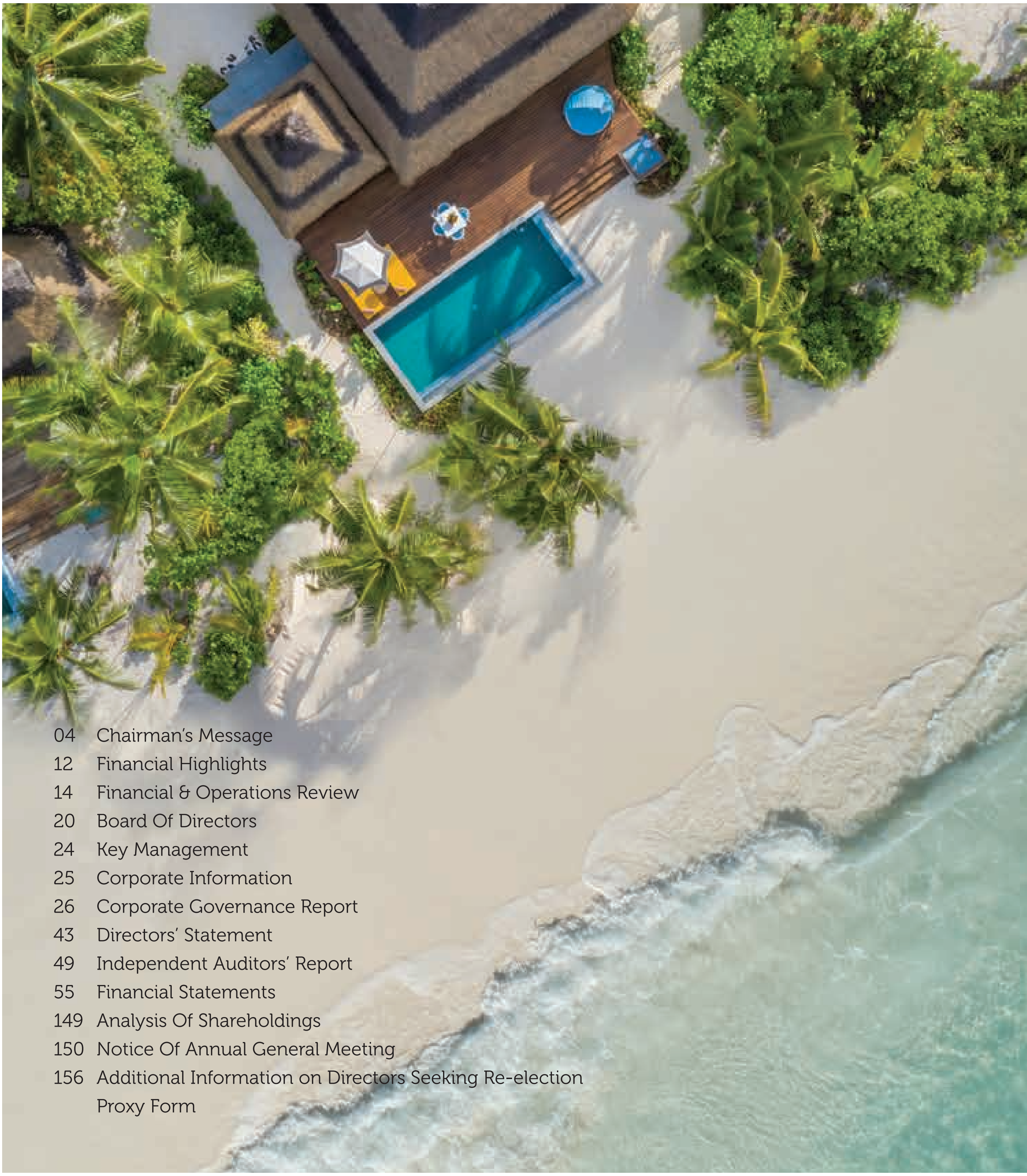
KEONG HONG HOLDINGS LIMITED
ANNUAL REPORT 2019

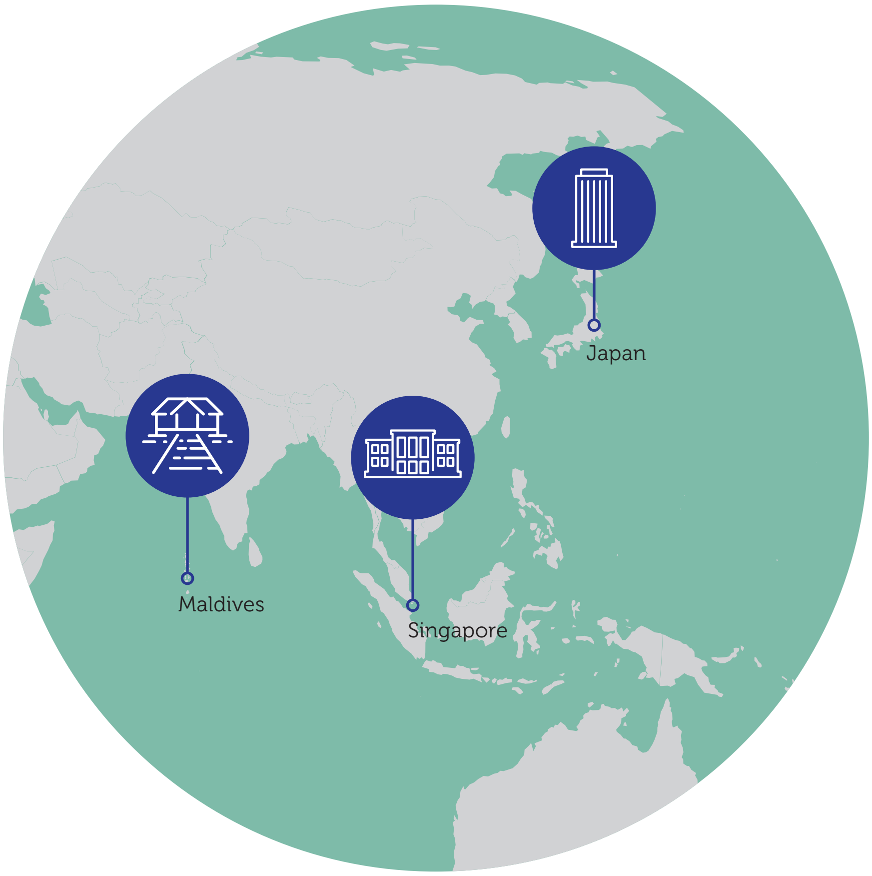
Built
with Passion
Delivered
with Pride

Contents



Overview

Keong Hong Holdings Limited is a building construction, hotel and property development and investment group headquartered and listed on the SGX Mainboard in Singapore. We have presence in Singapore, Japan and Maldives. We have been recognised for our expertise, creativity and passion in building construction services, having been awarded numerous accolades. To stay at the forefront of the industry, we have been transforming through innovation and technology. We are also committed to protecting the environment and advancing our sustainability agenda.



Total Assets (SGD)

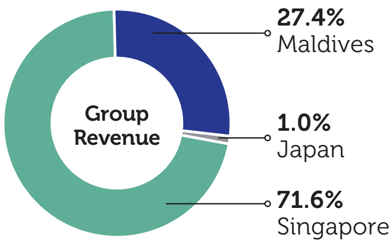
452.0 million

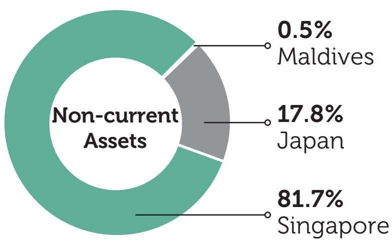
Total Revenue (SGD)

162.6 million

Net Profit After Tax (SGD)

16.9 million





Designing Masterpieces

Environmentally sustainable, thoughtfully designed and warmly welcoming – these are the hallmarks of our Maldivian resorts. Mercure Maldives Kooddoo Hotel and Pullman Maldives Maamutaa Resort are benchmarked against the best in the Maldives archipelago, we built them with passion and delivered them with pride.

Chairman's Message

DEAR SHAREHOLDERS,

This year has been a very challenging one for most businesses. The US-China trade war and weaknesses in the global economy have dampened business sentiment and consumer confidence. Although Singapore has managed to skirt a technical recession in the third quarter of 2019, its year-on-year GDP growth was only 0.5%, slightly higher than the 0.2% growth in the previous quarter. The construction sector showed some resilience, expanding by 2.9% on a year-on-year basis in the third quarter, which was an extension of the 2.8% growth in the previous quarter. The growth was attributed to increased public and private sector construction activities. The sector, however, contracted by 0.1% on a quarter-on-quarter seasonally-adjusted annualised basis, albeit a slower pace of decline as compared to the 5.5% decline in the second quarter.[1]

FINANCIAL HIGHLIGHTS

We closed our financial year ended 30 September 2019 ("FY2019") positively. Our revenue stood at S$162.6 million, a 1.7% increase over revenue of S$159.8 million in the financial year ended 30 September 2018 ("FY2018"). The higher revenue was mainly due to revenue recognition from projects such as *The Seaside Residences* condominium at Siglap, National Skin Centre at Mandalay Road and *Pullman Maldives Maamutaa Resort*. Gross profit, however, decreased by 2.2% to S$36.2 million in FY2019 while gross margin declined to 22.3% from 23.2%. Other income was 60.8% higher at S$14.3 million as compared to S$8.9 million in FY2018 attributed mainly to fair value gain of S$4.7 million on loan receivables and foreign exchange gain of S$2.1 million. The Group registered share of profit of S$9.2 million from joint ventures and associates as compared to S$7.5 million in FY2018. The Group's net profit after tax came in at S$16.9 million, a 26.3% decrease over FY2018's net profit after tax of S$22.9 million.

[1] Ministry of Trade and Industry, "MTI Forecasts GDP to Grow by "0.5 to 1.0 Per Cent" in 2019 and "0.5 to 2.5 Per Cent" in 2020", 21 November 2019.

Cash and bank balances of S$55.8 million as at the end of the financial period under review ensured a healthy balance sheet, with net asset value per share of 94.9 Singapore cents per share as at 30 September 2019.

REWARDING OUR SHAREHOLDERS

Taking into consideration the Group's balance sheet and financial position, the Board is proposing a one-tier tax-exempt final dividend of 1.5 Singapore cents per share, to be approved at the forthcoming Annual General Meeting, and paid in February 2020. Together with the interim one-tier tax exempt dividend of 0.25 Singapore cent per share, the full-year dividend of 1.75 Singapore cents per share represents a dividend payout ratio of 25.2%.

BUILDING CONSTRUCTION – MAINSTAY OF OUR ACTIVITIES

While diversifying our revenue streams and strengthening our activities in property development and investment, building construction still remains the cornerstone of our operations and forms the bulk of our revenue contribution. Although the sector is highly cyclical and subject to the vicissitudes of external economic as well as local governmental factors, the overall outlook, particularly over the long term, remains optimistic. According to the Building and Construction Authority, the outlook for Singapore's construction sector remains positive, given the anticipated improvement in construction demand for both public and private sectors.[2] The award of contracts from redevelopment of en bloc acquisitions is expected to be rolled out more intensively next year, further invigorating the sector. Having said that, the sector may face some headwinds from the slowdown in the global economy although support should come from public sector infrastructural, industrial, commercial, institutional and community projects. As such, our focus will continue to be on pursuing projects in these areas, for which we are steadily building up a respectable portfolio, particularly in the healthcare sector.

Our contract for the erection of a new part 4-storey/part 10-storey building for the National Skin Centre and the reconstruction of the existing 5-storey building for the National Healthcare Group Office at Mandalay Road, which we were awarded in March last year, is progressing well after overcoming initial challenges. Using this project and our completed Raffles Hospital extension project as showcase of our capabilities, we are looking for more of such quality projects to undertake.

Another milestone for our building construction segment was reached this financial year with the completion of the *Pullman Maldives Maamutaa Resort*. The complexity of the project required us to leverage the depth and breadth of our capabilities which we have honed over the years. Infusing these with a generous dose of passion and an equal measure of artistry, we have created our masterpiece, proudly "delivered" to the discerning traveller.

The Group's construction order book stands at approximately S$256.0 million as at the end of FY2019. Of these, 45.0% are non-residential projects. We will continue to work with selected partners to pursue projects which will leverage on our competencies

[2] Building and Construction Authority, "Singapore's total construction demand to remain strong this year", 14 January 2019.

Chairman's Message

and which will provide healthy returns to the Group. Over the long-term, we are confident of the relevance, vibrancy and prospects of the construction sector, given Singapore's strategic importance as a financial and commercial hub and its attraction for businesses. Necessary infrastructural, residential and commercial projects and enhancements to the city's façade will have to be undertaken to make an even more modern Singapore, providing the growth impetus for this sector. We are thus actively participating in project tenders in both public and private sectors and assessing possibilities in various urban transformation projects such as the Punggol Digital District, Woodlands Regional Centre, Greater Southern Waterfront and Paya Lebar Airbase.

Our associated company, Nuform System Asia Pte Ltd, has secured a number of projects in the local commercial and residential arena such as *Defu Industrial City*, *The Tre Ver* and *Jade Scape Condominium*, using its various system formwork solutions. It has also secured several hotel projects, among them *Pan Pacific Hotel*, *Artyzen Hotel* and *Hotel@Orchard Boulevard* as well as commercial and residential projects such as *Guoco Midtown* and *The Florence Residences*. These projects will be using its solutions such as the Nuform Auto-Climb Hydraulic Jack System, Nuform Aluminium Formwork and Truss Table, to name a few.

PROPERTY DEVELOPMENT – STEADY PERFORMANCE DESPITE HEADWINDS

The Urban Redevelopment Authority's most recent statistics have indicated that prices of residential properties rose by 1.3% in the third quarter of 2019, compared with 1.5% increase in the preceding quarter. Developers sold 3,281 completed and uncompleted units in the third quarter of 2019 as compared to 2,350 units in the previous quarter and 3,012 units for the same period in 2018.[3] The statistics are indicative that despite a dampened economic outlook as well as cooling measures introduced by the government, the sector has shown some resilience, with the property index even reaching a five-year high in the second quarter of 2019. Nevertheless, there are signs that the economic conditions are beginning to weigh on buyer confidence and this, together with the slew of new launches, might see muted prices and slower take-up. We are, however, encouraged by the performance of our development launches. *The Seaside Residences*, a 843-unit residential condominium along Siglap Road, a joint venture project with FCL Topaz Pte. Ltd. and Sekisui House Ltd, has attained sales of more than 92.1% to date, with only 66 units left unsold.

The Antares, a 265-unit condominium project by our joint venture company, FSKH Development Pte. Ltd, in the rejuvenated MacPherson/Paya Lebar Area was launched in September 2019. To date, 26 units have been sold and we are confident of the eventual pick-up in buyer interest as the project begins to take shape.

HOTEL DEVELOPMENT AND INVESTMENT – TOURISM A BRIGHT SPOT

The tourism sector has been a bright spark in an otherwise dour economic landscape. Tourism and hotel statistics in Singapore and the Maldives, the two key markets in which we have ventured, have been encouraging. Singapore's rise to prominence on the political stage with its hosting of the summit between the Presidents of the United States and North Korea and the Hollywood film, *Crazy Rich Asians*, has further boosted tourist arrivals. The Singapore Tourism Board has forecasted that international arrivals will grow by a further 1.0% to 4.0% in 2019.[4] Our two hotel investments, *The Holiday Inn Express Singapore Katong* and *Hotel Indigo Singapore Katong*, have registered average daily room rates and average occupancy rates that correspond to the industry average which, given the robust tourism figures, are at healthy levels.

The Maldives, in which we have two hotels, is another prominent tourist destination. The tourism authority there has estimated tourist arrivals of 1.6 million in 2019, an increase from the 1.4 million visitors in 2018.[5] Tourist arrivals from January to October has increased by 15.4% and the average occupancy was higher at 61.6%.[6] Our *Mercure*

> **Our people remain a key focus area for the Group. We gave them opportunities for reskilling and upskilling to remain relevant to the industry.**

[3] Urban Redevelopment Authority, "Release of 3rd quarter 2019 real estate statistics", 25 October 2019.
[4] Singapore Tourism Board, "Third consecutive year of growth for Singapore tourism sector in 2018", 13 February 2019.
[5] Maldives Insider, "Maldives ups 2019 tourist arrivals forecast to 1.6 mln,", 18 June 2019
[6] Ministry of Tourism, Republic of Maldives.

Maldives Kooddoo Hotel has performed within expectations and is in line with the industry average. We are excited that our second hotel property, the luxurious *Pullman Maldives Maamutaa Resort*, has begun welcoming guests at the end of September 2019. Featuring two underwater villas, a suspension bridge overlooking an eco-pond and other unique elements, a truly unforgettable and bespoke experience awaits discerning guests. These two hotels at different spectrums of the price range will cater to the whims and fancies of travellers, who will be guaranteed the professionalism, expertise and above all, warmth of a trusted hotel management brand.

While still a fraction of our overall revenue, we are confident that given the current travel and tourism trends, the contribution from hotel development and investment will gradually grow to be a more significant portion of our revenues, particularly as we intensify our efforts on sourcing for suitable overseas hotel investments.

PURSUING OVERSEAS OPPORTUNITIES AND RELATED INVESTMENTS

Our investment properties in Honmachi Osaka and Minamihorie Osaka, Japan are both 100% tenanted, providing a steady and stable recurring income. Osaka, in the Kansai region, is an important economic zone, accounting for approximately 4.0% of Japan's GDP. The region, including Kyoto, forms a massive market equalling the metropolitan area of Tokyo. It will continue to attract investments, businesses and tourists.

We are also looking at hotel investments in this region, concentrated in Osaka and Kyoto. Other cities with hotel investments that interest us include London, Jakarta, Ho Chi Minh, Hoi An, Sydney and Melbourne, all of which are tourism magnets and gateways to their respective surroundings.

Aside from these, property development projects in Vietnam and Indonesia, will also be another area of interest for us as they continue to provide attractive returns as compared to Singapore.

Chairman's Message

PEOPLE FOCUSED, SKILLS-CENTRED AND ENVIRONMENTALLY AWARE

We believe the key to the success of technology as a transformative agent of businesses, is people. Our people remain a key focus area for the Group. We gave them opportunities for reskilling and upskilling to remain relevant to the industry. Staff, both here and abroad, were availed of various training initiatives, both in-house and externally, to ensure they are properly equipped to participate in the future economy.

While our corporate social responsibility programmes, as with previous years, centred on providing educational opportunities such as the continued support of Institute Technical Education's Work-Learn Technical Diploma programme, a substantial part of our initiatives was also aligned with green practices and conservation efforts. In the Maldives, we have ensured that our development of the *Pullman Maldives Maamutaa Resort*, was done with as little impact to the environment as possible. More than 80% of the natural vegetation on Maamutaa Island was conserved. We also installed a composter at the resort to convert food waste to fertiliser, set up a coral nursery for marine conservation and care, and fixed solar panels on buildings for the generation of solar energy to help reduce usage of diesel. These and other conservation efforts are set out in greater detail in our Sustainability Report 2019.

RIDING THE HEADWINDS WITH PRUDENCE, CONFIDENCE AND AMBITION

The near term outlook is uncertain and challenging. Singapore's 2019 GDP has been forecasted to grow by 0.5% to 1.0% in 2019.[7] With the confluence of the gathering economic storm clouds and high number of residential developments coming on the market, it is likely

[7] Ministry of Trade and Industry, "MTI Forecasts GDP to Grow by "0.5 to 1.0 Per Cent" in 2019 and "0.5 to 2.5 Per Cent" in 2020", 21 November 2019.

that profit margins in property development as well as construction will be impacted. Other cost factors like the tightening of the foreign labour market, possible higher oil prices should supply be disrupted again and general increase in business costs, will pose further challenges.

Aside from automation and operational improvements, we will continue to knuckle down on overheads and other costs, as well as excesses such as material wastages and low productivity. These efforts and continued attention to leveraging the latest innovations and technological advances in our industry, will ensure that we remain competitive and be at the forefront of our game whatever the circumstances facing us.

APPRECIATION AND ACKNOWLEDGEMENTS

We would like, finally, to extend our warmest appreciation to our management and staff for another year of consummate professionalism and wholehearted dedication. We are also thankful to our Board of Directors for their wise counsel, strategic vision and steady guidance during these challenging times. We would like to take this opportunity to thank Mr Wong Meng Yeng, who will be retiring from the Board after the forthcoming Annual General Meeting, for his tireless contributions and invaluable insights during the eight years he has served as Non-Executive Independent Director. Although his shoes are big ones to fill, we are certain that our newly appointed Non-Executive Independent Director, Mr Chong Wai Siak, will ably do so, given his vast experience and business acumen in construction-related industries.

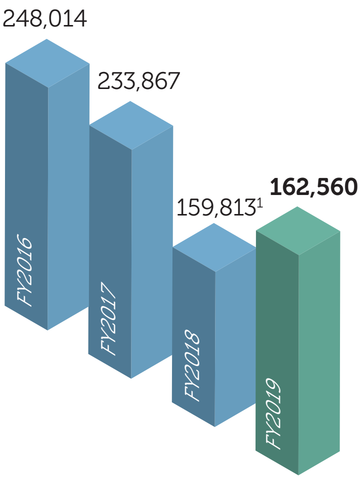
We are grateful that our business partners, associates and customers, as well as loyal shareholders, continue to bestow on us their support, belief and confidence which spur us to go further, aim higher and dream bigger for the sustainable growth of Keong Hong.

LEO TING PING RONALD
Chairman and Chief Executive Officer

Leveraging Technology

The art of building married with the science of technology has enabled us to attain even higher standards of efficiency and productivity in our design, construction and operations. Our virtual reality studio allows clients to walk through the building space in a safe virtual environment ahead of actual construction, enabling us to troubleshoot issues that may arise during construction.

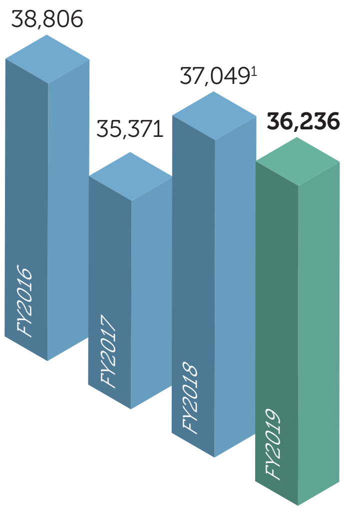
Financial Highlights



REVENUE (S$'000)

Group revenue increased by 1.7% to S$162.6 million as compared to S$159.8 million in FY2018.

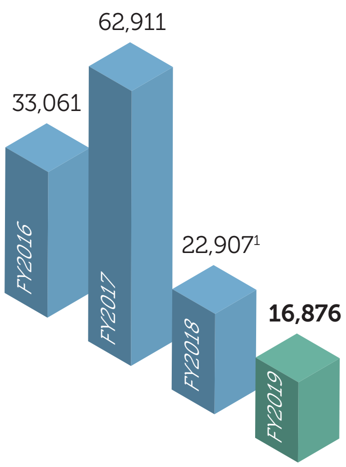
The revenue increase was attributed to higher revenue contribution from the construction of *Seaside Residences* condominium, National Skin Centre and *Pullman Maldives Maamutaa Resort.*



GROSS PROFIT (S$'000)

Gross profit decreased by 2.2% to S$36.2 million.

Gross profit margin stood at 22.3% as compared to 23.2% in FY2018.

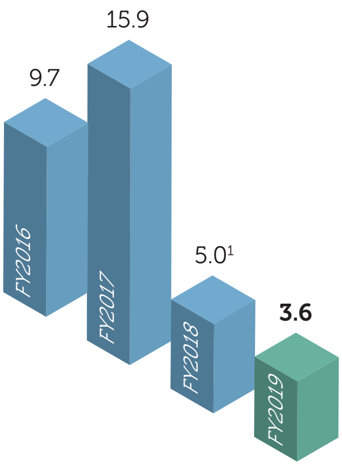


NET PROFIT AFTER TAX (S$'000)

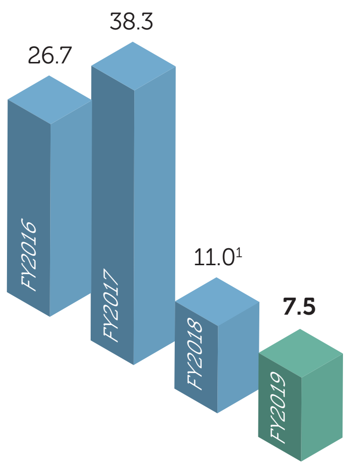
The Group recorded a 11.9% decrease in net profit before tax of S$24.3 million as compared to S$27.5 million in FY2018. The decrease was mainly due to higher administrative expenses offset by higher other income and share of profit from joint ventures and associates.

Net profit after tax for FY2019 consequently stood at S$16.9 million, a 26.3% decrease over the same period last year.

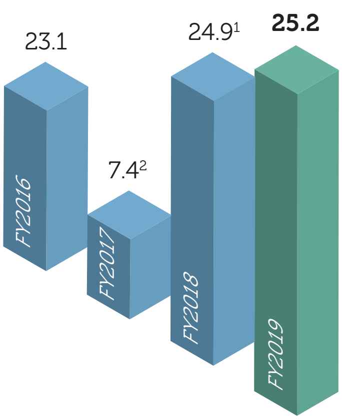
RETURN ON ASSETS (%)



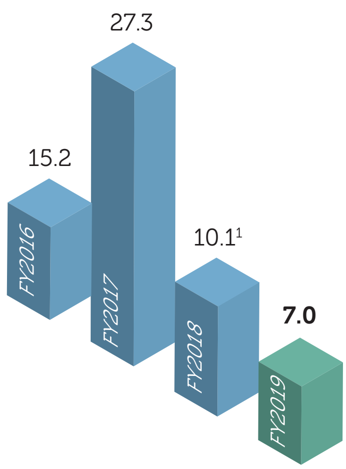
RETURN ON EQUITY (%)



DIVIDEND PAYOUT RATIO (%)



BASIC EARNINGS PER SHARE (SINGAPORE CENTS)



Notes:
1. Restated due to the application of SFRS(I) 15.
2. Based on profit attributable to owners of the parent including exceptional gain of S$49.8 million.

Financial & Operations Review

Singapore's economy is forecasted to grow by 0.5% to 1.0% in 2019. For the third quarter of 2019, the economy grew by 0.5% on a year-on-year basis, slightly higher than the 0.2% growth in the previous quarter. More significantly for us, the construction sector did better than most, posting a 2.9% year-on-year growth in the third quarter of 2019, supported by a pick-up in the public and private sector construction activities. Nevertheless, the sector is still not out of the woods as on a quarter-on-quarter seasonally adjusted annualised basis, it registered a 0.1% contraction.[1]

Keong Hong Holdings Limited ("Keong Hong" or "the Group"), has registered a creditable set of financial results, despite the challenges of the external economic environment. Group revenue for the 12 months ended 30 September 2019 ("FY2019") increased by 1.7% to S$162.6 million as compared to S$159.8 million for the 12 months ended 30 September 2018 ("FY2018"). The revenue increase was due to higher revenue contribution from the construction of projects such as *Seaside Residences* condominium at Siglap, National Skin Centre at Mandalay Road and *Pullman Maldives Maamutaa Resort*. However, the Group's gross profit decreased by 2.2% to S$36.2 million as compared to S$37.0 million in FY2018 while gross margin stood at 22.3% as compared to 23.2% in FY2018.

Other income improved by 60.8% to S$14.3 million from S$8.9 million in FY2018 due mainly to fair value gain on loan receivables and foreign exchange gain due to the strengthening of the US dollar and Japanese Yen, *vis-à-vis* the Singapore dollar.

The Group recorded a 11.9% decrease in net profit before tax of S$24.3 million as compared to S$27.5 million in FY2018. The decrease was mainly due to higher administrative expenses offset by higher other income and share of profit from joint ventures and associates. Net profit for FY2019 consequently stood at S$16.9 million, a 26.3% decrease over the same period last year.

We maintained a healthy balance sheet with cash and bank balances of S$55.8 million. Our total assets amounted to S$452.0 million, against total liabilities of S$226.6 million. Our gearing ratio was 0.42 times as compared to 0.43 times in FY2018. Net asset value per share stood at 94.9 Singapore cents with basic earnings per share at 7.0 Singapore cents in FY2019.

BUILDING AND CONSTRUCTION – UPDATE ON PROJECTS

During the financial year under review, we made good progress on all our construction projects. The construction for the National Skin Centre is now into the construction of the permanent new part 4-storey/part 10-storey building and two basements. Having overcome the initial challenges typical of top-down construction near an existing building, the project has made good progress to meet this phase of the completion in the fourth quarter of 2020. The initial phase of the project, which encompassed underground services diversion, renovation to existing substation and basement area, and construction of a temporary drop-off, was successfully handed over in the first quarter 2019.

We have also made substantial headway on our three residential projects. Construction of the *Seaside Residences*, a 843-unit condominium in Siglap, has progressed up to the topmost floors in finishing works, with more than half of the apartment units already inspected by the Building and Construction Authority ("BCA") under its Quality Mark Assessment Scheme. We are on target for project completion in the second quarter of 2020.

The Antares on Matter Road officially commenced its 30-month construction contract in May 2019, following the completion of the diversion of existing underground sewer lines passing through the project site. The development, undertaken by our joint venture company, FSKH Development Pte. Ltd., is still in its early structural phase. All foundation piles, cement piles, and soil strengthening have been completed and we are progressing well into the construction of Basement 1 slab. This 265-residential unit project, consisting of two 5-storey blocks, one 17-storey block and one 18-storey block with swimming pool and two basement carparks, is scheduled for completion in the fourth quarter of 2021.

We were awarded the main contract for the construction of *The Wilshire* at Farrer Road, a 85-unit condominium, with basement carparks and a swimming pool, in May 2019. The contract officially commenced its 28-month construction period in October 2019, following the completion of asbestos removal and decommissioning of the existing substation. Demolition of the existing condominium has begun and is on schedule for completion in the fourth quarter 2019, to be followed by piling works. Project completion is scheduled for the first quarter of 2022.

[1] Ministry of Trade and Industry, "MTI Forecasts GDP to Grow by "0.5 to 1.0 per cent" in 2019 and "0.5 to 2.5 Per Cent" in 2020", 21 November 2019.

Among the highlights of our construction portfolio is the *Pullman Maldives Maamutaa Resort*. Construction was completed in the second half of 2019 and the resort was officially opened in September 2019. The 122-villa resort, comprising both over-water and beachside villas, including two exclusive Aqua Villas featuring bedrooms submerged beneath the turquoise Maldivian waters, marks a milestone in our construction portfolio, given the challenges of the virgin terrain.

PROPERTY DEVELOPMENT AND INVESTMENT

The property market has shown some signs of resilience despite the economic slowdown. Residential property prices in Singapore rose by 1.3% in the third quarter of 2019 compared with 1.5% in the second quarter. 3,281 completed and uncompleted units were sold in the third quarter of 2019 compared with 2,350 units in the previous quarter. This surpassed the number of units sold in the same period last year, which stood at 3,012 units.[2] It is too early to surmise that the property market is staging a recovery, although the take-up for our launches have been encouraging. *The Seaside Residences*, has attained sales of more than 92.1%, with 66 units unsold. Our newly-launched *The Antares* has registered sales of 26 units.

Our investment portfolio in Japan continues to provide healthy returns with our tenanted office building in Minamihorie and in Honmachi enjoying occupancies of 100% respectively, providing a steady rental income stream.

Our search for new real estate investments in countries such as Vietnam and Indonesia is continuing in earnest. These countries are anticipated to give good investment potential over the longer-term, despite the recent economic conditions affecting most of ASEAN.

HOTEL DEVELOPMENT AND INVESTMENT

Our two hotels in Singapore, *Holiday Inn Express Singapore Katong* and *Hotel Indigo Singapore Katong*, have achieved average occupancy rates and average room rates in tandem with the general industry.[3]

The tourism sector in the Maldives continues to be strong with tourist arrivals from January to October 2019 increasing by 15.4% to 1.4 million and average occupancy higher at 61.6%.[4] Our hotels in the Maldives, The *Mercure Maldives Kooddoo Hotel* and the newly-opened *Pullman Maldives Maamutaa Resort* are, likewise, benefitting from the healthy tourist arrivals in the Maldives.

We are looking to boost our hotel investment portfolio further and are currently accessing assets in Japan, Australia and the United Kingdom, as those countries continue to be major tourist destinations.

2 Urban Redevelopment Authority, "Release of 3rd quarter 2019 real estate statistics." 25 October 2019.

3 According to the Singapore Tourism Board, average occupancy rate and average room rate for the first half of 2019 were 85% and S$215 respectively. Singapore Tourism Board, "Q2 Tourism Sector Performance."

4 Ministry of Tourism, Republic of Maldives, October 2019.

Financial & Operations Review

GROWING OUR GROUP THROUGH RELATED INVESTMENTS

Through our joint venture company, K&H Innovative Systems Pte. Ltd., which was set up in 2018, we have developed our own methodology for Prefabricated Bathroom Units ("PBU") and Prefabricated Prefinished Volumetric Construction ("PPVC"), both of which are key components in the Government's drive for Design for Manufacturing and Assembly ("DfMA") as a means to raise construction productivity. We have obtained in-principle acceptance from the Building Innovation Panel for both our PBU and PPVC methodology.

We completed the purchase of two properties at Chin Bee Road in May 2019 to provide adequate space for the assembly and fit-out of our PBU and PPVC. The existing factory at Lot 20 Chin Bee Road will be demolished and rebuilt to achieve a higher 22-metre high headroom, an extension over the present 12-metre high headroom, which will enable us to accommodate a new 45-tonne gantry crane. The reconstruction works have commenced in the fourth quarter of 2019 and are scheduled for completion in the second quarter of 2020.

The second part of our factory on Lot 21 Chin Bee Road, which adjoins Lot 20, has already commenced operations in the third quarter of 2019. It is focusing on System Formworks Manufacture and Assembly, which is another aspect of DfMA.

We have been developing our in-house capabilities in the areas of Integrated Digital Delivery, one of the key thrusts in the BCA's Construction Industry Transformation Map which seeks to improve quality and productivity, with most of the activities conducted off-site in a controlled environment conducive to greater automation. We have leveraged our Virtual Reality

Studio which was set up at our headquarters to support the Digit-Alpha immersive experience and integrated digital shared platform encompassing Building Information Modelling ("BIM"), Virtual Reality, Augmented Reality, Mixed Reality, Virtual Design and Construction ("VDC") and Project Information Management. The Digit-Alpha pilot scheme used for the National Skin Centre project, under the Infocomm Media Development Authority's sponsorship, has progressed well in its implementation allowing clients to visualise and comment on virtual mockups in a safe virtual environment ahead of actual construction.

TECHNOLOGY-READY WORKFORCE OF THE FUTURE

With our investment in state-of-the art technology, we have provided extensive training for our project managers, engineers, coordinators and other relevant staff in BIM, VDC and BIM 360, which is a unified cloud computing platform connecting our project teams and data in real time from design through construction, in order for them to utilise these technologies efficaciously.

The Ministry of Manpower ("MOM") had mandated that all construction firms must have at least 10% of their work permit holders ("WPHs") qualified as Higher Skilled (R1) workers from 1 January 2017. Pursuant to this, over the past three years, we have progressively enrolled our basic skilled workers for higher skills training such as in the BCA Coretrade Skills training and Multi-Skilling training. To date, 50% of our 214 WPHs are Higher Skilled (R1) certified, far surpassing the minimum 10% as required by MOM.

With our continued emphasis on worksite safety, we have augmented our workers' safety training using virtual reality. The technology provides an efficient and effective means of safety training where workers are pre-exposed to high risk areas of the building, for instance, building edges and roof tops, in a safe virtual environment. They are then thoroughly briefed on the prerequisite safety measures to be put in place before actual work commences.

Staff training in other areas, such as Quality Mark Manager, Conquas Manager, Specialist Diploma in Building Information Modelling (Architectural Track), Prefabricated MEP as well as production-related training such as Good Industry Practices, have further equipped our staff with up-to-date and relevant skills, capabilities and knowledge to be in step with current building and construction practices, technological developments and industry standards.

In FY2019, 3,612 training hours, or 16 hours of training per staff and 15 hours of training per worker were expended.

GIVING BACK TO THE COMMUNITY

We have continued to support institutes of higher education in terms of scholarships, bursaries and other means of financial support for deserving students who are in need of financial aid. We endeavour to support the future growth and continuity of our industry by nurturing future talents in this field. Towards this end, we are one of the participating organisations in the Institute of Technical Education ("ITE") Work-Learn Technical Diploma programme which provides on-the-job training for students. We have sponsored a third ITE student for Technical Diploma in Mechanical and Electrical Services Supervision, which commenced in April 2019. The on-the-job training will fulfil part of his course curriculum leading to his qualification.

We support the Government's Open Door Programme, an initiative by the Ministry of Social and Family Development and the Workforce Singapore, which aims to encourage employers to hire, train and integrate persons with disabilities. Two persons with disabilities have joined our company's Building Information Modelling Team in November 2019.

Aside from our educational contributions, we gifted various charitable organisations with cash donations or sponsorships of their fundraising activities, among them the Singapore Cancer Society, Renci Hospital and Singapore Christian Home.

Our corporate social responsibility initiatives also extend to care and preservation of the environment. We conserved more than 80% of the natural vegetation during our construction of the *Pullman Maldives Maamutaa Resort*. We transplanted trees to reduce the environmental impact of the construction and collected dead leaves and food waste for processing into organic compost for fertilizers. A coral nursery was established at the resort with an in-house marine biologist engaged to take care of marine life. Other initiatives include the set up of a water bottling plant and installation of solar panels on the back of house buildings to generate solar energy and reduce the usage of diesel.

OUTLOOK FOR 2020

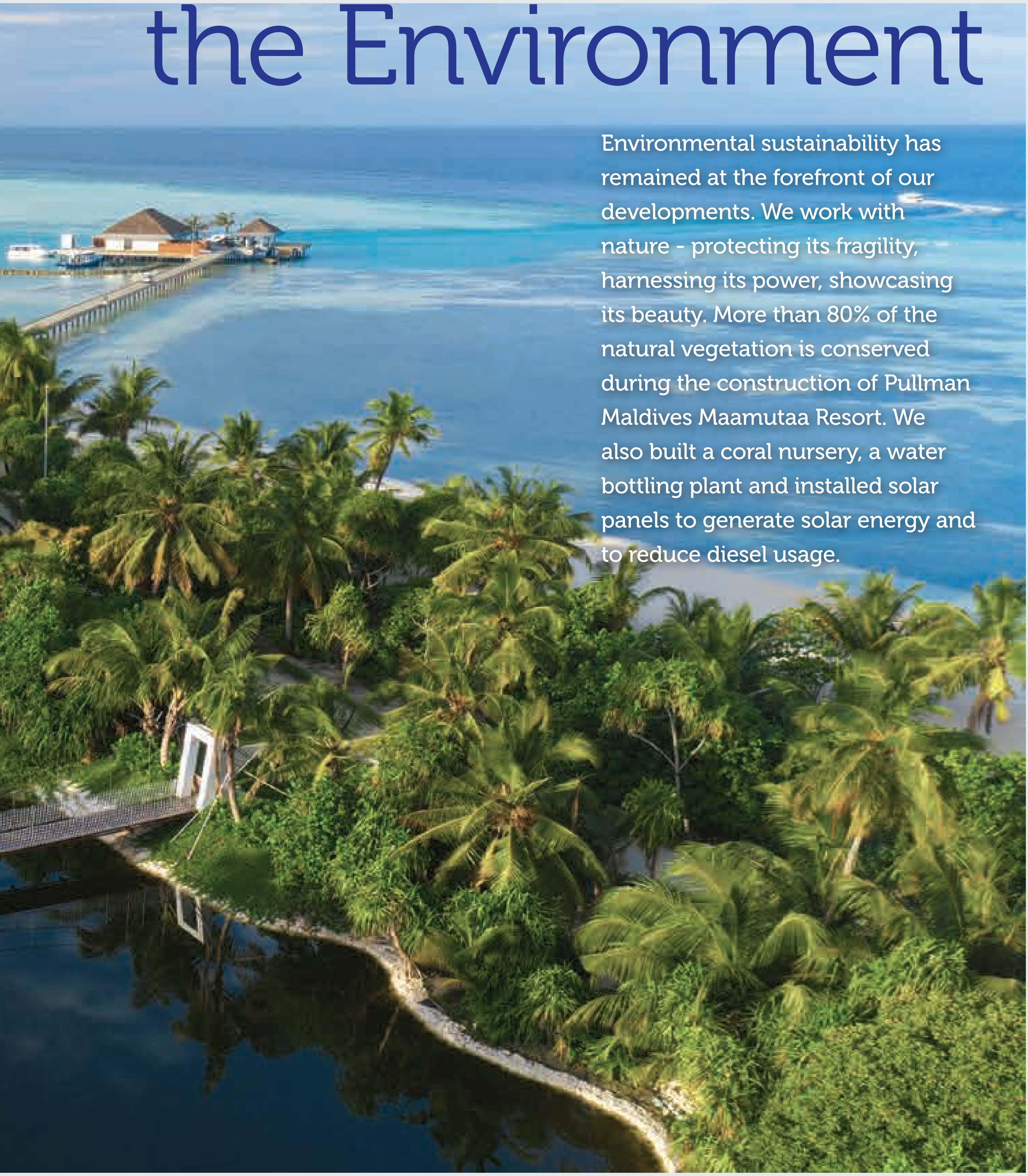
BCA has forecasted construction demand to reach between S$27 billion and S$34 billion per year for 2020 and 2021, and possibly increase to between S$28 billion and S$35 billion per year for 2022 and 2023.[5] Public sector construction demand will be the main driver, boosted by large-scale infrastructure projects and major industrial buildings. We anticipate that there may be opportunities as contracts for development of en bloc acquisitions start to be awarded. As at 30 September 2019, our construction order book stood at approximately S$256.0 million providing us with a steady flow of activities through the end of financial year 2021. We have been actively participating in private and public tenders for various building construction projects and will continue to do so in the coming year.

The property market, on the other hand, may continue to be impacted by the uncertain economic outlook, due to the US-China trade situation, Brexit, and slowing economies.

Having weathered downturns in the past, we are confident that we have the wherewithal to find opportunities even in challenging times. We will also continue to look overseas as well for property development and investment projects. Barring any unforeseen circumstances, we remain optimistic of the future performance of the Group and its ability to continue to deliver returns to all its stakeholders.

[5] Building and Construction Authority, "Singapore's total construction demand to remain strong this year", 14 January 2019.

Protecting the Environment



Environmental sustainability has remained at the forefront of our developments. We work with nature - protecting its fragility, harnessing its power, showcasing its beauty. More than 80% of the natural vegetation is conserved during the construction of Pullman Maldives Maamutaa Resort. We also built a coral nursery, a water bottling plant and installed solar panels to generate solar energy and to reduce diesel usage.

Board of Directors

MR LEO TING PING RONALD
Chairman and
Chief Executive Officer

MR ER ANG HOOA
Executive Director

Mr Leo Ting Ping Ronald, 68, was appointed to our Board on 15 April 2008 and was re-elected on 25 January 2019. As Chairman and Chief Executive Officer, he oversees the day-to-day operations and the Group's strategic direction and corporate business expansion. Mr Leo also holds directorships in the Group's subsidiaries and associated companies.

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

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

Mr Leo graduated with a Bachelor of Engineering (Civil) with First Class Honours and a Master of Science (Construction Engineering) from the National University of Singapore, in 1974 and 1977 respectively. He became a member of The Institution of Engineers Singapore and an associate of The Institute of Structural Engineers, United Kingdom, in 1978 and 1992 respectively. He was also registered as a professional engineer with the Singapore Professional Engineers Board in 1979.

Mr Leo is the father of Mr Leo Zhen Wei Lionel, a non-executive and non-independent Director of the Company.

Mr Er Ang Hooa, 67, joined our Group in 1996. He was appointed to our Board on 26 September 2011 and was re-elected on 24 January 2017.

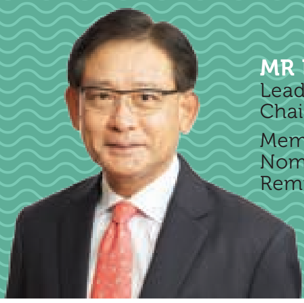
He has been the Project Director of our wholly owned subsidiary, KH Construction, since June 2010. He is responsible for all operational activities relating to construction projects undertaken by our Group. Mr Er also holds directorships in the Group's subsidiaries and associated companies.

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

Mr Er is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

MR TAN KAH GHEE
Executive Director and
Chief Financial Officer



MR LIM JUN XIONG STEVEN
Lead Independent Director
Chairman, Audit Committee
Member,
Nominating Committee
Remuneration Committee

Mr Tan Kah Ghee, 53, joined our Group in October 2012 and was appointed to our Board on 4 December 2017 and was re-elected on 26 January 2018. As the Chief Financial Officer, his responsibilities include overseeing all financial, accounting and corporate secretarial matters of the Group. Mr Tan also holds directorships in the Group's subsidiaries and associated companies.

Prior to joining our Group, Mr Tan was the Group Financial Controller at mainboard-listed Asia Enterprises Holding Limited where he was responsible for financial, accounting and corporate secretarial matters. His previous appointments also include Executive Director of Strategic Capital Partners Pte Ltd where he specialised in financial and corporate advisory services, Associate Director of APS Services Pte Ltd, Finance and Business Development Director of Shunji Matsuo Pte Ltd, Business Development Director of Virgin (Asia) Management Limited and Chief Financial Officer and Executive Director of Form Holdings Limited.

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

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

Mr Tan is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Mr Lim Jun Xiong Steven, 64, was appointed to our Board on 22 November 2011 and was re-elected on 25 January 2019.

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. As Managing Director, he was responsible for growing wealth management services in Asia, India and Middle East. During his 23 years stint with the HSBC Group, he was seconded to work in HSBC's office in Hong Kong and Jersey, Channel Islands. 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, Hong Fok Corporation Limited and Emerging Towns & Cities Singapore Ltd.

Mr Lim holds a Bachelor of Commerce 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.

Mr Lim is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Board of Directors

MR CHONG WENG HOE
Independent Director
Chairman, Nominating Committee
Member,
Audit Committee
Remuneration Committee

MR WONG MENG YENG
Independent Director
Chairman, Remuneration Committee
Member,
Audit Committee
Nominating Committee

Mr Chong Weng Hoe, 55, was appointed to our Board on 22 November 2011 and was re-elected on 25 January 2019.

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 but remains as a director of the company to provide support in the development of the business in the region until September 2017. Thereafter, Mr Chong was relocated to TUV SUD Asia Pacific Pte Ltd, assuming the position of Executive Vice President.

Mr Chong has over 20 years of experience in financial management, marketing and customer support, and project management. He currently sits on the board of HC Surgical Specialists Limited and Regal International Group Limited.

Mr Chong graduated with a Bachelor of Engineering (Electrical) from the National University of Singapore in 1989 and obtained a Master of Business Administration (Accountancy) from the Nanyang Technological University of Singapore ("NTU") in 1997.

Currently, 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 the President of the NTU Nanyang Business School Alumni and a member of the Exco of the NTU Alumni Council. In the past, Mr Chong served as the Chairman of the Standardisation Task Force for the Singapore-Thailand Enhanced Economic Relationship. In 2014 to 2016, Mr Chong gained membership and became Singapore's representative in the IECEE Policy and Strategic Committee. From 2015 to 2018, Mr Chong served as a member of the Singapore Accreditation Council Marketing Committee.

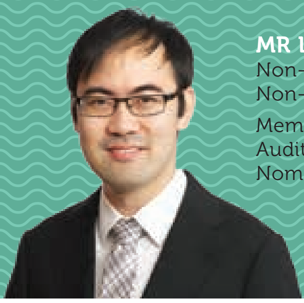
Mr Chong is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Mr Wong Meng Yeng, 61, was appointed to our Board on 22 November 2011 and was re-elected on 26 January 2018.

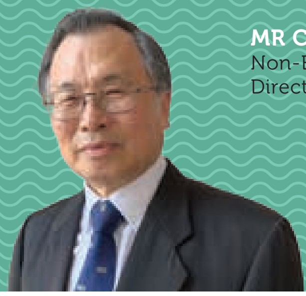
Apart from a stint with a United States law firm, Mr Wong has been practising law in Singapore, first in litigation and changing to corporate commercial law in 1989. His practice includes the establishment and structuring of companies, corporate advisory, commercial contracts, joint ventures, mergers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

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

Mr Wong is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.



MR LEO ZHEN WEI LIONEL
Non-Executive and
Non-Independent Director
Member,
Audit Committee
Nominating Committee



MR CHONG WAI SIAK
Non-Executive Independent
Director

Mr Leo Zhen Wei Lionel, 37, was appointed to our Board on 10 June 2014 and was re-elected on 26 January 2018.

Mr Leo is a Partner in the Restructuring and Insolvency Practice of Wong Partnership LLP. His main areas of practice involve banking and finance-related disputes, insolvency and restructuring, investigations and asset recovery, arbitration and shareholder disputes.

Mr Leo graduated with First Class Honours from the National University of Singapore ("NUS"). He was placed on the Overall Dean's List and was awarded the Punch Coomaraswamy Prize for being the top student in the Law of Evidence. He also represented NUS in the Willem C. Vis International Commercial Arbitration Moot (Vis Moot).

He served as a Justices' Law Clerk to the Chief Justice of the Supreme Court of Singapore and as an Assistant Registrar of the Supreme Court of Singapore before entering private practice. He was also awarded the British Chevening Scholarship and Crewe Graduate Scholarship to pursue the BCL Master's degree at the University of Oxford, where he graduated with Distinction/First Class in all subjects.

He has published articles in various academic journals and has taught part-time at both NUS and the Singapore Management University ("SMU"). He is a member of the SMU Faculty Mooting Committee and coaches SMU's Vis Moot teams. He was also selected to be placed on the Supreme Court's Young *Amicus Curiae* 2012/2013 and 2013/2014 list, and was appointed as amicus curiae in Magistrate's Appeal No. 142 of 2012, *Boo Tuang Hock Patrick v Public Prosecutor*.

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

Mr Chong Wai Siak, 72, was appointed to our Board on 1 October 2019.

Mr Chong joined HDB in 1971 and rose to the position of Senior Principal Structure Engineer before he was appointed in 1980 to establish and head a government owned construction company, Construction Technology Pte Ltd to spearhead and introduce mechanisation and appropriate technology in the construction industry.

In 1989, he joined NSL Ltd (formerly known as NatSteel Ltd) and held various senior positions there as Deputy President of NSL and President/CEO of its major subsidiary, Eastern Industries/Eastern Pretech Group. He was responsible for the overall management of the operations and business activities of the Group and its many subsidiaries, involved mainly in construction products and services, property development and engineering design. His work involved establishing and managing business activities in Singapore, Malaysia, Indonesia, Hong Kong, China, the Philippines, Vietnam, United Arab Emirates and Finland. He retired from the NSL Group in 2014 with wide business experiences in many aspects of the building and construction industry.

Mr Chong was a Director of Changi Airport Planners & Engineers Pte Ltd from 2007 to 2014. He had previously served as Council Member in Singapore Contractors Association Ltd and Institution of Engineers, Singapore and as a member in various Advisory and Technical Committees of the former CIDB and SISIR.

Mr Chong graduated with a Bachelor of Science (Honours) in Civil Engineering and a Master of Science in Structural Engineering from the University of Manchester, Institute of Science and Technology, United Kingdom, in 1970 and 1971 respectively.

He was a Chartered Engineer (UK) and a registered Professional Engineer with both the Singapore and Malaysia Engineering Boards. He was a member of the Institution of Civil Engineers (UK) and a member of both the Institution of Engineers, Singapore and Malaysia.

Mr Chong is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Key Management

MS NG SIEW KHIM CORINNE
Head of Contracts

MR LOO TOON BOON SEBASTIAN
General Manager (Operations)

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

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

Mr Loo Toon Boon is the General Manager (Operations) of our Group and is responsible for operational and project management of our local and regional business activities.

He first joined our Group as the Assistant General Manager of KH Construction in 2007. Thereafter, he was with GuocoLand Property Management Pte Ltd as Project Manager handling several condominium developments and rejoined our Group from 2010 to 2012.

Prior to rejoining our Group in 2019, he held the position of Project Director at Hong Kiat Construction, Resident Engineer at KCL Consultants, General Manager at Lincotrade & Associates and Senior Resident Engineer at Kingford Development.

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

Corporate Information

BOARD OF DIRECTORS

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Leo Ting Ping Ronald

EXECUTIVE DIRECTORS
Er Ang Hooa
Tan Kah Ghee

LEAD INDEPENDENT DIRECTOR
Lim Jun Xiong Steven

DIRECTORS
Chong Weng Hoe
Wong Meng Yeng
Leo Zhen Wei Lionel
Chong Wai Siak
(Appointed on 1 October 2019)

AUDIT COMMITTEE

CHAIRMAN
Lim Jun Xiong Steven

Chong Weng Hoe
Wong Meng Yeng
Leo Zhen Wei Lionel

NOMINATING COMMITTEE

CHAIRMAN
Chong Weng Hoe

Lim Jun Xiong Steven
Wong Meng Yeng
Leo Zhen Wei Lionel

REMUNERATION COMMITTEE

CHAIRMAN
Wong Meng Yeng

Chong Weng Hoe
Lim Jun Xiong Steven

COMPANY SECRETARIES

Lo Swee Oi
Lim Guek Hong

REGISTERED OFFICE

9 Sungei Kadut Street 2
Singapore 729230
Tel: (65) 6564 1479
Fax: (65) 6566 2784
Website: www.keonghong.com
Investor Relations: ir@keonghong.com

SHARE REGISTRAR

B.A.C.S Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITORS

BDO LLP
Public Accountants and
Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

PARTNER-IN-CHARGE
Leong Hon Mun Peter

Appointed since the financial year ended 30 September 2016

PRINCIPAL BANKERS

HSBC
Maybank
OCBC Bank
UOB

CORPORATE GOVERNANCE REPORT

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

This report outlines the Company's corporate governance practices throughout the financial year ended 30 September 2019 ("FY2019"), with specific references made to the principles of the Code of Corporate Governance 2012 (the "Code"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to the annual report covering financial years commencing from 1 January 2019. The Group will review and set out the corporate governance practices in place to comply with the 2018 Code, in the next annual report.

Principle 1: The Board's Conduct of its Affairs

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

Leo Ting Ping Ronald	Chairman and Chief Executive Officer
Er Ang Hooa	Executive Director
Tan Kah Ghee	Executive Director
Lim Jun Xiong Steven	Lead Independent Director
Chong Weng Hoe	Independent Director
Wong Meng Yeng	Independent Director
Leo Zhen Wei Lionel	Non-Executive Non-Independent Director
Chong Wai Siak	Independent Director (Appointed on 1 October 2019)

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

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

The number of Board and Board Committees meetings held and attended by each Board member during FY2019 are as follows:–

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	4	4	2	2
Name of Directors	**Number of Meetings attended in FY2019**			
Leo Ting Ping Ronald	4	4*	2*	2*
Er Ang Hooa	4	4*	2*	2*
Tan Kah Ghee	4	4*	2*	2*
Lim Jun Xiong Steven	4	4	2	2
Chong Weng Hoe	4	4	2	2
Wong Meng Yeng	3	3	2	2
Leo Zhen Wei Lionel	4	4	2*	2

* *Attendance by invitation*

CORPORATE GOVERNANCE REPORT

The profile of each Director and other relevant information are set out on pages 20 to 23 of this Annual Report. Similar information is also published on the Company's website.

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

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

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

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

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

(v) Evaluating performance of Management; and

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

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

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

Changes to regulations and accounting standards are monitored closely by Management. To keep pace with the regulatory changes, where these changes have an important bearing on the Company's or Director's disclosure obligations, Directors are briefed by the Company Secretary on the continuing obligations under the SGX-ST Listing Manual ("Listing Manual") as well as regularly provided with news releases, articles and updates on changes to the Listing Manual from time to time. The Directors have also been kept abreast on the principles and provisions of the 2018 Code. Some Directors had attended the listed Company Directors courses conducted by the Singapore Institute of Directors and other courses and seminars conducted by leading accounting firms and organisations such as Institute of Singapore Chartered Accountants. At the AC meetings, the External Auditors of the Company, BDO LLP ("External Auditors") had briefed the AC on changes or amendments to accounting standards. Upon the appointment of a new Director, the Company will provide him/her with a formal letter, setting out his/her duties and obligations. The Company has put in place an orientation program for all newly appointed Director(s) to assimilate him/her into his/her new role. They will be briefed by Management and the Chairman on the business activities of the Group and its strategic directions as well as the duties and responsibilities as Directors. Appropriate external training for Directors conducted by the Singapore Institute of Directors and other organisations will be arranged when necessary. The Directors are also regularly briefed on the development of the business activities of the Group.

In order to ensure that the Board is able to fulfil 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.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board comprises eight members of whom three are Executive Directors, one is a Non-Executive and Non-Independent Director and four are Independent Directors (following the appointment of a new independent Director, Mr Chong Wai Siak on 1 October 2019).

According to Guideline 2.2 of the Code, independent directors should make up at least half of the board where the chairman of the board and the chief executive director or equivalent is the same person or they are related or the chairman is part of the management team or the chairman is not an independent director.

Although with the appointment of Mr Chong Wai Siak on 1 October 2019 has enable the Company to meet the recommendation of the Code to have at least half of the board to be independent, the NC is aware that with the retirement of Mr Wong Meng Yeng at the forthcoming annual general meeting ("AGM"), the Company will not be able to comply with the Code. The NC and the Board, after extensive deliberation and observation, are of the opinion that there is a strong independence in the Board and the Board is able to exercise objective judgment independently from Management as all key issues and strategies are thoroughly reviewed and discussed by all Board Members and constructively challenged by the Independent Directors. There was also no individual or small group of individuals who dominate the decisions of the Board. The NC and the Board felt that the independence of independent directors must be based on the substance of their professionalism, integrity and objectivity and not merely based on form such as the number of independent directors making up at least half or more than half of the Board. As such, the NC and the Board are of the view that there is no necessity that Independent Directors should make up at least half of the Board of the Company, subsequent to the retirement of Mr Wong Meng Yeng.

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

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director as well as the independence criteria as set out in Rule 210(5)(d) of the SGX-ST Listing Manual in its review. The NC is satisfied that none of the Independent Director (i) is employed by the Company or any of its related corporations for the current or any of the past three financial years and (ii) has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC. The NC has reviewed and determined that the Independent Directors are independent. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

There are no Independent Directors who have served beyond nine years since the date of their appointment.

The Board has no dissenting views on the Chairman's Statement to the shareholders for the financial year under review. The Board is satisfied that the composition of the Board is of an appropriate size to facilitate effective decision making after taking into account the nature and scope of the Group's operations, the core competencies, knowledge and business experiences of the Directors to govern and meet the Group's objectives. The NC is also of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The current Board composition provides a diversity of skills, experience, and knowledge of the Company and their core competencies include relevant industry knowledge or experience, accounting or finance, legal, business or management experience, and strategic planning experience.

The Board has taken the following steps to maintain or enhance its balance and diversity:

(i) Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

(ii) Annual evaluation by the Directors with a view to understanding the range and level of expertise which is lacking by the Board.

CORPORATE GOVERNANCE REPORT

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.

The Non-Executive Directors will meet at least once a year without the presence of Management to discuss on pertinent matters like the performance of Management, risk management, internal controls, Management succession planning and important business issues.

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. With deep industry knowledge, Mr Leo plays an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision. It is the view of the Board that it is in the current best interests of the Group to adopt a single leadership structure.

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

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

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

Led by the Lead Independent Director, the Independent Directors had met at least once without the presence of other Directors in FY2019.

Principle 4: Board Membership

Principle 5: Board Performance

Board Membership

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

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

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

CORPORATE GOVERNANCE REPORT

(v) Reviewing the composition of the Board annually;

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

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

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

When the need to appoint a new Director arises, the NC reviews the range of expertise, skills and attributes of the Board members, and identifies the Board's need and shortlists candidates with the appropriate profile. Where necessary, the NC may seek advice from external consultants. There is currently no female representation in the Board. However, the Board recognises that diversity (including gender) is important and the NC will be mindful of this when seeking to appoint new directors. New Directors are appointed by way of a Board resolution after the NC has reviewed and recommended the appointment of these new Directors. Article 122 of the Company's Constitution requires that new Directors appointed by the Board shall hold office until the next 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, among other things, his/their past contribution and performance.

The Company has no alternate director on its Board.

The NC will decide how the Board's performance is to be evaluated and will also propose objective performance criteria which, subject to the approval of the Board, address how the Board has enhanced long-term shareholders' value. The Board has implemented a process which has been carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees, and the contribution of each individual Director to the effectiveness of the Board. For the performance of the Board as a whole, the appraisal process focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with senior Management and the Directors' standard of conduct. For the performance of the Board Committees, the appraisal process focuses on the evaluation of factors such as the size and composition of the respective Board Committees, the availability of training and resources to assist the Board Committees in discharging their duties, and ability to fulfil their duties and complete the tasks set out by the Board for the respective Committees. The contribution of each individual Director to the effectiveness of the Board is assessed individually. The assessment criteria include, inter-alia, commitment of time, attendance record, level of participation and preparedness, candour and independence. The NC discusses the results of the Board's performance evaluation to identify areas where improvements are necessary and makes recommendations to the Board for action to be taken. Each member of the NC abstains from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Constitution of the Company one third of the Board or if their number is not a multiple of three, the number nearest to but not less than one third with a minimum of one, 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 the re-election of Mr Er Ang Hooa ("Mr Er") and Mr Leo Zhen Wei Lionel ("Mr Lionel Leo"), who will be retiring by rotation at the forthcoming AGM under Article 117 of the Company's Constitution and Mr Chong Wai Siak ("Mr Chong WS"), who will be retiring under Article 122 of the Company's Constitution. Mr Er, Mr Lionel Leo and Mr Chong WS have offered themselves for re-election and the Board has accepted the recommendations of the NC.

Information relating to Mr Er, Mr Lionel Leo and Mr Chong WS is set out on pages 156 to 158 of the Annual Report, in accordance with Rule 720(6) of the Listing Manual of SGX-ST.

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

As part of the Board renewal plan, Mr Wong Meng Yeng will not be seeking re-election at the forthcoming AGM and as such, he will retire as an Independent Director and relinquish his chairmanship in the RC and as member of the AC and NC after the conclusion of the AGM of the Company to be held on 21 February 2020.

Board Performance

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

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

Evaluation of the performance of the Board will be undertaken on a continuous basis by the NC with input from other Board members and the Chairman and CEO. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, board committees and the individual Directors based on the assessment criteria. To ensure confidentiality, all duly completed evaluation forms were submitted to the Company Secretary for collation. The responses on a collective basis are then discussed by the NC. The NC then shared the observation and findings with the Board. The Chairman and CEO will act on the results of the evaluation and where appropriate and in consultation with the NC, propose the appointment of new directors or seek the resignation of current Directors. Any renewal or replacement of directors does not necessarily reflect their contribution to date and it may be driven by the need to position and shape the Board in line with the medium term needs of the Group and its business.

The NC has assessed the current performance of the Board and Board Committees to-date, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole, the Board Committees and of each individual Director had met their performance objectives.

No evaluation facilitators were engaged for the financial year in review.

Directors' Multiple Board Representations

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

The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size;
- Relevant industry knowledge and experience; and
- Relevant corporate, professional and management experience.

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information

All Directors receive a set of Board papers (with background or explanatory information relating to matters to be brought before the Board, where necessary), copies of disclosure notes and internal group financial statements prior to Board meetings. The Board papers are issued to the Directors at least three days prior to Board meetings. This is to allow sufficient time for the Board members to obtain further explanations, where necessary, to be properly briefed and adequately prepared for Board meetings.

The Directors are also provided with the following information:

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

Half Yearly
- internal auditors' report

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

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

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

In addition, monthly management accounts are made available to the Directors. Directors also have unrestricted access to the records and information of the Company. The Independent Directors have access to senior Management of the Company and other employees to seek additional information, if required. To facilitate such access, the contact particulars of senior Management have been provided to the Directors. Directors have the right to seek independent professional advice, if required or as and when necessary to enable them to discharge their duties and responsibilities effectively. The costs of such independent professional advice will be borne by the Company.

The Directors have separate and independent access to the Company Secretaries at all times. The Company Secretaries have the responsibility to ensure that Board procedures are followed and that all applicable rules and regulations including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the SGX-ST Listing Manual, are complied with. The Company Secretaries will assist the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value. Either one or both of the Company Secretaries will be in attendance at meetings of the Board and Board Committees and prepare minutes of meetings. The Company Secretaries will assist the Board Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings. The appointment and removal of the Company Secretaries should be a matter for the Board as a whole.

CORPORATE GOVERNANCE REPORT

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level & Mix of Remuneration

Principle 9: Disclosure of Remuneration

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

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

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

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

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

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

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key executives. Although the recommendations are made in consultation with the Chairman and CEO, the remuneration packages are ultimately approved by the entire Board. No Director will be involved in deciding his own remuneration. Each member of the RC shall abstain from voting on any resolution and making any recommendations in respect of his remuneration package.

The RC may from time to time, when necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management, so that the Group remains competitive in this regard. During FY2019, the Company did not engage any independent remuneration consultant.

The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual's performance, the latter of which is assessed based on their respective key performance indicators allocated to them. Staff appraisals are conducted once a year. The Executive Directors do not receive Directors' fees. The corporate and individual performance-related elements of remuneration are designed to align the interests of Executive Directors with those of shareholders in order to promote the long-term success of the Company. The Executive Directors and key management personnel had met their respective key performance indicators in respect of FY2019.

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

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

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

CORPORATE GOVERNANCE REPORT

A breakdown showing the level and mix of each individual Director's and key executive's remuneration payable for FY2019 in bands of S$250,000 which provides sufficient overview of the remuneration of the Directors and key executives are as follows:

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Benefits in kind (%)	Total (%)
Directors					
S$1,750,000 to S$2,000,000					
Leo Ting Ping Ronald	–	42.10	51.82	6.09	100
S$250,000 to below S$500,000					
Er Ang Hooa	–	76.42	13.77	9.81	100
Tan Kah Ghee	–	72.22	15.65	12.13	100
Below $250,000					
Lim Jun Xiong Steven	100	–	–	–	100
Chong Weng Hoe	100	–	–	–	100
Wong Meng Yeng	100	–	–	–	100
Leo Zhen Wei Lionel	100	–	–	–	100
Key Executives					
S$250,000 to below S$500,000					
Ng Siew Khim	–	76.85	12.83	10.32	100
Below $250,000					
Loo Toon Boon Sebastian(1)	–	59.54	40.46	–	100

(1) Mr Loo Toon Boon Sebastian was appointed as General Manager (Operations) on 2 September 2019.

The annual aggregate remuneration paid to the two Key Executives for FY2019 was S$0.36 million.

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

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from Executive Directors and key executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. If required, the RC will consider instituting such contractual provisions to allow the Company to reclaim the incentive components of the remuneration of the Executive Directors and key executives paid in prior years in such exceptional circumstances.

There are no termination, retirement, post-employment benefits that are granted to the Directors, Chairman and CEO, and top key executives.

Share Option Scheme

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

The Scheme, which forms an integral component of the Company's compensation plan, is designed to reward and retain eligible participants whose services are vital to the well-being and success of the Company. It provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate, and also increases the dedication and loyalty of these participants and motivates them to perform better. The share option is granted based on performance criteria such as the position of the eligible employee, length of service and the performance score achieved by the eligible employee. The performance criteria for the respective employees have been met for FY2019.

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

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

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

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

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

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

Principle 10: Accountability

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

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

CORPORATE GOVERNANCE REPORT

Principle 11: Internal Controls

Principle 12: Audit Committee

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

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

The role of the AC is to assist the Board in overseeing the adequacy and effectiveness of the overall system of internal control, the internal audit functions within the Group, the scope of audit by the external auditor as well as their independence. The AC's roles and responsibilities are described in its terms of reference. The duties of the AC include:

(i) Reviewing the audit plans put forth by the External Auditors on their audit plans, their evaluation of the system of internal controls relevant to the audit, audit report, management letter and Management's response;

(ii) Reviewing the internal audit plans put forth by the Internal Auditors, their evaluation of the adequacy and effectiveness of the Group's internal control and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the Company's annual report (where necessary);

(iii) Reviewing the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;

(iv) Reviewing the internal control and procedures relevant to the audit, ensuring co-ordination between the External Auditors and Management, reviewing the assistance given by Management to the auditors, discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);

(v) Reviewing the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(vi) Reviewing the co-operation given by the Company's officers to the External Auditors;

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

(viii) 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;

(ix) Considering the appointment or re-appointment of the External Auditors and matters relating to resignation or dismissal of the auditors;

(x) Reviewing transactions falling within the scope of Chapter 7, Chapter 9 and Chapter 10 of the SGX-ST Listing Manual (if any);

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

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

CORPORATE GOVERNANCE REPORT

(xiii) 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;

(xiv) 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;

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

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

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

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

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

The AC has met with the External Auditors of the Company, without the presence of Management, to discuss the results of their audit and their evaluation of the systems of internal accounting controls.

The AC has reviewed the nature and extent of non-audit services in respect of the provision of tax compliance services by the External Auditors, including the fees paid in respect of the financial year ended 30 September 2019, as shown on page 120 of the Annual Report, is of the view that the provision of such non-audit services does not compromise the independence of the External Auditors.

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

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 2020 ("FY2020") at the forthcoming AGM. The aggregate audit and non-audit fees paid to the External Auditors for FY2019 are set out on page 120 of this Annual Report.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, discussions are held with the External Auditors when they attend the AC meetings every half yearly. The AC members were encouraged to attend external courses conducted by relevant professional institutes as and when deemed necessary or upon request.

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

The Company has implemented a Whistle-Blowing Policy whereby accessible channels are provided for employees, shareholders, clients, consultants, vendors, contractors and sub-contractors, to raise concerns about possible improprieties in financial reporting, fraudulent acts and other irregularities, and to ensure that arrangements are in place for independent investigations of such matters and timely implementation of appropriate preventive and corrective actions. The AC reviews all whistleblowing complaints, if any, at its quarterly meetings to ensure independence thorough investigation and appropriate follow-up actions are taken. The details of the Whistle-Blowing Policy are available on the Company's website. During FY2019, there was no incident of concern reported to the AC.

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

In the review of the financial statements of the Group and the Company for FY2019, the AC had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed and addressed, amongst other matters, the following key audit matters ("KAMs") as reported by the External Auditors for the financial year ended 30 September 2019.

Key audit matters	How these Issues were addressed by the AC
Accounting for Construction Contracts	The AC reviewed the contract revenue recognition using cost-based input method that reflects the over-time transfer of control to its customers. The AC considered Management's judgements and estimates used in the determination of total construction contract costs and found them to be appropriate.
Impairment assessment of investments in associates	The AC considered Management's approach and assumptions in assessing for impairment of its investments in the associates. The AC considered the reasonableness of the significant judgements and estimates involved in determining the present value of future cash flows from the associates and were satisfied that these were appropriate.
Accounting for loans receivable	The AC considered Management's assessment of the classification for the loans receivable, significant judgements and estimates involved in determining the net present value of the loans receivable and were satisfied that these were appropriate.

Details on the KAMs can be found on pages 49 to 52 of the Annual Report.

RISK MANAGEMENT

The Board is responsible for the governance of risk and sets the tone and direction for the Company in the way that it expects risks to be managed. The Board has overall responsibility for approving the business strategies of the Company in a manner which addresses stakeholders' expectations and does not expose the Company to an unacceptable level of risk which could impede the achievement of the Company's objectives. The Board sets the direction for how risk is to be managed in the pursuit of business objectives and promotes a risk aware and risk conscious culture, which is one where Management understands the importance of risk management and their responsibilities therein.

The Company has developed and continues to review and update the Risk Governance and Internal Control Framework Manual ("The Manual"). The Manual sets out the risk governance responsibilities, business strategies, risk tolerances, risk appetites and the accountability and oversight for the appropriate risk management activities which mitigate the occurrence and exposure to significant risks that could impede business objectives. Management has defined the business objectives to be pursued for the financial year and the specific risk tolerance and appetite limits. The Board has been provided the basis for which they are able to delegate their responsibilities and the authority and limits assigned to Management in respect of these critical business activities. The Board and the Company have through this Manual articulated the operating policies and risk mitigation activities that are in place to mitigate and provide contingencies to deal with the occurrence of significant business risks. In addition to this, Management has been evaluated on their ability to maintain an adequate and effective system of internal control environment. This evaluation takes into consideration the key internal control principles of ISO 31000:2009 Risk Management framework and the components of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") which are the control environment, risk assessment, control activities, information and communication, and the monitoring activities within the Company. Management has provided responses to the Board to explain how they intend to resolve any potential internal control deficiencies identified through this process.

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

The Company has updated the risk profile in the ERM framework through a Group-wide risk assessment exercise conducted in FY2019. This ensures that the risk register is current and reflects the changing business risk exposures and addresses the significant and relevant risks to the Group, the risk owners responsible for managing the identified risks and the internal controls in place to address those risks. Management continues to regularly review and update the risk register with the objective of assigning clear accountability and ownership of risks at the operating level to manage risks, addressing any material breaches in risk thresholds and highlighting any emerging or material risks to the Board. This serves to uphold the effectiveness of risk management as the second line of defense.

The Group's Internal Auditors have taken into consideration the Risk Governance and Internal Control Framework Manual, the updated risk register and risk profile contained within the Group's Risk Assessment Report when preparing the annual internal audit plan. This risk-based internal audit plan is approved by the AC and internal audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls and risk management in addressing financial, operational, information technology and compliance risks. This serves to ensure that internal audit as the third line of defense is able to function effectively. In addition, material control weaknesses over financial reporting, if any, are highlighted by the External Auditors in the course of the statutory audit.

Risk Committee

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

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

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

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

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

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

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

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Based on the internal control policies and procedures established and maintained by the Company, the reviews done by the Internal Auditors, Management and the Board, the Board opines, with the concurrence of the AC, that the Group's internal controls were adequate and effective as at 30 September 2019 to address the financial, operational, compliance and information technology risks.

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

Principle 13: Internal Audit

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

The internal audit function of the Group is currently outsourced to RSM Risk Advisory Pte Ltd (the "Internal Auditor") which reports directly to the AC and administratively to the CFO. The Internal Auditor supports the AC in their role to assess the adequacy and effectiveness of the Group's overall system of operational, financial, technology and compliance related controls and this forms the third line of defense for the AC to discharge its responsibilities.

To ensure the adequacy of the internal audit function, the AC reviews and approves the risk based internal audit plan on an annual basis. The Internal Audit function is adequately staffed with sufficiently experienced and qualified professionals who conduct their reviews in accordance with the International Professional Practices Framework Standards.

The Internal Audit function is independent of all the areas and activities which are covered under the scope of review and they have unfettered access to all documents and personnel relating to the areas or activities which are covered under the annual internal audit plan.

The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

During the year, the AC met with the Internal Auditor of the Company, without the presence of Management, to discuss the results of their audit and their evaluation of the Company's systems of internal controls.

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

The Company does not practise selective disclosure. Price sensitive information is promptly released on SGXNET after trading hours. Financial results and annual reports are announced or issued within the mandatory periods. Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.keonghong.com.

Shareholders are encouraged to attend the AGM to ensure a greater level of shareholders' participation and for them to be kept up to date with the strategies and goals of the Group. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circular and notice pertaining to any extraordinary general meeting of the Company. To facilitate participation by the shareholders, the Constitution of the Company allows the shareholders entitled to attend and vote at general meetings of the Company to appoint not more than two proxies to attend and vote on behalf. In the case of a shareholder who is a relevant intermediary (as defined in the Companies Act), it may appoint more than two proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

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

CORPORATE GOVERNANCE REPORT

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

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

The Company will record minutes of all general meetings and will make available the minutes of general meetings to shareholders upon request.

The Company does not have a fixed dividend policy. The frequency and amount of dividend distribution will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow and general business conditions, development plans and other factors as the Directors may deem appropriate. Since the listing of the Company on SGX in 2011, it has good track record of paying dividends every half-yearly/yearly. Any pay-outs are clearly communicated to shareholders via the financial results announcements through SGXNET.

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

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code which prohibits dealings in the securities of the Company by Directors and officers while in possession of price-sensitive information. The Company, Directors and officers should not deal in the Company's securities on short term consideration and are prohibited from dealing in the securities of the Company during the period beginning two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and one month before the announcement of full year results, and ending on the date of such announcements. In addition, Directors and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

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 FY2019 or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Company has set out procedures governing all interested person transactions to ensure that they are carried out on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

During the year, there was no interested person transaction in value of S$100,000 or above that had entered into with a firm in which a Director is a member and has a substantial financial interest.

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

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT

The Company has a Code of Conduct for employees that sets the ethos and conduct expected of employees. The Code of Conduct provides guidance on issues such as conflict of Interest, the Company's stance against gambling, fraud and bribery, and safeguarding of Company's assets and proprietary information. Employees are required to observe and maintain high standards of integrity, as well as to comply with laws and regulations, and company policies.

The Company has in place practices covering data protection and workplace health and safety, and clear guidelines on how to handle workplace harassment and grievances. The Code of Conduct, policies and guidelines are published on the Company's intranet which is made available to all employees. New employees are introduced to this Code of Conduct during their induction.

SUSTAINABILITY REPORT

The Sustainability Report of the Company will be released via SGXNET at a later date and a copy will be made available on the Company's website at www.keonghong.com.

DIRECTORS' STATEMENT

The Directors of Keong Hong Holdings Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2019, the statement of financial position of the Company as at 30 September 2019 and statement of changes in equity of the Company for the financial year ended 30 September 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Leo Ting Ping Ronald	(Chairman and Chief Executive Officer)
Er Ang Hooa	(Executive Director)
Tan Kah Ghee	(Executive Director)
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)
Chong Wai Siak	(Independent Director, Appointed on 1 October 2019)

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 5 in this statement below.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of directors and companies in which interests are held	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Company:				
Keong Hong Holdings Limited				
(Number of ordinary shares)				
Leo Ting Ping Ronald	53,423,250	53,425,250	68,423,250	68,423,250
Er Ang Hooa	500,000	500,000	–	–
Tan Kah Ghee	14,000	14,000	–	–
Lionel Leo Zhen Wei	292,500	420,300	–	–
5.75% fixed rate Notes due 15 September 2021 pursuant to the Multicurrency Medium Term Note Programme established on 17 April 2015				
Lim Jun Xiong Steven	–	–	$500,000	$500,000
Chong Weng Hoe	–	–	$250,000	$250,000

By virtue of Section 7 of the Act, Mr Leo Ting Ping Ronald is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 October 2019 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 30 September 2019.

5. Share options

(a) Options to take up unissued shares

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

DIRECTORS' STATEMENT

5. **Share options** (Continued)

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

Other information regarding the Scheme is set out below:

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

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

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

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

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	780,000	–	(130,000)	–	650,000	0.310	1.10.2015 to 30.9.2023
20/6/2014	650,000	–	(20,000)	–	630,000	0.310	1.10.2015 to 30.9.2023
1/12/2014	200,000	–	–	–	200,000	0.315	1.12.2016 to 30.11.2024
8/1/2016	1,900,000	–	(200,000)	(50,000)	1,650,000	0.400	8.1.2018 to 7.1.2026
3/4/2017	500,000	–	(150,000)	(50,000)	300,000	0.355	3.4.2019 to 2.4.2027
2/4/2018	2,900,000	–	–	(175,000)	2,725,000	0.460	2.4.2020 to 1.4.2028
16/4/2019	–	650,000	–	(100,000)	550,000	0.400	16.4.2021 to 15.4.2029
Total	6,930,000	650,000	(500,000)	(375,000)	6,705,000		

In respect of options granted during the financial year, Nil (2018: 500,000) options were granted to executive directors, Nil (2018: 1,300,000) options were granted to key executive officers and 650,000 (2018: 1,150,000) options were granted to employees.

DIRECTORS' STATEMENT

5. **Share options** (Continued)

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

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

Name of employee	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Er Ang Hooa	–	1,300,000	(200,000)	–	1,100,000
Ng Siew Khim	–	950,000	(320,000)	–	630,000
Tan Kah Ghee	–	950,000	(450,000)	–	500,000
Khoo Hong Choon	–	775,000	(625,000)	–	150,000
Toh Goon Yong	–	775,000	(625,000)	–	150,000

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

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

Name of Director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Er Ang Hooa	–	1,300,000	(200,000)	–	1,100,000
Tan Kah Ghee	–	950,000	(450,000)	–	500,000

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 statement are:

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

The Audit Committee has met 4 times during the financial year ended 30 September 2019. The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act, and the Code of Corporate Governance, including the following:

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

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

6. **Audit committee** (Continued)

(c) review the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;

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

(e) review the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditors' report on those financial statements before their submission to the Directors of the Company;

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

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

(h) 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;

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

(j) review transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST Listing Manual (if any);

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

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

(m) 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 SGXNET;

(n) 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;

(o) generally to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time;

(p) 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

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

DIRECTORS' STATEMENT

6. Audit committee (Continued)

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.

In appointing our external auditor for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

7. Independent auditors

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

On behalf of the Board of Directors

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

Singapore
20 December 2019

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 55 to 148, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the statement of changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Key Audit Matters (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
1 Accounting for construction contracts	
During the financial year ended 30 September 2019, revenue from construction contracts amounted to $160,857,000 and it represented 99% of the total revenue of the Group. The Group's core businesses are those of general and building contractors. Revenue from construction contracts are recognised by applying the cost-based input method that reflects the over-time transfer of control to its customers. The amount of revenue recognised is dependent on the stage of completion of the construction contracts, which is measured based on the proportion of contract costs incurred to date over the estimated total contract costs for each construction contract. The Group's accounting policy on revenue recognition from construction contracts is set out in Note 2.15 to the financial statements. Significant judgement is required to estimate the total construction contract costs that will affect the measure of progress and revenue and profit margins recognised from construction contracts. Accordingly, we have identified this area as a key audit matter. Refer to Notes 3.2(i), 15 and 29 of the accompanying financial statements.	We performed the following audit procedures, amongst others: • Agreed the contract sums to the letters of award by the Group's customers; • Traced variation orders included in total contract sums to surveyor/architect's certification; • Assessed the Group's internal controls over the recording of revenue and costs for construction contracts; • Traced the estimated cost to complete for significant contracts on a sample basis by substantiating costs that have been committed to sub-contractor quotations and contracts entered; • Tested the costs incurred for all projects on a sample basis by checking that the costs were properly allocated to their respective contracts and that these costs were directly attributable costs supported by suppliers invoices or other supporting documents; • Checked the arithmetical accuracy of the revenue recognised based on the input method computations; • Conducted site visits and discussed with management to obtain an understanding for the phases of the projects; • Reviewed the quantification of the SFRS(I) 15 transitional adjustments made to the financial statements; and • Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Key Audit Matters (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of investments in associates	
The Group's investments in associates comprise of investments in equity interests and amounts due from associates. The associates of the Group are mainly in the business of real estate development and constructions services. The recoverability of the interest in these associates are dependent on the success of the real estate development and profitability from construction services. During the financial year, management carried out an impairment assessment on investments in associates as there were indicators that these investments may be impaired. Management has determined the recoverable amounts using the value-in-use method by estimating the present value of future cash flows of these associates and impairment loss of $7,150,000 was recognised for the current financial year. Additionally, the Group has applied the general approach to measure the expected credit losses on the amounts due from associates. As at 30 September 2019, management considered the changes in credit risk of the respective associate and determined the loss allowance either based on 12-month expected credit loss ("ECL") or lifetime ECL. A loss allowance of $1,382,000 was recognised during the financial year. We focused on this area as a key audit matter due to significant management judgements and estimates involved in determining the present value of future cash flows from the associates. Refer to Notes 3.2(ii), 7 and 40.1 of the accompanying financial statements.	We performed the following audit procedures, amongst others: • Evaluated management's assessment of whether the credit risk of the amounts due from associates has increased significantly since initial recognition; • Reviewed the adequacy of ECL allowance at beginning and end of financial year, including assessing whether management's approach is consistent with SFRS(I) 9 requirements; • Obtained the future cash flows together with management's key assumptions and estimates; • Assessed the reasonableness of the key assumptions and estimates used in the future cash flows, including the revenue growth rates, discount rates and terminal growth rates used; • Engaged our internal valuation specialist to independently develop expectations on the discount rates and terminal growth rates applied; • Carried out stress tests on revenue growth rates, discount rates and terminal growth rates applied by management to determine the impact on the carrying amount of the investments in associates; and • Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Key Audit Matters (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
3 Accounting for loans receivable	
The Group has accounted for loans receivable as financial asset measured at fair value through profit or loss. As at 30 September 2019, the carrying amount was \$30,092,000. The loans are repayable at the option of the borrower and interest-free. The loans receivables are not held with the objective to collect contractual cash flows as the repayment is at the option of the borrower. Additionally, the contractual cash flows of the loans receivable does not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, the loans receivable is accounted for as financial asset at fair value through profit or loss. Management has determined the fair value using the discounted cash flow method, which requires management to estimate the duration expected for the investee to repay and determine an appropriate discount rate. We focused on this area as a key audit matter due to significant management judgements and estimates involved in determining the classification and net present value of the loans receivable. Refer to Notes 3.2(iii) and 11 of the accompanying financial statements.	We performed the following audit procedures, amongst others: • Evaluated management's assessment of whether the accounting for loans receivable as financial assets measured at fair value through profit or loss is appropriate; • Obtained the discounted cash flows together with management's key assumptions and estimates; • Assessed the reasonableness of the key assumptions and estimates used in the discounted cash flows, including the expected repayment period and discount rate used; • Engaged our internal valuation specialist to independently develop expectations on the discount rate; and • Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
20 December 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	Group 30 September 2019 $'000	Group 30 September 2018 $'000	Group 1 October 2017 $'000	Company 30 September 2019 $'000	Company 30 September 2018 $'000	Company 1 October 2017 $'000
Non-current assets							
Property, plant and equipment	4	**27,355**	19,485	22,776	**173**	223	–
Investment properties	5	**23,709**	22,827	23,321	**–**	–	–
Investments in subsidiaries	6	**–**	–	–	**31,886**	30,038	29,018
Investments in associates	7	**57,463**	48,534	29,411	**5,610**	5,610	5,610
Investments in joint ventures	8	**23,982**	10,794	8,377	**–**	–	–
Intangible assets	9	**237**	274	253	**–**	–	–
Available-for-sale financial assets	10	**–**	57,993	56,107	**–**	5,175	6,600
Financial assets at FVOCI	10	**56,814**	–	–	**4,425**	–	–
Financial asset at FVTPL	11	**30,092**	–	–	**–**	–	–
Other receivables	12	**97,372**	122,847	86,247	**–**	1,000	1,000
Finance lease receivables	13	**–**	637	772	**–**	–	–
Deferred tax assets	28	**493**	381	872	**–**	–	–
Total non-current assets		**317,517**	283,772	228,136	**42,094**	42,046	42,228
Current assets							
Inventories	14	**1,421**	1,765	2,016	**–**	–	–
Trade and other receivables	12	**52,826**	88,870	114,854	**71,747**	52,643	42,258
Contract assets	15	**22,424**	25,446	30,621	**–**	–	–
Finance lease receivables	13	**636**	134	131	**–**	–	–
Current income tax recoverable		**–**	314	312	**–**	–	–
Prepayments		**830**	909	584	**3**	3	2
Fixed deposits	16	**10,842**	28,165	41,971	**3,648**	15,810	25,623
Cash and bank balances	16	**45,479**	45,761	35,354	**1,407**	5,202	1,366
Total current assets		**134,458**	191,364	225,843	**76,805**	73,658	69,249
Total assets		**451,975**	475,136	453,979	**118,899**	115,704	111,477
Equity							
Share capital	17	**25,048**	25,048	25,048	**25,048**	25,048	25,048
Treasury shares	18	**(3,303)**	(3,303)	(3,657)	**(3,303)**	(3,303)	(3,657)
Share option reserve	19	**1,747**	1,311	639	**1,747**	1,311	639
Foreign currency translation reserve	20	**494**	385	110	**–**	–	–
Merger reserve	21	**(4,794)**	(4,794)	(4,794)	**–**	–	–
Available-for-sale reserve	22	**–**	5,788	(529)	**–**	–	(225)
Fair value reserve	22	**178**	–	–	**(2,400)**	–	–
Other reserve		**1,119**	1,341	(114)	**–**	–	–
Retained earnings		**202,555**	199,735	181,481	**8,801**	7,585	1,224
Equity attributable to owners of the parent		**223,044**	225,511	198,184	**29,893**	30,641	23,029
Non-controlling interests		**2,300**	1,524	1,894	**–**	–	–
Total equity		**225,344**	227,035	200,078	**29,893**	30,641	23,029
Non-current liabilities							
Other payables	23	**–**	490	1,346	**–**	–	–
Bank borrowings	24	**7,699**	–	–	**–**	–	–
Finance lease payables	25	**397**	314	123	**99**	118	–
Medium term notes	26	**84,537**	84,306	84,074	**84,537**	84,306	84,074
Provisions	27	**506**	246	239	**–**	–	–
Deferred tax liabilities	28	**69**	126	193	**–**	–	–
Total non-current liabilities		**93,208**	85,482	85,975	**84,636**	84,424	84,074
Current liabilities							
Contract liabilities	15	**287**	–	–	**–**	–	–
Trade and other payables	23	**90,647**	115,292	145,106	**4,351**	617	4,366
Bank borrowings	24	**32,447**	40,710	14,519	**–**	–	–
Finance lease payables	25	**118**	132	119	**19**	18	–
Provisions	27	**2,022**	2,022	2,038	**–**	–	–
Current income tax payable		**7,902**	4,463	6,144	**–**	4	8
Total current liabilities		**133,423**	162,619	167,926	**4,370**	639	4,374
Total liabilities		**226,631**	248,101	253,901	**89,006**	85,063	88,448
Total equity and liabilities		**451,975**	475,136	453,979	**118,899**	115,704	111,477

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue	29	**162,560**	159,813
Cost of sales		**(126,324)**	(122,764)
Gross profit		**36,236**	37,049
Other items of income			
Other income	30	**14,267**	8,875
Other items of expense			
Administrative expenses		**(16,175)**	(15,739)
Loss allowance on financial assets			
– other receivables		**(3,790)**	(3)
– long-term interests		**(1,382)**	–
– financial guarantee contracts		**(643)**	–
Finance costs	31	**(6,287)**	(5,689)
Other expenses		**(7,150)**	(4,431)
Share of results of joint ventures, net of tax		**15,984**	4,433
Share of results of associate, net of tax		**(6,798)**	3,031
Profit before income tax	32	**24,262**	27,526
Income tax expense	33	**(7,386)**	(4,619)
Profit for the financial year		**16,876**	22,907
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**109**	275
Fair value gain on available-for-sale financial assets		**–**	6,541
Net fair value changes on available-for-sale financial assets reclassified to profit or loss		**–**	(224)
Share of other comprehensive income of joint venture		**(222)**	330
Items that may not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associate		**–**	1,125
Fair value loss on financial assets at FVOCI		**(9,395)**	–
Other comprehensive income for the financial year, net of tax		**(9,508)**	8,047
Total comprehensive income for the financial year		**7,368**	30,954
Profit attributable to:			
Owners of the parent		**16,306**	23,482
Non-controlling interests		**570**	(575)
		16,876	22,907
Total comprehensive income attributable to:			
Owners of the parent		**6,798**	31,529
Non-controlling interests		**570**	(575)
		7,368	30,954
Earnings per share (cents)			
– Basic	34	**6.95**	10.08
– Diluted	34	**6.92**	9.99

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	Share capital $'000	Treasury shares $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Fair value reserve $'000	Other reserve[1] $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
		← Attributable to owners of the Company →										
Group												
Balance at 1 October 2018		25,048	(3,303)	1,311	385	(4,794)	5,788	1,341	199,735	225,511	1,524	227,035
Effect on adoption of SFRS(I)	41	–	–	–	–	–	3,785	–	(8,210)	(4,425)	–	(4,425)
Balance at 1 October 2018, as restated		25,048	(3,303)	1,311	385	(4,794)	9,573	1,341	191,525	221,086	1,524	222,610
Profit for the financial year		–	–	–	–	–	–	–	16,306	16,306	570	16,876
Other comprehensive income for the financial year:												
Exchange differences on translating foreign operations		–	–	–	109	–	–	–	–	109	–	109
Fair value loss on financial assets at FVOCI	22	–	–	–	–	–	(9,395)	–	–	(9,395)	–	(9,395)
Share of other comprehensive income of joint venture		–	–	–	–	–	–	(222)	–	(222)	–	(222)
Total comprehensive income for the financial year		–	–	–	109	–	(9,395)	(222)	16,306	6,798	570	7,368
Contribution by and distribution to owners of the parent:												
Dividends	35	–	–	–	–	–	–	–	(5,276)	(5,276)	–	(5,276)
Issuance of treasury shares	18	–	–	180	–	–	–	–	–	180	–	180
Non-controlling interests share of fair value adjustments on acquisition of subsidiary		–	–	–	–	–	–	–	–	–	206	206
Amortisation of fair value for share options granted to employees	19	–	–	256	–	–	–	–	–	256	–	256
Total transactions with owners of the parent		–	–	436	–	–	–	–	(5,276)	(4,840)	206	(4,634)
Balance at 30 September 2019		**25,048**	**(3,303)**	**1,747**	**494**	**(4,794)**	**178**	**1,119**	**202,555**	**223,044**	**2,300**	**225,344**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

		Attributable to owners of the Company										
	Note	Share capital $'000	Treasury shares $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Available-for-sale reserve $'000	Other reserve[1] $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Group												
Balance at 1 October 2017, as previously reported		25,048	(3,657)	639	110	(4,794)	(529)	(114)	175,471	192,174	1,905	194,079
Effect on adoption of SFRS(I)		–	–	–	–	–	–	–	6,010	6,010	(11)	5,999
Balance at 1 October 2017, as restated		25,048	(3,657)	639	110	(4,794)	(529)	(114)	181,481	198,184	1,894	200,078
Profit for the financial year		–	–	–	–	–	–	–	23,482	23,482	(575)	22,907
Other comprehensive income for the financial year:												
Exchange differences on translating foreign operations		–	–	–	275	–	–	–	–	275	–	275
Fair value gain on available-for-sale financial assets	22	–	–	–	–	–	6,541	–	–	6,541	–	6,541
Net fair value changes on available-for-sale financial assets reclassified to profit or loss	22	–	–	–	–	–	(224)	–	–	(224)	–	(224)
Share of other comprehensive income of associate		–	–	–	–	–	–	1,125	–	1,125	–	1,125
Share of other comprehensive income of joint venture		–	–	–	–	–	–	330	–	330	–	330
Total comprehensive income for the financial year		–	–	–	275	–	6,317	1,455	23,482	31,529	(575)	30,954
Contribution by and distribution to owners of the parent:												
Dividends	35	–	–	–	–	–	–	–	(5,228)	(5,228)	–	(5,228)
Issuance of treasury shares	18	–	354	459	–	–	–	–	–	813	–	813
Non-controlling interests share of fair value adjustments on acquisition of subsidiary		–	–	–	–	–	–	–	–	–	205	205
Amortisation of fair value for share options granted to employees	19	–	–	213	–	–	–	–	–	213	–	213
Total transactions with owners of the parent		–	354	672	–	–	–	–	(5,228)	(4,202)	205	(3,997)
Balance at 30 September 2018		25,048	(3,303)	1,311	385	(4,794)	5,788	1,341	199,735	225,511	1,524	227,035

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	Share capital $'000	Treasury shares $'000	Share option reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Company							
Balance at 1 October 2018, as previously reported		25,048	(3,303)	1,311	–	7,585	30,641
Effect on adoption of SFRS(I)	41	–	–	–	(1,650)	(1,919)	(3,569)
Balance at 1 October 2018, as restated		25,048	(3,303)	1,311	(1,650)	5,666	27,072
Profit for the financial year		–	–	–	–	8,411	8,411
Other comprehensive income for the financial year:							
Fair value loss on financial assets at FVOCI	22	–	–	–	(750)	–	(750)
Total comprehensive income for the financial year		–	–	–	(750)	8,411	7,661
Contribution by and distribution to owners of the parent:							
Dividends	35	–	–	–	–	(5,276)	(5,276)
Issuance of treasury shares	18	–	–	180	–	–	180
Amortisation of fair value for share options granted to employees	19	–	–	256	–	–	256
Total transactions with owners of the parent		–	–	436	–	(5,276)	(4,840)
Balance at 30 September 2019		**25,048**	**(3,303)**	**1,747**	**(2,400)**	**8,801**	**29,893**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	Share capital $'000	Treasury shares $'000	Share option reserve $'000	Available-for-sale reserve $'000	Retained earnings $'000	Total $'000
Company							
Balance at 1 October 2017		25,048	(3,657)	639	(225)	1,224	23,029
Profit for the financial year		–	–	–	–	11,589	11,589
Other comprehensive income for the financial year:							
Net fair value changes on available-for-sale financial assets reclassified to profit or loss	22	–	–	–	225	–	225
Total comprehensive income for the financial year		–	–	–	225	11,589	11,814
Contribution by and distribution to owners of the parent:							
Dividends	35	–	–	–	–	(5,228)	(5,228)
Issuance of treasury shares	18	–	354	459	–	–	813
Amortisation of fair value for share options granted to employees	19	–	–	213	–	–	213
Total transactions with owners of the parent		–	354	672	–	(5,228)	(4,202)
Balance at 30 September 2018		25,048	(3,303)	1,311	–	7,585	30,641

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	2019 $'000	2018 $'000
Operating activities		
Profit before income tax	**24,262**	27,526
Adjustments for:		
Impairment loss on available-for-sale financial assets	**–**	4,431
Bad third parties other receivables written off	**–**	8
Loss allowance on financial assets		
– Trade and other receivables	**3,790**	3
– Long-term interests	**1,382**	–
– Financial guarantee contracts	**643**	–
Impairment loss on investment in an associate	**7,150**	–
Waiver of interest receivables from third party	**918**	–
Fair value changes on financial asset at FVTPL	**(4,667)**	–
Amortisation of intangible assets	**37**	23
Depreciation of investment properties	**619**	603
Depreciation of property, plant and equipment	**4,121**	4,314
Gain on disposal of plant and equipment	**(124)**	(76)
Gain on disposal of non-current asset held for sale	**–**	(46)
Allowance for inventory obsolescence	**(4)**	837
Interest income	**(5,504)**	(4,312)
Interest expense	**6,287**	5,689
Dividend income from financial assets at FVOCI	**(510)**	–
Dividend income from available-for-sale financial assets	**–**	(2,638)
Amortisation of fair value for share options granted to employees	**256**	213
Gain on unrealised foreign exchange	**(2,127)**	(272)
Share of results of joint ventures	**(15,984)**	(4,433)
Share of results of associates	**6,798**	(3,031)
Operating cash flows before working capital changes	**27,343**	28,839
Working capital changes:		
Inventories	**348**	(585)
Trade and other receivables	**34,661**	6,207
Prepayments	**102**	(329)
Contract assets	**3,081**	5,458
Contract liabilities	**287**	–
Trade and other payables	**(15,627)**	(30,530)
Provisions	**3,677**	3,416
Cash generated from operations	**53,872**	12,476
Income tax paid	**(9,723)**	(10,345)
Net cash from operating activities	**44,149**	2,131

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 $'000	2018 $'000
Investing activities			
Investments in joint ventures		**(1,175)**	(27,469)
Cash advances to associate		**(11,869)**	–
Loan to third parties		**(2,560)**	(8,440)
Loan to associates		**(31,136)**	(13,451)
Loan to joint ventures		**(4,550)**	(25)
Purchase of property, plant and equipment		**(11,865)**	(705)
Purchase of investment property		**(37)**	(178)
Purchase of intangible assets		**–**	(44)
Proceeds from finance lease receivables		**135**	130
Proceeds from disposal of property, plant and equipment		**233**	146
Return of equity interest in joint venture		**–**	638
Repayment of loan from associate		**14,447**	19,525
Interest received		**736**	2,840
Dividend received from joint venture		**–**	2,660
Dividend income from financial assets at FVOCI		**510**	–
Dividend income from available-for-sale financial assets		**–**	2,638
Net cash used in investing activities		**(47,131)**	(21,735)
Financing activities			
Repayment of non-trade amounts due to a director and non-controlling interest of subsidiary		**(2,987)**	–
Fixed deposit pledged with financial institutions		**(2)**	(2)
Proceeds from bank borrowings (Note A)		**17,922**	35,711
Repayment of finance lease payables (Note A)		**(156)**	(136)
Repayment of bank borrowings (Note A)		**(18,486)**	(9,402)
Exercise of share options		**180**	814
Dividends paid		**(5,276)**	(5,228)
Interest paid (Note A)		**(6,049)**	(5,404)
Net cash from financing activities		**(14,854)**	16,353
Net change in cash and cash equivalents		**(17,836)**	(3,251)
Cash and cash equivalents at beginning of financial year		**73,399**	76,635
Effect of foreign exchange rate changes on cash and cash equivalents		**229**	15
Cash and cash equivalents at end of financial year	16	**55,792**	73,399

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	2018 $'000	**Cash flows $'000**	**Additions of property, plant and equipment under finance leases $'000**	**Accretion of interest $'000**	**2019 $'000**
Medium term notes	84,306	(4,888)	–	5,119	**84,537**
Bank borrowings	40,710	(1,698)	–	1,134	**40,146**
Finance lease payable	446	(183)	225	27	**515**
	125,462	(6,769)	225	6,280	**125,198**

			Non-cash changes		
	2017 $'000	**Cash flows $'000**	**Additions of property, plant and equipment under finance leases $'000**	**Accretion of interest $'000**	**2018 $'000**
Medium term notes	84,074	(4,900)	–	5,132	84,306
Bank borrowings	14,519	25,828	–	363	40,710
Finance lease payables	242	(159)	340	23	446
	98,835	20,769	340	5,518	125,462

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

1. GENERAL CORPORATE INFORMATION

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

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

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

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

The statement of financial position of Company as at 30 September 2019 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 2019 were authorised for issue in accordance with a Directors' resolution dated 20 December 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International), the Group and the Company have consistently applied the same accounting policies in their opening statements of financial position at 1 October 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 30 September 2018 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs to SFRS(I)s are disclosed in Note 41 to the financial statements.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The financial statements are expressed in Singapore dollar ("$") and rounded to the nearest thousand ("$000"), unless otherwise stated.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) Interpretations ("SFRS(I) INT") issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT were issued but not yet effective and have not been early adopted in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 9 (Amendments)	: Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 1-28 (Amendments)	: Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 16	: Leases	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle		
– SFRS(I) 3 (Amendments)	: Business Combinations	1 January 2019
– SFRS(I) 11 (Amendments)	: Joint Arrangements	1 January 2019
– SFRS(I) 1-12 (Amendments)	: Income Tax	1 January 2019
– SFRS(I) 1-23 (Amendments)	: Borrowing Costs	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-19 (Amendments)	: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 (Amendments)	: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17	: Insurance Contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various amendments	: References to the Conceptual Framework in SFRS(I) Standards	1 January 2020

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

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

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a "right-of-use" asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group and the Company expect to capitalise its rented premises and office equipment on the consolidated statement of financial position by recognising them as "right-of-use" assets of and their corresponding lease liabilities for the present value of future lease payments. The Group and the Company are still in the process of finalising the transition adjustment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I) 16 *Leases* (Continued)

The Group and the Company plan to adopt the standard in the financial year beginning on 1 October 2019 retrospectively with cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. Therefore, the Group and the Company will only recognise leases on statements of financial position as at 1 October 2019. The Group and the Company will include the required additional disclosures in their financial statements for the financial year ending 30 September 2020.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to end of the reporting period.

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

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

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

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

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

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

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

Acquisition under common control

Business combinations arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity. Any difference between the cash paid for the acquisition and net assets acquired is recognised directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

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

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives on the following bases:

	Years
Building	10 – 42
Office equipment	2 – 3
Furniture and fittings	3 – 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 amount may not be recoverable.

The estimated useful life, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Investment properties

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

	Years
Freehold land	Not depreciated
Commercial buildings	27 and 28

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

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

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

2.6 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

2.7 Associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Associates and joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group’s share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate or joint venture.

Under the equity method, the Group’s share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group’s share of net assets of associates or joint ventures and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate or a joint venture in excess of the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Associates and joint ventures (Continued)

Where a Group entity transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Any eliminated gain that is in excess of the carrying amount of the Group's interest in the associate or joint venture should be recognised as deferred income. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

As the dates of the associates' and joint ventures' audited financial statements used are not co-terminuous with that of the Group, the Group's share of results is arrived at based on the latest available audited financial statements and un-audited management financial statements up to the end of the reporting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

2.8 Intangible assets

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

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

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

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

Computer software

Computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

Transferable club memberships

Transferable individual club memberships are initially recognised at cost and are subsequently measured at cost less accumulated impairment losses, if any. Transferable club memberships are regarded as intangible assets with indefinite life and not amortised because there is no foreseeable limit to the period over which the assets are expected to be utilised.

Customer contracts and related customer relationships

Customer contracts and related customer relationship acquired in business combination are recognised at fair value at the acquisition date. Customer contracts and related customer relationships have finite useful lives and are carried at cost less accumulated amortisation and impairment losses.

2.9 Goodwill

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

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

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

2.10 Impairment of non-financial assets excluding goodwill

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments

The Group and the Company recognise a financial asset or a financial liability in their statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Financial assets

The Group and the Company classify their financial assets into one of the categories below, depending on the Group's and the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group and the Company shall reclassify their affected financial assets when and only when the Group and the Company change their business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's and the Company's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables, retention sum and contract assets are recognised based on the lifetime expected credit loss model within SFRS(I) 9. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook. At each reporting period, historical default rates are updated and change in the industry future outlook is reassessed. The Group also evaluates expected credit loss on credit-impaired receivables separately at each reporting period. For trade receivables, retention sum and contract assets, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties, loans to related parties and other receivables due from third parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's and the Company's financial assets measured at amortised cost comprise trade and other receivables, amounts due from associates and joint ventures, contract assets, finance lease receivables and cash and bank balances but excluding prepayments in the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through other comprehensive income ("FVOCI")

The Group and the Company have a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those equity investments, the Group and the Company have made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Upon disposal, any balance within fair value reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

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

Debt instruments that do not meet the criteria for being measured at amortised cost or FVOCI are measured at FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other items of income".

Derecognition of financial assets

The Group and the Company derecognise 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.

Accounting policy for financial assets prior to 1 October 2018

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

Effective interest method

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

Financial assets

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 October 2018 (Continued)

Financial assets (Continued)

Loans and receivables

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

The Group's and the Company's loans and receivables in the statements of financial position comprise trade and other receivables, finance lease receivables, convertible bonds and cash and bank balances but excluding prepayments.

Available-for-sale financial assets ("AFS")

Certain shares held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the AFS reserve, with the exception of impairment losses which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the AFS reserve is included in profit or loss for the period. Dividends on AFS financial assets are recognised in the profit or loss when the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

On disposal, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Impairment of financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 October 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

In respect of available-for-sale financial assets, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

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

The Group classifies all financial liabilities as subsequently measured at amortised cost.

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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Borrowings

Bank borrowings, finance lease payables and medium term notes are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowing is recognised over the term of borrowings in accordance with the Group's accounting policy for borrowing costs.

Financial guarantee contracts

The Group and the Company have issued corporate guarantees to banks for borrowings of certain subsidiaries and associate. These guarantees qualify as financial guarantees because the Group and the Company are required to reimburse the banks if these subsidiaries and associate breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 October 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Group and the Company will reimburse the banks.

Derecognition of financial liabilities

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

2.12 Inventories

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

Cost is determined by specific identification method. Specific identification is used to track and cost specific and identifiable inventory items that are either in or out of stock on an individual basis which are assigned for individual projects. The cost includes all costs of purchase and other costs in bringing the inventories to their present location and condition.

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

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

2.13 Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share-based payments

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

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share option reserve.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the treasury shares account, when treasury shares are re-issued to the employees.

2.15 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes).

Contract revenue

The Group provides building construction services to customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

In some circumstances such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Revenue recognition (Continued)

Other sources of revenue

Interest income is recognised using the effective interest rate method.

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

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

2.16 Leases

Group as lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating leases

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

Group as lessee

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs in Note 2.18 to the financial statements.

Operating leases

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

2.17 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions (Continued)

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.

2.18 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.

2.19 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.

2.20 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.

2.21 Income tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax (Continued)

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

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

2.22 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.

2.23 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 dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

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

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

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the 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 the management has made in the process of applying the Group's and the Company's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Fair value of unquoted equity shares

The fair value of unquoted equity shares are determined based on fair value using the cost approach valuation technique. The Group has made a judgement in excluding minority discount factor in determining the fair value. In making this judgement, the Group has considered amongst other factors, the Group will receive their fair share equivalent to their percentage of equity interest in the unquoted financial assets in the event that its disposed.

The carrying amount of the unquoted equity shares as at 30 September 2019 amounted to $52,389,000 (30 September 2018: $52,818,000; 1 October 2017: $49,507,000) (Note 10).

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below:

(i) Construction contracts

The Group has significant ongoing construction contracts as at 30 September 2019 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. In making these estimates, management has relied on past experience and the work of specialists.

If the remaining estimated contract costs increase by 3% from management's estimates, the Group's profit before income tax will decrease by approximately $662,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Impairment of investments in subsidiaries, associates and joint ventures

Management follows the guidance of SFRS(I) 1-36 *Impairment of Assets*, in determining whether investments in subsidiaries, associates and joint ventures are impaired. This requires assumption to be made regarding the duration and extent to which the recoverable amount of an investment is less than its carrying amount, the financial health, and near-term business outlook of the investments including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Investment in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and where applicable, cash-generating units ("CGU") have been determined based on value-in-use calculations. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

The Company's carrying amount of investments in subsidiaries as at 30 September 2019 was $31,886,000 (30 September 2018: $30,038,000; 1 October 2017: $29,018,000) (Note 6). The Company's carrying amount of investment in associate as at 30 September 2019 was $5,610,000 (30 September 2018: $5,610,000; 1 October 2017: $5,610,000) (Note 7). The Group's carrying amounts of investments in associates and joint ventures as at 30 September 2019 were $57,463,000 (30 September 2018: $48,534,000; 1 October 2017: $29,411,000) and $23,982,000 (30 September 2018: $10,794,000; 1 October 2017: $8,377,000) respectively (Notes 7 and 8).

(iii) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting and disclosures purposes. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. For unquoted equity shares, the Group determines the fair value with reference to SFRS(I) 13 *Fair Value Measurement* to establish the appropriate valuation techniques and inputs to the model. Changes in assumptions on the inputs to the model could affect the reported fair value of the financial instruments. Information about the valuation techniques and inputs used in determining the fair values is included in Notes 10, 11 and 40.5 to the financial statements. The carrying amount of the Group's assets measured at fair value as at 30 September 2019 is included in Note 10 and 11 to the financial statements.

(iv) Loss allowance on trade and other receivables, retention sum and contract assets

Trade receivables, retention sum and contract assets

Expected credit loss model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook. At each reporting period, historical default rates are updated and change in the industry future outlook is reassessed. The Group also evaluates expected credit loss on credit-impaired receivables separately at each reporting period. The carrying amount of the Group's trade receivables, retention sum and contract assets as at 30 September 2019 was $60,414,000 (30 September 2018: $90,071,000, 1 October 2017: $104,356,000). The Group's credit risk exposure is set out in Note 40.1 to the financial statements.

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Loss allowance on trade and other receivables, retention sum and contract assets (Continued)

Other receivables from subsidiaries, associates and joint ventures

Management determines whether there is significant increase in credit risk of these subsidiaries, associates and joint ventures since initial recognition. Management assesses the financial performances of subsidiaries, associates and joint ventures to meet the contractual cash flows obligation.

The carrying amount of the Company's other receivables from subsidiaries and associates as at 30 September 2019 were $59,485,000 (30 September 2018: $42,252,000; 1 October 2017: $40,495,000) and $Nil (30 September 2018: $2,305,000; 1 October 2017: $34,000) respectively. The carrying amount of the Group's other receivables from associates and joint ventures as at 30 September 2019 were $81,898,000 (30 September 2018: $57,383,000; 1 October 2017: $59,550,000) and $97,374,000 (30 September 2018: $90,831,000; 1 October 2017: $62,643,000).

4. PROPERTY, PLANT AND EQUIPMENT

	Building $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Plant and machinery $'000	Total $'000
Group						
Cost						
Balance at 1 October 2018	23,158	1,182	583	2,342	17,818	45,083
Additions	11,168	88	166	633	35	12,090
Disposals	–	–	–	(160)	(317)	(477)
Currency realignments	–	3	–	*	21	24
Balance at 30 September 2019	**34,326**	**1,273**	**749**	**2,815**	**17,557**	**56,720**
Accumulated depreciation						
Balance at 1 October 2018	6,751	761	516	1,064	16,506	25,598
Depreciation	2,491	351	112	538	629	4,121
Disposals	–	–	–	(126)	(242)	(368)
Currency realignments	–	*	–	*	14	14
Balance at 30 September 2019	**9,242**	**1,112**	**628**	**1,476**	**16,907**	**29,365**
Net carrying amount						
Balance at 30 September 2019	**25,084**	**161**	**121**	**1,339**	**650**	**27,355**

* Less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Plant and machinery $'000	Total $'000
Group						
Cost						
Balance at 1 October 2017	23,158	953	574	2,197	17,793	44,675
Additions	–	234	9	769	33	1,045
Disposals	–	(5)	–	(624)	(22)	(651)
Currency realignments	–	*	–	*	14	14
Balance at 30 September 2018	23,158	1,182	583	2,342	17,818	45,083
Accumulated depreciation						
Balance at 1 October 2017	4,545	511	398	1,225	15,220	21,899
Depreciation	2,206	255	118	445	1,290	4,314
Disposals	–	(5)	–	(606)	(16)	(627)
Currency realignments	–	–	–	*	12	12
Balance at 30 September 2018	6,751	761	516	1,064	16,506	25,598
Net carrying amount						
Balance at 30 September 2018	16,407	421	67	1,278	1,312	19,485
Balance at 1 October 2017	18,613	442	176	972	2,573	22,776

* Less than $1,000.

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 30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Motor vehicles	**225**	730	389

Assets acquired under finance lease agreements are pledged as securities for the related finance lease payables (Note 25).

As at 30 September 2019, motor vehicles with net carrying amounts of $728,000 (30 September 2018: $548,000, 1 October 2017: $197,000) and $173,000 (30 September 2018: $223,000, 1 October 2017: $Nil) were registered in the name of the Directors and staff who are holding the motor vehicles in trust for the Group and Company respectively.

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

	30 September 2019 $'000	30 September 2018 $'000
Additions of property, plant and equipment	**12,090**	1,045
Finance lease	**(225)**	(340)
Cash payments to acquire property, plant and equipment	**11,865**	705

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles $'000
Company	
Cost	
Balance at 1 October 2018 and 30 September 2019	**248**
Accumulated depreciation	
Balance at 1 October 2018	25
Depreciation	50
Balance at 30 September 2019	**75**
Net carrying amount	
Balance at 30 September 2019	**173**
Cost	
Balance at 1 October 2017	–
Additions	248
Balance at 30 September 2018	248
Accumulated depreciation	
Balance at 1 October 2017	–
Depreciation	25
Balance at 30 September 2018	25
Net carrying amount	
Balance at 30 September 2018	223
Balance at 1 October 2017	–

5. INVESTMENT PROPERTIES

	Freehold land $'000	Commercial buildings $'000	Total $'000
Group			
Cost			
Balance at 1 October 2018	7,730	16,111	23,841
Additions	–	37	37
Currency realignments	502	1,046	1,548
Balance at 30 September 2019	**8,232**	**17,194**	**25,426**
Accumulated depreciation			
Balance at 1 October 2018	–	1,014	1,014
Depreciation	–	619	619
Currency realignments	–	84	84
Balance at 30 September 2019	**–**	**1,717**	**1,717**
Net carrying amount			
Balance at 30 September 2019	**8,232**	**15,477**	**23,709**
Cost			
Balance at 1 October 2017	7,736	16,005	23,741
Additions	19	159	178
Currency realignments	(25)	(53)	(78)
Balance at 30 September 2018	7,730	16,111	23,841
Accumulated depreciation			
Balance at 1 October 2017	–	420	420
Depreciation	–	603	603
Currency realignments	–	(9)	(9)
Balance at 30 September 2018	–	1,014	1,014
Net carrying amount			
Balance at 30 September 2018	7,730	15,097	22,827
Balance at 1 October 2017	7,736	15,585	23,321

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

5. INVESTMENT PROPERTIES (CONTINUED)

The following amounts are recognised in profit or loss:

	Group	
	30 September 2019 $'000	**30 September 2018 $'000**
Rental income from investment properties	**1,703**	1,638
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	**417**	399

Details of the Group's investment properties as at 30 September 2019 are set out below:

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

As at 30 September 2019, the carrying amount of the investment properties of $23,709,000 (equivalent to JPY1,852,552,000) (30 September 2018: $22,827,000 equivalent to JPY1,899,364,000, 1 October 2017: $23,321,000 equivalent to JPY1,934,230,000) has been pledged for the term loan facility as set out in Note 24 to the financial statements.

The fair value of the Group's investment properties were valued at $25,391,000 as at 30 September 2019 (30 September 2018: $23,500,000, 1 October 2017: $23,300,000) by an independent professional valuation firm having appropriate recognised professional qualifications and recent experience in the location and category of the investment properties held by the Group.

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

6. INVESTMENTS IN SUBSIDIARIES

	Company		
	30 September 2019 $'000	**30 September 2018 $'000**	**1 October 2017 $'000**
Unquoted equity shares, at cost	**28,817**	28,817	28,817
Amounts due from subsidiaries			
– interest bearing	**3,382**	3,277	3,167
– interest free	**693**	650	640
Allowance for impairment loss	**(1,006)**	(2,706)	(3,606)
	31,886	30,038	29,018

Movements in the allowance for impairment loss are as follows:

	Company	
	30 September 2019 $'000	**30 September 2018 $'000**
Balance at beginning of financial year	**2,706**	3,606
Reversal of impairment loss during the financial year	**(1,700)**	(900)
Balance at end of financial year	**1,006**	2,706

The amounts due from subsidiaries form part of the Group's net investment in subsidiaries. These loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

The non-trade amounts due from subsidiaries are interest free except for an amount of $3,382,000 (30 September 2018: $3,277,000, 1 October 2017: $3,167,000) which bears effective interest rate of 3.5% (30 September 2018: 3.5%, 1 October 2017: 3.5%). The amounts due from subsidiaries are denominated in Singapore dollar.

During the financial year, a reversal of an allowance for impairment loss of $1,700,000 (30 September 2018: $900,000) was recognised relating to the investment in Hansin Timber Specialist and Trading Pte. Ltd. ("HTST") following an improvement in market conditions and performance of HTST that resulted in an increase in the projected value in use of this investment. The recoverable amount of the investment of $4,675,000 (30 September 2018: $3,657,000) has been determined on the basis of its value in use. The discount rate used in measuring value in use was 11% (30 September 2018: 12%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership Interest held by the Group			Proportion of ownership interest held by the non-controlling interests		
		30 September 2019 %	30 September 2018 %	1 October 2017 %	30 September 2019 %	30 September 2018 %	1 October 2017 %
Held by the Company							
Keong Hong Construction Pte Ltd[1] ("KHC") (Singapore)	General and building contractors	**100**	100	100	**–**	–	–
KH Capital Pte Ltd[1] (Singapore)	Investment holdings and trading of building construction materials	**100**	100	100	**–**	–	–
K.H. Land Pte Ltd[1] ("KHL") (Singapore)	Investment holding, real estate development and building construction	**100**	100	100	**–**	–	–
Grandwood Holdings Pte Ltd[1] (Singapore)	Investment holding	**100**	100	100	**–**	–	–
Hansin Timber Specialist and Trading Pte. Ltd.[1] (Singapore)	Timber and wooden flooring in residential apartment and commercial properties under construction	**60**	60	60	**40**	40	40
Held by K.H. Land Pte Ltd							
KHA Resorts & Hotels Construction Pvt Ltd[2] (Cayman Islands)	Hotel building contractors	**100**	100	100	**–**	–	–
KHA Resorts & Hotels Construction (Maldives) Pvt Ltd[2][3] ("KHAM") (Republic of Maldives)	Hotel building contractors	**100**	100	100	**–**	–	–
Held by Grandwood Holdings Pte. Ltd.							
Grandwood (Japan) Pte Ltd[1] (Singapore)	Investment holding	**100**	100	100	**–**	–	–

(1) Audited by BDO LLP, Singapore

(2) Audited by Ernst & Young, Maldives

(3) Proportion of ownership interest of 5% (30 September 2018: 5%; 1 October 2017: 5%) held by KHC

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

Summarised financial information in relation to the subsidiary that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	HTST	
	30 September 2019 $'000	**30 September 2018 $'000**
Revenue	**11,914**	7,956
Profit/(Loss) before tax	**1,215**	(1,440)
Income tax	**211**	–
Profit after tax	**1,426**	(1,440)
Profit/(Loss) allocated to NCI	**570**	(576)
Other comprehensive income allocated to NCI	**–**	–
Total comprehensive income allocated to NCI	**570**	(576)
Dividends paid to NCI	**–**	–
Cash flows (used in)/from operating activities	**(832)**	848
Cash flows used in investing activities	**(144)**	(147)
Cash flows from financing activities	**513**	557
Net cash (outflows)/inflows	**(463)**	1,258

		HTST	
	30 September 2019 $'000	**30 September 2018 $'000**	**1 October 2017 $'000**
Assets			
Current assets	**12,445**	10,528	11,642
Non-current assets	**2,870**	2,728	2,803
Liabilities			
Current liabilities	**(8,720)**	(8,114)	(7,882)
Non-current liabilities	**(92)**	(65)	(47)
Net assets	**6,503**	5,077	6,516
Accumulated non-controlling interests	**2,601**	2,031	2,606
Less: fair value adjustments*	**(301)**	(507)	(712)
Adjusted accumulated non-controlling interests	**2,300**	1,524	1,894

* The fair value adjustments is related to amortisation of fair value adjustments in relation to acquisition of Hansin Timber Specialist and Trading Pte. Ltd. during financial year ended 30 September 2017.

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7. INVESTMENTS IN ASSOCIATES

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Unquoted equity shares, at cost	**12,143**	12,143	12,143	**5,610**	5,610	5,610
Share of reserves of associates, net of dividend received and tax	**(7,580)**	(782)	(4,938)	**–**	–	–
Amounts due from associates						
– interest bearing	**69,956**	35,622	20,549	**1,000**	–	–
– interest free	**1,426**	1,276	1,204	**–**	–	–
Less: loss allowance on amounts due from associates	**(2,299)**	–	–	**(1,000)**	–	–
	69,083	36,898	21,753	**–**	–	–
Less: allowance for impairment loss	**(7,150)**	–	–	**–**	–	–
Less: elimination of unrealised profit	**(9,181)**	–	–	**–**	–	–
Currency realignment	**148**	275	453	**–**	–	–
Carrying amount	**57,463**	48,534	29,411	**5,610**	5,610	5,610

Movements in the loss allowance of amounts due from associates are as follows:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of financial year under FRS	**–**	–	**–**	–
Effect on adoption of SFRS(I) 9	**917**	–	**–**	–
Balance at beginning of financial year under SFRS(I)	**917**	–	**–**	–
Loss allowance recognised during the financial year	**1,382**	–	**1,000**	–
Balance at end of financial year	**2,299**	–	**1,000**	–

The amounts due from associates form part of the Group's net investment in associates. These loan are unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

The non-trade amounts due from associates are unsecured and non-interest bearing except for an amount of $69,956,000 (30 September 2018: $35,622,000; 1 October 2017: $20,549,000) which bears effective interest rate of 5.96% (30 September 2018: 5.24%; 1 October 2017: 4.32%).

The amounts due from associates are denominated in United States dollar.

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

The financial performance of Pristine Islands Investment Pte. Ltd. and its subsidiary ("PIIPL Group") has yet to reach the performance level expected by the Group as the development and construction of the second resort was completed in second half of 2019 and only commenced operations in end of September 2019. The resort needs time to stabilise and ramp up the business activity. The Group thus carried out a review on the recoverable amount its investments in PIIPL Group as at 30 September 2019. The assessment resulted in the recognition of an impairment loss of $7,150,000. The recoverable amount of the investment amounted to $41,876,000 has been determined based on value in use.

Key assumptions used for value-in-use calculations for investments in PIIPL Group are as follows:

	%
Revenue growth rate	16.0
Terminal growth rate	2.0
Discount rate	18.1

Name of company (Country of incorporation and principal place of business)	Effective equity interest held by the Group 30 September 2019 %	30 September 2018 %	1 October 2017 %	Principal activities
Held by the Company				
Nuform System Asia Pte. Ltd. ("NSAPL")[(4)] (Singapore)	**30.6**	30.6	30.6	Trading and renting of construction and civil engineering machinery and equipment
Held by Nuform System Asia Pte. Ltd.				
Nuformsystem (M) Sdn. Bhd.[(4)] (Malaysia)	**30.6**	30.6	20.0	Trading and renting of formwork equipment
Held by Keong Hong Construction Pte Ltd				
Punggol Residences Pte Ltd ("PRPL")[(3)] (Singapore)	**20**	20	20	Property development
Pristine Islands Investment Pte Ltd ("PIIPL")[(1)] (Singapore)	**49**	49	49	Investment holdings
Held by KH Capital Pte Ltd				
Sembawang Residences Pte Ltd ("SRPL")[(3)] (Singapore)	**20**	20	20	Property development
Held by Pristine Islands Investment Pte Ltd				
Pristine Islands Investment (Maldives) Pvt Ltd ("PIIMPL")[(2)(3)] (Republic of Maldives)	**49**	49	49	Own, operate and management of airport, hotel and resort

(1) Audited by BDO LLP, Singapore

(2) Proportion of ownership interest of 0.1% (30 September 2018: 0.1%; 1 October 2017: 0.1%) held by KHC

(3) Equity accounted based on the management financial statements

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

The financial year-end of PRPL, SRPL and PIIPL Group are 30 September. The financial year-end of NSAPL Group is 31 December.

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7. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised statement of financial position

	PIIPL Group $'000	SRPL $'000	NSAPL Group $'000	Total $'000
30 September 2019				
Current assets	**22,901**	**63,069**	**6,918**	**92,888**
Non-current assets	**184,945**	**–**	**49,590**	**234,535**
Current liabilities	**(93,592)**	**(19,012)**	**(22,019)**	**(134,623)**
Non-current liabilities	**(136,450)**	**–**	**(13,607)**	**(150,057)**
Net (liabilities)/assets	**(22,196)**	**44,057**	**20,882**	**42,743**
30 September 2018				
Current assets	14,396	136,878	6,802	158,076
Non-current assets	136,843	–	46,444	183,287
Current liabilities	(54,974)	(22,586)	(18,919)	(96,479)
Non-current liabilities	(105,336)	(72,258)	(10,477)	(188,071)
Net (liabilities)/assets	(9,071)	42,034	23,850	56,813

Summarised statement of comprehensive income

	PIIPL Group $'000	SRPL $'000	NSAPL Group $'000	Total $'000
30 September 2019				
Revenue	**11,625**	**14,978**	**12,582**	**39,185**
Profit/(Loss) before tax	**(12,978)**	**2,485**	**(2,083)**	**(12,576)**
Income tax	**120**	**(463)**	**(877)**	**(1,220)**
Profit/(Loss) after tax, representing total comprehensive income	**(12,858)**	**2,022**	**(2,960)**	**(13,796)**
30 September 2018				
Revenue	10,116	519,035	15,770	544,921
Profit/(Loss) before tax	(9,274)	60,664	1,114	52,504
Income tax	(19)	(9,040)	619	(8,440)
Profit/(Loss) after tax, representing total comprehensive income	(9,293)	51,624	1,733	44,064

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

Aggregate information of associates that are not individually material

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial associates accounted for using the equity method:

	30 September 2019 $'000	30 September 2018 $'000
The Group's share of profit/(loss) before income tax	**8**	(38)
The Group's share of profit/(loss) after income tax	**8**	(38)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**8**	(38)
Aggregate carrying amount of the Group's interest in these associates	**386**	378

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant associates for the financial year ended 30 September 2019 and 30 September 2018, are as follows:

	PIIPL Group $'000	SRPL $'000	NASPL Group $'000	Total $'000
30 September 2019				
Proportion of Group ownership	**49%**	**20%**	**30.6%**	
Net assets/(liabilities) of the associates	**(22,196)**	**44,057**	**20,882**	**42,743**
Interest in associates	**(10,876)**	**8,811**	**6,390**	**4,325**
Carrying value of Group's interest in associates	**(10,876)**	**8,811**	**6,390**	**4,325**
Amount due from associates	**69,083**	**–**	**–**	**69,083**
Less: allowance for impairment loss	**(7,150)**	**–**	**–**	**(7,150)**
Less: elimination of unrealised profit	**(9,181)**	**–**	**–**	**(9,181)**
Total carrying value of significant associates	**41,876**	**8,811**	**6,390**	**57,077**
Add:				
Carrying amount of individually immaterial associate, in aggregate				**386**
Carrying amount of Group's interest in associates				**57,463**

	PIIPL Group $'000	SRPL $'000	NASPL Group $'000	Total $'000
30 September 2018				
Proportion of Group ownership	49%	20%	30.6%	
Net assets/(liabilities) of the associates	(9,071)	42,034	23,850	56,813
Interest in associates	(4,445)	8,407	7,296	11,258
Carrying value of Group's interest in associates	(4,445)	8,407	7,296	11,258
Amount due from associates	36,898	–	–	36,898
Total carrying value of significant associates	32,453	8,407	7,296	48,156
Add:				
Carrying amount of individually immaterial associate, in aggregate				378
Carrying amount of Group's interest in associates				48,534

8. INVESTMENTS IN JOINT VENTURES

		Group	
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Unquoted equity investment, at cost	**3,190**	1,990	1,694
Amount due from joint venture – interest free	**–**	25	–
Share of reserves of joint ventures, net of dividend received and tax	**24,568**	8,806	6,705
Less: elimination of unrealised profit	**(3,738)**	–	–
Currency realignment	**(38)**	(27)	(22)
	23,982	10,794	8,377

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8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The amount due from joint venture form part of the Group's net investment in joint ventures. The loan is unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

The amount due from joint venture is denominated in Singapore dollar.

The details of the joint ventures are as follows:

Name of company (Country of incorporation and principal place of business)	Effective equity interest held by the Group 30 September 2019 %	30 September 2018 %	1 October 2017 %	Principal activities
Held by Keong Hong Construction Pte Ltd				
Oasis Development Pte Ltd ("ODPL")[1] (Singapore)	**20**	20	20	Property development
K&H Innovative Systems Pte Ltd ("K&H") (Singapore)	**50**	50	–	Manufacturing of prefabricated bathroom unit
Held by K.H. Land Pte Ltd				
Keong Hong-MK Development Co., Ltd ("KH-MK") (Vietnam)	**49**	49	–	Development of real estate
Held by KH Capital Pte Ltd				
LGB-NB Pte Ltd ("LGBPL")[1] (Singapore)	**–**	15	15	Property developer of a parcel of land in Ho Chi Minh City, Vietnam
East Vue Pte Ltd ("EVPL") (Singapore)	**20**	20	20	Property developer of a parcel of land at Siglap Road
FSKH Development Pte Ltd ("FSKH")[1] (Singapore)	**35**	35	–	Property developer of a parcel of land at Mattar Road

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

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

The financial year end of ODPL is 28 February. The financial year ends of LGBPL and FSKH are 31 December.

The financial year end of K&H, KH-MK, and EVPL are 30 September.

Liquidation of a joint venture

During the financial year, the Group's joint venture, LGBPL, had been wound up under member's voluntary liquidation on 26 October 2018.

8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

Summarised statement of financial position

	FSKH $'000	EVPL $'000	Total $'000
30 September 2019			
Current assets	**260,937**	**614,633**	**875,570**
Current liabilities	**(4,469)**	**(75,759)**	**(80,228)**
Non-current liabilities	**(257,779)**	**(406,038)**	**(663,817)**
Net assets	**(1,311)**	**132,836**	**131,525**

	EVPL $'000
30 September 2018	
Current assets	717,030
Current liabilities	(54,788)
Non-current liabilities	(613,047)
Net assets	49,195

The above amounts of assets and liabilities include the following:

	FSKH $'000	EVPL $'000
30 September 2019		
Cash and cash equivalents	**3,156**	**100,179**
Current liabilities (excluding trade and other payables and provisions)	**(241)**	**(26,500)**
Non-current liabilities (excluding trade and other payables and provisions)	**(257,779)**	**(406,038)**

	EVPL $'000
30 September 2018	
Cash and cash equivalents	139,380
Current liabilities (excluding trade and other payables and provisions)	(12,072)
Non-current liabilities (excluding trade and other payables and provisions)	(613,047)

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8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised statement of comprehensive income

	FSKH $'000	EPVL $'000	Total $'000
30 September 2019			
Revenue	**–**	**475,799**	**475,799**
Income tax expenses	**–**	**14,428**	**14,428**
Profit after tax	**(4,265)**	**84,751**	**80,486**
Other comprehensive income	**–**	**(1,110)**	**(1,110)**
Total comprehensive income	**(4,265)**	**83,641**	**79,376**

	EVPL $'000
30 September 2018	
Revenue	310,505
Income tax expenses	9,672
Profit after tax	41,123
Other comprehensive income	4,067
Total comprehensive income	45,190

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

Aggregate information of joint ventures that are not individually material

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial joint ventures accounted for using the equity method.

	Group	
	2019 $'000	2018 $'000
The Group's share of profit/(loss) before tax	**75**	(16)
The Group's share of profit/(loss) after tax	**75**	(16)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**75**	(16)
Aggregate carrying amount of the Group's interest in these joint ventures	**1,153**	954

During the financial year ended 30 September 2018, the Group received dividend from ODPL of $2,660,000.

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8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant joint ventures for the financial year ended 30 September 2019 and 2018, are as follows:

	FSKH $'000	EVPL $'000	Total $'000
30 September 2019			
Proportion of Group ownership	**35%**	**20%**	
Net assets of the joint venture	**(1,311)**	**132,836**	**131,525**
Interest in joint venture	**–**	**26,567**	**26,567**
Less: elimination of unrealised profit	**–**	**(3,738)**	**(3,738)**
Total carrying value of significant joint ventures	**–**	**22,829**	**22,829**
Add:			
Carrying value of individually immaterial joint ventures, in aggregate			**1,153**
Carrying value of Group's interest in joint ventures			**23,982**

	EVPL $'000
30 September 2018	
Proportion of Group ownership	20%
Net assets of the joint venture	49,195
Interest in joint venture	9,840
Less: unrealised profit	–
Carrying value	9,840
Add:	
Carrying value of individually immaterial joint ventures, in aggregate	954
Carrying value of Group's interest in joint ventures	10,794

The Group's share of joint ventures' capital commitments in respect of the construction of the development properties is $Nil (30 September 2018: $72,572,000; 1 October 2018: $89,675,000) as at 30 September 2019.

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9. INTANGIBLE ASSETS

	Computer software $'000	Transferable club membership $'000	Contractual Customers relationship $'000	Goodwill $'000	Total $'000
Group					
Cost					
Balance at 1 October 2018 and 30 September 2019	**213**	**222**	**309**	**1,611**	**2,355**
Accumulated amortisation					
Balance at 1 October 2018	73	–	–	–	73
Amortisation for the financial year	37	–	–	–	37
Balance at 30 September 2019	**110**	**–**	**–**	**–**	**110**
Impairment					
Balance at 1 October 2018 and 30 September 2019	88	–	309	1,611	2,008
Net carrying amount					
Balance at 30 September 2019	**15**	**222**	**–**	**–**	**237**
Remaining useful life	1-2 years	–	1 year	N.A.	1-2 years
Group					
Cost					
Balance at 1 October 2017	169	222	309	1,611	2,311
Additions	44	–	–	–	44
Balance at 30 September 2018	213	222	309	1,611	2,355
Accumulated amortisation					
Balance at 1 October 2017	50	–	–	–	50
Amortisation for the financial year	23	–	–	–	23
Balance at 30 September 2018	73	–	–	–	73
Impairment					
Balance at 1 October 2017 and 30 September 2018	88	–	309	1,611	2,008
Net carrying amount					
Balance at 30 September 2018	52	222	–	–	274
Remaining useful life	0-1 years	–	1 year	N.A.	1-2 years
Balance at 1 October 2017	31	222	–	–	253
Remaining useful life	1-2 years	–	2 year	N.A.	1-2 years

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

The useful life of the transferable club membership is indefinite as the club membership has no expiry date.

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

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

10. FINANCIAL ASSETS AT FVOCI/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Quoted equity shares[(1)]	**4,425**	5,175	6,600	**4,425**	5,175	6,600
Unquoted equity shares[(2)]	**52,389**	52,818	49,507	**–**	–	–
	56,814	57,993	56,107	**4,425**	5,175	6,600

Movements in financial assets at FVOCI/available-for-sale financial assets were as follows:

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Balance at beginning of financial year under FRS	**57,993**	56,107	6,750	**5,175**	6,600	6,750
Effect of adoption of SFRS(I) 9	**8,216**	–	–	**–**	–	–
Balance at beginning of financial year under SFRS(I)	**66,209**	56,107	6,750	**5,175**	6,600	6,750
Impairment loss recognised in profit or loss	**–**	(4,431)	–	**–**	(1,650)	–
Fair value changes recognised in other comprehensive income (Note 22)	**(9,395)**	6,317	(454)	**(750)**	225	(150)
Additions	**–**	–	49,811	**–**	–	–
Balance at end of financial year	**56,814**	57,993	56,107	**4,425**	5,175	6,600

The Group and the Company have designated all equity investments previously classified as available-for-sale financial assets in financial year ended 30 September 2018, to be measured as fair value through other comprehensive income ("FVOCI") as at 1 October 2018. The Group intends to hold these investments for long-term for appreciation in value as well as strategic investments purposes.

(1) In prior financial years, the Company acquired 15.1% equity interest in Kori Holdings Limited ("Kori"), a public company limited by shares listed on the Catalist board of the Singapore Exchange Securities Trading Limited, for a consideration of $6,825,000. The management does not consider that the Group is able to exercise significant influence over Kori. The fair value of the securities is based on the quoted closing market prices on the last market day of the financial year. It is classified as a Level 1 fair value hierarchy.

(2) The Group has assessed and is of the view that it does not retain joint control over MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd and have accounted for the investments as "financial assets at FVOCI" (30 September 2018 and 1 October 2017: available-for-sale financial assets). Both the investments are classified as Level 3 fair value hierarchy.

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

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Balance at beginning of financial year under FRS	**–**	–	–
Effect of adoption of SFRS(I) 9			
– Reclassification from other receivables	**31,081**	–	–
– Fair value changes recognised in retained earnings	**(8,216)**	–	–
Balance at beginning of financial year under SFRS(I) 9	**22,865**	–	–
Additions	**2,560**		
Fair value changes (Note 30)	**4,667**	–	–
Balance at end of financial year	**30,092**	–	–

During the current financial year, the Group has made additional loans of $2,560,000 to third party. The fair value of loans to third party is determined based discounted cash flow method, taking into consideration the estimated duration required for the investee to repay. It is classified under Level 3 of fair value hierarchy.

The financial assets at FVTPL is denominated in Singapore dollar.

12. TRADE AND OTHER RECEIVABLES

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Non-current assets						
Non-trade receivables						
– third party	**–**	31,081	22,641	**–**	–	–
– joint ventures	**97,372**	90,766	62,606	**–**	–	–
– associate	**–**	1,000	1,000	**–**	1,000	1,000
	97,372	122,847	86,247	**–**	1,000	1,000
Current assets						
Trade receivables						
– third parties	**5,016**	6,488	12,544	**–**	–	–
– subsidiary	**–**	–	–	**16,337**	12,013	5,286
– associates	**2,437**	17,726	22,821	**–**	–	–
– joint ventures	**2,382**	6,968	3,268	**–**	–	–
Loss allowance on trade receivables from third parties	**(526)**	(526)	(717)	**–**	–	–
	9,309	30,656	37,916	**16,337**	12,013	5,286
Retention sum						
– third parties	**5,848**	13,101	18,317	**–**	–	–
– associates	**12,384**	13,243	12,379	**–**	–	–
– joint ventures	**11,237**	8,388	5,684	**–**	–	–
Loss allowance on retention sum from third parties	**(788)**	(763)	(561)	**–**	–	–
Security deposits	**1,299**	3,179	766	**–**	–	–
Non-trade receivables						
– third parties	**2,053**	2,992	4,286	**–**	–	250
– subsidiaries	**–**	–	–	**55,622**	38,325	36,688
– joint ventures	**2**	40	37	**–**	–	–
– associates	**16,697**	19,485	36,797	**3,557**	2,305	34
Loss allowance						
– third parties	**(1,463)**	(1,451)	(1,436)	**–**	–	–
– subsidiaries				**(212)**	–	–
– associates	**(3,882)**	–	–	**(3,557)**	–	–
Goods and service tax	**130**	–	–	**–**	–	–
Consumption tax	**–**	–	669	**–**	–	–
	52,826	88,870	114,854	**71,747**	52,643	42,258
Total	**150,198**	211,717	201,101	**71,747**	53,643	43,258

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables from third parties, associates and joint ventures are unsecured, non-interest bearing and generally on 30 to 60 days (30 September 2018: 30 to 60 days; 1 October 2017: 30 to 60 days) credit terms.

The trade amount due from subsidiary is unsecured, non-interest bearing and repayable on demand. The non-trade amounts due from subsidiaries are unsecured and bear an effective interest rate from a range of 2.98% to 6.00% (30 September 2018: 2.98% to 6.00%; 1 October 2017: 2.98% to 6.00%)

Non-trade receivables from third parties are unsecured, non-interest bearing and generally on 30 to 60 days (30 September 2018: 30 to 60 days; 1 October 2017: 30 to 60 days) credit terms except for a non-trade receivable from a third party amounting to $Nil (30 September 2018: $871,000, 1 October 2017: $948,000) is repayable on demand and bears effective interest rate of 2.78% (30 September 2018: 2.78%, 1 October 2017: 2.78%) per annum.

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

The non-trade amounts due from associates are unsecured, non-interest bearing and repayable on demand except for an amount of $3,321,000 (30 September 2018: $2,250,000, 1 October 2017: $Nil) which bears interest rate of 6% (30 September 2018: 6%, 2017: Nil%) and an amount of $Nil (30 September 2018: $14,447,000, 1 October 2017: $33,747,000) which bears interest rate of Nil% (30 September 2018: 2.55%, 1 October 2017: 2.04%).

The non-current non-trade amounts due from a third party are unsecured and interest free. The fair value of these receivables are $Nil (30 September 2018: $31,471,000, 21 October 2017: $21,913,000).

The non-current non-trade amounts due from an associate are unsecured, bear interest rate of Nil% (30 September 2018: 6%, 1 October 2017: 6%) per annum and repayable in March 2020. The carrying amounts approximate their fair values.

The non-current non-trade amounts due from joint ventures are unsecured and bear interest rate of 2.42% (30 September 2018: 2.41%, 1 October 2017: 1.81%) per annum. The fair value of these receivables are $95,543,000 (30 September 2018: $85,914,000, 1 October 2017: $58,423,000).

Movements in the loss allowance for trade receivables are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**526**	717
Reversal of loss allowance previously made	**–**	(191)
Balance at end of financial year	**526**	526

At 30 September 2019, retention sum held by customers for contract work amounted to $29,469,000 (30 September 2018: $34,732,000; 1 October 2017: $36,380,000). Retention sum is due for settlement after more than 12 months. They have been classified as current asset because they are expected to be realised in the normal operating cycle of the Group.

Movements in the loss allowance for retention sum are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	**763**	561
Loss allowance recognised in financial year	**–**	194
Currency realignment	**25**	8
Balance at end of financial year	**788**	763

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group	
	2019 $'000	2018 $'000
Balance at beginning of financial year	**1,451**	1,436
Currency realignment	**12**	15
Balance at end of financial year	**1,463**	1,451

Individual analysis of impaired non-trade receivables:

	Group	
	2019 $'000	2018 $'000
Amount past due of more than 6 months and no response to repayment demands	**1,463**	1,451

Movements in the loss allowance for non-trade receivables due from subsidiaries is as follows:

	Company	
	2019 $'000	2018 $'000
Balance at beginning of financial year under FRS	**–**	–
Effect of adoption of SFRS(I) 9	**141**	
Balance at beginning of financial year under SFRS(I)	**141**	–
Loss allowance recognised in the financial year	**71**	–
Balance at end of financial year	**212**	–

Movements in the loss allowance for non-trade receivables due from associates are as follows:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of financial year under FRS	**–**	–	**–**	–
Effects of adoption of SFRS(I) 9	**411**	–	**331**	–
Balance at beginning of financial year under SFRS(I)	**411**	–	**331**	–
Loss allowance recognised in the financial year	**3,471**	–	**3,226**	–
Balance at end of financial year	**3,882**	–	**3,557**	–

Trade and other receivables are denominated in the following currencies:

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Singapore dollar	**126,358**	176,455	181,301	**71,747**	53,643	43,258
United States dollar	**23,796**	35,214	19,090	**–**	–	–
Japanese yen	**10**	10	–	**–**	–	–
Maldives rufiyaa	**34**	38	710	**–**	–	–
	150,198	211,717	201,101	**71,747**	53,643	43,258

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

13. FINANCE LEASE RECEIVABLES

	Minimum lease payments $'000	Unearned future income $'000	Present value of minimum lease payments $'000
Group			
30 September 2019			
Current assets			
Within one financial year	**651**	**(15)**	**636**
Non-current assets			
After one financial year but within five financial years	–	–	–
	651	**(15)**	**636**
30 September 2018			
Current assets			
Within one financial year	156	(22)	134
Non-current assets			
After one financial year but within five financial years	651	(14)	637
	807	(36)	771
1 October 2017			
Current assets			
Within one financial year	156	(25)	131
Non-current assets			
After one financial year but within five financial years	807	(35)	772
	963	(60)	903

In 2015, the Group leased three units of its machineries to non-related party under finance lease. The lease agreement commenced on 1 September 2015 and will terminate after 5 years and the machineries will be sold to the lessee for $508,000.

The interest rate inherent in the leases are fixed at the contract date for all of the lease term. The average interest rate contracted is approximately 2.9% (30 September 2018: 2.9%, 1 October 2017: 2.9%) per annum.

Finance lease receivable balances are secured over the equipment leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset and has rights to any proceeds from such a sale up to total amount receivable from the lessee.

The finance lease receivable is denominated in Singapore dollar.

14. INVENTORIES

	Group		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Consumable materials – timber and plywood	**1,421**	1,765	2,016

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to approximately $5,403,000 (30 September 2018: $4,537,000).

Inventories have been reduced by $4,000 (30 September 2018: $837,000) as a result of allowance made for inventory obsolescence. The allowance for inventory obsolescence is included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Contract assets	**22,424**	25,446	30,621
Contract liabilities	**287**	–	–

a) Significant changes in contract assets are explained as follows:

	Group	
	2019 $'000	2018 $'000
Contract assets reclassified to receivables	**(25,446)**	(30,621)
Excess of revenue recognised over cash	**22,424**	25,446

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for building construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for building construction contracts. Contract liabilities are recognised as revenue as the Group fulfills its performance obligations under the contract.

b) **Remaining performance obligations**

The aggregate amount of transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 30 September 2019 is $210,755,000. This amount has not included the following:

- Performance obligation for which the Group has applied the practical expedient not to disclose information about its remaining performance obligations if:
  - The performance obligation is part of a contract that has an original expected duration for one year or less, or
  - The Group recognises revenue to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customer of the Group's performance completed to date.
- Variable consideration that is constrained and therefore is not included in the transaction price.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

	2020 $'000	2021 $'000	2022 $'000	Total $'000
Construction contracts	175,354	31,366	4,035	210,755

The Group has applied the exemption in paragraph C5 (d) of the transitional rules in SFRS(I) 15 and therefore has not disclosed the amount of revenue that will be recognised in future periods for the comparative period.

16. CASH AND BANK BALANCES

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Fixed deposits	**10,842**	28,165	41,971	**3,648**	15,810	25,623
Cash at bank balances	**45,479**	45,761	35,354	**1,407**	5,202	1,366
	56,321	73,926	77,325	**5,055**	21,012	26,989
Fixed deposits pledged	**(529)**	(527)	(525)	**–**	–	–
Cash and bank balances	**55,792**	73,399	76,800	**5,055**	21,012	26,989
Bank overdrafts	**–**	–	(165)	**–**	–	–
Cash and cash equivalents as per consolidated statement of cash flows	**55,792**	73,399	76,635	**5,055**	21,012	26,989

Fixed deposits will mature within 1 to 12 (30 September 2018: 1 to 12 months, 1 October 2017: 1 to 10 months) months from the financial year-end and the effective interest rate on the fixed deposits ranges from between 0.15% to 3.25% (30 September 2018: 0.15% to 3.25%, 1 October 2017: 0.15% to 3.20%) per annum.

For the purpose of presenting consolidated statement of cash flows, cash and cash equivalents include short-term deposits with an average maturity of more than 3 months, as there is no significant loss or penalty in converting these deposits into liquid cash before maturity.

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

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Ringgit Malaysia	**763**	741	700	**–**	–	–
Singapore dollar	**28,229**	64,376	61,405	**5,055**	21,012	26,989
United States dollar	**23,665**	5,046	12,186	**–**	–	–
Maldives rufiyaa	**3,187**	2,988	597	**–**	–	–
Japanese yen	**475**	775	2,437	**–**	–	–
Vietnam Dong	**2**	–	–	**–**	–	–
	56,321	73,926	77,325	**5,055**	21,012	26,989

17. SHARE CAPITAL

	Group and Company					
	30 September 2019	30 September 2018	1 October 2017	30 September 2019	30 September 2018	1 October 2017
	Number of ordinary shares ('000)			$'000	$'000	$'000
Issued and fully-paid	**242,565**	242,565	242,565	**25,048**	25,048	25,048

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

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18. TREASURY SHARES

	Group and Company					
	30 September 2019	30 September 2018	1 October 2017	30 September 2019	30 September 2018	1 October 2017
	Number of ordinary shares ('000)			$'000	$'000	$'000
At beginning of financial year	**8,055**	10,180	10,830	**3,303**	3,657	4,005
Treasury shares reissued pursuant to equity compensation plans:						
– for cash on exercise of employee share options	**(500)**	(2,125)	(650)	**–**	(354)	(348)
At end of financial year	**7,555**	8,055	10,180	**3,303**	3,303	3,657

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

During the financial year, 500,000 (30 September 2018: 2,125,000; 1 October 2017: 650,000) treasury shares were reissued pursuant to the equity-settled share option scheme at a weighted average exercise price of $Nil (30 September 2018: $0.17; 1 October 2017: $0.54).

19. SHARE OPTION RESERVE

Equity-settled share option scheme

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

Pursuant to the Scheme,

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

b) Following a bonus issue to the Company's ordinary shareholders on 20 June 2014 ("2014 Options"), the Company granted additional share options to the holders of the 2014 Options. The additional share options were granted based on one additional bonus share option for every two existing issued share options. The exercise price for the bonus share options and existing share options were also revised from $0.47 to $0.31. The vesting conditions remains unchanged.

c) On 1 December 2014, the Company had granted 825,000 share options ("2015 Options") to subscribe for 825,000 ordinary shares in the Company at an exercise price of $0.32. The vesting of the Options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the Options are exercisable over a period of 8 years, from 1 December 2016 and expire on 30 November 2024.

19. SHARE OPTION RESERVE (CONTINUED)

Equity-settled share option scheme (Continued)

d) On 8 January 2016, the Company had granted 4,175,000 share options ("2016 Options") to subscribe for 4,175,000 ordinary shares in the Company at an exercise price of $0.40. The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the Options are exercisable over a period of 8 years, from 8 January 2018 and expire on 7 January 2026.

e) On 3 April 2017, the Company had granted 700,000 share options ("2017 Options") to subscribe for 700,000 ordinary shares in the Company at an exercise price of $0.355. The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the Options are exercisable over a period of 10 years, from 3 April 2019 and expire on 2 April 2027.

f) On 2 April 2018, the Company had granted 2,950,000 share options ("2018 Options") to subscribe for 2,950,000 ordinary shares in the Company at an exercise price of $0.46. The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the Options are exercisable over a period of 10 years, from 2 April 2020 and expire on 1 April 2028.

g) On 16 April 2019, the Company had granted 650,000 share options ("2019 Options") to subscribe for 650,000 ordinary shares in the Company at an exercise price of $0.40. The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the Options are exercisable over a period of 10 years, from 16 April 2021 and expire on 15 April 2029.

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

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	780,000	–	(130,000)	–	650,000	0.310	1.10.2015 to 30.9.2023
20/6/2014	650,000	–	(20,000)	–	630,000	0.310	1.10.2015 to 30.9.2023
1/12/2014	200,000	–	–	–	200,000	0.315	1.12.2016 to 30.11.2024
8/1/2016	1,900,000	–	(200,000)	(50,000)	1,650,000	0.400	8.1.2018 to 7.1.2026
3/4/2017	500,000	–	(150,000)	(50,000)	300,000	0.355	3.4.2019 to 2.4.2027
2/4/2018	2,900,000	–	–	(175,000)	2,725,000	0.460	2.4.2020 to 1.4.2028
16/4/2019	–	650,000	–	(100,000)	550,000	0.400	16.4.2021 to 15.4.2029
Total	6,930,000	650,000	(500,000)	(375,000)	6,705,000		

During the financial year, 500,000 options (30 September 2018: 2,125,000; 1 October 2017: 650,000) were exercised for the equity-settled share option scheme and 375,000 options (30 September 2018: 150,000; 1 October 2017: 825,000) were forfeited due to resignation of certain employees. The Options outstanding at end of the reporting period have remaining contractual life of 4 to 9.5 years (30 September 2018: 5 to 9.5 years; 1 October 2018: 6 to 9.5 years).

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19. SHARE OPTION RESERVE (CONTINUED)

Equity-settled share option scheme (Continued)

The weighted average share price at the date the options were exercised during the financial year is $Nil (30 September 2018: $0.17; 1 October 2017: $0.54).

Out of the total equity-settled share option schemes of 6,705,000 (30 September 2018: 6,930,000; 1 October 2017: 6,255,000) options, 3,430,000 (30 September 2018: 3,530,000, 1 October 2017: 2,030,000) options are exercisable as at 30 September 2019.

The fair values of Options granted on 2 April 2018, determined using the Binomial Valuation Model was $445,000. The significant inputs to the model were as follows:

	Group and Company
Grant date: 2 April 2018	
Share price as of the valuation date ($)	0.58
Strike price on the option ($)	0.46
Total life of the option (years)	10.0
Time to vest (years)	2.0
Employee exit rate (% per year)	2.31%
Standard deviation of stock prices (volatility)[1]	27.06%
Annualized dividend yield on stock	4.88%
Risk free rate (%)	2.34%

The fair values of Options granted on 16 April 2019, determined using the Black Scholes Model was $39,000. The significant inputs to the model were as follows:

	Group and Company
Grant date: 16 April 2019	
Share price as of the valuation date ($)	0.49
Strike price on the option ($)	0.40
Average expected life of the option (years)	6.0
Time to vest (years)	2.0
Standard deviation of stock prices (volatility)[1]	18.70%
Annualized dividend yield on stock	5.11%
Risk free rate (%)	2.02%

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

The Group and the Company recognised share based payment expenses and a corresponding share option reserve of $256,000 (2018: $213,000) for the financial year ended 30 September 2019.

20. FOREIGN CURRENCY TRANSLATION RESERVE

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

21. MERGER RESERVE

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

22. FAIR VALUE RESERVE/AVAILABLE-FOR-SALE RESERVE

	Group			Company		
	30 September 2019 $'000	**30 September 2018 $'000**	**1 October 2017 $'000**	**30 September 2019 $'000**	**30 September 2018 $'000**	**1 October 2017 $'000**
At beginning of financial year under FRS	**5,788**	(529)	(75)	**–**	(225)	(75)
Effect of adoption of SFRS(I) 9						
– Reclassification from retained earnings	**(4,431)**	–	–	**(1,650)**	–	–
– Fair value change recognised	**8,216**	–	–	**–**	–	–
At beginning of financial year under SFRS(I) 9	**9,573**	(529)	(75)	**(1,650)**	(225)	(75)
Reclassification to profit or loss	**–**	(224)	–	**–**	225	–
Fair value changes recognised in other comprehensive income	**(9,395)**	6,541	(454)	**(750)**	–	(150)
At end of financial year	**178**	5,788	(529)	**(2,400)**	–	(225)

Fair value reserve/available-for-sale reserve represent the cumulative fair value changes, net of tax, of financial asset until it is disposed of.

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23. TRADE AND OTHER PAYABLES

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Non-current						
Deferred revenue	**–**	490	1,346	**–**	–	–
Current						
Trade payables						
– third parties	**5,265**	10,626	7,560	**–**	–	–
– accrued subcontractor expenses	**72,582**	90,286	116,592	**–**	–	–
	77,847	100,912	124,152	**–**	–	–
Non-trade payables						
– third parties	**1,104**	1,180	1,611	**32**	37	136
– due to an associate	**–**	–	2,087	**–**	–	–
– due to a subsidiary	**–**	–	–	**–**	–	3,562
– due to a director and non-controlling interest of subsidiary	**2,225**	5,212	5,056	**–**	–	–
Deferred revenue	**75**	1,808	2,870	**–**	–	–
Accrued operating expenses	**4,541**	4,773	8,798	**580**	580	668
Corporate guarantee liability	**3,739**	–	–	**3,739**	–	–
Goods and services tax payable	**1,116**	1,407	532	**–**	–	–
	90,647	115,292	145,106	**4,351**	617	4,366
Total	**90,647**	115,782	146,452	**4,351**	617	4,366

Trade and non-trade payables to third parties are unsecured, non-interest bearing and generally on 30 to 90 (30 September 2018: 30 to 90; 1 October 2017: 30 to 90) days credit terms.

The non-trade amount due to a subsidiary is unsecured, repayable on demand and bears fixed interest rates of 2.98% (30 September 2018: 2.98%; 1 October 2017: 2.98%) per annum.

The non-trade amount due to an associate is unsecured, non-interest bearing and repayable on demand.

The non-trade amount due to a director and non-controlling interest of subsidiary is unsecured, non-interest bearing and repayable on demand.

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

The provision for corporate guarantees is related to corporate guarantees to bank for borrowings of an associate. These guarantees qualify as financial guarantees because the Company is required to reimburse the banks in the event of breach of any repayment term.

23. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables are denominated in the following currencies:

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Singapore dollar	**77,483**	102,579	56,860	**4,351**	617	4,366
United States dollar	**2,769**	2,860	79,634	**–**	–	–
Japanese yen	**10,327**	10,168	9,844	**–**	–	–
Malaysian ringgit	**47**	175	114	**–**	–	–
Chinese Yuan	**21**	–	–	**–**	–	–
	90,647	115,782	146,452	**4,351**	617	4,366

24. BANK BORROWINGS

	Group		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Current liabilities			
Secured			
– Bank overdraft	**–**	–	165
– Term loan I	**–**	–	1,828
– Term loan II (which is subject to an unconditional callable clause)			
Portion of term loan due for repayment within one financial year	**381**	357	361
Portion of term loan due for repayment after one financial year	**3,871**	3,996	4,367
– Term loan III (which is subject to an unconditional callable clause)			
Portion of term loan due for repayment within one financial year	**381**	357	362
Portion of term loan due for repayment after one financial year	**5,567**	5,588	5,968
– Term loan IV (which is subject to an unconditional callable clause)			
Portion of term loan due for repayment within one financial year	**42**	41	43
Portion of term loan due for repayment after one financial year	**598**	639	683
– Term loan V	**2,561**	7,983	–
– Term loan VI	**5,015**	–	–
– Term loan VII	**679**	–	–
– Revolving credit	**12,032**	21,041	–
– Trust receipts	**1,320**	708	742
	32,447	40,710	14,519
Non-current liabilities			
Secured			
– Term loan VII	**7,699**	–	–
Total bank borrowings	**40,146**	40,710	14,519

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24. BANK BORROWINGS (CONTINUED)

	Group		
	30 September 2019 $'000	**30 September 2018 $'000**	**1 October 2017 $'000**
Singapore dollar	**29,889**	29,925	3,402
United States dollar	**57**	51	–
Japanese yen	**10,200**	10,298	11,058
Chinese renminbi	**–**	37	59
Malaysia ringgit	**–**	399	–
	40,146	40,710	14,519

The Group has seven types of loans:

a) **Term loan I**

The Group entered into a banking facility amounting to $10,000,000 on 19 March 2014 which can be drawn down based on the Group's financing requirements. As at the 1 October 2017, the outstanding borrowings amounted to $1,828,000. Repayment is to be made via 36 monthly instalments comprising of monthly principal of $278,000 and last principal of $270,000 which commencing on 1 July 2015. The borrowings was fully repaid on 1 January 2018. The loan is secured by a charge over the Group's building. The loan carries an interest at 1.35% plus the bank cost of borrowings.

b) **Term loan II**

The Group entered into a banking facility amounting to $5,932,000 on 15 February 2016 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounted to $4,252,000 (30 September 2018: $4,353,000; 1 October 2017: $4,728,000). Repayment is to be made via 84 monthly instalments comprising of monthly principal of $34,000 and last principal of $3,134,000 which commencing on 31 March 2016 and will continue until 28 February 2023. The interest on the loan is charged at 1.38% (30 September 2018: 1.36%; 1 October 2017: 1.31%) at base rate plus 1.3% per annum. The loan is secured by:

(i) a charge over the Group's investment property (Note 5); and

(ii) the corporate guarantee provided by the Company.

c) **Term loan III**

The Group entered into a banking facility amounting to $6,330,000 on 20 September 2017 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounted to $5,948,000 (30 September 2018: $5,945,000; 1 October 2017: $6,330,000). Repayment is to be made via 84 monthly instalments comprising of monthly principal of $34,000 and last principal of $3,828,000 which commencing on 31 October 2017 and will continue until 30 September 2024. The interest on the loan is charged at 1.28% (30 September 2018: 1.26%; 1 October 2017: 1.33%) at base rate plus 1.2% per annum.

The loan is secured by:

(i) a charge over the Group's investment property (Note 5); and

(ii) The corporate guarantee provided by the Company.

24. BANK BORROWINGS (CONTINUED)

d) Term loan IV

The Group entered into banking facilities amounting to $791,000 on 19 August 2016 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounted to $640,000 (30 September 2018:$680,000; 1 October 2017: 726,000). Repayments commenced on 7 July 2016 and will continue until 7 February 2031 and 7 October 2029 respectively. The loan carries an interest at bank prevailing enterprise financing rate "EFR" minus 3.6% for 1st year, EFR minus 3.3% for 2nd year, at EFR rate for the subsequent years, payable over 150 and 133 monthly instalments. The loans are secured by:

(i) a mortgage over the Group's property, plant and equipment (Note 4); and

(ii) Joint and several personal guarantee from Director of a subsidiary and a non-controlling interest.

e) Term loan V

The Group entered into a banking facility amounting to $10,000,000 on 15 June 2017 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounted to $2,561,000 (30 September 2018: $7,983,000; 1 October 2017: $Nil) comprising of four drawn down by the Company of $1,000,000, $3,000,000, $3,000,000, and $3,000,000 on 1 February 2018, 8 February 2018, 16 May 2018 and 4 June 2018. The loan carries an interest at 1.35% (30 September 2018: 1.35%; 1 October 2017: Nil) plus the bank cost of borrowings. The loan is secured by a charge over the Group's building.

For first drawn down of $1,000,000, repayment is to be made via 26 monthly instalments comprising of monthly principal of $38,000 which commencing on 1 March 2018 and will continue until 1 April 2020.

For second drawn down of $3,000,000, repayment is to be made via 26 monthly instalments comprising of monthly principal of $116,000 which commencing on 8 March 2018 and will continue until 8 April 2020.

For third drawn down of $3,000,000, repayment is to be made via 22 monthly instalments comprising of monthly principal of $136,000 which commencing on 18 June 2018 and will continue until 18 March 2020.

For fourth drawn down of $3,000,000, repayment is to be made via 22 monthly instalments comprising of monthly principal of $136,000 which commencing on 3 July 2018 and will continue until 30 March 2020.

f) Term loan VI

The Group entered into a banking facility amount to $18,500,000 on 28 March 2018, which was revised to $17,000,000 on 9 July 2018. The facility is a specific advance facility meant for financing of one of the Group's building construction project, which the limit is subject to a step up/down schedule. On 21 January 2019, the Group drawn down a principal amount of $5,000,000. As at the end of the reporting period, the outstanding borrowing amounted to $5,015,000 and repayable by 1 February 2021. The loan carries an interest at 1.25% plus the bank cost of borrowings. The loan is secured by:

(i) a charge over the receivables of construction contract, including charge on non-checking account for the specific property development project; and

(ii) The corporate guarantee provided by the Company.

g) Term loan VII

The Group entered into a banking facility amounting to $8,600,000 on 5 November 2018, which is to finance the purchase of two properties. As at the end of the reporting period, the total outstanding borrowing amounts to $8,378,000, comprising of both current and non-current loan amount of $679,000 and $7,699,000 respectively. The loan carries an interest at 3.32% for the first and second year of the loan, 2.95% for the third year of loan and 6.25% thereafter plus the bank cost of borrowings. The loan is secured by a first legal mortgage over the two new buildings.

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24. BANK BORROWINGS (CONTINUED)

g) Term loan VII (Continued)

The term loan is repayable over 132 monthly instalments comprising of the principal amount of $8,600,000 and monthly interest, which is calculated based on the interest rate set out in the banking facility letter dated on 5 November 2018. The monthly repayment of $76,000 commences on 17 June 2019 and will continue until 17 April 2030.

h) Revolving credits are repayable or rollover within 3 months (2018: 3 months) from the financial year end and the interest are revised to the market rates on the rollover date. These revolving credits are secured by:

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

(ii) The corporate guarantee provided by the Company.

i) Trust receipts amounted to $1,320,000 (30 September 2018: $708,000; 1 October 2017: $742,000) are unsecured but repayable on demand to the bank with a maximum tenor of up to 120 days. It bear interest of 1.7% to 1.9% over the bank prevailing prime rate of 2.25% per annum.

j) The Group entered into an overdraft facility amounting to $300,000 on 19 August 2016 which can be drawn down based on the Group's financing requirements. As at 1 October 2017, the outstanding overdraft amounted to $165,000. There was no outstanding bank overdraft as at 30 September 2019 and 30 September 2018. The bank overdraft is repayable on demand to the bank with a maximum tenor of up to 1 year. It bears interest of 4.25% over the bank prevailing prime rate of 1.25% per annum. The overdraft facility is secured by:

(i) Deposits pledged with financial institution (Note 16); and

(ii) Joint and several personal guarantee from Director of a subsidiary and a non-controlling interest.

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

The Group is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet the requirements. Further details of the Group's management of liquidity risk are set out in Note 40.3 to the financial statements.

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

	Weighted average effective interest rate			Group		
	30 September 2019 %	**30 September 2018 %**	**1 October 2017 %**	**30 September 2019 $'000**	**30 September 2018 $'000**	**1 October 2017 $'000**
Within 6 months	**3.18**	2.63	2.87	**16,652**	3,651	3,121
After 6 months but within 12 months	**2.21**	2.66	1.53	**744**	2,944	380
After one year but within five financial years	**2.25**	2.57	1.60	**17,578**	29,519	3,074
After five financial years	**6.27**	1.73	1.63	**5,172**	4,596	7,944
Total				**40,146**	40,710	14,519

24. BANK BORROWINGS (CONTINUED)

Management estimates that the carrying amounts of the Group's and Company's borrowings approximate their fair values as these borrowings are at floating interest rates and repriced regularly.

Undrawn Commitments

As at 30 September 2019, the Group has undrawn committed banking facilities of $56 million (30 September 2018: $88 million; 1 October 2017: $153 million) in respect of which all conditions precedent had been met.

25. FINANCE LEASE PAYABLES

	Minimum lease payments $'000	Future finance charges $'000	Present value of minimum lease payments $'000
Group			
30 September 2019			
Current liabilities			
Within one financial year	**141**	**(23)**	**118**
Non-current liabilities			
After one financial year but within five financial years	**412**	**(39)**	**373**
After five financial years	**24**	*****	**24**
	436	**(39)**	**397**
	577	**(62)**	**515**
30 September 2018			
Current liabilities			
Within one financial year	152	(20)	132
Non-current liabilities			
After one financial year but within five financial years	304	(38)	266
After five financial years	49	(1)	48
	353	(39)	314
	505	(59)	446
1 October 2017			
Current liabilities			
Within one financial year	128	(9)	119
Non-current liabilities			
After one financial year but within five financial years	133	(10)	123
	261	(19)	242

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

25. FINANCE LEASE PAYABLES (CONTINUED)

	Minimum lease payments $'000	Future finance charges $'000	Present value of minimum lease payments $'000
Company			
30 September 2019			
Current liabilities			
Within one financial year	**25**	**(6)**	**19**
Non-current liabilities			
After one financial year but within five financial years	**98**	**(11)**	**87**
After five financial years	**12**	*****	**12**
	110	**(11)**	**99**
	135	**(17)**	**118**
30 September 2018			
Current liabilities			
Within one financial year	25	(7)	18
Non-current liabilities			
After one financial year but within five financial years	123	(17)	106
After five financial years	12	*	12
	135	(17)	118
	160	(24)	136

* Less than $1,000.

The finance lease terms range from 4 to 7 (30 September 2018: 4 to 7; 1 October 2017: 3 to 7) years for the financial year ended 30 September 2019. The effective interest rates for the finance lease obligations range from between 4.48% to 5.88% (30 September 2018: 4.48% to 7.34%; 1 October 2017: 4.48% to 7.34%) per annum for the financial year ended 30 September 2019.

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.

26. MEDIUM TERM NOTES

	Group and Company	
	30 September 2019 $'000	30 September 2018 $'000
Balance at beginning of financial year	**84,306**	84,074
Unwinding of discount on medium term notes	**231**	232
Balance at end of financial year	**84,537**	84,306

26. MEDIUM TERM NOTES (CONTINUED)

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

The Notes are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Prior to the maturity of the Notes, the Company may redeem the Notes based on the stipulated redemption price on the occurrence of the early redemption condition stated in the pricing supplement. Early redemption conditions for the Notes are:

- additional tax obligation to the Company due to any change in, or amendment to, the laws or regulation of Singapore;
- on event of default; or
- change in control of the Company.

The Notes contained certain covenants that the Group will ensure that:

(i) its Consolidated Tangible Net Worth shall not at any time be less than $70,000,000;

(ii) the ratio of Consolidated Total Borrowings to Consolidated Tangible Net Worth shall not at any time exceed 1.50:1;

(iii) the ratio of Consolidated Secured Debt to the Consolidated Total Assets of the Issuer shall not at any time be more than 0.50:1; and

(iv) the ratio of EBITDA to Interest Expense shall not at any time be less than 2.00:1.

Management estimated the fair value of the Notes as at 30 September 2019 to be approximately $83,143,000 (30 September 2018: $84,982,000; 1 October 2017: $85,698,000). The fair value is based on the bid price extracted from SGX-ST as at the end of the reporting date. The Notes are classified as Level 1 fair value hierarchy.

The Notes are denominated in Singapore dollar.

27. PROVISIONS

Group	**Provision for warranty and defects** *Current liabilities* **$'000**	**Provision for restoration costs** *Non-current liabilities* **$'000**	**Total** **$'000**
30 September 2019			
Balance at beginning of financial year	**2,022**	**246**	**2,268**
Provision made	**–**	**260**	**260**
Balance at end of financial year	**2,022**	**506**	**2,528**
30 September 2018			
Balance at beginning of financial year	2,038	239	2,277
Provision made	831	–	831
Provisions reversed	(847)	–	(847)
Unwinding of discount on provisions	–	7	7
Balance at end of financial year	2,022	246	2,268
1 October 2017			
Balance at beginning of financial year	1,764	232	1,996
Provision made	414	–	414
Provisions reversed	(140)	–	(140)
Unwinding of discount on provisions	–	7	7
Balance at end of financial year	2,038	239	2,277

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27. PROVISIONS (CONTINUED)

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

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

28. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		
	30 September 2019 $'000	**30 September 2018 $'000**	**1 October 2017 $'000**
Deferred tax assets	**493**	381	872
Deferred tax liabilities	**(69)**	(126)	(193)

Movements in deferred tax assets are as follows:

	Group	
	2019 $'000	**2018 $'000**
Balance at beginning of financial year	**381**	872
Charged to profit or loss	**109**	(492)
Foreign currency translation differences	**3**	1
Balance at end of financial year	**493**	381

Movements in deferred tax liabilities are as follows:

	Group	
	2019 $'000	**2018 $'000**
Balance at beginning of financial year	**(126)**	(193)
Over provision in prior year	**16**	67
Charged to profit or loss	**41**	–
Balance at end of financial year	**(69)**	(126)

Deferred tax assets are attributable to the following temporary differences:

	Group	
	2019 $'000	**2018 $'000**
Unutilised tax losses	**81**	81
Accelerated tax depreciation	**412**	300
	493	381

28. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax liabilities are attributable to the following temporary differences:

	Group	
	2019 **$'000**	**2018** **$'000**
Accelerated tax depreciation	**(69)**	(126)

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

	Group		
	Unutilised tax losses $'000	**Accelerated tax depreciation $'000**	**Total $'000**
2019			
Balance at beginning of financial year	**81**	**174**	**255**
Over provision in prior year	**–**	**16**	**16**
Charged to profit or loss	**–**	**150**	**150**
Foreign currency translation differences	**–**	**3**	**3**
Balance at end of financial year	**81**	**343**	**424**

29. REVENUE

	Group	
	2019 **$'000**	**2018** **$'000**
Construction contracts	**160,857**	158,175
Rental income	**1,703**	1,638
	162,560	159,813

30. OTHER INCOME

	Group	
	2019 **$'000**	**2018** **$'000**
Gain on disposal of plant and equipment	**124**	76
Gain on disposal of non-current assets held for sale	**–**	46
Fair value changes (Note 11)	**4,667**	–
Interest income		
– banks	**445**	383
– finance lease receivables	**21**	25
– loan due from joint ventures	**2,055**	1,627
– loan due from associates	**2,983**	2,277
Late charges charged to subcontractors	**68**	58
Rental income	**760**	600
Sales of scrap steel	**109**	31
Management fee	**166**	211
Dividend income from financial assets at FVOCI/available-for-sale financial assets	**510**	2,638
Foreign exchange gain, net	**2,127**	272
Others	**232**	631
	14,267	8,875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

31. FINANCE COSTS

	Group	
	2019	2018
	$'000	$'000
Interest expenses:		
– medium term notes	**4,888**	4,900
– revolving credit	**1,134**	525
– finance leases	**27**	22
– unwinding of discount on provision for restoration cost	**7**	10
– unwinding of discount on medium term notes	**231**	232
	6,287	5,689

32. 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/(credits):

	Group	
	2019	2018
	$'000	$'000
Cost of sales		
Construction costs	**87,735**	85,997
Employee benefit expenses	**13,755**	14,456
Depreciation of property, plant and equipment	**452**	882
Depreciation of investment properties	**619**	603
Operating lease expenses	**378**	477
Administrative and other expenses		
Waiver of interest receivables from third party	**918**	–
Allowance for inventory obsolescence	**–**	837
Audit fees		
– Auditors of the Company	**131**	119
– Other auditors	**15**	13
Non-audit fees		
– Auditors of the Company	**30**	22
– Other auditors	**4**	10
Amortisation of intangible assets	**37**	23
Depreciation of property, plant and equipment	**3,669**	3,432
Employee benefit expenses	**7,211**	6,452
Impairment loss on available-for-sale financial assets	**–**	4,431
Impairment loss on investment in an associate	**7,150**	–
Operating lease expenses	**410**	238
Professional fees	**1,251**	591

The profit before income tax also includes:

	Group	
	2019	2018
	$'000	$'000
Employee benefit expenses:		
Salaries, wages, bonuses and other staff benefits	**20,012**	20,047
Contributions to defined contribution plans	**698**	648
Share option expenses	**256**	213
	20,966	20,908

Included in the employee benefit expenses were Directors' remuneration as shown in Note 36 to the financial statements.

33. INCOME TAX EXPENSE

	Group 2019 $'000	Group 2018 $'000
Current income tax		
– current financial year	**7,025**	4,416
– under/(over) provision in prior financial years	**527**	(222)
	7,552	4,194
Deferred income tax		
– current financial year	**(150)**	492
– over provision in prior financial years	**(16)**	(67)
	(166)	425
Total income tax expense recognised in profit or loss	**7,386**	4,619

The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

	Group 2019 $'000	Group 2018 $'000
Profit before income tax	**24,262**	27,526
Add/(Less): Share of result of joint ventures	**(15,984)**	(4,433)
Share of result of associates	**6,798**	(3,031)
	15,076	20,062
Income tax calculated at applicable income tax rate of 17% (2018: 17%)	**2,563**	3,411
Effect of different tax rate in other country	**(141)**	(45)
Tax effect of income not subject to income tax	**(1,199)**	(955)
Tax effect of expenses not deductible for income tax purposes	**5,897**	2,740
Tax effect of tax exemption	**(17)**	(36)
Under/(Over) provision in prior financial years' current income tax	**527**	(222)
(Over)/Under provision in prior financial years deferred income tax	**(16)**	(67)
Unrecognised deferred tax assets	**192**	247
Utilisation of previously recognised deferred tax assets	**(451)**	(396)
Enhanced tax deduction	**–**	(159)
Others	**31**	101
	7,386	4,619

Unrecognised deferred tax assets

	Group 2019 $'000	Group 2018 $'000
Balance at beginning of financial year	**665**	1,486
Reassessment of recognised deferred tax assets in prior financial years	**(148)**	(672)
Amount not recognised during the financial year	**192**	247
Utilisation of deferred tax assets not recognised previously	**(451)**	(396)
Balance at end of financial year	**258**	665

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33. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to:

	Group	
	2019	**2018**
	$'000	**$'000**
Unutilised tax losses	**258**	632
Unutilised capital allowance	**–**	16
Accelerated tax depreciation	**–**	4
Others	**–**	13
	258	665

As at 30 September 2019, the Group has unutilised tax losses and unutilised capital allowance amounting to approximately $1,518,000 (2018: $3,718,000) and $Nil (2018: $94,000) respectively available for set-off against future taxable profits subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

		Group	
Year incurred	**Year of expiry**	**2019**	**2018**
		$'000	**$'000**
2014	2019	**–**	247
2015	2020	**307**	618
2016	2021	**–**	282
2017	2022	**–**	–
2018	2023	**14**	–
2019	2024	**43**	–
		364	1,147

Deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits in KHA Resorts & Hotels Construction (Maldives) Pvt Ltd 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 2.21 to the financial statements.

34. EARNINGS PER SHARE

34.1 Basic earnings per share

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

	2019	**2018**
	$'000	**$'000**
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent	**16,306**	23,482
Weighted average number of ordinary shares outstanding for basic earnings per share (excluding treasury shares)	**234,554**	232,855
Basic earnings per share (cents)	**6.95**	10.08

34. EARNINGS PER SHARE (CONTINUED)

34.2 Diluted earnings per share

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

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

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

	2019 $'000	2018 $'000
Profit attributable to owners of the parent ($)	**16,306**	23,482
Weighted average number of ordinary shares outstanding for basic earnings per share (excluding treasury shares)	**234,554**	232,855
Effect of share options in issue	**1,238**	2,306
Weighted average number of ordinary shares at 30 September	**235,792**	235,161
Diluted earnings per share (cents)	**6.92**	9.99

35. DIVIDENDS

	Group and Company 2019 $'000	 2018 $'000
Interim tax-exempt dividend paid of 0.25 (2018: 0.50) cents per ordinary share in respect of the current financial year	**586**	1,162
Final tax-exempt dividend paid of 2.00 (2018: 1.75) cents per ordinary share in respect of the previous financial year	**4,690**	4,066
	5,276	5,228

The Board of Directors proposed that a final dividend of 1.50 cents per ordinary share amounting to $3,525,000 to be paid for the financial year ended 30 September 2019. 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.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2019 $'000	2018 $'000
Joint ventures		
Contract revenue from joint ventures	**86,775**	57,433
Dividend income from a joint venture	**–**	2,660
Loan to joint ventures	**4,550**	26,559
Interest charged to joint ventures	**2,055**	1,627
Payment on behalf of joint ventures	**62**	13
Directors of a subsidiary		
Advances from directors of a subsidiary	**–**	156

	Group	
	2019 $'000	2018 $'000
Associates		
Contract revenue from associates	**47,309**	88,896
Loan to associates	**31,136**	15,464
Cash advances to associates	**17,627**	611
Rental charged by associates	**104**	127
Sale of non-current asset held for sale to associates	**–**	46
Supply of labour charged by associates	**–**	167
Payment on behalf by associates	**3,118**	4,866
Payment made on behalf of associates	**5,431**	1,221
Management fee charged to associates	**300**	211
Interest charge to associates	**2,983**	2,277

	Company	
	2019 $'000	2018 $'000
Subsidiary		
Dividend income	**16,337**	17,298

	Group and Company	
	2019 $'000	2018 $'000
Directors' interest in medium term note		
– Lim Jun Xiong Steven	**500**	500
– Chong Weng Hoe	**250**	250
Interest expense		
– Lim Jun Xiong Steven	**29**	14
– Chong Weng Hoe	**14**	14

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

	Group	
	2019	**2018**
	$'000	**$'000**
Directors of the Company		
– Short-term benefits	**2,484**	2,645
– Post-employment benefits	**33**	33
– Directors' fees	**178**	178
– Share option expenses	**–**	45
Other key management personnel		
– Short-term benefits	**317**	455
– Post-employment benefits	**20**	29
– Share option expenses	**17**	11
	3,049	3,396

37. COMMITMENTS

37.1 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	
	30 September 2019	**30 September 2018**	**1 October 2017**
	$'000	**$'000**	**$'000**
Not later than one financial year	**935**	681	436
Later than one financial year but not later than five financial years	**2,742**	733	789
After five financial years	**4,854**	295	490
	8,531	1,709	1,715

The above operating lease commitments are based on existing rental rates as at the end of the reporting period. The operating lease agreements provide for periodic revision of such rates in the future. The Group leases various premises and office equipment under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and a tenure range from 1 to 16 (30 September 2018: 2 to 12; 1 October 2017: 2 to 10) years with options to renew.

37. COMMITMENTS (CONTINUED)

37.1 Operating lease commitments (Continued)

Group as a lessor

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

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

	Group		
	30 September 2019 $'000	**30 September 2018 $'000**	**1 October 2017 $'000**
Not later than one financial year	**2,227**	1,978	1,507
Later than one financial year but not later than five financial years	**3,944**	1,042	2,111
	6,171	3,020	3,618

38. FINANCIAL GUARANTEES

As at 30 September 2019, the Company has issued corporate guarantees amounting to $217,780,000 (30 September 2018: $110,253,000; 1 October 2017: $228,119,000) to banks for banking facilities of certain subsidiaries and associate.

The maximum amount of the Company could be forced to settle under the guarantees obligation if the full guaranteed amount is claimed by the counterparties to the guarantees, is $217,780,000 (30 September 2018: $110,253,000; 1 October 2017: $228,119,000). The earliest period that the guarantees could be called is within 1 year from reporting date. As at 30 September 2019, the Group and the Company have accounted for a corporate guarantee liability of $3,739,000 (Note 23) due to increase in associate's credit risk.

The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiaries as the Company's directors have assessed that the likelihood of the subsidiaries defaulting on repayment of its banking facilities are remote. 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.

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

39. SEGMENT INFORMATION

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

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

39. SEGMENT INFORMATION (CONTINUED)

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations.

Inter-segment pricing, if any, is determined on an arm's length basis.

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

In presenting geographical information, segment revenue is based on the billing location of customers.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

	Buildings and construction $'000	**Property development $'000**	**Investment property $'000**	**Investment holding $'000**	**Total $'000**
2019					
Revenue					
Sales	**160,857**	**–**	**1,703**	**–**	**162,560**
Inter-segment sales	**–**	**–**	**–**	**–**	**–**
Sales to external customers	**160,857**	**–**	**1,703**	**–**	**162,560**
Profit from operations					
Share of results from joint ventures, net of tax	**–**	**15,984**	**–**	**–**	**15,984**
Share of results from associates, net of tax	**–**	**(6,798)**	**–**	**–**	**(6,798)**
Interest income	**5,120**	**–**	**–**	**384**	**5,504**
Interest expenses	**(1,026)**	**–**	**(135)**	**(5,126)**	**(6,287)**
Depreciation and amortisation	**(4,108)**	**–**	**(619)**	**(50)**	**(4,777)**
Income tax expense	**(7,332)**	**–**	**–**	**(54)**	**(7,386)**
Reportable segment profit/(loss) before income tax	**27,218**	**265**	**1,102**	**(4,323)**	**24,262**
Net profit/(loss) for the financial year after tax	**19,886**	**265**	**1,102**	**(4,377)**	**16,876**
Other information:					
Capital expenditure	**12,090**	**–**	**37**	**–**	**12,127**
Investments in joint ventures	**–**	**23,982**	**–**	**–**	**23,982**
Investments in associates	**–**	**57,463**	**–**	**–**	**57,463**
Segment assets	**407,954**	**–**	**27,292**	**16,729**	**451,975**
Segment liabilities	**126,449**	**–**	**11,162**	**89,020**	**226,631**

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39. SEGMENT INFORMATION (CONTINUED)

	Buildings and construction $'000	Property development $'000	Investment property $'000	Investment holding $'000	Total $'000
2018					
Revenue					
Sales	158,175	–	1,638	–	159,813
Inter-segment sales	–	–	–	–	–
Sales to external customers	158,175	–	1,638	–	159,813
Profit from operations					
Share of results from joint ventures, net of tax	–	4,433	–	–	4,433
Share of results from associates, net of tax	–	3,031	–	–	3,031
Interest income	3,949	–	–	363	4,312
Interest expenses	(413)	–	(140)	(5,136)	(5,689)
Depreciation and amortisation	(4,313)	–	(603)	(24)	(4,940)
Income tax expense	(4,533)	–	–	(86)	(4,619)
Reportable segment profit/(loss) before income tax	27,175	6,817	120	(6,586)	27,526
Net profit/(loss) for the financial year after tax	22,642	6,817	120	(6,672)	22,907
Other information:					
Capital expenditure	840	–	179	248	1,267
Investments in joint ventures	–	10,794	–	–	10,794
Investments in associates	–	48,534	–	–	48,534
Segment assets	418,878	–	20,037	36,221	475,136
Segment liabilities	151,658	–	11,379	85,064	248,101

Geographical segment information:

	Group 2019 $'000	Group 2018 $'000
Revenue		
Singapore	**116,381**	105,521
Maldives	**44,476**	52,654
Japan	**1,703**	1,638
Total revenue	**162,560**	159,813

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

	Group 30 September 2019 $'000	Group 30 September 2018 $'000	Group 1 October 2017 $'000
Non-current assets			
Singapore	**108,423**	77,914	59,374
Maldives	**615**	1,173	1,443
Japan	**23,708**	22,827	23,321
Total non-current assets	**132,746**	101,914	84,138

Non-current assets consist of property, plant and equipment, other intangible assets, investment properties, investments in associates and investment in joint ventures.

39. SEGMENT INFORMATION (CONTINUED)

Major customers

During the financial year, the Group's revenue attributable to 3 (2018: 2) customers represent approximately 93% (2018: 72%) of total revenue. Revenue from certain customers (named alphabetically A to E) of the Group's construction segment amount to approximately $152,038,000 (2018: $114,561,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	2019		2018	
	$'000	**%**	**$'000**	**%**
Customer A	**87,409**	**54**	61,907	38
Customer B	**44,476**	**27**	52,654	35
Customer C	**20,153**	**12**	–	–
	152,038	**93**	114,561	73

40. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

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

40.1 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, contract assets, finance lease receivables and cash and bank balances. 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 statement of financial position, except as follows:

		Company	
	30 September 2019 $'000	**30 September 2018 $'000**	**1 October 2017 $'000**
Committed corporate guarantees provided to banks for subsidiaries and associate' banking facilities as at the end of reporting period	**217,780**	110,253	228,119

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

40.1 Credit risk (Continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except as follows:

a) At the end of the reporting period, the Group has outstanding trade receivables from 1 (30 September 2018: 1; 1 October 2017: 3) customers which represent 15% (30 September 2018: 18%; 1 October 2017: 71%) of total trade receivables balance.

b) At the end of the reporting period, the retention sum from 5 customers represent 93% (30 September 2018: 66%; 1 October 2017: 67%) of total retention sum receivables.

The Group defines counterparties as having similar characteristics if they are related entities. Ongoing evaluation is performed on the financial condition of accounts receivable.

The Company has significant credit exposure arising from a subsidiary trade receivable which represents the entire total trade receivable as at the end of the reporting period.

Trade receivables

Expected credit loss model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook. At each reporting period, historical default rates are updated and change in the industry future outlook is reassessed. The Group also evaluates expected credit loss on credit-impaired receivables separately at each reporting period.

The expected credit loss computed is derived from historical data and credit assessment includes forward-looking information which management is of the view that customer conditions representative at the reporting date.

The following table provides information about the exposure to credit loss for trade receivables as at 30 September 2019.

	Group		
	Gross carrying amount $'000	Loss allowance $'000	Carrying amount $'000
Not past due	4,757	–	–
Past due but not impaired			
– less than 1 month	193	–	–
– 1 to 3 months	571	–	–
– 3 to 6 months	246	–	–
– over 6 months	4,068	(526)	–
	9,835	(526)	–

Loss allowance of $526,000 is related to credit-impaired balance from several customers who are not likely to repay the outstanding balances mainly due to economic circumstances or who have defaulted in payment terms.

Management believes that no impairment allowance is necessary for the remaining trade receivables as these are substantially companies with good collection track record and no recent history of default, hence the expected credit loss is not material.

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

40.1 Credit risk (Continued)

Impairment of trade receivables applying the principles under FRS 39

In 2018, the impairment of trade receivables were assessed based on the incurred loss impairment model. The ageing analysis of the Group's trade receivables past due but not impaired is as follows:

	Group			
	30 September 2018		1 October 2017	
	Gross carrying amount $'000	Loss allowance $'000	Gross carrying amount $'000	Loss allowance $'000
Past due over 0 to 1 month	3,140	–	2,214	–
Past due over 1 to 3 months	654	–	206	–
Past due over 3 to 6 months	914	–	104	–
Past due over 6 months	1,218	(526)	539	(717)

The Group's impaired trade receivables at 30 September 2018 amounted to $526,000 (1 October 2017: $717,000). At 30 September 2018, the impairment loss of the Group related to several customers who had indicated that they were not likely to repay the outstanding balances due to economic circumstances or who have defaulted in payment terms.

Retention sum

The Group has assessed expected credit loss allowance for remaining retention sum based on 12-month expected credit loss model.

The Group's impaired retention sum as at 30 September 2019 amounted to $788,000 (30 September 2018: 763,000; 1 October 2017: $561,000). The impaired retention sum related to customers who had indicated that they were not likely to repay the outstanding balances due to economic circumstances or who have defaulted in payment terms. Management is of the view that loss allowance on remaining retention sum is insignificant.

Non-trade amounts due from third parties

The Group has assessed expected credit loss for non-trade amounts due from third parties based on 12-month expected credit loss model which reflects the low credit risk of the exposure. The management is of the view that loss allowance on non-trade amounts due from third parties is insignificant.

Non-trade amounts due from joint ventures

In determining the recoverability of receivable from the joint ventures, the Group considers the financial strength and performance of the joint venture. The management is of the view that loss allowance on non-trade amounts due from joint ventures is insignificant.

Non-trade amounts due from associates

For non-trade amounts due from associates, the Group and the Company have taken into account the financial strength and performance of the associates. The Group and the Company monitor and assess at each reporting date for any indicator of significant increase in credit risk on the amounts due from associates, by considering their financial performance.

At the end of the reporting date, the Group and the Company have assessed the associates' financial performance to meet the contractual cash flow obligations and have recognised expected credit loss allowance of $2,299,000 and $1,000,000 for long-term interests classified under investments in associates respectively (Note 7) and $3,882,000 and $3,557,000 for non-trade amounts due from associates (Note 12).

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

40.1 Credit risk (Continued)

Non-trade amounts due from subsidiaries

For non-trade amounts due from subsidiaries, the Board of Directors has taken into account information that available internally about these subsidiaries' past, current and expected operating performance and cash flow position. The Board of Directors monitors and assesses at each reporting date of any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their financial performance and results. At the end of the reporting period, the Company has assessed its subsidiaries financial performance to meet the contractual cash flow obligations and have recognised expected credit loss allowance of $71,000 for non-trade amounts due from subsidiaries (Note 12).

Cash and bank balances

The cash and bank balances are held with bank and financial institution counterparties, which are rated A3 to Aa1 for long-term deposit and P2 to P1 for short term deposit, based on Moody's rating. The Board of directors monitors the credit ratings of counterparties regularly. Impairment on cash and cash equivalents has been measured on the 12-month expected credit loss model. At the reporting date, the Group and the Company did not expect any material credit losses from non-performance by the counterparties.

40.2 Market risk

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

(i) Equity prices

The Group is exposed to equity price risks arising from equity investments classified as financial assets at FVOCI. Equity investments carried at FVOCI are held for strategic reasons rather than trading purpose. The Group does not actively trade equity investments.

Further details of these equity investments can be found in Note 10 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of quoted equity investments carried at FVOCI, if the prices for equity securities listed on the Catalist Board of the Singapore Exchange Securities Trading Limited had been 18% (2018: 12%) higher or lower with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

– The Group's net profit for the financial years ended 30 September 2019 and 30 September 2018 would have been unaffected as the equity investments are classified as financial assets at FVOCI and no investments were disposed of or impaired; and

– The Group's fair value reserves would decrease/increase by $778,000 (2018: $626,000).

The equity price sensitivity analysis for unquoted equity investments carried at FVOCI is disclosed in Note 40.5.

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

40.2 Market risk (Continued)

(ii) Foreign exchange risk management

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

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

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

	Assets			Liabilities		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
United States dollar	**25,863**	3,477	27,927	**57**	51	–
Ringgit Malaysia	**763**	741	700	**–**	–	114
Maldives rufiyaa	**520**	813	615	**47**	574	–
Chinese renminbi	**–**	–	–	**21**	37	59

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% (2018: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group. The 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact to the Group's profit or loss.

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

40.2 Market risk (Continued)

(ii) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis (Continued)

If the relevant foreign currency strengthen or weakens by 5% against the functional currency of each group entity, profit or loss will increase/(decrease) by:

	Profit or loss	
	2019	**2018**
	$'000	**$'000**
Group		
United States dollar		
Strengthens against functional currencies*	**1,290**	171
Weakens against functional currencies*	**(1,290)**	(171)
Ringgit Malaysia		
Strengthens against functional currencies#	**38**	37
Weakens against functional currencies#	**(38)**	(37)
Maldives rufiyaa		
Strengthens against functional currencies	**24**	12
Weakens against functional currencies	**(24)**	(12)

* Primary Singapore dollar and Japanese yen
\# Primary Singapore dollar

(iii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to variable rate bank borrowings with financial institutions and other receivables. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Company is not exposed to significant interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the financial year ended 30 September 2019 would decrease/increase by $18,000 (2018: decrease/increase by $174,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and other receivables.

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

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

40.3 Liquidity risk

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

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

The following tables detail the Group's and the Company's remaining contractual maturity for financial instruments. The tables has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to pay. The tables includes both interest and principal cash flows.

Contractual maturity analysis

	Within one financial year $'000	After one financial year but within five financial years $'000	After five financial years $'000	Total $'000
Group				
30 September 2019				
Financial liabilities				
Trade and other payables (excluding goods and services tax payable and deferred revenue)	**89,456**	**–**	**–**	**89,456**
Bank borrowings	**30,287**	**10,125**	**479**	**40,891**
Finance lease payables	**141**	**412**	**24**	**577**
Medium term notes	**4,888**	**89,684**	**–**	**94,572**
30 September 2018				
Financial liabilities				
Trade and other payables, (excluding goods and services tax payable and deferred revenue)	111,587	–	–	111,587
Bank borrowings	31,427	6,178	4,751	42,356
Finance lease payables	152	304	49	505
Medium term notes	4,887	94,571	–	99,458
Financial guarantee contracts	3,097	–	–	3,097
1 October 2017				
Financial liabilities				
Trade and other payables (excluding goods and services tax payable and deferred revenue)	135,776	–	–	135,776
Bank borrowings	3,727	3,688	8,198	15,613
Finance lease payables	128	133	–	261
Medium term notes	4,887	99,459	–	104,346
Financial guarantee contracts	2,722	–	–	2,722

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

40.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year $'000	After one financial year but within five financial years $'000	After five financial years $'000	Total $'000
Company				
30 September 2019				
Financial liabilities				
Trade and other payables	**4,351**	**–**	**–**	**4,351**
Medium term notes	**4,888**	**89,684**	**–**	**94,572**
Financial guarantee contracts	**214,041**	**–**	**–**	**214,041**
30 September 2018				
Financial liabilities				
Trade and other payables	617	–	–	617
Medium term notes	4,887	94,571	–	99,458
Financial guarantee contracts	110,253	–	–	110,253
1 October 2017				
Financial liabilities				
Trade and other payables	4,472	–	–	4,472
Medium term notes	4,887	99,459	–	104,346
Financial guarantee contracts	228,119	–	–	228,119

40.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and maintains an optimal capital structure so as to maximise shareholder's value. The Group and the Company are subject to and complied with externally imposed capital requirements for the financial years ended 30 September 2019 and 2018 and as at 1 October 2017, as disclosed in Note 26 to the financial statements.

The Group and the Company constantly review the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's and the Company's overall strategy remain unchanged during the financial years ended 30 September 2019 and 2018.

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

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Trade and other payables	**90,647**	115,782	146,452	**4,351**	617	4,366
Bank borrowings	**40,146**	40,710	14,519	**–**	–	–
Finance lease payables	**515**	446	242	**118**	136	–
Medium term notes	**84,537**	84,306	84,074	**84,537**	84,306	84,074
Less: Cash and bank balances	**(55,792)**	(73,399)	(76,800)	**(5,055)**	(21,012)	(26,989)
Net debt	**160,053**	167,845	168,487	**83,951**	64,047	61,451
Total equity	**223,044**	225,511	198,184	**29,893**	30,641	23,029
Total capital	**383,097**	393,356	366,671	**113,844**	94,688	84,480
Gearing ratio (%)	**41.8**	42.7	46.0	**73.7**	67.6	72.7

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

40.5 Fair values

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

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
30 September 2019				
Financial assets				
Financial assets, at FVTOCI				
– Quoted equity shares	**4,425**	**–**	**–**	**4,425**
– Unquoted equity shares	**–**	**–**	**52,389**	**52,389**
Financial assets, at FVTPL	**–**	**–**	**30,092**	**30,092**
30 September 2018				
Financial assets				
Available-for-sale	5,175	–	52,818	57,993
1 October 2017				
Financial assets				
Available-for-sale	6,600	–	49,507	56,107

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
30 September 2019				
Financial assets				
Financial assets, at FVOCI				
– Quoted equity shares	**4,425**	**–**	**–**	**4,425**
30 September 2018				
Financial assets				
Available-for-sale	5,175	–	–	5,175
1 October 2017				
Financial assets				
Available-for-sale	6,600	–	–	6,600

There were no transfers between levels of the fair value hierarchy during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

40.5 Fair values (Continued)

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

Financial assets at FVOCI

Investment 1

Unquoted equity securities amounting to $205,000 have been valued as cost approach based on the nature and the carrying amount of the assets and liabilities of the investee. The investee's net assets comprise mainly bank balances and other payables where the carrying values approximates their fair values.

Description	Fair value as at 30 September 2019 $'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unquoted equity securities	**52,184**	Level 3	**Investment 2** Cost approach – the valuation model is based on the nature and the carrying amount of the assets and liabilities of the investee.	The fair values of investment properties with reference to the valuation report performed by independent professional valuer that are not developed by the Group.	An increase in the carrying amount of the investment properties would result in an increase in the fair value.

Financial assets at FVTPL

Description	Fair value as at 30 September 2019 $'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Loans to third party	**30,092**	Level 3	The fair value of loans to third party is determined based on discounted cash flow method, taking into consideration the estimated duration required for the investee to repay and discount rate.	The fair value of loans is determined by estimated duration required for the investee and discount rate used in deriving discounted cash flow.	An increase in the estimated duration expected for the investee to repay the loans and discount rate used would result in an decrease in the fair value.

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

40.5 Fair values (Continued)

Fair value of the financial assets and financial liabilities that are not measured at fair value on 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 financial liabilities were not materially different from their carrying amounts at the end of the reporting years except as disclosed in Notes 12 and 26 to the financial statements.

40.6 Categories of financial instruments

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

	Group			Company		
	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000	30 September 2019 $'000	30 September 2018 $'000	1 October 2017 $'000
Financial assets						
Financial assets at FVOCI	**56,814**	–	–	**4,425**	–	–
Financial assets at FVTPL	**30,092**	–	–	**–**	–	–
Available-for-sale*	**–**	57,993	56,107	**–**	5,175	6,600
Financial assets at amortised cost/Loans and receivables (2018)	**229,449**	311,860	309,950	**76,802**	74,655	70,247
Financial liabilities						
Financial liabilities, at amortised cost	**214,654**	237,539	240,539	**89,006**	85,059	88,440

* Available-for-sale financial assets were reclassified to financial assets at FVOCI upon adoption of SFRS(I) 9. Refer to Note 10 to the financial statements for details.

41. CONVERGENCE TO SFRS(I)

41.1 The Group has transited to SFRS(I)s on 1 October 2018. In transiting to SFRS(I), the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of SFRS(I).*

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 October 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 30 September 2019, as well as comparative information presented in these financial statements for the financial year ended 30 September 2018 and in the preparation of the opening statements of financial position at 1 October 2017 ("date of transition").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.1 The Group has transited to SFRS(I)s on 1 October 2018. In transiting to SFRS(I), the Group is required to apply all of the specific transition requirements under SFRS(I) *1 First-time Adoption of SFRS(I)*. (Continued)

Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 October 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

On 1 October 2017, the Group has elected to apply the transitional provisions under SFRS(I) 1:D34 and has used the following practical expedients:

- the Group did not restate contracts that (i) completed prior to or on 1 October 2017 and (ii) begin and end within the same financial year;
- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting period;
- for contracts that were modified before 1 October 2017, the Group did not retrospectively restate the contract for those contract modifications; and
- the Group did not disclose the amount of the transaction price allocated to the remaining performance obligation for financial year ended 30 September 2018 and an explanation of when the Group expects to recognised that amount as revenue.

41.2 Explanatory notes to reconciliation

The effects of transition to SFRS(I) mainly arises from the adoption of SFRS(I) 15 and SFRS(I) 9.

Adoption of SFRS(I) 15

In accordance with requirements of SFRS(I) 1, the Group has adopted SFRS(I) 15 retrospectively. As disclosed in Note 41.1 to the financial statements, the Group has elected to apply the transition provisions in accordance with SFRS(I) 15:C5. The adoption of SFRS(I) 15 has no any impacts at the Company level. The adoption of SFRS(I) 15 has resulted in adjustments to the previously reported financial statements due to the followings:

(i) The Group previously recognised construction contract revenue based on percentage of completion method measured by reference to surveys of work performed. With the adoption of SFRS(I) 15, the Group will continue to recognised construction contract revenue over time by measuring the progress towards complete satisfaction of performance obligations. The Group has determined that the input method is considered a faithful depiction of transfer of services to customers.

Prior to adoption of SFRS(I) 15, joint venture has recognised its revenue from property development only after it crossed certain stage of activity. Upon adoption of SFRS(I) 15, revenue from property development is recognised based on progress of completion. The progress is measured using input method.

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.2 Explanatory notes to reconciliation (Continued)

Adoption of SFRS(I) 15 (Continued)

The effects on adoption of SFRS(I) 15 are disclosed as follows:

	Increase/(decrease) 1 October 2017 $'000	30 September 2018 $'000
Non-current assets		
Deferred tax assets	426	(15)
Investments in joint ventures	4,805	1,848
	5,231	1,833
Current assets		
Trade and other receivables	(1,186)	(6,383)
Due from contract customer	(30,648)	(25,468)
Contract assets	30,621	25,446
	(1,213)	(6,405)
	4,018	(4,572)
Current liabilities		
Trade and other payables	(1,981)	(12,908)
Current income tax payable	–	827
	(1,981)	(12,081)
Equity		
Retained earnings	6,010	7,518
Non-controlling interest	(11)	(9)
	5,999	7,509
	4,018	(4,572)

Adoption of SFRS(I) 9

As disclosed above in Note 41.1 to financial statements, the Group has elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. The relevant accounting policy for financial instruments is disclosed in Note 2.12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.2 Explanatory notes to reconciliation (Continued)

Adoption of SFRS(I) 9 (Continued)

(ii) Classification and measurement of financial assets

Based on the requirements of SFRS(I) 9, the Group and the Company have assessed the business model of financial assets held as at 1 October 2018 and classified them into the relevant categories under SFRS(I) 9. The following reclassifications and adjustments have been made resulting from the adoption of SFRS(I) 9:

	Note	Financial assets				Fair value reserve $'000	Retained earnings $'000
		AFS $'000	Amortised cost* $'000	FVOCI $'000	FVTPL $'000		
Group							
Carrying amount under FRS39 as at 30 September 2018		57,993	348,783	–	–	5,788	(4,431)
Reclassify of AFS equity instruments to FVOCI	A	(57,993)	–	57,993	–	(4,431)	4,431
Reclassify of other receivables carried at amortised cost to FVTPL	B	–	(31,081)	–	31,081	–	–
Opening fair value adjustments	B	–	–	8,216	(8,216)	8,216	(8,216)
Expected credit loss allowance	C						
– Other receivables		–	(411)	–	–	–	(411)
– Long-term interests		–	(917)	–	–	–	(917)
– Financial guarantee contracts	D	–	–	–	–	–	(3,097)
Carrying amount as at 1 October 2018		–	316,374	66,209	22,865	9,573	(12,641)

	Note	Financial assets			Fair value reserve $'000	Retained earnings $'000
		AFS $'000	Amortised cost* $'000	FVOCI $'000		
Company						
Carrying amount under FRS39 as at 30 September 2018		5,175	78,582	–	–	(1,650)
Reclassify of AFS equity instruments to FVOCI	A	(5,175)	–	5,175	(1,650)	1,650
Expected credit loss allowance						
– Other receivables	C	–	(472)	–	–	(472)
– Financial guarantee contracts	D	–	–	–	–	(3,097)
Carrying amount as at 1 October 2018		–	78,110	5,175	(1,650)	(3,569)

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.2 Explanatory notes to reconciliation (Continued)

Adoption of SFRS(I) 9 (Continued)

(ii) Classification and measurement of financial assets (Continued)

* Includes trade and other receivables, finance lease receivables, contract assets, cash and bank balances and amount due from associates and joint ventures classified under investments in associates and joint ventures.

A. The Group and the Company have elected to recognise the changes in fair value of all its equity instruments not held for trading and previously classified as AFS, in other comprehensive income. Impairment losses recognised in profit or loss for prior financial year ending 30 September 2018 is reclassified from retained earnings to fair value reserve as at 1 October 2018.

B. Other receivable from third party of $31,081,000 previously carried at amortised cost is to be classified under financial asset at FVTPL as it does not meet the criteria for being measured at amortised cost or FVOCI. As at 1 October 2018, fair value loss of $8,216,000 was recognised on other receivables from third parties.

C. As at 1 October 2018, the financial assets measured at amortised cost is subject to expected credit loss impairment assessment under SFRS(I) 9. The impairment requirements under SFRS(I) 9 are different for each class of financial assets. The relevant accounting policies on expected credit loss impairment allowance are disclosed in Note 2.11 to the financial statements.

Upon transiting to SFRS(I) 9, the Group recognised additional impairment loss allowance of $411,000 and $917,000 on other receivables from associate and amounts due from associate classified as long term interests under investments in associate as at 1 October 2018 respectively. The Company recognised additional loss allowance of $472,000 on other receivables from subsidiary and associate. The tax effects are considered to be immaterial and has not been adjusted.

D. The Group and the Company have recognised corporate guarantee liability of $3,097,000 upon adoption of SFRS(I) 9. The corporate guarantee liability was related to the borrowings of associate that the Group and the Company guaranteed on.

41.3 Reconciliation of the Group's and the Company's equity reported in accordance with FRS to SFRS(I)

	Note	Reported under FRS $'000	Group Effect of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
At 1 October 2017				
Non-current assets				
Property, plant and equipment		22,776	–	22,776
Investment properties		23,321	–	23,321
Investments in associates		29,411	–	29,411
Investments in joint ventures	i	3,572	4,805	8,377
Intangible assets		253	–	253
Available-for-sale financial assets		56,107	–	56,107
Other receivables		86,247	–	86,247
Finance lease receivables		772	–	772
Deferred tax assets	i	446	426	872
Total non-current assets		222,905	5,231	228,136
Current assets				
Inventories		2,016	–	2,016
Trade and other receivables	i	116,040	(1,186)	114,854
Due from contract customers	i	30,648	(30,648)	–
Contract assets	i	–	30,621	30,621
Finance lease receivables		131	–	131
Current income tax recoverable		312	–	312
Prepayments		584	–	584
Fixed deposits		41,971	–	41,971
Cash and bank balances		35,354	–	35,354
Total current assets		227,056	(1,213)	225,843
Total assets		449,961	4,018	453,979

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.3 Reconciliation of the Group's and the Company's equity reported in accordance with FRS to SFRS(I) (Continued)

	Note	Reported under FRS $'000	Group Effect of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
At 1 October 2017				
Equity				
Share capital		25,048	–	25,048
Treasury shares		(3,657)	–	(3,657)
Share option reserve		639	–	639
Foreign currency translation reserve		110	–	110
Merger reserve		(4,794)	–	(4,794)
Available-for-sale reserve		(529)	–	(529)
Other reserve		(114)	–	(114)
Retained earnings	i	175,471	6,010	181,481
Equity attributable to owners of the parent		192,174	6,010	198,184
Non-controlling interests	i	1,905	(11)	1,894
Total equity		194,079	5,999	200,078
Non-current liabilities				
Other payables		1,346	–	1,346
Finance lease payables		123	–	123
Medium term notes		84,074	–	84,074
Provisions		239	–	239
Deferred tax liabilities		193	–	193
Total non-current liabilities		85,975	–	85,975
Current liabilities				
Trade and other payables	i	147,087	(1,981)	145,106
Bank borrowings		14,519	–	14,519
Finance lease payables		119	–	119
Provisions		2,038	–	2,038
Current income tax payable		6,144	–	6,144
Total current liabilities		169,907	(1,981)	167,926
Total liabilities		255,882	(1,981)	253,901
Total equity and liabilities		449,961	4,018	453,979

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.3 Reconciliation of the Group's and the Company's equity reported in accordance with FRS to SFRS(I) (Continued)

		Group				
		At 30 September 2018			At 1 October 2018	
	Note	Reported under FRS $'000	Effect of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000	Effect of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000
Non-current assets						
Property, plant and equipment		19,485	–	19,485	–	19,485
Investment properties		22,827	–	22,827	–	22,827
Investments in associates	ii	48,534	–	48,534	(917)	47,617
Investments in joint ventures	i	8,946	1,848	10,794	–	10,794
Intangible assets		274	–	274	–	274
Available-for-sale financial assets	ii	57,993	–	57,993	(57,993)	–
Financial asset at FVOCI	ii	–	–	–	66,209	66,209
Financial asset at FVTPL	ii	–	–	–	22,865	22,865
Other receivables	ii	122,847	–	122,847	(31,081)	91,766
Finance lease receivables		637	–	637	–	637
Deferred tax assets	i	396	(15)	381	–	381
Total non-current assets		281,939	1,833	283,772	(917)	282,855
Current assets						
Inventories		1,765	–	1,765	–	1,765
Trade and other receivables	i, ii	95,253	(6,383)	88,870	(411)	88,459
Due from contract customers	i	25,468	(25,468)	–	–	–
Contract assets	i	–	25,446	25,446	–	25,446
Finance lease receivables		134	–	134	–	134
Current income tax recoverable		314	–	314	–	314
Prepayments		909	–	909	–	909
Fixed deposits		28,165	–	28,165	–	28,165
Cash and bank balances		45,761	–	45,761	–	45,761
Total current assets		197,769	(6,405)	191,364	(411)	190,953
Total assets		479,708	(4,572)	475,136	(1,328)	473,808

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.3 Reconciliation of the Group's and the Company's equity reported in accordance with FRS to SFRS(I) (Continued)

		Group				
		At 30 September 2018			At 1 October 2018	
	Note	Reported under FRS $'000	Effect of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000	Effect of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000
Equity						
Share capital		25,048	–	25,048	–	25,048
Treasury shares		(3,303)	–	(3,303)	–	(3,303)
Share option reserve		1,311	–	1,311	–	1,311
Foreign currency translation reserve		385	–	385	–	385
Merger reserve		(4,794)	–	(4,794)	–	(4,794)
Available-for-sale reserve	ii	5,788	–	5,788	(5,788)	–
Fair value reserve	ii	–	–	–	9,573	9,573
Other reserve		1,341	–	1,341	–	1,341
Retained earnings	i, ii	192,217	7,518	199,735	(8,210)	191,525
Equity attributable to owners of the parent		217,993	7,518	225,511	(4,425)	221,086
Non-controlling interests		1,533	(9)	1,524	–	1,524
Total equity		219,526	7,509	227,035	(4,425)	222,610
Non-current liabilities						
Other payables		490	–	490	–	490
Finance lease payables		314	–	314	–	314
Medium term notes		84,306	–	84,306	–	84,306
Provisions		246	–	246	–	246
Deferred tax liabilities		126	–	126	–	126
Total non-current liabilities		85,482	–	85,482	–	85,482
Current liabilities						
Trade and other payables	i	128,200	(12,908)	115,292	3,097	118,389
Bank borrowings		40,710	–	40,710	–	40,710
Finance lease payables		132	–	132	–	132
Provisions	ii	2,022	–	2,022	–	2,022
Current income tax payable	i	3,636	827	4,463	–	4,463
Total current liabilities		174,700	(12,081)	162,619	3,097	165,716
Total liabilities		260,182	(12,081)	248,101	3,097	251,198
Total equity and liabilities		479,708	(4,572)	475,136	(1,328)	473,808

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.3 Reconciliation of the Group's and the Company's equity reported in accordance with FRS to SFRS(I) (Continued)

	Note	Reported under FRS $'000	Group Effect of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
2018				
Revenue	i	165,005	(5,192)	159,813
Cost of sales	i	(133,691)	10,927	(122,764)
Gross profit		31,314	5,735	37,049
Other items of income				
Other income		8,875	–	8,875
Other items of expense				
Administrative expenses		(15,742)	–	(15,742)
Finance costs		(5,689)	–	(5,689)
Other expenses		(4,431)	–	(4,431)
Share of results of joint ventures, net of tax	i	7,390	(2,957)	4,433
Share of results of associate, net of tax		3,031	–	3,031
Profit before income tax		24,748	2,778	27,526
Income tax expense		(3,351)	(1,268)	(4,619)
Profit for the financial year		21,397	1,510	22,907
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		275	–	275
Fair value gain on available-for-sale financial assets		6,541	–	6,541
Net fair value changes on available-for-sale financial assets reclassified to profit or loss		(224)	–	(224)
Share of other comprehensive income of associate		1,125	–	1,125
Share of other comprehensive income of joint venture		330	–	330
Other comprehensive income for the financial year, net of tax		8,047	–	8,047
Total comprehensive income for the financial year		29,444	1,510	30,954

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

41. CONVERGENCE TO SFRS(I) (CONTINUED)

41.3 Reconciliation of the Group's and the Company's equity reported in accordance with FRS to SFRS(I) (Continued)

		At 30 September 2018		At 1 October 2018	
		Reported under FRS $'000	Reported under SFRS(I) $'000	Effect of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000
Non-current assets					
Property, plant and equipment		223	223	–	223
Investments in subsidiaries		30,038	30,038	–	30,038
Investments in associates		5,610	5,610	–	5,610
Available-for-sale financial assets		5,175	5,175	(5,175)	–
Financial assets at FVOCI		–	–	5,175	5,175
Other receivables		1,000	1,000	–	1,000
Total non-current assets		42,046	42,046	–	42,046
Current assets					
Trade and other receivables	ii	52,643	52,643	(472)	52,171
Prepayments		3	3	–	3
Fixed deposits		15,810	15,810	–	15,810
Cash and bank balances		5,202	5,202	–	5,202
Total current assets		73,658	73,658	(472)	73,186
Total assets		115,704	115,704	(472)	115,232
Equity					
Share capital		25,048	25,048	–	25,048
Treasury shares		(3,303)	(3,303)	–	(3,303)
Share option reserve		1,311	1,311	–	1,311
Fair value reserve	ii	–	–	(1,650)	(1,650)
Retained earnings	ii	7,585	7,585	(1,919)	5,666
Total equity		30,641	30,641	(3,569)	27,072
Non-current liabilities					
Finance lease payables		118	118	–	118
Medium term notes		84,306	84,306	–	84,306
Total non-current liabilities		84,424	84,424	–	84,424
Current liabilities					
Trade and other payables	ii	617	617	3,097	3,714
Finance lease payables		18	18	–	18
Current income tax payable		4	4	–	4
Total current liabilities		639	639	3,097	3,736
Total liabilities		85,063	85,063	3,097	88,160
Total equity and liabilities		115,704	115,704	(472)	115,232

ANALYSIS OF SHAREHOLDINGS

AS AT 9 DECEMBER 2019

Issued and Fully Paid-Up Capital (including Treasury Shares):	S$25,817,265
Issued and Fully Paid-Up Capital (excluding Treasury Shares):	S$22,514,415
Number of Issued Shares (excluding Treasury Shares):	235,010,000
Number/Percentage of Treasury Shares:	7,555,000 (3.21%)
Class Of Shares:	Ordinary shares
Voting Rights (excluding Treasury Shares):	One Vote Per Share
No. of Subsidiary Holdings:`	Nil (0%)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.13	98	0.00
100 – 1,000	56	7.51	35,202	0.02
1,001 – 10,000	262	35.12	1,651,800	0.70
10,001 – 1,000,000	404	54.16	41,699,800	17.74
1,000,001 AND ABOVE	23	3.08	191,623,100	81.54
TOTAL	746	100.00	235,010,000	100.00

Based on the information available to the Company, as at 9 December 2019, approximately 37.60 % of the issued ordinary shares of the Company is held by the public. Hence, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 9 DECEMBER 2019	NO. OF SHARES	%
LEO TING PING RONALD	53,423,250	22.73
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	50,923,250	21.67
TEOU KEM ENG @TEOU KIM ENG	19,402,000	8.26
DBS NOMINEES PTE LTD	19,303,400	8.21
CITIBANK NOMINEES SINGAPORE PTE LTD	10,767,800	4.58
UOB KAY HIAN PTE LTD	5,648,600	2.40
LIM CHOON TECK HOLDING PTE LTD	4,165,500	1.77
LIM SIAK MENG	3,916,500	1.67
LIM EWE GHEE	3,748,500	1.60
HSBC (SINGAPORE) NOMINEES PTE LTD	2,571,900	1.09
RAFFLES NOMINEES (PTE) LIMITED	2,058,000	0.88
MAYBANK KIM ENG SECURITIES PTE.LTD	1,908,800	0.81
TEOU CHOON GEE	1,746,500	0.74
LEO SHU YAN, NICOLE (LIANG SHUYAN)	1,700,000	0.72
PHILLIP SECURITIES PTE LTD	1,496,700	0.64
TAN TEE MENG	1,282,500	0.55
HENG SOON MIANG	1,282,500	0.55
CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,071,300	0.46
CHUA KHOON SENG	1,050,000	0.45
FOO CHEK HENG	1,045,100	0.44
	188,512,100	80.22

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 9 DECEMBER 2019 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]	53,423,250.00	22.73	68,423,250	29.12
TEOU KEM ENG @ TEOU KIM ENG	19,402,000.00	8.26	–	–

Note:

1 Mr Leo Ting Ping Ronald has a deemed interest in the 50,923,250 shares, 7,500,000 shares and 10,000,000 shares of the Company held in the name of BNP Paribas Nominees Singapore Pte Ltd, DBS Nominees Pte Ltd and Citibank Nominees Singapore Pte Ltd respectively.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting ("**AGM**") of Keong Hong Holdings Limited (the "**Company**") will be held at Rose Room, Level 3, The Chevrons, 48 Boon Lay Way, Singapore 609961, on Tuesday, 21 January 2020 at 10.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 September 2019 and the Auditors' Report thereon. **Resolution 1**

2. To declare a one-tier tax exempt final dividend of 1.5 Singapore cents per ordinary share for the financial year ended 30 September 2019. (2018: 2 Singapore cents) **Resolution 2**

3. To approve the proposed Directors' Fees of S$178,000 for the financial year ended 30 September 2019. (2018: S$178,000) **Resolution 3**

4. To re-elect the following Directors who are retiring by rotation pursuant to Article 117 of the Company's Constitution:

   (i) Mr Er Ang Hooa *[See Explanatory Note (a)]* **Resolution 4**

   (ii) Mr Leo Zhen Wei Lionel *[See Explanatory Note (b)]* **Resolution 5**

   To record the retirement of Mr Wong Meng Yeng as a Director pursuant to Article 117 of the Company's Constitution at the conclusion of the AGM.

5. To re-elect Mr Chong Wai Siak retiring pursuant to Article 122 of the Company's Constitution. *[See Explanatory Note (c)]* **Resolution 6**

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

AS SPECIAL BUSINESS

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

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

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

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

   (b) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual; and

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

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

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

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

(iii) any subsequent bonus issue, consolidation or sub-division of Shares.

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

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

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

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

NOTICE OF
ANNUAL GENERAL MEETING

9. **The proposed renewal of the Share Buy-back Mandate** **Resolution 10**

"That

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

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

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

and otherwise in accordance with all other laws and regulations, including but not limited to, the Constitution of the Company and the Listing Manual as may for the time being be applicable be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

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

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

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

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

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

(c) for the purposes of this Resolution:

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

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

NOTICE OF
ANNUAL GENERAL MEETING

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

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

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

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

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

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

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

By Order of the Board

Lo Swee Oi and Lim Guek Hong
Joint Company Secretaries

Dated: 6 January 2020

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 11 February 2020, for the preparation of dividend warrants for the proposed tax exempt (one-tier) final dividend of 1.5 Singapore cents per ordinary share for the financial year ended 30 September 2019 (the "**Proposed Dividend**").

Duly completed transfers received by the Company's Share Registrar, B.A.C.S. Private Limited of 8 Robinson Road, #03-00 ASO Building, Singapore 048544 up to the close of business at 5.00 p.m. on 11 February 2020 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 11 February 2020, will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by members at the AGM to be held on 21 January 2020, will be paid on 25 February 2020.

Explanatory Notes:

(a) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Er Ang Hooa can be found on pages 156 to 158 of the Annual Report.

(b) Mr Leo Zhen Wei Lionel, if re-elected, will continue to serve as a member of the Audit and Nominating Committees. Mr Lionel Leo is considered to be non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed Information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Lionel Leo can be found on pages 156 to 158 of the Annual Report.

(c) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Chong Wai Siak can be found on pages 156 to 158 of the Annual Report.

(d) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting whichever is the earlier, to allot and issue Shares and/or the convertible securities. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution, shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of Shares and/or convertible securities other than on a pro-rata basis to all existing shareholders of the Company shall not exceed twenty per cent (20%) of the total issued Shares (excluding treasury shares and subsidiary holdings).

(e) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares of up to a number not exceeding fifteen per cent (15%) of the total issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme and any other scheme or plan of the Company for the time being.

(f) The Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the Directors to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to ten per cent (10%) of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, at the price up to but not exceeding the Maximum Price. The rationale for the Share Buy-Back Mandate, the source of funds to be used for the Share Buy-Back Mandate, the impact of the Share Buy-Back Mandate on the Company's financial position, the implications arising as a result of the Share Buy-Back Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST are set out in the Letter to Shareholders dated 6 January 2020, which is enclosed together with the Annual Report.

Notes to Proxy Form:

(1) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

(2) The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than seventy-two (72) hours before the time set for the AGM.

NOTICE OF
ANNUAL GENERAL MEETING

(3) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

(4) Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

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

Photographic, sound and/or video recordings of the above meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

In addition, the Company may upon the request of any shareholder, provide such shareholder with a copy of the minutes of the above meeting which may contain a member's personal data as explained above. By participating in the meeting, raising any questions and/or proposing/seconding any motion, a member will be deemed to have consented to have his personal data recorded and dealt with for the purposes and in the manner explained above.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Er Ang Hooa, Mr Leo Zhen Wei Lionel and Mr Chong Wai Siak are the Directors seeking re-election at the annual general meeting of the Company on 21 January 2020 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of SGX-ST is set out below:

Name of Director	Er Ang Hooa	Leo Zhen Wei Lionel	Chong Wai Siak
Date of appointment	26 September 2011	10 June 2014	1 October 2019
Date of last re-appointment (if applicable)	24 January 2017	26 January 2018	N.A.
Age	67	37	72
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this re-appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Er Ang Hooa ("Mr Er") for re-election as the Executive Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Er continues to possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, work experience and knowledge of Mr Leo Zhen Wei Lionel ("Lionel Leo") for re-election as the Non-Executive/Non-Independent Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Lionel Leo will be able to continue to contribute his valuable experience and knowledge to the core competencies of the Board.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, in-depth knowledge and over 40 years of experience in the building and construction industry of Mr Chong Wai Siak ("Mr Chong") for re-election as the Independent Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Chong will be able to contribute beneficially towards the core competencies of the Board.
Whether Board appointment is executive, and if so, the area of responsibility	The appointment is executive Director. Mr Er has been the project director of the wholly-owned subsidiary, KH Construction since June 2010. He is responsible for all operational activities in relation to construction projects undertaken by the Group.	The appointment is Non-Executive.	The appointment is Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member)	Executive Director since 26 September 2011.	Non-Executive Non-Independent Director; Member of Audit Committee and Nominating Committee.	Non-Executive and Independent Director.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Er Ang Hooa	Leo Zhen Wei Lionel	Chong Wai Siak
Academic/Professional qualifications	Mr Er graduated from University of Dundee, United Kingdom with a Bachelor of Science degree in Civil Engineering. He also graduated from Imperial College, London with a Master of Science degree in Structural Steel Design and obtained a graduate diploma in management and administration from Bradford University, United Kingdom.	Mr Lionel Leo graduated with First Class Honours from the National University of Singapore.	Mr Chong holds a Bachelor of Science (Honours) degree in Civil Engineering and a Master of Science degree in Structural Engineering, both from the University of Manchester, Institute of Science and Technology, United Kingdom. He is a Chartered Engineer (United Kingdom) and a registered Professional Engineer in Singapore and Malaysia.
Working experience and occupation(s) during the past 10 years	Mr Er has been the project director of KH Construction since June 2010 and overseeing all operational activities relating to construction projects undertaken by the Group.	Mr Lionel Leo is currently a Partner in the Restructuring and Insolvency Practice of Wong Partnership LLP. His main areas of practice involve banking and finance-related disputes, insolvency and restructuring, investigations and asset recovery, arbitration and shareholder disputes.	Before Mr Chong retired in 2014, he held various senior positions in the NSL Group which he joined in 1989. He was then responsible for the overall management of the operation and business activities of the NSL Group and its subsidiaries mainly focused in construction products and services, property development, engineering design and construction services. His works involved in establishing and managing business activities in Singapore, Malaysia, Indonesia, Hong Kong, China, Philippines, Vietnam, UAE and Finland.
Any relationship (including immediate family relationships) with any existing director/existing executive officer of the Company or any of its principal subsidiaries and/or substantial shareholder	No	Yes. Mr Lionel Leo is the son of the Group's Chairman and Chief Executive Officer and substantial shareholder, Mr Leo Ting Ping Ronald.	No
Conflict of interest (including any competing business)	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Er Ang Hooa	Leo Zhen Wei Lionel	Chong Wai Siak
Other Principal Commitments including Directorships			
Past 5 years	Nil	Nil	Nil
Present	Director of Keong Hong Group's subsidiaries, associated companies and joint venture companies.	• Partner of Wong Partnership LLP • Director of Nuform System Asia Pte. Ltd.	Nil

Mr Er Ang Hooa, Mr Leo Zhen Wei Lionel and Mr Chong Wai Siak have each provided an undertaking set out in Appendix 7.7 under Rule 720(1) of SGX-ST.

Each of the Retiring Directors have also individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 of the Listing Manual of the SGX-ST, the answer is "No".

The shareholding interest in the Company and its subsidiaries of each of these Directors are disclosed in the Directors' Statement on pages 44 and 46 of the Annual Report.

The disclosure on prior experience as a director of an issuer listed on the Exchange and details of prior experience is not applicable as this disclosure is only applicable to the appointment of a new director.

KEONG HONG HOLDINGS LIMITED
Company Reg. No.: 200807303W
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

PROXY FORM

Important

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

I/We ____ (Name)

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

of ____ (Address)

being a member/members of Keong Hong Holdings Limited (the "Company") hereby appoint:–

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the annual general meeting of the Company (the "**AGM**"), as my/our proxy/proxies to vote for me/us on my/our behalf, at the AGM to be held at Rose Room, Level 3, The Chevrons, 48 Boon Lay Way, Singapore 609961, on Tuesday, 21 January 2020 at 10.00 a.m. and at any adjournment thereof in the following manner:

No	Resolutions:	Number of Votes For*	Number of Votes Against*
	Ordinary Business		
1.	To adopt the Directors' Statements, Auditors' Report and Audited Financial Statements for financial year ended 30 September 2019		
2.	To declare a one-tier tax exempt final dividend of 1.5 Singapore cents per ordinary share for the financial year ended 30 September 2019		
3.	To approve Directors' Fees of S$178,000 for the financial year ended 30 September 2019 (2018: S$178,000)		
4.	To re-elect Mr Er Ang Hooa as a Director of the Company		
5.	To re-elect Mr Leo Zhen Wei Lionel as a Director of the Company		
6.	To re-elect Mr Chong Wai Siak 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		

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

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

Dated this ________ day of ______________ 2020

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:–

1 (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

2. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than 72 hours before the time set for the AGM.

3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed as the alternate.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the AGM.

5. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:–

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:–

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 January 2020.

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

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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