,663**	746,011	**–**	–
Maldives Rufiyaa	**472,923**	651,347	**–**	–

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

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

The Company is not exposed to any foreign exchange risk.

Foreign currency sensitivity analysis

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

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	
	2014	2013
	$	$
United States dollar		
Strengthens against Singapore dollar	**203,960**	156,886
Weakens against Singapore dollar	**(203,960)**	(156,886)
Ringgit Malaysia		
Strengthens against Singapore dollar	**38,733**	37,301
Weakens against Singapore dollar	**(38,733)**	(37,301)
Maldives Rufiyaa		
Strengthens against United States dollar	**23,646**	32,567
Weakens against United States dollar	**(23,646)**	(32,567)

Notes to the Financial Statements

For the financial year ended 30 September 2014

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

35.2 Market risk (Continued)

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

As the Group has no significant variable interest-bearing financial assets and liabilities, the Group does not expect any material impact on the Group's profit or loss and equity arising from the effects of reasonably possible changes to interest rates at the end of the financial years. Accordingly, interest rate sensitivity analysis is not presented.

The Company is not exposed to any interest rate risk as it does not hold any floating rate financial assets and liabilities as at the end of the financial years.

35.3 Liquidity risk

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

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

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

Contractual maturity analysis

	Within one financial year	After one financial year but within five financial years	After five financial years	Adjustments	Total
	$	$	$	$	$
Group					
2014					
Financial assets					
Convertible bond and derivative on convertible bond	250,000	5,250,000	–	(559,635)	4,940,365
Trade and other receivables	145,370,941	–	–	(1,143,071)	144,227,870
Due from contract customers	12,464,534	–	–	–	12,464,534
Cash and cash equivalents	38,772,222	–	–	(46,250)	38,725,972
Financial liabilities					
Trade and other payables	96,113,571	–	–	–	96,113,571
Bank borrowing	19,399,657	2,620,677	–	(607,411)	21,412,923
Finance lease payables	627,288	330,992	11,766	(40,217)	929,829

Notes to the Financial Statements

For the financial year ended 30 September 2014

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

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year	After one financial year but within five financial years	After five financial years	Adjustments	Total
	$	$	$	$	$
Group					
2013					
Financial assets					
Convertible bond and derivative on convertible bond	–	5,750,000	–	(465,494)	5,284,506
Financial assets, held-to-maturity	–	2,824,804	328,750	(314,554)	2,839,000
Financial assets at fair value through profit or loss	745,195	–	–	–	745,195
Due from contract customers	8,995,782	–	–	–	8,995,782
Trade and other receivables	90,449,823	–	–	(998,621)	89,451,202
Cash and cash equivalents	18,238,318	–	–	(20,722)	18,217,596
Financial liabilities					
Trade and other payables	48,817,983	–	–	–	48,817,983
Bank borrowing	3,044,333	–	–	(39,189)	3,005,144
Finance lease payables	627,288	944,132	25,914	(82,004)	1,515,330

	Within one financial year	After one financial year but within five financial years	After five financial years	Adjustment	Total
	$	$	$		$
Company					
2014					
Financial assets					
Convertible bond and derivative on convertible bond	250,000	5,250,000	–	(559,635)	4,940,365
Trade and other receivables	250,000	–	–	–	250,000
Cash and cash equivalents	5,096,293	–	–	(4,103)	5,092,190
Financial liabilities					
Trade and other payables	6,791,021	–	–	(172,922)	6,618,099
Financial guarantee contracts	59,641,599	–	–	–	59,641,599

Notes to the Financial Statements

For the financial year ended 30 September 2014

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

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year	After one financial year but within five financial years	After five financial years	Adjustment	Total
	$	$	$		$
Company					
2013					
Financial assets					
Convertible bond and derivative on convertible bond	–	5,750,000	–	(465,494)	5,284,506
Cash and cash equivalents	4,728,919	–	–	(7,423)	4,721,496
Financial liabilities					
Trade and other payables	5,398,505	–	–	(149,353)	5,249,152
Financial guarantee contracts	71,684,630	–	–	-	71,684,630

35.4 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 2014 and 2013.

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 2014 and 2013.

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.

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trade and other payables	**97,862,165**	49,520,810	**6,618,099**	5,249,152
Bank borrowing	**21,412,923**	3,005,144	**–**	–
Finance lease payables	**929,829**	1,515,330	**–**	–
Less: Cash and cash equivalents	**(38,725,972)**	(18,217,596)	**(5,092,190)**	(4,721,496)
Net debt	**81,478,945**	35,823,688	**1,525,909**	527,656
Total equity	**79,638,972**	64,440,460	**25,246,107**	25,382,344
Total capital	**161,117,917**	100,264,148	**26,772,016**	25,910,000
Gearing ratio (%)	**50.6**	35.7	**5.7**	2.0

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

35.5 Fair values

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

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

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

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).

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Group				
2014				
Derivative on convertible bond	–	307,123	–	307,123
2013				
Derivative on convertible bond	–	811,853	–	811,853
Financial assets at fair value through profit or loss	745,195	–	–	745,195
Company				
2014				
Derivative on convertible bond	–	307,123	–	307,123
2013				
Derivative on convertible bond	–	811,853	–	811,853

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

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

Notes to the Financial Statements

For the financial year ended 30 September 2014

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

35.6 Categories of financial instruments

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

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Financial assets				
Loans and receivables	**200,051,618**	121,137,233	**9,975,432**	9,194,149
Financial assets, held-to-maturity	**–**	2,839,000	**–**	–
Derivative on convertible bond	**307,123**	811,853	**307,123**	811,853
Financial assets, through profit or loss	**–**	745,195	**–**	–
Financial liabilities				
Other financial liabilities, at amortised cost	**118,456,323**	53,338,457	**6,618,099**	5,249,152

36. Reclassifications and comparatives

Prior Year Restatement

Previously, the Group has inappropriately classified certain amounts due from contract customers and amounts due to contract customers in the following instances:

a) Presented on a net basis rather than at gross

b) Classified inappropriately as part of trade and other receivables

c) Classified inappropriately as part of trade and other payables

Accordingly, the following restatements were made to reclassify these balances appropriately and to present the amounts due from contract customers and amounts due to contract customers on a gross basis in accordance with FRS 11. These reclassifications did not result in any changes in the statement of comprehensive income.

	Previously reported 2013	Movement	After restatement 2013
	$	$	$
STATEMENTS OF FINANCIAL POSITION			
ASSETS			
Current assets			
Amount due from contract customers	–	8,995,782	8,995,782
Trade and other receivables	104,410,142	(14,958,940)	89,451,202
LIABILITIES			
Current liabilities			
Amount due to contract customers	25,438,025	(16,519,749)	8,918,276
Trade and other payables	38,964,219	10,556,591	49,520,810

The prior year adjustments has no material impact on the Group statement of financial position at the beginning of the preceding period. Accordingly the management did not present the full statement of financial position of the Group at the beginning of the earliest comparative period.

Analysis of Shareholdings

As at 18 December 2014

Issued and Fully Paid-Up Capital (including Treasury Shares):	24,316,740
Number of Issued Shares (excluding Treasury Shares):	232,950,000
Number/Percentage of Treasury Shares:	7,050,000 (3.03%)
Class Of Shares:	Ordinary shares
Voting Rights (excluding Treasury Shares):	One Vote Per Share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	50	16.56	270,000	0.12
10,001 – 1,000,000	226	74.83	26,860,500	11.53
1,000,001 AND ABOVE	26	8.61	205,819,500	88.35
TOTAL	302	100.00	232,950,000	100.00

Based on the information available to the Company, as at 18 December 2014, approximately 39.32% 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 18 DECEMBER 2014

	NO. OF SHARES	%
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	64,673,250	27.76
LEO TING PING RONALD	53,423,250	22.93
TEOU KEM ENG @TEOU KIM ENG	16,002,000	6.87
DBS NOMINEES PTE LTD	9,191,500	3.95
LIM EWE GHEE	7,915,500	3.40
KIENTA ENGINEERING CONSTRUCTION PTE. LTD	6,666,000	2.86
SEAH HOE SENG	5,488,500	2.36
LAU ENG TIONG	5,166,000	2.22
UOB KAY HIAN PTE LTD	4,413,000	1.89
LIM CHOON TECK HOLDING PTE LTD	4,165,500	1.79
LIM SIAK MENG	3,916,500	1.68
GOH GEOK CHEONG	3,189,000	1.37
TEOU CHUN TONG JASON	2,550,000	1.09
LIAW WIE SEIN	2,391,000	1.03
KUIK THIAM HUAT	2,082,000	0.89
UNITED OVERSEAS BANK NOMINEES PTE LTD	2,029,500	0.87
CIMB SECURITIES (SINGAPORE) PTE LTD	1,603,000	0.69
FOO CHEK HENG	1,433,000	0.62
PHILLIP SECURITIES PTE LTD	1,384,000	0.59
OW YEOW BUNG	1,362,000	0.58
	199,044,500	85.44

Analysis of Shareholdings

As at 18 December 2014

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 18 DECEMBER 2014 AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of shares held as Direct	%	No. of shares held as Deemed	%
LEO TING PING RONALD [1]	53,423,250	22.93	68,423,250	29.37
TEOU KEM ENG @TEOU KIM ENG	15,027,000	6.45	–	–

Note:

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting ("**AGM**") of Keong Hong Holdings Limited (the "**Company**") will be held at The Chevrons, Violet Room, Level 3, 48 Boon Lay Way, Singapore 609961 on Thursday, 29 January 2015 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 2014 and the Auditors' Report thereon. **Resolution 1**

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

3. To approve the proposed Directors' Fees of S$138,333 for the financial year ended 30 September 2014. (2013 : S$125,000) **Resolution 3**

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

   (i) Mr Er Ang Hooa **Resolution 4**
   (ii) Mr Wong Meng Yeng **Resolution 5**

   [See Explanatory Note (a)]

5. To re-elect Mr Leo Zhen Wei Lionel retiring pursuant to Article 102 of the Company's Articles of Association. [See Explanatory Note (b)] **Resolution 6**

6. To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

7. 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:

8. **General authority to allot and issue new shares in the capital of the Company** **Resolution 8**

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

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

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

Notice of Annual General Meeting

provided that:

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

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

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

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

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

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

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.” [See Explanatory Note (c)]

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

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

Notice of Annual General Meeting

10. **Renewal of the Share Buy-Back Mandate** **Resolution 10**

"That:

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

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

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

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

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

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

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

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

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

(c) for purposes of this Resolution:

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

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

Notice of Annual General Meeting

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

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

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

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

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

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

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

By Order of the Board

Lo Swee Oi and Tan Ching Chek
Joint Company Secretaries

Dated: 14 January 2015

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 6 February 2015, for the preparation of dividend warrants for the proposed tax exempt (one-tier) final dividend of 1.25 Singapore cents per ordinary share for the financial year ended 30 September 2014 (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 5 February 2015 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 5 February 2015, will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by members at the AGM to be held on 29 January 2015, will be paid on 13 February 2015.

Notice of Annual General Meeting

Explanatory Notes:

(a) Information on Mr Er Ang Hooa can be found on page 20 of the annual report.

Mr Wong Meng Yeng, if re-elected, will continue to serve as the Chairman of the Remuneration Committee and a member of the Audit and the Nominating Committees. Mr Wong is considered to be independent for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited. Information on Mr Wong can be found on page 21 of the annual report.

(b) Mr Leo Zheng Wei Lionel, if re-elected, will continue to serve as a member of the Audit Committee. Mr Leo is considered to be non-independent for the purposes of Rule 704(7) of the Listing Manual (Section B Rules of Catalist) of the Singapore Exchange Securities Trading Limited. Information on Mr Leo can be found on page 21 of the annual report.

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

(d) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares of up to a number not exceeding fifteen per cent (15%) of the total issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme and any other scheme or plan of the Company for the time being.

(e) The Ordinary Resolution 10 proposed in item 10 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 14 January 2015, 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.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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KEONG HONG HOLDINGS LIMITED

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

ANNUAL GENERAL MEETING

PROXY FORM

I/We ____ (Name)

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

of ____ (Address)

being a member/members of Keong Hong Holdings Limited 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 The Chevrons, Violet Room, Level 3, 48 Boon Lay Way, Singapore 609961 on Thursday, 29 January 2015 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 2014				
2.	To declare a one-tier tax exempt Final Dividend of 1.25 Singapore cents per ordinary share for the financial year ended 30 September 2014				
3.	To approve Directors' Fees of S$138,333 for the financial year ended 30 September 2014 (2013: S$125,000)				
4.	To re-elect Mr Er Ang Hooa as a Director of the Company				
5.	To re-elect Mr Wong Meng Yeng as a Director of the Company				
6.	To re-elect Mr Leo Zhen Wei Lionel as a Director of the Company				
7.	To re-appoint BDO LLP as Auditors of the Company and to authorize Directors to fix their remuneration				
	Special Business				
8.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore				
9.	To authorise Directors to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme				
10.	To approve the proposed renewal of the Share Buy-Back Mandate				

* 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 ____________ 2015.

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

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:-

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

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.

PERSONAL DATA PRIVACY:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 January 2015.

强楓控股有限公司
KEONG HONG HOLDINGS LIMITED
(Incorporated in the Republic of Singapore on 15 April 2008)
(Company Registration No.: 200807303W)

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BCA ISO 9000 CERT. NO.: 029 SS ISO 9001 : 2008

BCA ISO 14000 CERT. NO.: 2004/082 SS ISO 14001 : 2004

BCA OHSMS CERT. NO.: 2004/078 OHSAS 18001 : 2007

Enterprise 2006 Celebrating Singapore's Enterprising Spirit

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SINGAPORE ACCREDITATION COUNCIL