

## KEONG HONG HOLDINGS LIMITED

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

(Company Registration No.: 200807303W)

# Branching Out to New Horizons

OFFER DOCUMENT DATED 8 DECEMBER 2011

(Registered by the Singapore Exchange Securities Trading Limited acting as agent on behalf of the Monetary Authority of Singapore on 8 December 2011).

**This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser(s).**

PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") has made an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, and for quotation of, all our existing issued ordinary shares (the "**Shares**") in the capital of Keong Hong Holdings Limited (the "**Company**") already issued, the New Shares ("**New Shares**"), the PPCF Shares (as defined herein) and the new Shares which may be issued upon the exercise of the options which may be granted under the Keong Hong Employee Share Option Scheme (the "**Option Shares**") on Catalist. Acceptance of applications will be conditional upon issue of the New Shares and the listing and quotation of all our existing issued Shares, the New Shares, the PPCF Shares and the Option Shares. Monies paid in respect of any application accepted will be returned if the admission and listing do not proceed.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

This offer of New Shares is made in or accompanied by an offer document that has been registered by the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore (the "**Authority**").

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that our Company is suitable to be listed and complies with the Catalist Rules (as defined herein). Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares being offered for investment. The registration of this Offer Document by the SGX-ST does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, have been complied with.

We have not lodged this Offer Document in any other jurisdiction.

**Investing in our Shares involves risks which are described in the section entitled "RISK FACTORS" of this Offer Document.**

After the expiration of six months from the date of registration of this Offer Document, no person shall make an offer of our Shares, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.

## Placement of 27,000,000 New Shares at S\$0.24 for each New Share, payable in full on application

Manager, Sponsor and Joint Placement Agent



**PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200207389D)

Joint Placement Agent



**KIM ENG CORPORATE FINANCE PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200207700C)

## CORPORATE PROFILE

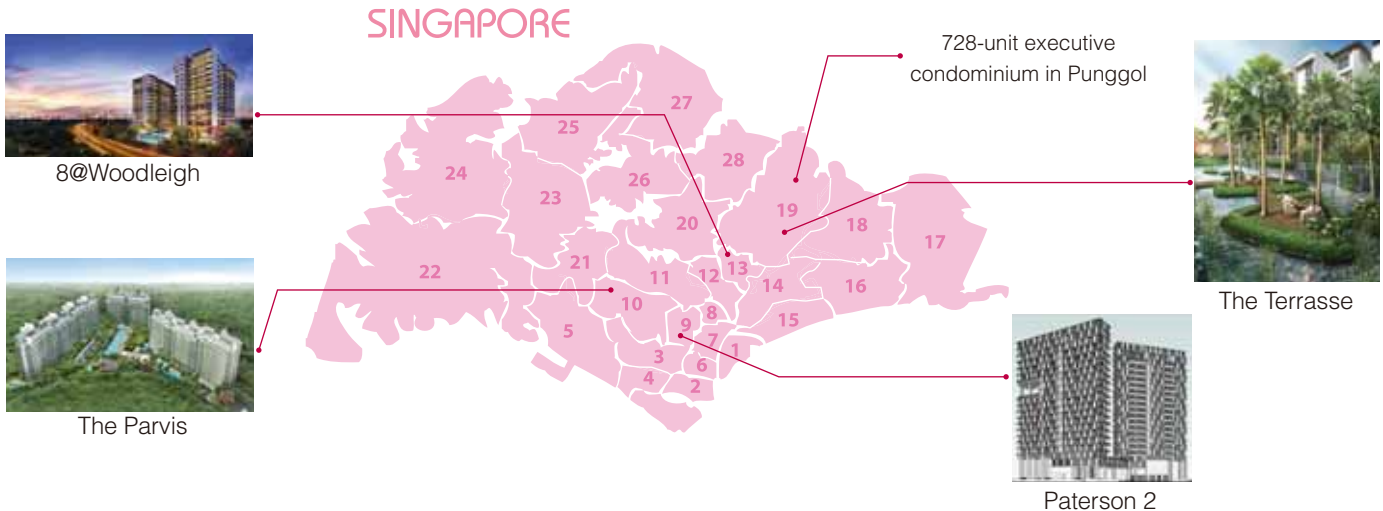
Keong Hong Holdings Limited ("Company"), our subsidiaries and Associated Companies (collectively referred to as the "Group") is a provider of a broad range of building construction services to both private and public sectors for residential, commercial, industrial and institutional projects. In addition to conventional contracts including additional and alteration ("A&A") works, we also provide construction services for design and build ("D&B") projects. We have also begun our first foray into property development through a joint venture with FCL Tampines Court Pte. Ltd. to develop a 728-unit executive condominium project in Punggol.

Our customers include property developers and owners, main contractors and project consultants who are major players in the construction industry. Our track record of repeat clients includes well-established developers like Keppel Land group, Frasers Centrepoint Limited and MCL Land. Some of our recent projects include The Esta condominium, IBIS Hotel, Sime Darby Performance Centre and Martin Place Residences.

We have achieved a BCA grading of A2 under the category CW01 for general building, which allows us to tender for public sector construction projects not exceeding S\$85 million in project value with no restrictions on tendering limit for private sector construction projects.

## Our Projects

On-going Projects	Developer/Owner	Approximate Contract Sum	Estimated Completion Date
<b>As Main Contractor</b>			
Falhumaafushi Resort (Maldives)	Bonaventure (Maldives) Pvt Ltd (part of Bonvest group)	S\$83.6 m	Apr 2012
The Parvis	Calne Pte Ltd (a JV between MCL Land Ltd and Ho Bee Investment Ltd)	S\$142.9 m	Jun 2012
8@Woodleigh	FCL Homes Pte Ltd	S\$73.9 m	Jun 2012
Paterson 2	Bukit Sembawang View Pte Ltd	S\$70.5 m	Feb 2014
The Terrasse	MCL Land (Serangoon) Pte Ltd	S\$110.5 m	May 2014
<b>As Property Developer</b>			
Executive Condominium in Punggol	Punggol Residences Pte. Ltd. (a JV between our wholly-owned subsidiary, Keong Hong Construction Pte Ltd, and FCL Tampines Court Pte. Ltd.)	S\$162.4 m	Dec 2014



**Order book for construction business stood at approximately S\$541 million**  
*(as at 30 September 2011)*



## COMPETITIVE STRENGTHS

### **We have an established track record for various categories of construction projects**

- Possess more than 20 years of experience as a building contractor in the local construction industry
- Able to undertake projects covering new construction, A&A works, refurbishment and upgrading of existing buildings as well as both conventional contracts and D&B projects
- Achieved BCA's A2 grading under the category of CW01 for general building – able to tender for public sector construction projects not exceeding S\$85 million in project value and no restrictions on tendering limit for private sector construction projects

### **Our property development and building construction business are complementary**

- Able to leverage on knowledge and experience gained over the last 20 years as building contractor for our property development business
- Allow us to envisage and pre-empt potential problems that contractors may face, resulting in higher efficiency and better cost management for our property development business
- Experience gained from property development business allows us to position ourselves as a solution provider to our customers for our construction business, rather than just a service provider

### **We have established close working relationships with major developers and main contractors**

- Good working relationships with major contractors, developers and owners and project consultants which facilitate our sourcing of opportunities and contributed to our securing of projects
- Our repeat customers include Keppel Land group, Frasers Centrepoint Limited and MCL Land Ltd

### **We provide high quality services to our customers**

- Able to complete and deliver quality in our projects through timely completion and efficient delivery
- Our ISO certifications, bizSAFE Star certification and various other awards attest to the quality of our projects

### **We have a committed and experienced management team and support staff**

- Our Executive Director and CEO has over 30 years of experience in the construction industry
- Supported by a team of committed support staff and professionals
- Strong principal management team with engineering background and advanced qualifications

## PROSPECTS

### **Advancement of public sector projects**

- The public sector demand for construction is likely to improve to between S\$12 billion and S\$15 billion for the year of 2011
- In August 2011, HDB announced that 25,000 HDB flats will be built within the year, representing an increase of 56.3% from 16,000 HDB flats built in 2010

### **Strengthening of private sector projects**

- Private sector demand for construction is likely to moderate to between S\$10 billion to S\$13 billion for the year of 2011
- Under the second half of 2011 Government Land Sales programme, the Ministry of National Development announced in June 2011 that it will introduce 19 confirmed list sites and 24 reserve list sites, which can collectively provide a potential yield of about 14,200 private residential units (including 2,300 executive condominium units), 268,000 sq m gross floor area of commercial space and 3,700 hotel rooms

### **Outlook for medium term remains positive**

- BCA estimates a sustained level of construction output of between S\$20 billion to S\$27 billion per year in 2012 and 2013



### Strong demand for new resort construction in Maldives

- The Maldivian construction sector has enjoyed an unprecedented 22% year-on-year historical average growth rates in 2010 \*
- Able to leverage on the Group's proven track record and mature construction techniques to capitalize on the demand in Maldives' construction industry

\*Note: construction demand in Singapore grew by 14% in 2010

## BUSINESS STRATEGIES AND FUTURE PLANS

### Expansion of business operations in Singapore and overseas

- Continue to expand business operations in Singapore in the residential, hotel and commercial sectors
- Leverage on experience gained from our resort development in Maldives for future overseas expansion especially for construction of hotels and resorts
- Expand opportunities in Singapore and overseas through suitable acquisitions, investments, strategic alliances and/or joint ventures as and when opportunities arise

### Enter into property development in Singapore

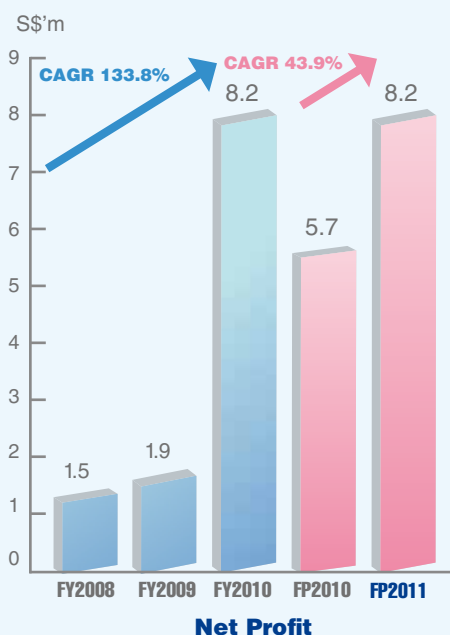
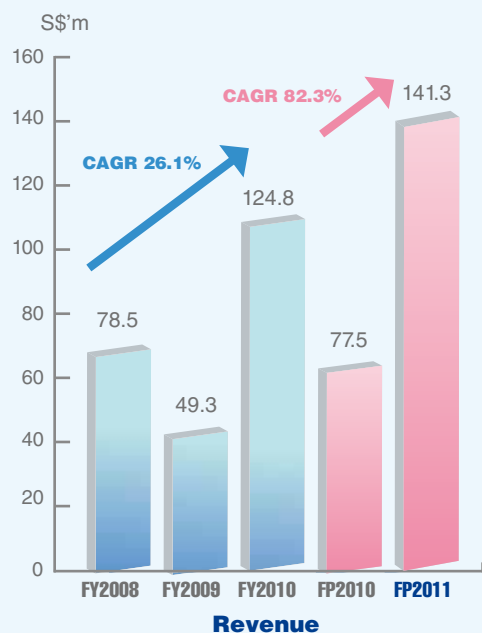
- Leverage on experience as main contractor for expansion into property development sector
- Expand business portfolio to include residential, commercial and industrial property development business through strategic alliances and/or joint ventures
- Jointly developing a 728-unit executive condominium in Punggol with FCL Tampines Court Pte. Ltd.

### Focus on projects with higher complexity and value-add

- Leverage on established track record, reputation in the construction industry and enhanced image through listing on the Singapore Exchange Securities Trading Limited to secure larger-scale construction projects to generate higher profits and further raise our business profile in the industry

## FINANCIAL HIGHLIGHTS

S\$'000	Audited FY2008	Audited FY2009	Audited FY2010	Unaudited FP2010	Audited FP2011
<b>Revenue</b>	78,496	49,257	124,764	77,546	141,279
<b>Gross Profit</b>	1,825	764	10,142	6,243	9,705
<b>Net Profit</b>	1,454	1,911	8,157	5,684	8,236
<b>Gross Profit Margin</b>	2.3%	1.6%	8.1%	8.1%	6.9%
<b>Net Profit Margin</b>	1.9%	3.9%	6.5%	7.3%	5.8%



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## CORPORATE INFORMATION

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<b>Board of Directors</b>	:	Leo Ting Ping Ronald (Executive Director and Chief Executive Officer) Er Ang Hooa (Executive Director) Lim Jun Xiong Steven (Lead Independent Director) Wong Meng Yeng (Independent Director) Chong Weng Hoe (Independent Director)
<b>Company Secretary</b>	:	Lo Swee Oi ( <i>ACIS</i> ) Tan Ching Chek ( <i>LLB, ACIS</i> )
<b>Registered Office</b>	:	Block 151 Bukit Batok Street 11 #03-250 Singapore 650151
<b>Share Registrar</b>	:	<b>B.A.C.S. Private Limited</b> 63 Cantonment Road Singapore 089758
<b>Manager, Sponsor and Joint Placement Agent</b>	:	<b>PrimePartners Corporate Finance Pte. Ltd.</b> 20 Cecil Street #21-02 Equity Plaza Singapore 049705
<b>Joint Placement Agent</b>	:	<b>Kim Eng Corporate Finance Pte. Ltd.</b> 9 Temasek Boulevard #08-03 Suntec Tower Two Singapore 038989
<b>Independent Auditors and Reporting Auditors</b>	:	<b>BDO LLP</b> Public Accountants and Certified Public Accountants 21 Merchant Road #05-01 Royal Merukh S.E.A. Building Singapore 058267  Partner-in-charge: Leong Hon Mun Peter (a member of the Institute of Certified Public Accountants of Singapore)
<b>Solicitors to the Placement</b>	:	<b>Drew &amp; Napier LLC</b> 10 Collyer Quay #10-01 Ocean Financial Centre Singapore 049315
<b>Solicitors to our Company on Maldivian Law</b>	:	<b>Lynx Chambers</b> G.Farivina 1 Anona Goalhi Rahdhebaimagu Male' 20146 Republic of Maldives



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## CORPORATE INFORMATION

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<b>Principal Bankers</b>	:	<b>Malayan Banking Berhad</b> 2 Battery Road #03-01 Maybank Tower Singapore 049907
		<b>United Overseas Bank Limited</b> 80 Raffles Place UOB Plaza 1 Singapore 049513
		<b>Oversea-Chinese Banking Corporation Limited</b> 65 Chulia Street Singapore 049513
		<b>The Hongkong and Shanghai Banking Corporation Limited</b> 21 Collyer Quay #08-01 HSBC Building Singapore 049320
<b>Receiving Banker</b>	:	<b>United Overseas Bank Limited</b> 80 Raffles Place UOB Plaza 1 Singapore 049513
<b>Independent Valuer of our Property</b>	:	<b>Knight Frank Pte Ltd</b> 16 Raffles Quay #30-01 Hong Leong Building Singapore 048581

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## DEFINITIONS

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In this Offer Document and the accompanying Application Forms, the following definitions apply where the context so admits:

### Group Companies

<i>“Company” or “KH Holdings”</i>	:	Keong Hong Holdings Limited
<i>“Group” or “Combined Group”</i>	:	Our Company and our subsidiaries and Associated Companies, following the completion of the Restructuring Exercise, treated for the purpose of this Offer Document as if the group structure had been in existence since 1 October 2007
<i>“KH Construction”</i>	:	Keong Hong Construction Pte Ltd
<i>“KH-Kienta JV LLP”</i>	:	Keong Hong-Kienta Engineering JV LLP
<i>“KH Land”</i>	:	K.H. Land Pte Ltd
<i>“KH Trading”</i>	:	KH Trading Pte. Ltd.
<i>“KHA Resorts”</i>	:	KHA Resorts & Hotels Construction Pvt Ltd

### Other Corporations and Agencies

<i>“Authority”</i>	:	The Monetary Authority of Singapore
<i>“BCA”</i>	:	Building and Construction Authority
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“CPF”</i>	:	The Central Provident Fund
<i>“HDB”</i>	:	Housing and Development Board
<i>“HUDC”</i>	:	Housing Urban Development Corporation
<i>“IRAS”</i>	:	Inland Revenue Authority of Singapore
<i>“ISO”</i>	:	International Organisation for Standardisation
<i>“MOF”</i>	:	Ministry of Finance
<i>“MOM”</i>	:	Ministry of Manpower
<i>“PPCF”, “PrimePartners”, “Manager” or “Sponsor”</i>	:	PrimePartners Corporate Finance Pte. Ltd.
<i>“Receiving Banker”</i>	:	United Overseas Bank Limited
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Registrar”</i>	:	B.A.C.S. Private Limited
<i>“Kim Eng”</i>	:	Kim Eng Corporate Finance Pte. Ltd.

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## DEFINITIONS

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### General

- “A&A”* : Additions and alterations
- “Application Forms”* : The printed application forms to be used for the purpose of the Placement and which form part of this Offer Document
- “Application List”* : The list of applications for subscription of the New Shares
- “Articles” or “Articles of Association”* : Articles of Association of our Company
- “Associate”* : (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees, acting in their capacity as such trustees, of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more of the aggregate of the nominal amount of all the voting shares;
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”* : In relation to a corporation, means:
- (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20% but not more than 50% of the aggregate of the nominal amount of all the voting shares; or
  - (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially

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## DEFINITIONS

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<i>“Audited Combined Financial Statements”</i>	:	Audited Combined Financial Statements for the financial years ended 30 September 2008, 2009 and 2010 and for the financial period from 1 October 2010 to 30 June 2011
<i>“Audit Committee”</i>	:	The audit committee of our Company as at the Latest Practicable Date, unless otherwise stated
<i>“Board” or “Board of Directors”</i>	:	The board of Directors of our Company as at the Latest Practicable Date, unless otherwise stated
<i>“Catalist”</i>	:	The Catalist Board of the SGX-ST
<i>“Catalist Rules”</i>	:	Any or all of the rules in Section B of the Listing Manual, as the case may be
<i>“CEO”</i>	:	Chief Executive Officer
<i>“CFO”</i>	:	Chief Financial Officer
<i>“Companies Act” or “the Act”</i>	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<i>“Controlling Shareholder”</i>	:	(a) a person who has an interest in the voting shares of a corporation and who exercises control over the corporation; or  (b) a person who has an interest of 15% or more of the aggregate of the nominal amount of all the voting shares in a corporation, unless he does not exercise control over the corporation
<i>“CONQUAS”</i>	:	The Construction Quality Assessment System
<i>“D&amp;B”</i>	:	Design and build
<i>“Directors”</i>	:	The directors of our Company as at the Latest Practicable Date
<i>“EPHA”</i>	:	Environmental Public Health Act (Chapter 95) of Singapore, as amended, modified or supplemented from time to time
<i>“EPS”</i>	:	Earnings per Share
<i>“ESOS”</i>	:	The Keong Hong Employee Share Option Scheme, adopted by our Company on 21 November 2011, the terms of which are set out in Appendix H of this Offer Document
<i>“Executive Directors”</i>	:	The executive directors of our Company as at the Latest Practicable Date, unless otherwise stated
<i>“Executive Officers”</i>	:	The executive officers of our Group as at the Latest Practicable Date, unless otherwise stated

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## DEFINITIONS

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<i>"FP2010"</i>	:	Financial period from 1 October 2009 to 30 June 2010
<i>"FP2011"</i>	:	Financial period from 1 October 2010 to 30 June 2011
<i>"FY"</i>	:	Financial year ended or, as the case may be, ending 30 September
<i>"GST"</i>	:	Goods and services tax
<i>"Independent Directors"</i>	:	The independent directors of our Company as at the Latest Practicable Date, unless otherwise stated
<i>"ISO 9001:2008"</i>	:	The International Standard that promotes the adoption of a process approach when developing, implementing and improving the effectiveness of a quality management system, to enhance customer satisfaction by meeting customer requirements
<i>"Issue Price"</i>	:	S\$0.24 for each New Share
<i>"Joint Placement Agents"</i>	:	PrimePartners and Kim Eng, and "Joint Placement Agent" means any one of them
<i>"just-in-time"</i>	:	An inventory management strategy that strives to improve a business' return on investment by reducing in-process inventory and associated carrying costs
<i>"Latest Practicable Date"</i>	:	11 November 2011, being the latest practicable date for the purposes of lodgement of this Offer Document with the SGX-ST
<i>"Listing"</i>	:	The listing of our Company and the quotation of our Shares on Catalist
<i>"Listing Manual"</i>	:	Section B of the Listing Manual of the SGX-ST: Rules of the Catalist, as amended, modified or supplemented from time to time
<i>"M&amp;E"</i>	:	Mechanical and electrical
<i>"Management Agreement"</i>	:	The full sponsorship and management agreement dated 8 December 2011 entered into between our Company and PPCF pursuant to which PPCF shall sponsor and manage the Listing as described in the section entitled "Plan of Distribution" of this Offer Document
<i>"Market Day"</i>	:	A day on which the SGX-ST is open for trading in securities
<i>"Memorandum" or "Memorandum of Association"</i>	:	Memorandum of association of our Company
<i>"MYE"</i>	:	Man Year Entitlements
<i>"NAV"</i>	:	Net asset value

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## DEFINITIONS

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<i>“New Shares”</i>	:	The 27,000,000 new Shares for which our Company invites applications to subscribe for pursuant to the Placement, subject to and on the terms and conditions set out in this Offer Document
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the Latest Practicable Date, unless otherwise stated
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer Document”</i>	:	This offer document dated 8 December 2011 issued by our Company in respect of the Placement
<i>“Options”</i>	:	The options granted or which may be granted pursuant to the ESOS
<i>“Option Shares”</i>	:	The new Shares (not exceeding 15% of the issued share capital of our Company on the date preceding the grant of an Option) which may be allotted and issued upon the exercise of the Options
<i>“PBT”</i>	:	Profit before tax
<i>“PER”</i>	:	Price earnings ratio
<i>“period under review”</i>	:	The period which comprises FY2008, FY2009, FY2010 and FP2011
<i>“Placement”</i>	:	The placement of the New Shares by the Placement Agents on behalf of our Company for subscription at the Issue Price subject to and on the terms and conditions of this Offer Document
<i>“Placement Agreement”</i>	:	The placement agreement dated 8 December 2011 entered into between our Company, Kim Eng and PPCF pursuant to which Kim Eng and PPCF each agreed to subscribe and/or procure subscribers for the New Shares, details as described in the section entitled “Plan of Distribution” of this Offer Document
<i>“Punggol”</i>	:	HDB land parcel located at Punggol Way/Punggol Field
<i>“PPCF Shares”</i>	:	The 2,000,000 New Shares to be issued by our Company to PPCF as part of PPCF’s professional fees as the Manager and Sponsor
<i>“Pre-IPO Investors”</i>	:	Chua Kian Lin, Goh Geok Cheong, Kuik Thiam Huat, Lim Ewe Ghee, Lau Eng Tiong, Lim Siak Meng, Seah Hoe Seng, Tan Lee Meng, Tan Tin Nam, Liaw Wie Sein, Foo Chek Heng, Guan Chuan Engineering Construction Pte Ltd, Lim Choon Teck Holding Pte. Ltd. and Kienta Engineering Construction Pte. Ltd.

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## DEFINITIONS

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<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken in connection with the Placement as described in the section entitled “Restructuring Exercise” of this Offer Document
<i>“Securities Account”</i>	:	The securities account maintained by a depositor with CDP
<i>“Service Agreement”</i>	:	The service agreement entered into between Leo Ting Ping Ronald and our Company, as set out in the section entitled “Service Agreement” of this Offer Document
<i>“SFA” or “Securities &amp; Futures Act”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
<i>“Shares”</i>	:	Ordinary shares in the capital of our Company
<i>“Shareholder(s)”</i>	:	Shareholder(s) of our Company
<i>“SME”</i>	:	Small and medium enterprises
<i>“Substantial Shareholders”</i>	:	Persons who have an interest in the Shares, the nominal amount of which is not less than 5% of the aggregate of the nominal amount of all the voting shares of our Company
<i>“TOP”</i>	:	Temporary occupation permit
<i>“Unaudited Proforma Combined Financial Information”</i>	:	Compilation Report of the Reporting Auditors on the Unaudited Proforma Combined Financial Information

### **Currencies, Units and Others**

<i>“%” or “per cent.”</i>	:	Per centum
<i>“m”</i>	:	Metre
<i>“MVR”</i>	:	Maldivian Rufiyaa, the lawful currency of the Maldives
<i>“MYR”</i>	:	Malaysian Ringgit, the lawful currency of Malaysia
<i>“N.M.”</i>	:	Not meaningful
<i>“S\$” and “cents”</i>	:	The lawful currency of Singapore, being dollars and cents respectively
<i>“sq ft”</i>	:	Square feet
<i>“sq m”</i>	:	Square metre
<i>“US\$”</i>	:	The lawful currency of the United States of America

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## DEFINITIONS

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The expressions “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document and the Application Forms to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or any statutory modification thereof and used in this Offer Document and the Application Forms shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA or any statutory modification thereof, as the case may be.

Any reference in this Offer Document and the Application Forms to Shares being allotted to an applicant includes allotment to CDP for the account of that Applicant.

Any reference to a time of day in this Offer Document and the Application Forms shall be a reference to Singapore time unless otherwise stated.

References in this Offer Document to “**our Group**”, “**we**”, “**our**”, and “**us**” or any other grammatical variations thereof shall unless otherwise stated, mean our Company, our Group or any member of our Group as the context requires.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.



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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “expects”, “believes”, “plans”, “intends”, “estimates”, “anticipates”, “may”, “will”, “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to:

- (a) our revenue and profitability;
- (b) expected growth in demand;
- (c) expected industry trends and development;
- (d) anticipated expansion plans; and
- (e) other matters discussed in this Offer Document regarding matters that are not historical fact,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- (a) changes in political, social and economic conditions, and laws and regulations and the interpretation thereof in Singapore, the Maldives and other countries in which we conduct business;
- (b) the risk that we may be unable to execute or implement our business strategies and future plans;
- (c) changes in currency exchange rates;
- (d) the risk that we may be unable to realise our anticipated growth strategies and expected internal growth;
- (e) changes in the availability and prices of raw materials and goods which we require to operate our business;
- (f) changes in customers’ preferences;
- (g) changes in competitive conditions and our ability to compete under such conditions;
- (h) changes in our future capital needs and the availability of financing and capital to fund such needs; and
- (i) other factors beyond our control.

Some of these risk factors are discussed in more details in this Offer Document, in particular, but not limited to, the discussions under the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Offer Document. These forward-looking statements are applicable only as of the date of this Offer Document.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements which apply only as at the date of this Offer Document. Neither our Company, the Manager and Sponsor, the Joint Placement Agents nor any other person represents or warrants that our Group's actual future results, performance or achievements will be as discussed in those statements.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Manager and Sponsor and the Joint Placement Agents disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after the registration of the Offer Document but before the close of the Placement, our Company becomes aware of (a) a false or misleading statement or matter in the Offer Document; (b) an omission from the Offer Document of any information that should have been included in it under Section 243 of the SFA; or (c) a new circumstance that has arisen since the registration of the Offer Document with the SGX-ST and would have been required by Section 243 of the SFA to be included in the Offer Document if it had arisen before the Offer Document was lodged and that is materially adverse from the point of view of an investor, a supplementary or replacement Offer Document must (a) meet the conditions prescribed under the Securities and Futures (Offers of Investments) (Shares) (Exemption from Prospectus Requirements) Regulations 2008; and (b) be lodged with the SGX-ST.

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## SELLING RESTRICTIONS

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### **Singapore**

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the filing and/or lodgement of this Offer Document in Singapore in order to permit a public offering of the New Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the New Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by our Company, the Manager and Sponsor and the Joint Placement Agents to inform themselves about, and to observe and comply with, any such restrictions.

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## DETAILS OF THE PLACEMENT

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### LISTING ON THE CATALIST

PPCF has made an application to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued, the New Shares, the PPCF Shares and the Option Shares. Such permission will be granted when we have been admitted to the Catalist. Our acceptance of applications will be conditional upon, *inter alia*, the issue of New Shares and upon permission being granted by the SGX-ST to deal in, and for quotation of, all our existing issued Shares, the New Shares, the PPCF Shares and the Option Shares. If the said permission is not granted for any reason, monies paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, and the applicant will not have any claim against us, the Manager and Sponsor and the Joint Placement Agents. No Shares will be allotted on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

Companies listed on the Catalist may carry higher investment risk when compared with larger or more established companies listed on the Official List of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the securities traded on Catalist. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Neither the Authority nor the SGX-ST have examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Manager and Sponsor certifying that our Company is suitable to be listed and complies with the Catalist Rules.

Admission to the Catalist is not to be taken as an indication of the merits of the Placement, our Company, our subsidiaries, our existing issued Shares, the New Shares, the PPCF Shares or the Option Shares.

A copy of this Offer Document has been lodged with the SGX-ST. The registration of this Offer Document with the SGX-ST does not imply that the SFA, or any other legal or regulatory requirements, have been complied with. The SGX-ST has not, in any way, considered the merits of our existing issued Shares, the New Shares or the Options Shares, as the case may be, being offered or in respect of which a placement is made, for investment. We have not lodged this Offer Document in any other jurisdiction.

We are subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure. In particular, if after the registration of this Offer Document but before the close of the Placement, we become aware of:

- (a) a false or misleading statement or matter in the Offer Document;
- (b) an omission from the Offer Document of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST would have been required by Section 243 of the SFA to be included in the Offer Document if it had arisen before this Offer Document was lodged,

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## DETAILS OF THE PLACEMENT

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that is materially adverse from the point of view of an investor, a supplementary or replacement Offer Document must (a) meet the conditions prescribed under the Securities and Futures (Offers of Investments) (Shares) (Exemption from Prospectus Requirements) Regulations 2008; and (b) be lodged with the SGX-ST, pursuant to Section 241 of the SFA.

In the event that a supplementary or replacement offer document is lodged with the SGX-ST, the Placement shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for the New Shares and:

- (a) where the New Shares have not been issued to the applicants, our Company shall, either:
  - (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications and to take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary document or replacement offer document; or
  - (ii) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or
  - (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and our Company shall, within seven days from the date of lodgement of the supplementary or replacement offer document, return all monies paid in respect of any application, without interest or a share of revenue or other benefit arising therefrom at the applicant's own risk and the applicant will not have any claim whatsoever against our Company, the Manager and Sponsor and the Joint Placement Agents; or
- (b) where the New Shares have been issued to the applicants but trading has not commenced, our Company shall, either:
  - (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications and to take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary document or replacement offer document; or
  - (ii) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to our Company the New Shares, which they do not wish to retain title in; or

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## DETAILS OF THE PLACEMENT

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- (iii) treat the issue of the New Shares as void, in which case the issue shall be deemed void and our Company shall within seven days from the date of lodgement of the supplementary or replacement offer document, return all monies paid in respect of any application, without interest or a share of revenue or other benefit arising therefrom at the applicant's own risk and the applicant will not have any claim whatsoever against our Company, the Manager and Sponsor and the Joint Placement Agents.

Any applicant who wishes to exercise his option under paragraph (a)(i) or (ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify our Company of this, whereupon our Company shall, within seven days from the receipt of such notification, pay to him all monies paid by him on account of his application for those New Shares without interest or any share of revenue or other benefit arising therefrom and he will not have any claim against our Company, the Manager and Sponsor and the Joint Placement Agents.

Any applicant who wishes to exercise his option under paragraph (b)(i) or (ii) to return the New Shares issued to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify our Company of this and return all documents, if any, purporting to be evidence of title to those New Shares, to our Company, whereupon our Company shall, within seven days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Shares, without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the issue of those Shares shall be deemed void, and he will not have any claim against our Company, the Manager and Sponsor and the Joint Placement Agents.

Pursuant to Section 242 of the SFA, the Authority may, in certain circumstances issue a stop order (the "**Stop Order**") to our Company, directing that no Shares or no further Shares to which this offer document relates, be allotted or issued. Such circumstances will include a situation where this offer document (i) contains any statement or matter which, in the Authority's opinion, is false or misleading, (ii) omits any information that should have been included in it under the SFA, or (iii) does not, in the Authority's opinion, comply with the requirements of the SFA.

In the event that the Authority issues a Stop Order and applications to subscribe for the New Shares have been made prior to the Stop Order, then:

- (a) where the New Shares have not been issued to the applicants, the applications for the New Shares shall be deemed to have been withdrawn and cancelled and we shall, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the New Shares; or
- (b) where the New Shares have been issued to the applicants, the issue of the New Shares shall be deemed to be void and we shall, within 14 days from the date of the Stop Order, pay to the applicants all monies paid by them for the New Shares.

Such monies paid in respect of an application will be returned to the applicants at their own risk, without interest or any share or revenue or other benefit arising therefrom, and they will not have any claims against our Company, the Manager and Sponsor and the Joint Placement Agents.

This Offer Document has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement and our Group, and our Directors are not aware of any facts the omission of which would make any statements in the Offer Document misleading. Where information in this Offer Document has been extracted from

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## DETAILS OF THE PLACEMENT

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published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

Neither our Company, the Manager and Sponsor and the Joint Placement Agents, nor any other parties involved in the Placement is making any representation to any person regarding the legality of an investment by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Placement and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Manager and Sponsor and the Joint Placement Agents. Neither the delivery of this Offer Document and the Application Forms nor any documents relating to the Placement, nor the Placement shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we may make an announcement of the same to the SGX-ST and the public and if required, we may lodge a supplementary or replacement offer document with the SGX-ST and will comply with the requirements of the SFA and/or any other requirements of the SGX-ST. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. The New Shares are offered for subscription solely on the basis of the information contained and representations made in this Offer Document.

This Offer Document has been prepared solely for the purpose of the Placement and may not be relied upon by any persons other than the applicants in connection with their application for the New Shares or for any other purpose.

**This Offer Document does not constitute an offer, solicitation or invitation of the New Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Offer Document and the Application Forms may be obtained on request, subject to availability during office hours, from:

**PrimePartners Corporate Finance Pte. Ltd.**  
20 Cecil Street #21-02  
Equity Plaza  
Singapore 048616

**Kim Eng Corporate Finance Pte. Ltd.**  
9 Temasek Boulevard #08-03  
Suntec Tower Two  
Singapore 038989

and members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Offer Document is also available on the SGX-ST website <http://www.sgx.com>.

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## DETAILS OF THE PLACEMENT

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The Application List will open immediately upon the registration of the Offer Document by the SGX-ST acting as agent on behalf of the Authority and will remain open until 12.00 noon on 14 December 2011 or for such further period or periods as our Directors may, in consultation with the Manager and Sponsor and the Joint Placement Agents in their absolute discretion decide, subject to any limitation under all applicable laws. In the event a supplementary offer document or replacement offer document is lodged with the SGX-ST, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for application of the New Shares are set out in Appendix I of this Offer Document.



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## INDICATIVE TIMETABLE FOR LISTING

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An indicative timetable on the trading of initial public offering shares is set out below:

Indicative date/time	Event
14 December 2011 at 12.00 noon	Close of Application List
16 December 2011 at 9.00 a.m.	Commence trading on a “ready” basis
21 December 2011	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 14 December 2011, the date of admission of our Company to the Catalist is 16 December 2011, the shareholding spread requirement will be complied with and the New Shares will be issued or allotted and fully paid-up and/or allotted prior to 16 December 2011.

The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the commencement of trading on a “ready” basis.

**Investors should consult the SGX-ST’s announcement on “ready” trading date on the Internet (at SGX-ST website <http://www.sgx.com>), the newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.**

In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same:

- (a) through an SGXNET announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>; and
- (b) in a local English language newspaper(s) such as The Straits Times or The Business Times.

We will provide details of the results of the Placement as soon as it is practicable after the closure of the Application List through the channels described in (a) and (b) above.

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## PLAN OF DISTRIBUTION

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The Placement is for 27,000,000 New Shares offered in Singapore and the Listing is managed by PPCF. The placement for the New Shares is managed by Kim Eng and PPCF as the Joint Placement Agents.

Prior to the Placement, there has been no public market for our Shares. The Issue Price is determined by our Company in consultation with the Manager and Sponsor and the Joint Placement Agents, taking into consideration, *inter alia*, the prevailing market conditions and estimated market demand for our Shares. The Issue Price is the same for each New Share and is payable in full on application.

### **New Shares**

The New Shares are reserved for Placement to members of the public and institutional investors in Singapore.

Application for the New Shares may only be made by way of printed Application Forms as described under the section entitled "Terms, Conditions and Procedures for Application and Acceptance" as set out in Appendix I of this Offer Document.

Pursuant to the Placement Agreement, Kim Eng and PPCF have each agreed, as Joint Placement Agents, to subscribe and/or procure subscribers for the New Shares. The Company shall pay an aggregate placement commission of 3.0% of the Issue Price for each New Share. Kim Eng and PPCF may, at their absolute discretion, appoint one or more sub-placement agents for the New Shares.

The Placement Agreement is conditional upon the Management Agreement not having been terminated or rescinded pursuant to the provisions of the Management Agreement.

Subscribers of the New Shares may be required to pay brokerage of up to 1.0% of the Issue Price to the Joint Placement Agents or any sub-placement agent(s) that may be appointed by the Joint Placement Agents (and the prevailing GST thereon, if applicable).

### **Interests of the Manager, Sponsor and Joint Placement Agent, PPCF**

In the reasonable opinion of our Directors, the Manager, Sponsor and Joint Placement Agent, PPCF, does not have a material relationship with our Company save as disclosed below:

- (a) Pursuant to the Management Agreement entered into between our Company and PPCF as the Manager and Sponsor dated 8 December 2011, our Company appointed PPCF to manage and sponsor the Listing;
- (b) In payment of PPCF's fees as the Manager and Sponsor in respect of the Listing, our Company will be allotting and issuing to PPCF 2,000,000 PPCF Shares;
- (c) PPCF will be the continuing Sponsor of our Company for a period of three (3) years from the date our Company is admitted and listed on the Catalist; and
- (d) PPCF will be the Joint Placement Agent and has certain interests in the Company as set out in the section entitled "Interests of the Joint Placement Agents, Kim Eng and PPCF" below.

Subject to the consent of the SGX-ST being obtained, the Management Agreement may be terminated by PPCF at any time before the close of the Application List on the occurrence of certain events including the following:

- (a) PPCF becomes aware of any material breach by our Company and/or its agent(s) of any warranties, representations, covenants or undertakings given by our Company to PPCF in the Management Agreement;

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## PLAN OF DISTRIBUTION

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- (b) there shall have been, since the date of the Management Agreement, any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, rule or byelaw by any relevant government or regulatory body, whether or not having the force of law, or any other occurrence of similar nature that would materially change the scope of work, responsibility or liability required of PPCF; or
- (c) there is a conflict of interest for PPCF, or any dispute, conflict or disagreement with our Company or our Company wilfully fails to comply with any advice from or recommendation of PPCF.

### **Interests of the Joint Placement Agents, Kim Eng and PPCF**

In the reasonable opinion of our Directors, the Joint Placement Agents, Kim Eng and PPCF, do not have a material relationship with our Company save that:

- (a) Kim Eng and PPCF are the Joint Placement Agents of the Placement;
- (b) one of the Principal Bankers, Malayan Banking Berhad, is a related entity of Kim Eng; and
- (c) PPCF is the Manager and Sponsor and has certain interests in the Company as set out in the section entitled "Interests of the Manager, Sponsor and Joint Placement Agent" above.

The Placement Agreement dated 8 December 2011 was entered into between our Company, Kim Eng and PPCF as the Joint Placement Agents whereby the Joint Placement Agents each agreed to subscribe for or procure subscriptions for the New Shares. The Company shall pay an aggregate placement commission of 3.0% of the Issue Price for each New Share. The Joint Placement Agents may, at each of their absolute discretion appoint one or more secondary sub-placement agents for the New Shares.

The Placement Agreement is conditional upon the Management Agreement not being terminated or rescinded pursuant to the provisions of the Management Agreement, and may be terminated on the occurrence of certain events, including those specified above. In the event that the Management Agreement or the Placement Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors, to cancel the Placement.

Other than pursuant to the Placement Agreement, there are no contracts, agreements or understandings between our Company and any person or entity that would give rise to any claim for brokerage commission, finder's fees or other payments in connection with the offer and subscription of the New Shares.

### **Persons intending to subscribe for the Placement**

Save for our Executive Director, Er Ang Hooa, none of our Directors or Controlling Shareholder intends to subscribe for the New Shares in the Placement.

To the best of our knowledge and belief, we are not aware of any person who intends to subscribe for more than 5.0% of the New Shares. However, through a book-building process to assess market demand for our Shares, there may be persons who may indicate an interest to subscribe for Shares amounting to more than 5.0% of the New Shares. If such person(s) were to make an application for Shares amounting to more than 5.0% of the New Shares and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406 of the Catalist Rules.

No Shares shall be issued on the basis of this Offer Document later than six months after the date of registration of this Offer Document.

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## OFFER DOCUMENT SUMMARY

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*The following summary highlights certain information found in greater detail elsewhere in this Offer Document. Terms defined elsewhere in this Offer Document have the same meaning when used herein. In addition to this summary, we urge you to read the entire Offer Document carefully, especially the section entitled "Risk Factors" of this Offer Document, before deciding to invest in our Shares.*

### OVERVIEW OF OUR GROUP

#### Our Business

We are principally engaged in providing building construction services to both private and public sectors for residential, commercial, industrial and institutional projects. Our clients from the private sector include property owners and developers, and those from the public sector include government bodies and statutory boards. In addition to conventional contracts including A&A works, we also provide construction services for D&B projects. We have recently entered into a joint venture with FCL Tampines Court Pte. Ltd. for the development of a 728-unit executive condominium in Punggol.

Our Group's business comprises building works in Singapore and the Maldives.

Please refer to section entitled "Business Overview" of this Offer Document for further details.

#### Our Financial Results and Financial Position

Please refer to the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" of this Offer Document and the Audited Combined Financial Statements and the Unaudited Proforma Combined Financial Information as set out in Appendices A and B of this Offer Document respectively for details of our financial performance for FY2008, FY2009, FY2010 and for the financial period from 1 October 2010 to 30 June 2011.

#### Our Competitive Strengths

We believe our competitive strengths are as follows:

- (i) We have an established track record in various categories of construction projects

We have more than 20 years of experience as a building contractor in the local construction industry and have handled projects of different categories, namely, high-rise and landed residential, commercial, institutional and industrial projects. In addition to conventional contracts, we are also capable of taking on D&B projects which provide diversification to our business.

Furthermore, our wholly-owned subsidiary, KH Construction is currently registered with a BCA grading of A2 under the category CW01 for general building. Such A2 grading is the second highest grade for contractors' registration in such category and enables KH Construction to tender for public sector construction projects not exceeding S\$85 million in project value. There are no restrictions on tendering limit for private sector construction projects.

- (ii) Our property development and building construction business are complementary

Given our extensive experience in the construction business and our recent joint venture with FCL Court Tampines Pte. Ltd. for the development of a 728-unit executive condominium in Punggol, we are able to review our construction projects from both the perspective of a main contractor as well as that of a property developer. This gives us the advantage of pre-empting problems that

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## OFFER DOCUMENT SUMMARY

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might arise in the course of construction and we can take steps to avoid such problems or minimise their impact. As a result, we are able to achieve higher efficiency and have better cost management.

Conversely, with the experience gained from our property development business, we are able to position ourselves as a solution provider to our customers for our construction business, rather than just a service provider. Our competitive edge is in our ability to offer our customers feasible alternatives from both a developer's and a contractor's perspective to reduce overall costs in their projects and refine specifications according to their needs. By doing so, we have established close and strong working relationships with our key customers, which will in turn help us to secure more future projects.

- (iii) We have established close working relationships with major developers and main contractors

We have developed good working relationships with developers and owners, and project consultants who are major players and well established in the construction industry.

- (iv) We provide high quality services to our customers

We are fully committed to achieving a high level of construction quality on all our projects through timely completion and efficient delivery. We are capable of completing and handing over projects within short time constraints where speed and efficiency are major considerations. We have also achieved high quality standards for our various construction projects and in this regard, we have been awarded several awards and certifications including ISO certifications, which attest to the quality of our projects.

- (v) We have a committed and experienced management team and support staff

Our success is supported by our experienced and committed management team, led by our Executive Director and CEO, Leo Ting Ping Ronald. His extensive experience in the construction industry has enabled our Group to identify new opportunities and grow our business. We also have a team of committed support staff including project managers, engineers, quality assurance managers, quantity surveyors and site coordinators.

Please refer to section entitled "Competitive Strengths" of this Offer Document for further details.

### **Our Business Strategies and Future Plans**

Our business strategies and future plans are as follows:

- (i) Expansion of our business operations in Singapore and overseas

We will continue to explore suitable opportunities to expand our business operations in Singapore in the residential, hotel, and commercial sectors.

In addition, our Group currently has overseas construction projects in Maldives including a resort development by KHA Resorts at Falhumaafushi Island at Gaafu Alifu Atoll, Maldives. This development project in Maldives is targeted to complete in April 2012. We intend to leverage on our experience gained from our Maldives project to expand overseas, especially for construction of hotels and resorts.

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## OFFER DOCUMENT SUMMARY

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- (ii) To enter into property development sector in Singapore

We believe that we have substantial experience as a main contractor in Singapore through our proven track record and we see opportunities in the property developer sector. We believe that our experience as main contractor would aid us in our expansion into the property development sector in Singapore. We have recently entered into a joint venture for the development of a 728-unit executive condominium in Punggol with FCL Court Tampines Pte. Ltd..

- (iii) Focus on projects with higher complexity and value-add for our construction business

The contract value of our construction projects has increased steadily over the years. The majority of our completed construction projects in the past three years were more than S\$35 million each in terms of contract value. The majority of our current projects exceed S\$70 million in terms of contract value, with two of these projects each having a contract value of more than S\$120 million. We intend to step up our efforts to target larger-scale construction projects with higher complexity and value-add as we believe that such projects will generate higher profits and further raise our business profile in the industry.

Please refer to section entitled “General Information on Our Group — Business Strategies and Future Plans” of this Offer Document for further details.

### **Where you can find us**

Our principal and registered office is located at Block 151 Bukit Batok Street 11 #03-250, Singapore 650151. Our telephone number is (65) 6564 1479 and our facsimile number is (65) 6566 2784. Our internet address is <http://www.keonghong.com>. **Information contained in our website does not constitute part of this Offer Document.**

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## THE PLACEMENT

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Issue Size	:	27,000,000 New Shares offered in Singapore.  The New Shares, upon issue and allotment, will rank <i>pari passu</i> in all respects with the existing issued Shares.
Issue Price	:	S\$0.24 for each New Share.
The Placement	:	The Placement comprises an offering of 27,000,000 New Shares at the Issue Price, reserved for placement to members of the public and institutional investors in Singapore.
Purpose of the Placement	:	Our Directors consider that the listing of our Company and the quotation of our Shares on the Official List of Catalist will enhance our public image locally and overseas and enable us to tap the capital markets for the expansion of our operations. Please refer to the section entitled “Use of Proceeds” of this Offer Document for more information.
Listing status	:	Prior to the Placement, there had been no public market for our Shares. Our Shares will be quoted in Singapore dollars on the Catalist, subject to admission of our Company to the Catalist.

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## EXCHANGE RATES

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Our combined financial statements are expressed in Singapore dollars. The exchange rates between US\$ and S\$ as outlined in the tables below were from Bloomberg L.P.<sup>1</sup> and have been presented solely for information only. The tables and figures below should not be construed as representations that those Singapore dollars could have been, could be or would be, converted or convertible into US\$, as the case may be, at any particular rate, the rate stated below, or at all.

The table below sets forth the high and low exchange rates between US\$ and S\$ for each month during the previous six months prior to the Latest Practicable Date:

	US\$ to S\$1.00	
	High	Low
May 2011	0.8176	0.7995
June 2011	0.8148	0.8054
July 2011	0.8319	0.8143
August 2011	0.8329	0.8167
September 2011	0.8308	0.7650
October 2011	0.8059	0.7581

The following table sets forth, for each of the financial periods indicated, the average and closing exchange rates between US\$ and S\$. The average exchange rates are calculated using the average of the closing exchange rates on the last day of each month during each financial period. Where applicable, the exchange rates in this table are used for the translation of our Company's financial accounts disclosed elsewhere in this Offer Document.

	US\$ to S\$1.00	
	Average	Closing
FP2011	0.7859	0.8141
FY2010	0.7217	0.7598
FY2009	0.6775	0.7093
FY2008	0.7113	0.6967

As at the Latest Practicable Date, the closing exchange rate between US\$ and S\$ was US\$0.7817 to S\$1.00.

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<sup>1</sup> The above information is extracted from the website of Bloomberg L.P. at <http://www.bloomberg.com> and is included in its proper form and context in this Offer Document. The information has not been verified by our Company, the Manager and Sponsor and the Joint Placement Agents. Bloomberg L.P. has not consented to the inclusion of the information for the purposes of Section 249 of the SFA, and is not liable under Sections 253 and 254 of the SFA.



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## RISK FACTORS

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*Investors should consider carefully the following risk factors and all other information contained in this Offer Document, before deciding to invest in our Shares. You should also note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties.*

*If any of the following risk factors and uncertainties develops into actual events, our business, financial condition or results of operations or cash flows may be adversely affected. In such circumstances, the trading price of our Shares could decline and investors may lose all or part of their investment. To the best of our Directors’ belief and knowledge, all the risk factors that are material to investors in making an informed judgement have been set out below.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **Our business is dependent on the services of our sub-contractors**

We provide building construction services to both private and public sectors for residential, commercial, industrial and institutional projects. In relation to property development projects undertaken by us, we would generally be engaged as the main contractor.

We in turn rely heavily on sub-contractors to provide various services for our projects, including piling and foundation works, engineering, landscaping, installation of air-conditioning units and elevators, mechanical and electrical installation, utilities installation, interior decoration and any other specialist work. Sub-contracting costs accounted for approximately 79.0%, 75.2%, 71.8% and 73.1% of our total cost of sales in FY2008, FY2009, FY2010 and FP2011 respectively. These sub-contractors may be nominated and selected by our customers. For other sub-contractors not nominated by our customers, we select them based on, *inter alia*, our past working experience with them, their competitiveness in terms of their pricing and the record of their past performance.

We cannot assure that the services rendered by these sub-contractors will always be satisfactory or that they will meet our requirements for quality. In the event of any loss or damage arising from the default of the sub-contractors engaged by us, we, being the main contractor, will be liable for our sub-contractors’ default. Furthermore, these sub-contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they were contracted to complete, thus causing delay or failure in the completion of our construction projects or resulting in additional costs for us. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

#### **We are dependent on the construction industry in Singapore and may be affected by changes in government legislation, regulations and policies which affect the construction industry in Singapore.**

For FY2010, approximately 94.4% of our Group’s revenue was contributed from the Singapore construction industry. We are exposed to the cyclical fluctuations of the Singapore economy which in turn affects the state of the construction industry in Singapore. A downturn in the Singapore economy will dampen general sentiments in the local property market and reduce demand in construction activities. In addition, a downturn in the construction industry would also erode profit margins for any available construction projects due to keen competition. As such, any downturn in the construction industry will adversely affect our business and financial performance.

As we derive most of our revenue from our business in Singapore, any changes in government legislation, regulations and policies affecting the construction industry in Singapore could adversely affect our business operations and/or have a negative effect on the demand for our services. The

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## RISK FACTORS

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compliance with such new government legislation, regulations and policies may also increase our costs and any significant increase in compliance costs arising from such new government legislation, regulations and policies may adversely affect our operating results.

The Singapore government has in recent years implemented a series of measures to cool the Singapore residential property market and ensure a stable and sustainable property market where prices move in line with economic fundamentals. For instance, in January 2011, the Singapore government extended the holding period for imposition of stamp duty on sellers for residential properties from three years to four years, and increased the rates of such stamp duty so as to provide a strong disincentive for investors looking to make short term gains. At the same time, the Singapore government also lowered the loan-to-value limit on housing loans granted by financial institutions regulated by the Authority for residential property purchasers who are not individuals and for residential property purchasers who are individuals with one or more outstanding housing loans to 50% and 60% respectively.

There is no assurance that these measures and any other changes in government legislation, regulations and policies will not adversely affect our business and have a material adverse effect on our business, financial condition and results of operations.

### **Our Company may be adversely affected by the uncertain global economic outlook**

Disruption to the global credit markets and its associated impacts including the re-pricing of the credit risks have created increasingly difficult conditions in the financial markets since 2008. More recently, the sovereign debt crisis in Europe which has resulted in mounting deficits in budgets coupled with weak economic growth and its possible impact on the global economic recovery has escalated fears and increased uncertainties in the global markets.

It is difficult to predict how long these situations will last and how our markets and businesses may be affected. Accordingly, these situations could potentially present risks to our Company, including a slowdown in securing new projects, increase in interest expenses on our bank borrowings or reduction of the amount of banking facilities currently available to us and our contractors, thereby materially and adversely affecting our business operations and future financial performance.

Given the uncertainties as to the future economic outlook, we cannot give any assurance that we will be able to maintain or continue growth in our revenue and financial performance, or that we will be able to react promptly to any change in economic conditions. In the event that we fail to react promptly to the changing economic conditions, our performance and profitability could be adversely affected. There is also no assurance that the economic factors which have contributed to the success of our Company during the past few years will continue to occur in the future. Our business performance, future plans and operations will be adversely affected if these conditions deteriorate in the future.

### **Our financial performance is dependent on our continued ability to secure new projects and the non-cancellation of secured projects**

As our business is undertaken on a project basis and such projects are non-recurring, it is critical that we are able to continually and consistently secure new projects of similar value and volume. There is no assurance that we will be able to do so. In the event that we are not able to continually and consistently secure new projects of similar value, size and margins, this would have an adverse impact on our financial performance. In addition, there may be a lapse of time between the completion of our projects and the commencement of subsequent projects. As such, our earnings and financial performance during such periods may be adversely affected.

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## RISK FACTORS

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Cancellation of secured projects due to factors such as lack of funds on the part of our customers and poor market conditions may also adversely affect us. Any cancellation of projects could lead to idle or excess capacity, and may adversely affect our business and financial conditions. Potential investors should therefore inform themselves that our historical performance may not be an indication of our future performance.

Contractors in Singapore are categorised by the BCA into the different BCA registration grades as described in “Government Regulations” as set out in Appendix D of this Offer Document. To maintain our existing A2 status for general building (CW01), we are required to comply with the prescribed requirements. Please refer to “Government Regulations” as set out in Appendix D of this Offer Document for more details. In the event that we fail to maintain our A2 status because we fail to comply with any of the prescribed requirements, our BCA registration status will accordingly be downgraded. Correspondingly, we will not be able to tender for public sector projects which require contractors to be of A2 status. As private sector projects may sometimes adopt the same minimum grading requirements for their tenders, any downgrade in our BCA grading could also affect our tendering capacity in the private sector. In any such event, our business and financial performance will be adversely affected.

### **Cost overruns will adversely affect the financial performance of our Group**

Our revenue is largely derived from project-based contracts. We manage and monitor the costs of our projects closely starting from tender stage until installation and commissioning of the project. In the preparation of tenders for construction projects, we will carry out internal costings and budgeting estimates of labour and construction material costs which are based on the quotations given by our suppliers and sub-contractors, as well as our own estimation of costs to be incurred. Thereafter, the contract value, as quoted in the tender submission to the developer for a project, is arrived at by evaluating all related costs which include, *inter alia*, the indicative pricing of our suppliers and sub-contractors.

However, due to unforeseen circumstances such as adverse soil conditions, unfavourable weather conditions, unanticipated construction constraints at the worksite arising during the course of construction, fluctuations in the costs of labour, raw materials, equipment and sub-contracting services, unanticipated variations in labour and equipment productivity over the term of a contract, corrective measures for poor workmanship or any delay or errors that occurred during the course of the project, costs not previously factored into our contract value may be incurred. Therefore, if (a) we were to underestimate our project costs and/or there is an unanticipated increase in any of our cost components; and/or (b) there were delays in executing the project, the profitability of that project will be adversely affected since the value of our projects and contracts is committed at the signing of the contracts and our industry typically does not allow for any adjustments to the contract value consequent on the occurrence of such circumstances. Such costs incurred during the course of the project will lead to cost overruns and would have to be absorbed by us. For property development projects undertaken by us, delays in the completion of the project could result in a loss of income from the delay in receipt of proceeds from purchasers. Under such circumstances, our profit margin for the project will be reduced or eroded and accordingly, our profitability and financial performance will be adversely affected.

### **In the event that we are required to bear additional costs in relation to disputes with developers on work carried out or on variation orders, our financial performance will be adversely affected**

It is not uncommon in the construction industry for disputes to arise between the developer and contractor for various reasons including differences in the interpretation of acceptable quality standards of workmanship and materials used, disagreements over the valuation of work-in-progress and general

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## RISK FACTORS

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non-adherence to the contract specifications. Consequently, it is an industry practice for the developer to withhold an agreed percentage of the contract sum after completion, typically 2.5%, as retention monies to defray the costs of instituting any work of repair, reconstruction or rectification of any imperfection or other fault or defects which may surface or be identified only during the defects liability period of typically 12 months after the official hand-over of a project. In respect of certain specialist works such as water proofing and aluminum works, we provide a joint warranty together with our sub-contractors for such works for a period of up to 10 years. While our sub-contractors may provide an indemnity to us, there is no assurance that we can collect the amount in full. If we are required to rectify defects during the defects liability period or the warranty period which results in substantial additional costs being borne by us, the profitability of that particular project will be reduced.

In particular, D&B projects contributed approximately 64.6%, 79.8%, 61.3% and 57.3% of our total revenue in FY2008, FY2009, FY2010 and FP2011 respectively. For a typical D&B project, the main contractor is responsible for the M&E and structural designs and construction works of the entire project. For such projects, consultants such as M&E and structural engineers will be engaged to work on such projects. In the event of any defect of the building arising from the default of the consultants and through no fault on our part, we, being the main contractor, will nevertheless be liable to the developer under the contract.

Under the general terms of a typical D&B contract, even if we can demonstrate that we have exercised a reasonable degree of skill and care within our capacity as main contractor and, accordingly, are not negligent for the design defect or failure, we, as the main contractor, will nevertheless be liable to the developer if the construction works failed to achieve its intended purpose. There is no assurance that such liability will not arise in the future. If a developer were to succeed in obtaining a court judgment or an arbitration award against us for claims on the grounds of design defect or failure, such claims may have a material adverse effect on our financial performance and financial condition.

In addition, disputes may also arise between the developer and contractor from disagreements over the cost of variation orders requested by the former. This is because variation orders are normally carried out in accordance with industry practice, before the additional charges are agreed upon in order for the building project to be completed on schedule. However, as the cost of variation orders is not determined beforehand, their basis of valuation may become a source of dispute after the building project has been completed. In the event that a dispute is to arise between the developer and our Group such that we are required to bear part of the variation costs due to lower final value of such variation orders as determined by the project consultant, our profit margin for the project will be eroded or it may result in losses. This will have an adverse effect on our overall financial performance and condition.

The aggregate amount of claims which resulted in the commencement of legal or arbitration proceedings against the Company by our customers and sub-contractors or suppliers for FY2008, FY2009, FY2010 and FP2011 was approximately S\$250,000 in FY2008 and none in the rest of the period under review. There were no other relevant claims during the aforesaid period.

### **We are subject to non-payment risks due to our customers' inability to pay us**

Our customers' ability to pay us is dependant on their cash flow for their projects and the state of their general finances. The finances of our customers may be affected by any sharp downturn or slowdown in the construction industry. Any downturn in the property development industry or other factors affecting our customer's ability to pay us will in turn affect the progress payments we receive for each project. As a result of our customers defaulting on their payment to us, we would have to make provisions for doubtful debts, or to incur write-offs, which may have an adverse effect on our operating results and profitability. For more details, please refer to section entitled "General Information on our Group — Credit Terms" of this Offer Document.

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## **RISK FACTORS**

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In the event any of our customers enters into any scheme of arrangement, restructuring or receivership, or is otherwise facing financial difficulty and is unable to pay us, our financial performance for that project will be affected. Depending on the severity of the financial difficulty faced by our customers, we may face delays in the progress payments for each project or in a worst case scenario, we may not be paid for work done. This will have an adverse effect on our financial performance and results of operations.

### **We are exposed to liquidated damages**

The construction contract between a developer and its main contractor would normally include a provision for the payment of liquidated damages by the latter to the former in the event that a project is completed after the stipulated date of completion stated in the contract and such delay is caused by the latter. Delays in the completion of a project can occur from time to time due to several factors including but not limited to delay in payment by our clients, adverse weather conditions, shortages of labour, equipment and construction materials, the occurrence of natural disasters, labour disputes, disputes with suppliers and sub-contractors, industrial accidents, work stoppages arising from accidents and mishaps at the work sites or delays in the delivery of building materials by the suppliers.

In the event that the delay is due to factors outside our control, we may be exempted from any liquidated damages and be granted an extension of time to complete the contract work. However if any delay in the completion of the project is attributable to us, we can be liable to pay liquidated damages under the construction contract and incur additional overheads. This will adversely affect our earnings and erode our profit margin for the project. In such event, our financial performance and financial condition may be adversely affected.

For FY2008, FY2009, FY2010, FP2011 and up to the Latest Practicable Date, although we have not been made liable to pay for any liquidated damages, there can be no assurance that there will not be any delays in existing and future projects which we undertake resulting in the payment of liquidated damages that may have a material impact on our financial performance and condition.

### **We depend on our ability to identify and complete profitable property development projects**

Our performance is dependent on our ability to identify profitable property development projects and following such identification, to successfully complete such projects. Further, the Singapore property development industry is competitive and established property developers would have greater resources (financial or otherwise) than ourselves. The viability and profitability of our property development projects may be undermined by changes in the general economic climate in Singapore, including changes in interest rates, construction costs, land costs and property prices. Accordingly, there is no assurance that we will always be successful in identifying profitable property development projects or completing such property development projects profitably. If we are unable to identify new property development projects which are profitable and to successfully complete these, our profitability and financial condition will be adversely affected.

Separately, the project launch dates and completion dates of our proposed property development projects are made on a "best estimate" basis, and unforeseen delays in the launch and completion of these projects will have an adverse effect on our profitability for the financial years during which these projects are to be launched or completed.

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## RISK FACTORS

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### **The valuation of our property set out in this Offer Document may not reflect the actual value likely to be realised**

The valuation of our property is conducted by Knight Frank Pte Ltd using certain assumptions. This valuation is not intended to be a prediction of, and may not accurately reflect, the actual value which may be realised upon liquidation or disposal of the property. Unforeseeable changes to the economic or regulatory environment, the actual condition of our property or other relevant factors may affect the premises upon which the valuation is based, and hence, the conclusion of such valuation. Please refer to the valuation certificate as set out in Appendix C of this Offer Document.

### **We face risks before realising any benefits, if at all, from property development projects**

Property development typically requires substantial capital outlay during the land acquisition and construction phases and may take one or more years before positive cash flows may be generated through pre-sales or sale of a completed property development. Depending on the size of the development, the time span for completing a property development usually lasts for more than a year.

Consequently, changes in the business environment during the length of the project may affect the revenue and cost of the development, which in turn have a direct impact on the profitability of the project. Factors that may affect the profitability of a project include high financing costs, the failure to complete construction according to original specifications, schedule or budget and poor sales. The sales and value of a development project may be adversely affected by a number of factors, including but not limited to the international, regional and local economic climate, local real estate conditions, perceptions of property buyers in terms of the convenience and attractiveness of the projects, competition from other available properties and changes in market rates for comparable sales. If any of the property development risks described above materialises, our returns on investments may be lower than originally expected and our business, financial condition and results of operations may be adversely affected.

### **We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result**

We may be involved in disputes with various parties to each project, including contractors, suppliers, construction workers, partners and developers. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As property development projects comprise multiple phases, purchasers of properties in earlier phases may commence legal proceedings against the property developer if subsequent planning and development of the projects are perceived to be inconsistent with the property developer's representations and warranties made to earlier purchasers. If legal proceedings are commenced against property developers on whose projects we are working on, this may impede the progress of the project and/or result in difficulties in collection of monies owed to us.

As the main contractor of residential developments such as condominium projects and commercial projects, we are exposed to the risk of legal suits, by either the management corporation or our clients who in turn are being sued by the management corporation in respect of defective works in common areas and common property. In such an event, we may be liable for damages and incur legal costs, which will have an adverse effect on our financial performance.

In the course of our operations, we may also be subjected to reviews by regulatory bodies, administrative proceedings and unfavourable directives that result in pecuniary liabilities and cause delays to the progress of our projects. Judgments and decrees that are unfavourable to us would have

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## RISK FACTORS

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a negative effect on our reputation. Consequently, an affected reputation, the aforementioned pecuniary liabilities and possible delays would have a material adverse effect on our financial performance.

### **We may be unable to keep pace with technological advancements and design improvements**

We operate in a competitive environment where cost-effectiveness and efficiency are important to our customers. Failure to keep abreast of technological advancements and design improvements, resulting in failure to provide latest designs and/or services as cost-effective and efficient as our competitors, may render us less competitive. Any failure by us to remain competitive will adversely affect the demand for our business, results of operations and financial performance.

### **We face competition from existing competitors and new market entrants**

We operate in a highly competitive industry. We face intense competition and price-cutting pressures from our competitors. Further, such competition may increase due to the entry of new players in our business. If we are unable to respond competitively, our market share will decline and our profitability and financial performance will be adversely affected.

There is no assurance that we will be able to compete effectively with our existing and future competitors and adapt quickly to changing market conditions and trends. Any failure by us to remain competitive will adversely affect the demand for our business, results of operations and financial performance.

### **We are dependent on our suppliers and are exposed to price fluctuations and disruptions of the supply and usage of our raw materials, equipment and machinery**

We are dependent on our suppliers for the supply of construction and building materials. Construction materials costs accounted for approximately 11.5%, 13.7%, 17.9% and 13.6% of our total costs of sales in FY2008, FY2009, FY2010 and FP2011 respectively. We purchase essential raw materials, including but not limited to sand, steel, timber, cement and concrete from a range of suppliers. We typically enter into contracts with our suppliers on a project basis, which will last for the duration of a specified project. We maintain a minimal level of inventory of raw materials. Accordingly, in the event of a disruption to the supply of our raw materials, our business and operations may be adversely affected.

Any sudden or adverse change in the market supply and demand conditions for any reason may adversely affect our operations or result in us having to pay higher prices for these raw materials for our projects. For example, the Indonesian ban on sand exports to Singapore in 2007 led to a shortage of sand supply and resulted in an increase in our cost of raw materials. Furthermore, a typical construction project spans a period of between two to three years. As a result, our costs may exceed our initial projections and this may result in a reduction in our estimated profit margins or may cause us to incur a loss. In the event of any significant increase in the costs of such raw materials and we are unable to pass on such increase in costs to our customers or find a cheaper source of supply, our results of operations and financial performance will be adversely affected.

While we try to minimise disruptions to our supply chain by procuring from a range of suppliers, we cannot guarantee that we will always be able to find a supplier that can supply the raw materials of a quality, quantity, price and/or delivery time acceptable to us, taking into account the project schedule. In addition, in the event that our suppliers terminate the supply of their construction materials and services, we may not be able to seek alternative sources in a timely manner and/or at reasonable prices. In such an event, our ability to complete a project in time may be affected, which may have an adverse effect on our business and financial performance.

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## RISK FACTORS

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In addition, our projects require heavy use of construction equipment and machinery. Where our own equipment is not sufficient to handle new projects and/or new equipment is required for our projects, we may acquire or lease additional equipment from suppliers. In the event that we are unable to continue to acquire or lease construction equipment and machinery at prices or rental rates that are within our projected budget in the future, our financial performance may be adversely affected.

**Any shortage in the supply of foreign workers, or any restriction on the number of foreign workers that we can employ for a project, will adversely affect our operations and financial performance**

The construction industry is highly labour intensive. As the pool of local workers employed in the construction industry in Singapore is small and the cost of such labour is high, the construction industry is highly reliant on foreign skilled and unskilled workers. We engage foreign workers for all our projects with most of the workers coming from countries including Bangladesh, India and Thailand. As at the Latest Practicable Date, all our construction workers in Singapore are foreign workers. On this basis, our operations and financial performance are therefore vulnerable to any shortage in the supply of foreign workers and any increase in the cost of foreign labour.

The supply of foreign labour and the number of foreign workers that we are allowed to employ are further subject to the policies and regulations imposed by the MOM. MOM had announced that it will be tightening the criteria for employment passes issued to foreign workers from 1 January 2012. In the event we do not comply with the MOM's current or revised policies and/or regulations on the employment of foreign workers, MOM may require us to repatriate the affected foreign workers. In such an event, our Company and/or our Directors may be subject to a fine or to imprisonment or to both for each offence.

We will be awarded an MYE quota for each of our projects for the purposes of hiring foreign employees by us and by our sub-contractors. As such, any changes in the policies of the foreign workers' countries of origin may affect the supply of foreign labour and cause disruptions to our operations which may result in a delay in the completion of our projects.

With the increasing demand for low cost foreign labour, especially skilled labour, worldwide and attractive wages are being offered to such foreign workers in other countries. There is no assurance that we will be able to continue attracting foreign workers at the current level of wages or that our current foreign workers will continue to be employed by us. Any increase in competition for foreign workers, especially skilled workers, inside and outside Singapore will increase our labour wages. Consequently, if we are not able to pass on the increase in labour costs to our customers, our financial performance will be adversely affected.

The occurrence of any of the aforementioned events will have an adverse effect on our overall business operations and financial performance.

**Increase in foreign worker levy will adversely affect our operations and profitability**

Together with our sub-contractors, we employ foreign workers for our projects. As such, any increase in levies, such as the foreign worker levy imposed by the Singapore Government on the employment of foreign workers, will increase our labour cost and this will adversely affect profitability. In addition, the increase in the sub-contractor's labour cost due to the increase in levy may be passed on to us, and this will affect our profitability as well.



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## RISK FACTORS

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Based on the Singapore Government's Budget 2011 ("Budget 2011"), there will be a further increase in workers' levy phased in at six-monthly intervals, starting from January 2012 to July 2013. According to the announced Budget 2011, the average levy will increase by S\$200 per worker for the construction sector. Pursuant to the announcement, there will also be an increase to S\$300 to S\$450 per S-pass holder. Based on the announcement, these measures will be fully implemented by 2013. If our reliance on foreign workers remains the same, our financial performance may be affected as our project costs will increase correspondingly.

### **Our business will be affected by any adverse impact on our reputation**

Over the years, we have established a reputation in the construction industry. We believe our reputation has fostered customer loyalty. Hence, if there are any major lapses in our customer service or adverse publicity on our Group due to circumstances beyond our control, our reputation will be materially and adversely affected and our customers may lose confidence in our services. This will adversely affect our business and hence our financial performance.

### **Our ability to secure performance bonds will affect our ability to undertake our projects**

In line with industry practices, some of our contracts for construction projects require a performance bond to be furnished by a bank or an acceptable financial institution to guarantee our contractual performance. Generally, the performance bond for each of our project covers 5.0% or 10.0% of the contract value of the project. Accordingly, our ability to secure such performance bonds is critical to the undertaking of such contracts. Our ability to secure performance bond is dependent on several factors including our track record and financial standing. We have not encountered any significant problems securing performance bonds in FY2008, FY2009, FY2010 and FP2011 and based on our track record and financial standing, our Directors are not aware of any problems in securing such performance bonds, given the current economic conditions. However, there is no assurance that we can continue to secure performance bonds in the future. In the event that we are unable to secure the requisite performance bonds for any reason, our award of the related construction projects will be revoked. This may materially and adversely affect our revenue and profitability.

### **We are subject to safety and health regulations imposed by the authorities**

We may be placed under assessment or surveillance due to our failure to meet the safety and health regulations imposed by the authorities. Pursuant to the Business under Surveillance ("BUS") Programme, companies must implement safety precautions and guidelines at their work sites to prevent accidents, occupational diseases and improve the company's safety and health management and performance.

In general, a company will be placed under assessment if:

- (a) there are fatal accidents at its work site;
- (b) the company accumulates more than 18 demerit points under the demerit point system; or
- (c) the company demonstrates poor management of workplace safety and health, e.g. poor site conditions resulting in stop-work order.

Under the demerit point system introduced by the MOM for contractors with bad safety record or other health concerns, if we are found to have violated safety requirements at our work sites, we will be given demerit points. In the event that our Group accumulates more than 18 demerit points within a 12-month

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## RISK FACTORS

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period, we will be given a formal warning letter from MOM. Continued accumulation of demerit points will result in more stringent corrective actions such as a freeze on the MYE.

If the company fails the assessment, it will be placed into the BUS Programme and be subject to close surveillance. A company placed in the BUS Programme will be required to act in accordance with an action plan imposed on it by the MOM. This company will be subject to frequent inspections and engagements to ensure that the action plan is implemented. The incurring of additional cost to implement safety measures may have an adverse impact on our operating profits. For the period under review, we have not been placed under the BUS programme.

In addition, in the event that our work sites contravene the requisite safety standards imposed by the regulatory authorities, we could be issued stop work orders. The issuance of such stop work orders may severely disrupt our operations and lead to a delay in the completion of our project.

As at the Latest Practicable Date, we did not have any demerit points. We had previously been issued partial stop-work orders imposed by MOM on our Group due to the following:

- (a) an unsafe scaffolding used during construction in the IBIS Hotel Project whereby the partial stop-work order was imposed for the period 17 October 2008 to 30 October 2008; and
- (b) an unsafe scaffolding used during construction in the SIM Project at Clementi Road whereby the partial stop-work order was imposed for the period 16 March 2010 to 25 March 2010.

The above stop-work orders had been lifted and to the best knowledge and belief of our Directors, there have been no other stop-work orders.

Other than issuing stop work orders or demerit points, the authorities may also take other actions against us including, *inter alia*, issuing charges/summons or warning letters and/or issuing fines, in the event of occurrence of any accident and/or mishap at our work sites, the contravention of the Workplace Safety and Health Act and non-compliance with environmental and other laws and regulations. For the period under review, we had paid fines issued to us due to breaches in environmental laws and regulations and received partial stop-work orders from MOM due to unsafe scaffolding in some of our construction sites.

Any enforcement actions taken against our Group will depend on the severity of each situation and may affect our business, financial condition and operating results accordingly.

Please refer to "Government Regulations" as set out in Appendix D of this Offer Document for more information on the government regulations relevant to our business operations.

### **We have limited insurance coverage and may incur losses**

In the course of our business operations, accidents, damage to property or injuries to our employees and third parties may occur. Our Group maintains insurance policies to provide insurance coverage of our business operations. However, no insurance coverage can provide for all potential losses suffered. Even if a loss suffered is covered by insurance, there can also be no guarantee that our insurers will pay a particular claim.

Despite our Group's emphasis on safety practices, personal injuries to our employees have occurred in the past, and will probably occur again in the future. This is due to both the nature of our business as well as the fact that human error cannot be eliminated entirely from our operations. Some of the

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personal injuries suffered by our employees in the past resulted in the institution of personal injury claims by our employees against us. We endeavour to settle claims of employees out-of-court.

While we believe that we maintain reasonable insurance coverage, we are not fully insured against all injuries suffered by employees and/or third parties or hazards incidental to our business. The resulting negative publicity of injuries suffered by employees and/or third parties would affect our reputation and also our relationships with our customers. Also, the payment by our insurers of insurance claims for injuries suffered by employees and/or third parties may result in increases in the premiums payable by us for our insurance coverage. In the event that we are unable to meet such increased premiums or find an alternative insurer providing affordable insurance coverage, our business and financial results may be materially and adversely affected.

Separately, we provide security bonds for every foreign worker whom we hire. In the event that any of our foreign workers abandon their jobs and leave Singapore, the security bonds provided for these foreign workers would be forfeited. Although we have insurance coverage for such defaults and forfeiture of security deposits (under our workers' security bonds), there is no guarantee that our insurance will cover the particular instance of default, nor that our insurers would pay the claim relating to such instance of default.

In the event of any of the occurrence(s) outlined above, our financial results may be materially and adversely affected.

### **We are dependent on key management personnel for our continued growth**

Our Executive Director and CEO, Leo Ting Ping Ronald, has been instrumental in formulating our business strategies and spearheading the growth of our business operations. Our success to date has been largely attributable to the efforts of our Executive Director and CEO who is responsible for implementing our Group's business strategies. Although Leo Ting Ping Ronald has entered into the Service Agreement with our Company for an initial period of three years commencing from the date of admission of our Company to the Official List of the SGX-ST, he may, pursuant to the terms of his Service Agreement, terminate his services to our Company by giving not less than six months' notice in writing or six months salary in lieu of such notice to our Company. For details of the Service Agreement, please refer to the "Directors, Management and Staff" section in this Offer Document.

Our continued success is dependent, to a large extent, on our ability to retain the services of our management team, comprising our Executive Officers. The loss of the services of our key executives without suitable and timely replacements may lead to the loss or deterioration of important business relations which would have an adverse impact on our business operations and the future prospects of our Group. Further, if we are unable to attract and retain qualified and experienced management personnel, our operations may be adversely affected. In addition, we may lose our business to any competitors that key members of our management team may join after leaving their positions with us. We do not have key man insurance on any of our key management personnel. Our profits could also be materially and adversely affected if we need to increase employee compensation levels substantially to attract and retain our existing key management personnel, as well as any additional personnel that we may require in the future.

### **There is no assurance that our future plans will be commercially successful**

In order to grow our business in the future, we may expand our operations both locally and overseas or explore acquisitions, joint ventures and/or strategic alliances which we believe will complement our current and future businesses. Details of our future plans are discussed under the section entitled "General Information on Our Group — Business Strategies and Future Plans" of this Offer Document.

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Expansion plans generally involve numerous risks, including but not limited to, the financial costs of setting up new business units, investment in machinery and equipment and working capital. Such expansion plans may be expensive and may divert our management's attention and expose our business to unforeseen liabilities or risks associated with entering new markets or new businesses. There is no assurance that such expansion plans will be commercially successful.

We may also not be successful in integrating any acquired businesses, products or technologies and might not achieve the anticipated synergies for revenue growth and cost benefits. If we fail to achieve a sufficient level of revenue or if our expansion plans result in a lapse of customer service, performance problems with an acquired company, potential dilutive issuances of equity securities or the incurrence of debt, contingent liabilities, possible impairment charges related to goodwill or other intangible assets or any other unanticipated events or circumstances, our future financial position and performance may be materially and adversely affected.

Participation in acquisitions, joint ventures and/or strategic alliances similarly involves numerous risks, including but not limited to difficulties in the assimilation of the management, operations, services, products and personnel and the possible diversion of management attention from other business concerns. In addition, we hold our property development interests through, and we have interests and make investments in, entities that are not our subsidiaries, and over which we do not have majority control, such as joint ventures. The performance of these entities and our share of their results, is subject to the same or similar risks that affect us as described herein and we cannot assure you that we will be able to influence the management, operation and performance of these entities, whether through our voting rights or contractually, in a manner which would be favourable to us, or at all. Disagreements may occur between the parties to the joint ventures which may not be resolved amicably, or in a manner which is favourable to us, our joint venture partners and/or other investors may have economic or business interests or goals that are inconsistent with ours, be unable or unwilling to fulfil their obligations, have financial difficulties, have disputes with us as to the scope of their responsibilities and obligations or the terms of the joint venture may restrict our ability to transfer our interests in these entities. The successful implementation of our growth strategies depends on our ability to identify suitable partners and the successful integration of their operations with ours. There is no assurance that we will expand our operations overseas or explore acquisitions, joint ventures and/or strategic alliances that are complementary to our businesses.

There can be no assurance that we will be able to execute the above growth strategies successfully and/or the performance of any acquisitions, joint ventures or strategic alliances could fall short of expectations adversely affecting our future financial position and performance.

### **We may require additional funding for future growth of our operations**

In relation to property development projects, large initial capital outlay is usually required during the land acquisition and construction phases. To carry out such projects, we will require adequate funding either from internal resources or borrowings to fund the working capital of the project. In addition, we are also required to secure the requisite performance bonds or guarantees from insurance companies or financial institutions to secure our performance under the relevant contract.

Our ability to arrange adequate financing on terms which are acceptable to us depends on a number of factors that are beyond our control, including general economic and political conditions, the terms on which financial institutions are willing to extend credit to us and the availability of other sources of debt or equity financing. If we are unable to secure adequate financing, our business and growth may be adversely affected.

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## RISK FACTORS

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In addition, although we have identified our future growth plans as set out in the section entitled “General Information on Our Group — Business Strategies and Future Plans” of this Offer Document, we may also find future opportunities to grow through acquisitions which we have yet to identify at this juncture. Under such circumstances, we may need to obtain additional equity or debt financing to implement these growth opportunities.

Additional equity and/or debt financing may result in dilution to our Shareholders. If such financing does not generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our Share price.

Additional debt financing may, apart from increasing interest expense and gearing, result in all or any of the following:

- limit our ability to pay dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital and other requirements; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We are unable to assure you that we will be able to obtain the additional debt and/or equity financing on terms that are acceptable to us or at all. Any inability to secure additional debt and/or equity financing may materially and adversely affect our business, implementation of our business strategies and future plans and results of operations.

### **We are exposed to foreign exchange risk**

While our main contract for the overseas construction project in Maldives is transacted in Singapore Dollars, some of the purchases are based on the Maldivian Rufiyaa and United States Dollars, and to a lesser extent, Euros. To the extent that our revenue and purchases are not sufficiently matched in the same currency and to the extent that there are timing differences between collection and payments, we will be exposed to any adverse fluctuations in the exchange rates between the United States Dollars and Singapore Dollars, the United States Dollars and Maldivian Rufiyaa, and Euros and Singapore Dollars respectively. More information about our foreign exchange exposure is set out in the section entitled “Exchange Rates” in this Offer Document.

### **We may be affected by any changes in regulatory, political and social conditions in the countries in which we have operations and in which we wish to expand our operations into**

We currently only have operations in Singapore and Maldives, and as part of our future plans, may consider expanding our businesses further overseas. Any unfavourable changes in the political, economic and social conditions in these countries or in the government policies of these countries may have a negative impact on our operations which could materially and adversely affect our results of operations, financial performance and future growth.

We are unable to foresee the nature of governmental laws and regulations applicable to our operations that may be introduced in future. Laws and regulations governing business entities in these countries may change and are often subject to a number of possibly conflicting interpretations, both by business entities and by the courts. At times, the interpretation, application or enforcement of laws and

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regulations may be unclear and the content of applicable laws and regulations may not be immediately available to the public. Such laws and regulations may become more stringent or onerous in the future and/or if additional compliance procedures are introduced, our operations costs may increase. If we are unable to comply with such laws and regulations, we may not be able to operate in these territories or countries. This increases our exposure to risks in specific territories or countries where we might otherwise have the expertise to compete. These risks may have a material impact on our business, financial performance and condition.

In addition, risks of doing business abroad include political upheavals, internal strife, civil commotions, strikes and riots; expropriation or seizure of property; nullification, renegotiation or modification of existing agreements; import/export quotas, trade tariffs, embargoes and other forms of public and governmental regulation; unfavourable taxes, tax increases and retroactive tax claims; currency exchange rate fluctuations, devaluations and restrictions on currency repatriation; and insurrection or war that may disrupt or limit markets. The recurrence of these political, economic and social conditions in countries where we currently operate and where we may operate in the future will affect our ability to operate in those countries.

### **We are subject to regulation and licencing requirements governing the construction industry in Singapore**

Our business and construction activities in Singapore are regulated by BCA, MOF, MOM, Land Transport Authority (“**LTA**”) and various other regulatory bodies. These regulatory bodies stipulate the criteria that must be satisfied before permits and licences are granted to, and/or renewed for, our business.

The licences and permits are generally subject to conditions stipulated in the licences and permits and/or relevant laws or regulations under which such licences and permits are issued. Failure to comply with such conditions could result in the revocation or non-renewal of the relevant licence or permit. As such, we have to constantly monitor and ensure our compliance with such conditions. Should there be any failure to comply with such conditions resulting in the revocation or non-renewal of any of the licences and permits, we will not be able to carry out our operations. In such an event, our operations and financial performance will be adversely affected.

In addition, certain projects may require us to obtain new licences or permits. In the event that such licences or permits are not obtained, we will not be able to undertake the relevant projects, and our business operations and financial performance will be adversely affected. Please refer to the section entitled “Government Regulations” as set out in Appendix D of this Offer Document for details of licences and permits required for purposes of our business.

In 2009, KH Construction and its then directors, including our Executive Director, Leo Ting Ping Ronald, were debarred from tendering to certain workhead groups by the MOF due to KH Construction’s commercial decision to withdraw from a tender before award of some HDB lift upgrading works in 2009. Pursuant to the debarment, KH Construction was prevented from tendering in public sectors. In addition, BCA also de-registered KH Construction. The debarment was lifted on May 2010 and KH Construction had reapplied with BCA and obtained the registration on 20 August 2010. Please refer to the section entitled “General and Statutory Information — Previous Debarment by MOF” for further details.

### **Intellectual property infringement by us could seriously harm our business**

There can be no assurance that third parties will not initiate litigation against our Company alleging infringement of their proprietary rights. Any claim or litigation against us in respect of infringement of

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intellectual property rights of third parties, whether with or without merit could result in a diversion of our resources and our Company's financial results or operations may be adversely affected.

### **Terrorist attacks and other acts of violence or wars or natural disasters which may adversely affect the markets in which we operate and/or wish to operate and our profitability**

Since the occurrence of terrorist attacks such as those that occurred in Bali on 1 October 2005 and in London on 7 July 2005, or armed conflicts such as the war in Iraq, there has been an escalation of general fear of expansion of terrorist activities around the world, which could have an adverse effect on the world economy. Should there be adverse developments of such terrorist attacks and other natural disasters such as earthquakes and floods, fire hazards and other events beyond our control in Singapore or any other regions where our work sites or the places where our equipment, our office buildings, or those of our customers and suppliers are located, our business operations could be disrupted and our Group's financial results may be adversely affected.

### **The recurrence and spread of Avian Influenza ("Bird Flu"), Influenza A (H1N1) or other communicable diseases may have an adverse impact on our business**

The recurrence and spread of Bird Flu, Influenza A (H1N1) or other communicable diseases may affect our operations as well as the operations of our suppliers. In the event that any of the employees in our premises or facilities, or those of our suppliers, is affected with Bird Flu, Influenza A (H1N1) or other communicable diseases, we or our suppliers may be required to temporarily shut down our or our suppliers' premises and facilities to prevent the spread of the diseases. This will have a negative impact on our business.

Further, in the event that any of our employees is infected or suspected to be infected with avian influenza, Influenza A (H1N1) and/or other communicable diseases, we may also be required to quarantine some of our employees and shut down part of our operations to prevent the spread of the diseases. This would result in delays in the completion of our projects. Failure to meet our customers' expectations or the restriction of our ability to travel and deploy personnel for projects could damage our reputation, and may, as a result, lead to loss of business and affect our ability to attract new business. An outbreak of Bird Flu, Influenza A (H1N1) and/or other communicable diseases could therefore have an adverse impact on our business and operations.

## **RISKS RELATING TO OWNERSHIP OF OUR SHARES**

### **Investment in shares quoted on Catalist involves a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST**

An application has been made for our Shares to be listed for quotation on Catalist, a listing platform designed primarily for fast-growing and emerging or smaller companies to which a higher investment risk tends to be attached as compared to larger or more established companies listed on the Main Board of the SGX-ST. An investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST. Catalist was newly formed in December 2007 and the future success and liquidity in the market of our Shares cannot be guaranteed.

### **Control by our Executive Director may limit your ability to influence the outcome of decisions requiring the approval of Shareholders**

Upon completion of the Placement, our Executive Director and CEO, Leo Ting Ping Ronald, will own approximately 50.8% of our post-Placement share capital. Therefore, he will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of

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directors and the approval of significant corporate transactions. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group even if such change may be beneficial to our minority Shareholders.

### **Investors in our Shares will face immediate dilution in our NTA per Share and may experience future dilution**

Our Issue Price of S\$0.24 per Share is higher than our Adjusted NTA (as defined in the section entitled “Placement Statistic” of this Offer Document) per Share of S\$0.21 based on the post-Placement issued share capital adjusted for the net proceeds from the issue of New Shares. If we were liquidated at the Adjusted NTA immediately following the Placement, each Shareholder subscribing to the Placement would receive less than the price they paid for their Shares. Details of the immediate dilution of our Shares incurred by new investors are described under the section entitled “Dilution” of this Offer Document.

### **Future sales or issuance of our Shares could materially and adversely affect our Share price**

Any future sale or issuance or availability of a large number of our Shares in the public market or perception thereof may have a downward pressure on our Share price. These factors also affect our ability to sell additional equity securities in the future, at a time and price we deem appropriate. Save as disclosed under the section entitled “Shareholders — Moratorium” of this Offer Document, there will be no restriction on the ability of our Shareholders to sell their Shares either on the SGX-ST or otherwise.

In addition, our Share price may be under downward pressure if certain of our Shareholders sell their Shares upon the expiry of their moratorium periods.

### **There has been no prior market for our Shares and the Placement may not result in an active or liquid market and there is a possibility that our Share price may be volatile**

Prior to the Placement, there has been no public market for our Shares. Although we have made an application to the SGX-ST to list our Shares on the Official List of the SGX-ST, there is no assurance that an active trading market for our Shares will develop, or if it develops, be sustained. There is also no assurance that the market price for our Shares will not decline below the Issue Price. The market price of our Shares could be subject to significant fluctuations due to various external factors and events including the liquidity of our Shares in the market, differences between our actual financial or operating results and those expected by investors and analysts, the general market conditions and broad market fluctuations.

### **Our Share price may be volatile in future which could result in substantial losses for investors purchasing Shares pursuant to the Placement**

The trading price of our Shares may fluctuate significantly and rapidly after the Placement as a result of, among others, the following factors, some of which are beyond our control:

- variations of our operating results;
- changes in securities analysts' estimates of our financial performance;
- additions or departures of our key management personnel;



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- material changes or uncertainty in the political, economic and regulatory environment in the markets that we operate;
- fluctuations of stock markets prices and volume;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- successes or failures of our efforts in implementing business and growth strategies;
- involvement in litigations; and
- general economic and stock market conditions.

### **The actual performance of our Company may differ materially from the forward-looking statements in this Offer Document**

This Offer Document contains forward-looking statements, which are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside our control. Furthermore, our revenue and financial performance are dependent on a number of external factors, including demand for our services which may decrease for various reasons, such as increased competition within the industry or changes in applicable laws and regulations. We cannot assure you that these assumptions will be realised and our actual performance will be as projected.

### **Negative publicity which includes those relating to any of our Directors or Executive Officers or Controlling Shareholder may materially and adversely affect our Share price**

Negative publicity or announcement relating to any of our Directors or Executive Officers or Controlling Shareholder may materially and adversely affect the market perception or the performance of our Shares, whether or not it is justifiable. Examples of these include unsuccessful attempts in joint ventures, acquisitions or takeovers, or involvement in insolvency proceedings.

### **We may not be able to pay dividends in the future**

Although we currently do not have a formal dividend policy, we intend to distribute up to twenty five percent. (25.0%) of our profit attributable to Shareholders for the financial year ended 30 September 2011, as we wish to reward our Shareholders for participating in our Group's growth. The declaration and payment of future dividends will depend on our future financial performance and distributable reserves of our Company, which, in turn, depends on us successfully implementing our strategies and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand for and selling prices of our products and services and other factors specific to our industry or specific projects, many of which are beyond our control. There is no assurance that dividend distributions will be made by our Company in future. In the event that our Company enters into any loan agreements in the future, covenants therein may also limit when and how much dividends it can declare and pay.

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## PLACEMENT STATISTICS

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<b>Issue Price</b>	\$0.24
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### NTA

NTA adjusted for significant events highlighted in the Unaudited Proforma Combined Financial Information (“**Adjusted NTA**”) per Share as at 30 June 2011:

- |   |             |
|---|-------------|
| (a) before adjusting for the estimated net proceeds from the Placement and based on our Company’s pre-Placement share capital of 131,000,000 Shares | 21.73 cents |
| (b) after adjusting for the estimated net proceeds from the Placement and based on our Company’s post-Placement share capital of 160,000,000 Shares | 20.94 cents |

Premium of Issue Price over the Adjusted NTA per Share as at 30 June 2011:

- |   |        |
|---|--------|
| (a) before adjusting for the estimated net proceeds from the Placement and based on our Company’s pre-Placement share capital of 131,000,000 Shares | 10.46% |
| (b) after adjusting for the estimated net proceeds from the Placement and based on our Company’s post-Placement share capital of 160,000,000 Shares | 14.61% |

### Earnings<sup>(1)</sup>

Historical EPS based on audited combined financial results of our Group for FY2010 and our Company’s pre-Placement share capital of 131,000,000 Shares	6.28 cents
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Historical EPS based on audited combined financial results of our Group for FY2010 and our Company’s pre-Placement share capital of 131,000,000 Shares, assuming that the Service Agreement had been in effect since the beginning of FY2010	6.04 cents
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### Price earnings ratio<sup>(1)</sup>

Historical PER based on the Issue Price and the historical EPS for FY2010	3.82 times
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Historical PER based on the Issue Price and the historical EPS for FY2010, assuming the Service Agreement had been in effect since the beginning of FY2010	3.97 times
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## PLACEMENT STATISTICS

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### Net operating cash flow<sup>(2)</sup>

Historical net operating cash flow per Share adjusted for significant events highlighted in the Unaudited Proforma Combined Financial Information (“**Adjusted OCF**”) for FY2010 based on our Company’s pre-Placement share capital of 131,000,000 Shares 12.86 cents

Historical Adjusted OCF per Share for FY2010 based on our Company’s pre-Placement share capital of 131,000,000 Shares, assuming the Service Agreement had been in effect since the beginning of FY2010 12.62 cents

### Price to net operating cash flow ratio

Issue Price to historical Adjusted OCF per Share for FY2010 1.87 times

Issue Price to historical Adjusted OCF per Share for FY2010 assuming that the Service Agreement had been in effect since beginning of FY2010 1.90 times

### Market capitalisation

Our market capitalisation based on the Issue Price and our Company’s post-Placement share capital of 160,000,000 Shares S\$38,400,000

#### Notes:-

- (1) Assuming the historical earnings for FY2010 exclude the income from the disposal of investment property of approximately S\$1.4 million, the EPS and PER would be 5.23 cents and 4.59 respectively. Taking into consideration the effect of Service Agreement, the EPS and PER would be 4.99 cents and 4.81 respectively.
- (2) Net operating cashflow refers to net cash inflows generated from operating activities.

## USE OF PROCEEDS AND LISTING EXPENSES

The estimated net proceeds to be raised by our Company from the Placement (after deducting the estimated expenses incurred in connection with the Placement) is approximately S\$5.0 million. Each principal intended use of proceeds from the Placement and major expenses is set out below:

Use of proceeds from the Placement	Amount in Aggregate (S\$'000)	Estimated Amount allocated for each dollar of the proceeds raised from the Placement (as a% of gross proceeds)
Mergers and acquisitions	1,500	23.1
General working capital	3,543	54.7
<b>Net proceeds</b>	<b>5,043</b>	<b>77.8</b>
<b>Expenses</b>		
Listing fees	34	0.5
Professional fees <sup>(1)</sup>	909	14.1
Placement commission <sup>(2)</sup>	194	3.0
Miscellaneous expenses	300	4.6
<b>Gross proceeds</b>	<b>6,480</b>	<b>100.0</b>

**Notes:**

- (1) This excludes professional fees paid by our Company to PPCF by the issue and allotment of 2,000,000 PPCF Shares to PPCF.
- (2) An aggregate placement commission of 3.0% of the Issue Price is payable for each New Share.

Please refer to the section entitled “General Information on Our Group — Business Strategies and Future Plans” of this Offer Document for further details on our plans for expansion of our business operations in Singapore and overseas. In particular, our future plans may be funded, apart from the proceeds from the Placement, either through internally generated funds and/or external borrowings.

There is no minimum amount which, in the reasonable opinion of our Directors, must be raised by the Placement.

Pending the deployment of the net proceeds from the Placement, the funds will be placed in short-term deposits with banks and financial institutions or invested in money market instruments as our Directors may deem fit in their absolute discretion. As and when the funds are deployed, our Company will make the necessary announcement to our Shareholders through SGXNET to be posted on the internet at the SGX-ST website <http://www.sgx.com>.

The discussion above represents our Company’s reasonable estimate of its allocation of the net proceeds of the Placement based upon its current plans for our Group and reasonable estimates regarding its anticipated expenditures. Actual expenditures may vary from these estimates and our Company may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that our Company decides to reallocate the net proceeds of the Placement for other purposes, our Company will publicly announce its intention to do so through a SGXNET announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>.

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## USE OF PROCEEDS AND LISTING EXPENSES

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### **Expenses incurred in connection with the Placement**

In accordance with the Singapore Financial Reporting Standards, a portion of the listing expenses including professional fees and miscellaneous expenses (other than placement commission) incurred in connection with the Placement will be treated as a charge in our financial statements, which will be accounted for in our financial results in FY2011.

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## DIVIDEND POLICY

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Our Company has not distributed any dividends since its incorporation on 15 April 2008. Save for our subsidiary, KH Construction, which declared and paid dividends in FY2008, FY2009, FY2010 and FP2011, none of our subsidiaries has declared or paid dividends in the last 3 financial years ended 30 September, for the period from 1 October 2010 to 30 June 2011 and for the period from 1 July 2011 to the Latest Practicable Date.

KH Construction declared and paid dividends to the then shareholders of KH Construction as set out in the table below:

	FY2008	FY2009	FY2010	FP2011 <sup>(2)</sup>
Dividend (S\$'000)	300	500	7,999	699
Dividend per share (S\$) <sup>(1)</sup>	0.04	0.07	1.07	0.09

**Notes:**

- (1) Dividend per share (S\$) is calculated based on KH Construction's share capital of 7,500,000 shares in each of FY2008, FY2009, FY2010 and FP2011.
- (2) KH Construction has declared and paid an interim dividend in specie for its financial assets at fair value through profit or loss with carrying amount of approximately S\$699,000, being approximately S\$0.09 per Share, in October 2010. The financial assets of fair value through profit or loss that were distributed in specie to KH Construction's shareholders at that time include, amongst others, approximately 2.7 million shares in BRC Asia Limited (which was a major supplier to our Group in FY2008 and FY2010) and 4,000 shares in Keppel Corporation Limited (which is the parent company of Sherwood Development Pte Ltd which was a major customer of our Group in FY2008).

Although we currently do not have a formal dividend policy, we intend to distribute up to twenty-five per cent. (25.0%) of our profit attributable to Shareholders for the financial year ended 30 September 2011, as we wish to reward our Shareholders for participating in our Group's growth.

The form, frequency and amount of declaration and payment of future dividends on our Shares that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as other factors deemed relevant by our Directors:

- (a) the level of our cash and retained earnings;
- (b) our actual and projected financial performance;
- (c) our projected levels of capital expenditure and expansion plans;
- (d) our working capital requirements and general financing condition; and
- (e) restrictions on payment of dividends imposed on us by our financing arrangements (if any).

We may declare dividends by way of an ordinary resolution of our Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by our Board of Directors. The declaration and payment of dividends will be determined at the sole discretion of our Directors, subject to the approval of our Shareholders. Our Directors may also declare an interim dividend without the approval of our Shareholders. Future dividends will be paid by us as and when approved by our Shareholders and Directors. There can be no assurance that dividends will be paid in the future or as to the timing of any dividends that are to be paid in the future.

The amount of dividends declared and paid by us in the past should not be taken as an indication of the dividends payable in the future. Investors should not make any inference from the foregoing statements as to our actual future profitability or our ability to pay any future dividends.

For information relating to taxes payable on dividends, please refer to the section entitled "Taxation" as set out in Appendix G of this Offer Document.

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## SHARE CAPITAL

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Our Company (Company registration number 200807303W) was incorporated in Singapore on 15 April 2008 under the Companies Act as an exempt private limited company under the name of Keong Hong Holdings Pte. Ltd.. On 7 December 2011, we converted into a public company and changed our name to Keong Hong Holdings Limited.

As at the date of incorporation, our issued and paid-up share capital was S\$2.00 comprising 2 Shares held by Leo Ting Ping Ronald and Teou Kem Eng @ Teou Kim Eng.

Pursuant to the completion of the Restructuring Exercise, the issued and paid-up share capital of our Company was increased to S\$17.4 million comprising 131,000,000 Shares.

At an extraordinary general meeting held on 21 November 2011, our Shareholders approved, *inter alia*, the following:

- (a) the conversion of our Company into a public limited company and the change of our name to Keong Hong Holdings Limited;
- (b) the listing and quotation of all the issued Shares (including the New Shares to be allotted and issued as part of the Placement, the PPCF Shares and the Option Shares) on the Catalist to be approved;
- (c) the adoption of a new set of Articles of Association;
- (d) the allotment and issue of 27,000,000 New Shares which are the subject of the Placement, on the basis that the New Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (e) the Restructuring Exercise;
- (f) the appointment of Chong Weng Hoe, Lim Jun Xiong Steven and Wong Meng Yeng (as our Independent Directors) to our Board;
- (g) the payment of fees to our Independent Directors of an aggregate amount of S\$51,250 for the services rendered in connection with the Placement;
- (h) the Service Agreement for our Executive Director and CEO, Leo Ting Ping Ronald;
- (i) the allotment and issue of 2,000,000 PPCF Shares to PPCF in satisfaction of their professional fees as Manager and Sponsor;
- (j) the authorisation of our Directors, pursuant to Section 161 of the Companies Act, to (i) allot and issue Shares in our Company; and (ii) issue convertible securities and any Shares in our Company pursuant to the convertible securities, whether by way of rights, bonus or otherwise, at any time and upon such terms and conditions, whether for cash or otherwise and for such purposes and to such persons as our Directors shall in their absolute discretion deem fit, provided that the aggregate number of Shares to be issued pursuant to such authority shall not exceed 100.0% of the issued share capital of our Company immediately after the Placement excluding treasury shares and that the aggregate number of Shares to be issued other than on a pro-rata basis to the then existing Shareholders of our Company shall not exceed 50.0% of the issued share capital of our Company immediately after the Placement excluding treasury shares. Unless revoked or varied by our Company in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting is required by law or by our Articles to be held, whichever is earlier, except that our Directors shall be authorised to allot and issue new Shares pursuant to the convertible securities notwithstanding that such authority has ceased.

## SHARE CAPITAL

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

- (k) the adoption of the Keong Hong Employee Share Option Scheme, the rules of which are set out in Appendix H of this Offer Document and that our Directors be authorised to allot and issue Option Shares upon the exercise of Option(s) granted under the Scheme.

As at the Latest Practicable Date, there is only one class of shares in the capital of our Company, being the Shares. A summary of the Articles of Association of our Company relating to, among others, the voting rights of our Shareholders is set out in the section entitled “Summary of Selected Articles of Association of our Company” as set out in Appendix F of this Offer Document. There are no founder, management, deferred or unissued Shares reserved for issuance for any purpose.

Except pursuant to the ESOS, no person has been, or is permitted to be, given an option to subscribe for or purchase any securities of our Company or any of our subsidiaries. As at the Latest Practicable Date, no option to subscribe for Shares in our Company has been granted to, or was exercised by, any of our Directors.

As at the date of lodgement of this Offer Document, the issued and paid-up share capital of our Company is approximately S\$17.4 million comprising 131,000,000 Shares. Upon the allotment and issue of the New Shares which are the subject of the Placement, the resultant issued and paid-up share capital of our Company will be increased to S\$23.8 million divided into 160,000,000 Shares.

Details of changes in our issued and paid-up capital since our incorporation and our issued and paid-up share capital immediately after the Placement are as follows:

	Number of Shares	Issued and Paid-up Capital (S\$)
Issued and fully paid Shares as at our incorporation <sup>(1)</sup>	2	2
Issue of new Shares pursuant to the Restructuring Exercise <sup>(2)</sup>	130,999,998	17,356,738
Issued and fully paid Shares immediately after the Restructuring Exercise	131,000,000	17,356,740
PPCF Shares issued and allotted to PPCF pursuant to the Management Agreement	2,000,000	480,000
New Shares issued pursuant to the Placement	27,000,000	5,995,276 <sup>(3)</sup>
Post-Placement issued and paid-up share capital	160,000,000	23,832,016



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## SHARE CAPITAL

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**Notes:**

- (1) Save as disclosed in this section and in the section entitled “Restructuring Exercise” of this Offer Document, there are no changes in the issued and paid-up share capital of our Company within the last three years preceding the Latest Practicable Date.
- (2) Please refer to the section entitled “Restructuring Exercise” of this Offer Document for further details.
- (3) This takes into account the set-off of the estimated portion of expenses incurred in connection with the Placement of approximately S\$485,000.

The Shareholders’ fund of our Company as at the date of incorporation, after adjustments to reflect the Restructuring Exercise and assuming the allotment and issue of the New Shares pursuant to the Placement are set out below:

	<b>As at the date of incorporation</b>	<b>After adjustments to reflect the Restructuring Exercise (‘000)</b>	<b>Assuming the allotment and issue of the New Shares (‘000)</b>
<b>Shareholders’ funds</b>			
Issued and paid-up ordinary shares	2	131,000	160,000
Shareholders’ equity (S\$)	2	17,352	23,827 <sup>(1)</sup>

**Note:**

- (1) This takes into account the set-off of the estimated portion of expenses incurred in connection with the Placement of approximately S\$485,000.

## SHAREHOLDERS

### OWNERSHIP STRUCTURE

The Shareholders of our Company and their respective shareholdings immediately before and after the Placement are set out below:

	Before the Placement				After the Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Directors</b>								
Leo Ting Ping Ronald	81,231,000	62.00	—	—	81,231,000	50.75	—	—
Er Ang Hooa	—	—	—	—	200,000 <sup>(12)</sup>	0.13 <sup>(12)</sup>	—	—
Lim Jun Xiong Steven	—	—	—	—	—	—	—	—
Wong Meng Yeng	—	—	—	—	—	—	—	—
Chong Weng Hoe	—	—	—	—	—	—	—	—
<b>Pre IPO Investors<sup>(1)</sup></b>								
Kuik Thiam Huat <sup>(2)</sup>	1,388,000	1.06	—	—	1,388,000	0.87	—	—
Lim Siak Meng <sup>(3)</sup>	3,611,000	2.76	—	—	3,611,000	2.26	—	—
Lau Eng Tiong <sup>(3)</sup>	4,444,000	3.39	—	—	4,444,000	2.78	—	—
Tan Lee Meng <sup>(3) (5)</sup>	2,500,000	1.91	—	—	2,500,000	1.56	—	—
Seah Hoe Seng <sup>(4)</sup>	4,999,000	3.82	—	—	4,999,000	3.12	—	—
Tan Tin Nam <sup>(5)</sup>	3,055,000	2.33	—	—	3,055,000	1.91	—	—
Liaw Wie Sein <sup>(6) (8)</sup>	1,388,000	1.06	1,388,000	1.06	1,388,000	0.87	1,388,000	0.87
Guan Chuan Engineering Construction Pte Ltd <sup>(6) (8)</sup>	1,388,000	1.06	—	—	1,388,000	0.87	—	—
Kienta Engineering Construction Pte. Ltd. <sup>(7)</sup>	4,444,000	3.39	—	—	4,444,000	2.78	—	—
Foo Chek Heng <sup>(9)</sup>	2,777,000	2.12	—	—	2,777,000	1.74	—	—
Lim Ewe Ghee	5,277,000	4.03	—	—	5,277,000	3.30	—	—
Goh Geok Cheong <sup>(10)</sup>	4,166,000	3.18	—	—	4,166,000	2.60	—	—
Chua Kian Lin	1,111,000	0.85	—	—	1,111,000	0.69	—	—
Lim Choon Teck Holding Pte. Ltd.	2,777,000	2.12	—	—	2,777,000	1.74	—	—
<b>Others</b>								
Teou Kem Eng @ Teou Kim Eng	6,444,000	4.92	—	—	6,444,600	4.03	—	—
PPCF <sup>(11)</sup>	—	—	—	—	2,000,000	1.25	—	—
<b>Public</b>	—	—	—	—	26,800,000	16.75	—	—
<b>Total</b>	<b>131,000,000</b>	<b>100.00</b>	<b>1,388,000</b>	<b>1.06</b>	<b>160,000,000</b>	<b>100.00</b>	<b>1,388,000</b>	<b>0.87</b>

#### Notes:

- (1) Each of the Pre-IPO Investors will hold less than 5.0% of the Company's shareholding after the Placement. Save as disclosed in this section, the other Pre-IPO Investors comprise parties unrelated to our Group. To the best of our Directors' knowledge and save as disclosed above, the Pre-IPO Investors are not Associates of each other, the Directors and the other Shareholders of the Company. Please refer to the section entitled "Restructuring" of this Offer Document for more details.

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## SHAREHOLDERS

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- (2) Kuik Thiam Huat, the shareholder and director of Sim Lian Construction Co. (Pte.) Ltd. which had partnered with the Group to form a joint venture entity Sim Lian – Keong Hong JV to jointly construct the Palm Gardens condominium project. Sim Lian – Keong Hong JV had been dissolved in October 2009 following the completion of the aforesaid project.
- (3) Lim Siak Meng, Lau Eng Tiong and Tan Lee Meng are the group managing director, non-executive director and independent director of one of the Group's major suppliers, namely BRC Asia Limited. Lim Siak Meng and Lau Eng Tiong are also the shareholders of BRC Asia Limited.
- (4) Seah Hoe Seng and his brother Sia Ling Sing are directors and shareholders of Lingco Marine Pte. Ltd. Lingco Marine Pte. Ltd. is a substantial shareholder in BRC Asia Limited which is a major supplier of the Group. Seah Hoe Seng is the father of Seah Kiin Peng, an executive director of BRC Asia Limited. Sia Ling Sing is a non-executive chairman of BRC Asia Limited.
- (5) Tan Tin Nam is the father of Tan Lee Meng.
- (6) Liaw Wie Sein, a controlling shareholder and director of Guan Chuan Engineering Construction Pte Ltd which is a subcontractor of the Group. Liaw Wie Sein is deemed interested in the Shares held by Guan Chuan Engineering Construction Pte Ltd.
- (7) Kienta Engineering Construction Pte. Ltd., which KH Construction had previously partnered with to form the joint venture entity KH-Kienta JV LLP to jointly construct the Ibis Hotel Project.
- (8) Guan Chuan Engineering Construction Pte Ltd, a company incorporated in Singapore whose shareholders are Hor Chun Gek, Liaw Guan Chuan, Liaw Wie Sein.
- (9) Foo Chek Heng, a shareholder and director of Koyo International Limited which is the parent company of Koyo Engineering (S.E. Asia) Pte. Ltd., a subcontractor of our Group for the Ibis Hotel Project.
- (10) Goh Geok Cheong is the managing director and controlling shareholder of ABV Systems Pte Ltd and ABV Technology Pte Ltd which are subcontractors of the Group.
- (11) Pursuant to the Management Agreement and as part payment for PPCF's fees as the Manager and Sponsor in respect of the Listing, our Company will issue 2,000,000 PPCF Shares to PPCF.
- (12) As at the date of this Offer Document Er Ang Hooa intends to subscribe for 200,000 New Shares pursuant to the Placement. This figure reflects his shareholding in the Company assuming the 200,000 New Shares are duly issued and allotted to him.

Save as disclosed above, there are no other relationships between the Directors and Controlling Shareholder and to the best of the knowledge of our Directors, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any other corporation, any government or other natural or legal person.

The Shares held by our Directors and Controlling Shareholder do not carry different voting rights from the New Shares which are the subject of the Placement. Our Directors are not aware of any arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

Save as disclosed above and under the section entitled "Restructuring Exercise" of this Offer Document, there were no significant changes in the percentages of ownership of our Directors and Controlling Shareholder in our Company from its incorporation until the Latest Practicable Date.

### **SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP**

Save as disclosed under the section entitled "Restructuring Exercise" of this Offer Document, there were no significant changes in the percentages of ownership of our Directors and Controlling Shareholder in our Company from its incorporation until the Latest Practicable Date.

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## SHAREHOLDERS

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### MORATORIUM

#### **Leo Ting Ping Ronald and Teou Kem Eng @ Teou Kim Eng**

To demonstrate their commitment to our Group, our Executive Director and CEO, Leo Ting Ping Ronald, and Teou Kem Eng @ Teou Kim Eng, who hold 81,231,000 and 6,444,000 Shares respectively (representing approximately 50.8% and 4.0% of our Company's post-Placement share capital), have undertaken not to transfer, sell, realise or otherwise dispose of any part of their interest in the share capital of our Company for a period of six months from the date of our Company's admission to the Catalist and for a period of six months thereafter, not to reduce their interest in our Company to below 50.0% of each of their original shareholding in our Company.

#### **Pre-IPO Investors**

Each of the Pre-IPO Investors, who in aggregate own 43,325,000 Shares representing 27.1% of our Company's issued and paid-up share capital after the Placement, has undertaken not to transfer, sell, realise or otherwise dispose of their entire shareholdings in the share capital of our Company for a period of 12 months after listing.

#### **Others**

Pursuant to the Management Agreement and as part of PPCF's fees as the Manager and Sponsor in respect of the Listing, our Company will issue 2,000,000 PPCF Shares to PPCF.

PPCF has undertaken not to transfer, sell, realise or otherwise dispose of any part of its interests in the share capital of our Company for a period of six months from the date of our Company's admission to the Catalist and for a period of six months thereafter, not to reduce its interests in our Company to below 50.0% of its original shareholdings in our Company. After completion of the aforesaid moratorium periods, PPCF will be disposing its shareholding interest in our Company at its discretion.

## DILUTION

Dilution is the amount by which the Issue Price paid by the subscribers of our Shares in this Placement (“**New Investors**”) exceeds our Adjusted NTA<sup>(1)</sup> per Share after the Placement. Our Adjusted NTA per Share as at 30 June 2011, before adjusting for the estimated net proceeds from the Placement and based on our Company’s pre-Placement shares capital of 131,000,000 Shares was 21.7 cents per Share.

Price in connection with the Placement and after deducting the estimated issue expenses, our Adjusted NTA per Share as at 30 June 2011 after adjusting for the estimated net proceeds from the Placement and based on our Company’s post-Placement share capital of 160,000,000 Shares, would have been 20.9 cents. This represents an immediate decrease in the Adjusted NTA per Share of 0.8 cent to our existing Shareholders and an immediate dilution in the Adjusted NTA per Share of 3.1 cents or approximately 12.9% to our New Investors.

The following table illustrates such dilution on a per Share basis as at 30 June 2011:

	<b>Cents</b>
Issue Price per Share	24.0
Adjusted NTA per Share as at 30 June 2011 based on our Company’s pre-Placement share capital and before adjusting for the Placement	21.7
Decrease in Adjusted NTA per Share attributable to the Placement	0.8
Adjusted NTA per Share after the Placement	20.9
Dilution in Adjusted NTA per Share to New Investors	3.1
Dilution in Adjusted NTA per Share to New Investors as a percentage of Issue Price	12.9

**Note:**

(1) Please refer to the section entitled “Placement Statistics” of this Offer Document for the definition of Adjusted NTA

The following table shows the average effective price per Share paid by our Executive Director and Pre-IPO Investors for Shares acquired by them since the date of incorporation of the Company and by our New Investors pursuant to the Placement:

	Number of Shares	Total consideration (S\$)	Average effective price per Share (cents)
<b>Director</b>			
Leo Ting Ping Ronald	81,231,000	8,321,462	10.2
Pre-IPO Investors	43,325,000	7,798,611	18.0
New Investors	27,000,0000	6,480,000	24.0

Save as disclosed above, none of our Directors or Controlling Shareholder of our Company or their respective Associates has acquired any Shares during the period of three years prior to the date of lodgement of this Offer Document.

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## RESTRUCTURING EXERCISE

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### Restructuring Exercise

The following was undertaken in the Restructuring Exercise prior to the Placement in preparation for the listing of our Company:

#### 1. Pre-IPO Investment in KH Construction

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

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

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

#### 2. Share Buy Back by each of KH Construction, KH Land and KH Trading

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

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

#### 3. Sale of Teou Kem Eng @ Teou Kim Eng's shares in KH Construction

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

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

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## RESTRUCTURING EXERCISE

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### 4. Sale of Teou Kem Eng @ Teou Kim Eng's shares in KH Land and KH Trading

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

### 5. Acquisition of KH Construction

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

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

### 6. Acquisition of KH Land

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

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

### 7. Acquisition of KH Trading

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

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

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## RESTRUCTURING EXERCISE

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### **8. Sale of odd-lot Shares by Pre-IPO Investors and Teou Kem Eng @ Teou Kim Eng to Leo Ting Ping Ronald**

Subsequent to the issue of Shares by our Company pursuant to the acquisition of KH Construction, KH Trading and KH Land, Leo Ting Ping Ronald (as purchaser) entered into a sale and purchase agreement dated 21 November 2011 with Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors (as vendors) for an aggregate of 8,767 Shares. This aimed to consolidate the odd-lot Shares among Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors. The aggregate consideration to be paid by Leo Ting Ping Ronald to the vendors for the purchase of such Shares was S\$1,464.10. Please refer to the section entitled “Shareholders — Ownership Structure” of this Offer Document for the resultant shareholding of our Company pursuant to the sale and purchase agreement.

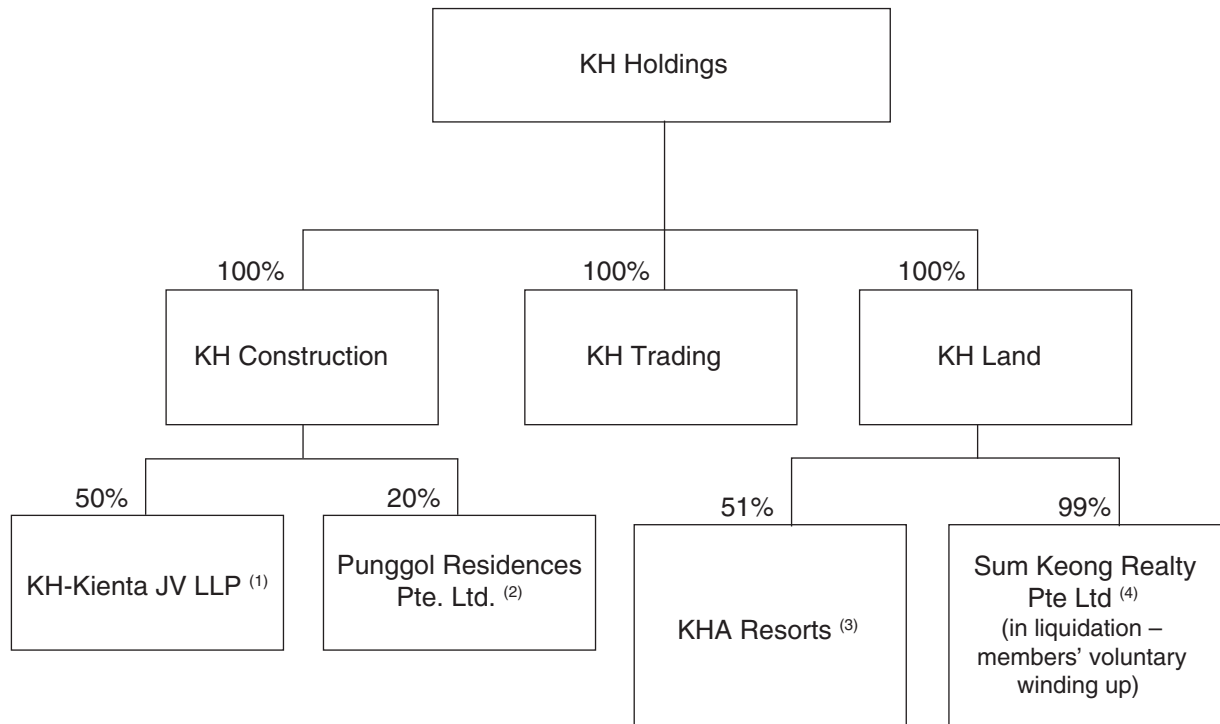
### **9. Conversion of our Company**

On 7 December 2011, our Company was converted into a public company and changed its name to “Keong Hong Holdings Limited”.



## GROUP STRUCTURE

Our Group structure after the Restructuring Exercise is as follows:



**Notes:**

- (1) This is a limited liability partnership formed in Singapore pursuant to a joint venture agreement dated 5 February 2007 entered into between Kienta Engineering Construction Pte. Ltd. and KH Construction. Kienta Engineering Construction Pte. Ltd. and KH Construction each owns 50% of the interest in KH-Kienta JV LLP. KH-Kienta JV LLP was converted from “Keong Hong-Kienta Engineering JV” on 26 March 2007.
- (2) This is an Associated Company incorporated in Singapore pursuant to a joint venture between KH Construction and FCL Tampines Court Pte. Ltd.. KH Construction and FCL Tampines Court Pte. Ltd. own 20% and 80% of Punggol Residences Pte. Ltd. respectively.
- (3) This is a subsidiary entity formed in the Cayman Islands pursuant to a shareholders agreement dated 19 January 2010 entered into between Hotels And Resort Construction Pvt Ltd (a company incorporated in Maldives) and KH Land. KH Land and Hotels And Resort Construction Pvt Ltd own 51% and 49% of the shares in KHA Resorts respectively.
- (4) Sum Keong Realty Pte Ltd was in liquidation (members’ voluntary winding up) as at 8 December 2010. Prior to the pending liquidation, it had an issued and paid-up share capital of S\$1,000,000 comprising 1,000,000 shares. KH Land and Leo Ting Ping Ronald owned 99% and 1% of the shares respectively.

## GROUP STRUCTURE

The details of each subsidiary and Associated Company of our Company as at the date of this Offer Document are as follows:

Subsidiary/ Associated Company	Date/ Country of incorporation	Principal place of business	Principal activities	Issued and paid-up share capital/ registered capital	Effective equity interest held by our Group
Keong Hong Construction Pte Ltd	1 October 1983/ Singapore	Singapore	General and building contractors	S\$11,753,031	100%
KH Trading Pte. Ltd.	30 May 2007/ Singapore	Singapore	Trading of building and construction materials <sup>(1)</sup>	S\$45,000	100%
K.H. Land Pte Ltd	28 July 1993/ Singapore	Singapore	Investment holding, real estate development and building construction	S\$765,000	100%
KHA Resorts & Hotels Construction Pvt Ltd	9 March 2010/ Incorporated in the Cayman Islands and re-registered in the Maldives on 6 April 2010 and an extension to the re- registration granted on 19 June 2011 <sup>(2)</sup>	Maldives	Resorts and hotels building contractor	Paid-up share capital: US\$255,000 <sup>(3)</sup>  Unpaid share capital: US\$245,000 <sup>(4)</sup>	51%
KH-Kienta JV LLP	12 February 2007 <sup>(5)</sup> / Singapore	Singapore	Mixed construction activities	Not applicable	50%
Punggol Residences Pte. Ltd.	5 August 2011/ Singapore	Singapore	Real estate developer	S\$1,000,000	20%
Sum Keong Realty Pte Ltd	6 June 1994/ Singapore	Singapore	Not applicable. This company is in liquidation (members' voluntary winding up)	Not applicable	Not applicable

**Notes:**

- (1) As at the Latest Practicable Date, our Group is not in the business of trading of building and construction materials. KH Trading purchases building and construction materials for our Group's use.
- (2) KHA Resorts is re-registered in the Maldives to engage in the business of construction of proposed resort at Falhumaafushi Island at Gaafu Alifu Atoll Maldives. The extension of the re-registration is valid until 25 June 2012.
- (3) The paid-up share capital of US\$255,000 was contributed by KH Land.
- (4) The issue of 245,000 shares to Hotels And Resort Construction Pvt Ltd has not been paid-up.
- (5) KH-Kienta JV LLP was converted from "Keong Hong-Kienta Engineering JV" on 26 March 2007.

None of our subsidiaries is listed on any stock exchange.

## SELECTED COMBINED FINANCIAL INFORMATION

The following selected combined financial information should be read in conjunction with the full text of this Offer Document, including the Audited Combined Financial Statements as set out in Appendix A of this Offer Document and the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Offer Document.

### Operating Results of our Group<sup>(1)</sup>

(S\$'000)	← Audited →			Unaudited	Audited
	FY2008	FY2009	FY2010	FP2010	FP2011
Revenue	78,496	49,257	124,764	77,546	141,279
Cost of Sales	(76,671)	(48,493)	(114,622)	(71,303)	(131,574)
Gross profit	1,825	764	10,142	6,243	9,705
Other income	1,591	803	2,732	2,375	2,476
Administrative expenses	(2,819)	(2,298)	(3,132)	(1,888)	(3,221)
Other expenses	(649)	(212)	(116)	N.M.	(34)
Fair value (loss)/gain on investment properties	(150)	789	—	—	—
Finance costs	(422)	(354)	(293)	(244)	(116)
Share of results of joint ventures	2,378	2,755	65	N.M.	139
Profit before income tax	1,754	2,247	9,398 <sup>(2)</sup>	6,486	8,949
Income tax expense	(300)	(336)	(1,241)	(801)	(713)
<b>Profit for the financial year/period</b>	<b>1,454</b>	<b>1,911</b>	<b>8,157</b>	<b>5,685</b>	<b>8,236</b>
<b>Other comprehensive income for the financial year/period</b>					
Exchange differences on translating foreign operations	—	—	(25)	5	(112)
Income tax on other comprehensive income	—	—	—	—	—
<b>Other comprehensive income for the financial year/period, net of tax</b>	<b>—</b>	<b>—</b>	<b>(25)</b>	<b>5</b>	<b>(112)</b>
<b>Total comprehensive income for the financial year/period</b>	<b>1,454</b>	<b>1,911</b>	<b>8,132</b>	<b>5,690</b>	<b>8,124</b>
<b>Profit attributable to:</b>					
Owners of the parent	1,454	1,911	8,223 <sup>(2)</sup>	5,702	6,571
Non-controlling interests	—	—	(66)	(17)	1,665
	<b>1,454</b>	<b>1,911</b>	<b>8,157</b>	<b>5,685</b>	<b>8,236</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent	1,454	1,911	8,210	5,705	6,514
Non-controlling interests	—	—	(78)	(15)	1,610
	<b>1,454</b>	<b>1,911</b>	<b>8,132</b>	<b>5,690</b>	<b>8,124</b>
<b>EPS</b>					
— EPS attributable to owners of the parent (in cents) <sup>(3)</sup>	1.1	1.5	6.3 <sup>(2)</sup>	4.4	5.0
— Adjusted EPS attributable to owners of the parent (in cents) <sup>(4)</sup>	0.9	1.2	5.1	3.6	4.1

#### Notes:

- (1) The combined financial statements of our Group for the period under review have been prepared on the basis that our Group has been in existence throughout the period under review. Please refer to the Audited Combined Financial Statements as set out in Appendix A of this Offer Document.
- (2) Had the Service Agreement been in effect for FY2010, our profit before income tax and profit after income tax attributable to owners of the parent and EPS based on the pre-Invitation share capital of 131,000,000 Shares for FY2010 would have been S\$9.0 million, S\$7.9 million and 6.0 cents respectively.
- (3) For comparative purposes, EPS for the period under review has been computed based on the profit after income tax attributable to owners of the parent for the relevant financial year/period and the pre-Invitation share capital of 131,000,000 Shares.
- (4) For comparative purposes, adjusted EPS for the period under review has been computed based on the profit after income tax attributable to owners of the parent for the relevant financial year/period and the post-Invitation share capital of 160,000,000 Shares.

## SELECTED COMBINED FINANCIAL INFORMATION

### Financial Position of our Group

(S\$'000)	Audited As at 30/9/2010	Audited As at 30/6/2011
<b>Non-current assets</b>		
Plant and equipment	4,987	4,602
Investment properties	5,300	—
Investments in joint ventures	524	662
Intangible asset	4	2
	10,815	5,266
<b>Current assets</b>		
Property held for sale	650	—
Financial assets at fair value through profit or loss	2,002	706
Trade and other receivables	53,589	48,781
Cash and cash equivalents	27,676	45,751
	83,917	95,238
<b>Less:</b>		
<b>Current liabilities</b>		
Due to contract customers	14,269	23,624
Trade and other payables	59,294	45,548
Bank borrowings	203	—
Finance leases payables	898	863
Current income tax payable	1,314	1,062
	75,978	71,097
<b>Net current assets</b>	7,939	24,141
<b>Non-current liabilities</b>		
Bank borrowings	1,082	—
Finance leases payables	1,464	832
Deferred tax liabilities	368	110
	2,914	942
	15,840	28,465
<b>Capital and reserves</b>		
Share capital	8,400	13,600
Foreign currency translation account	(13)	(70)
Accumulated profits	7,209	13,081
	15,596	26,611
Equity attributable to owners of the parent	15,596	26,611
Non-controlling interests	244	1,854
	15,840	28,465
<b>Total equity</b>	15,840	28,465
<b>NTA per Share (cents)<sup>(1)</sup></b>	11.9	20.3

**Note:**

(1) The NTA per Share is computed based on the net tangible assets of our Group and the pre-Placement share capital of 131,000,000 Shares.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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### OVERVIEW

Our Group is principally engaged in building construction activities and provides various services which include, *inter alia*, general and main building works, and A&A works for residential and commercial buildings for the public and private sectors in Singapore. We had recently entered into a joint venture with FCL Tampines Court Pte. Ltd. for the development of a 728-unit executive condominium in Punggol. Our Group owns 20% of the joint venture namely Punggol Residences Pte. Ltd. and is therefore accounted for as Associated Company in our financial results.

Licensed as an A2 grade contractor with capacity to tender for any building projects in the public sector with a project value of not exceeding S\$85 million, we provide our construction services as a main contractor. Our clients from the private sector include property owners and developers, and those from the public sector comprise government bodies and statutory boards. We have successfully completed a wide spectrum of projects which comprise residential, commercial, institutional and industrial buildings projects. We have also undertaken D&B contract projects. For a detailed list of projects that we have completed, please refer to "General Information on Our Group — Major Projects" section of this Offer Document.

Founded in Singapore, we have expanded our presence into foreign jurisdictions with the construction of the Falhumaafushi Resort located in the Republic of Maldives. With our experience, we believe that we are able to continue providing services to our clients located in the region and further expand our customer base.

Our revenue is predominantly generated from construction activities in Singapore, and as such, it is not meaningful to provide segmental and geographical breakdowns of our financial results.

### Revenue

We recognise our revenue from building construction activities based on the percentage of completion method. The percentage of completion is measured by reference to the proportion of contract costs incurred for work done to-date to the estimated total contract cost of the project. Our revenue generally includes the contract sum plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Generally, 10% of each monthly progress payments is withheld by the developer up to an aggregate of 5% of the contract value. Upon completion, the developer releases 2.5% of the contract value. After the expiry of the defects liability period and the corresponding issue of the maintenance certificate by the superintending officer, the remaining 2.5% of the contract value is paid by the developer to us. The defects liability period is typically 12 to 18 months after physical completion of the project.

Due to the nature of the construction industry, our revenue tends to fluctuate.

### Factors affecting our revenue

The major factors that will affect our revenue include, *inter alia*, the following key factors:

- (a) Our ability to secure projects;
- (b) Health of the construction industry and property market in Singapore;
- (c) Our ability to complete projects contracted to us on schedule and in accordance with our customers' specification;

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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- (d) Size of projects that we secure;
- (e) Percentage of completion for projects on hand; and
- (f) Fluctuations in the relevant exchange rates for revenue received from foreign projects.

*The above should be read in conjunction with the section entitled "Risk Factors" of this Offer Document.*

### Cost of sales

Our cost of sales includes sub-contracting costs, construction materials costs and overhead costs. Our cost of sales amounted to approximately S\$76.7 million, S\$48.5 million, S\$114.6 million, S\$71.3 million and S\$131.6 million and represented approximately 97.7%, 98.4%, 91.8%, 91.9% and 93.1% of our revenue for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

	FY2008		FY2009		FY2010		FP2010		FP2011	
	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%
Sub-contracting costs	60,603	79.0	36,471	75.2	82,265	71.8	51,947	72.9	96,208	73.1
Construction materials costs	8,816	11.5	6,621	13.7	20,529	17.9	12,937	18.1	17,937	13.6
Overhead costs	7,252	9.5	5,401	11.1	11,828	10.3	6,419	9.0	17,429	13.3
<b>Cost of sales</b>	<b>76,671</b>	<b>100.0</b>	<b>48,493</b>	<b>100.0</b>	<b>114,622</b>	<b>100.0</b>	<b>71,303</b>	<b>100.0</b>	<b>131,574</b>	<b>100.0</b>

Sub-contracting costs form the bulk of our cost of work done as most of the construction work within a project is performed by our sub-contractors. Sub-contracting costs accounted for approximately 79.0%, 75.2%, 71.8%, 72.9% and 73.1% of our cost of sales in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Our construction materials costs include cost of sand, cement, ready-mixed, concrete and reinforcement steel bars that are directly procured by us. Such costs of construction materials accounted for approximately 11.5%, 13.7%, 17.9%, 18.1% and 13.6% of our cost of sales in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Our overhead costs include mainly project staff salary, scaffolding, insurance, utilities, plant and machinery hire, and other site expenses. Our overhead costs accounted for approximately 9.5%, 11.1%, 10.3%, 9.0% and 13.3% of our cost of sales in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

### Factors affecting our cost of sales

The main factors that affect our cost of sales include the following:

- (a) Changes in construction material prices;
- (b) Changes in labour costs;
- (c) Changes in variation orders;
- (d) Changes in project progress schedules and consequential cost overruns in the event of projects delays;
- (e) Changes in government regulations and requirements; and

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

(f) Fluctuations in the relevant exchange rates for purchases incurred on foreign projects.

*The above should be read in conjunction with the section entitled "Risk Factors" of this Offer Document.*

### Gross profit and gross profit margin

Our gross profit is determined after deducting cost of sales from our revenue. Accordingly, our gross profit margin was approximately 2.3%, 1.6%, 8.1%, 8.1% and 6.9% in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

### Other income

Our other income comprises mainly gain on disposal of investment properties, management fee income, rental income, interest income from fixed deposit, supply of labour and material and others. Our other income amounted to approximately S\$1.6 million, S\$0.8 million, S\$2.7 million, S\$2.4 million and S\$2.5 million and represented approximately 2.0%, 1.6%, 2.2%, 3.1% and 1.8% of our revenue for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

	FY2008		FY2009		FY2010		FP2010		FP2011	
	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%
Gain on disposal of investment properties	—	—	—	—	1,376	50.4	1,376	57.9	637	25.7
Gain on disposal of plant and equipment	—	—	—	—	167	6.1	167	7.0	—	—
Gain on disposal of property held for sale	—	—	—	—	—	—	—	—	50	2.0
Fair value gain on financial assets at fair value through profit or loss	—	—	—	—	137	5.0	48	2.0	—	—
Foreign exchange gain, net	—	—	—	—	21	0.7	—	—	878	35.5
Rental income	366	23.0	316	39.4	305	11.2	279	11.8	345	13.9
Interest income	134	8.4	100	12.5	97	3.6	68	2.9	116	4.7
Management fee income	268	16.8	124	15.4	83	3.0	77	3.2	—	—
Supply of labour and materials	375	23.6	99	12.3	18	0.7	10	0.4	70	2.8
Other miscellaneous income	448	28.2	164	20.4	528	19.3	350	14.8	380	15.4
<b>Other income</b>	<b>1,591</b>	<b>100.0</b>	<b>803</b>	<b>100.0</b>	<b>2,732</b>	<b>100.0</b>	<b>2,375</b>	<b>100.0</b>	<b>2,476</b>	<b>100.0</b>

In FY2010, we have disposed commercial properties No. 41 and 43, Dickson Road, which has resulted in a gain on disposal of investment properties.

In FP2011, we disposed residential properties The Esta of Amber Gardens and The Caribbean at Keppel, which resulted in a gain on disposal of investment properties.

Gain on disposal of plant and equipment accounted for approximately 0.0%, 0.0%, 6.1%, 7.0% and 0.0% of our other income in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

In FP2011, we have recorded approximately S\$50,000 from the gain on disposal of property held for sale namely unit #12-01 at Parc Vista.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial assets comprise the quoted equity investments, unquoted investment fund and fixed income securities the Group had purchased before, with the intention to resell. The fair value gain on financial assets at fair value through profit or loss accounted for approximately 0.0%, 0.0%, 5.0%, 2.0% and 0.0% of our other income in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Due to our US\$ exposure of the Maldives project and the weakening of the US\$, we recorded a foreign exchange gain in FP2011.

Rental income is derived from the rental of our investment properties. Rental income accounted for approximately 23.0%, 39.4%, 11.2%, 11.8% and 13.9% of our other income in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Interest income refers to the interest received from cash deposits placed with financial institutions. Interest income accounted for approximately 8.4%, 12.5%, 3.6%, 2.9% and 4.7% of our other income in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Management fees income arises from the management services provided by our Group to our joint venture company, Keong Hong — Kienta Engineering JV LLP in managing the project Ibis Hotel on Bencoolen Street. Management fees income accounted for approximately 16.8%, 15.4%, 3.0%, 3.2% and 0.0% of our other income in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Supply of labour and materials arise from fees received from Keong Hong — Kienta Engineering JV LLP procuring technical and professional personnel from our Group. These personnel are typically seconded to their operations for a fixed period of time as on site consultants or project managers. Supply of labour and materials fees accounted for approximately 23.6%, 12.3%, 0.7%, 0.4% and 2.8% of our other income in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Other miscellaneous income comprises mainly the sales of scrap material, the government grant, the write-back of allowance for doubtful third parties trade receivables and gain on disposal of plant and equipment. Other miscellaneous income accounted for approximately 28.2%, 20.4%, 19.3%, 14.8% and 15.4% of our other income in FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

### Administrative expenses

Our administrative expenses comprise mainly staff costs, depreciation and amortisation expenses and other administrative expenses.

Administrative expenses amounted to approximately S\$2.8 million, S\$2.3 million, S\$3.1 million, S\$1.9 million and S\$3.2 million and represented approximately 3.6%, 4.7%, 2.5%, 2.4% and 2.3% of our revenue for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

	FY2008		FY2009		FY2010		FP2010		FP2011	
	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%
Staff costs	1,448	51.4	1,097	47.7	1,496	47.7	775	41.0	1,306	40.5
Depreciation and amortisation	195	6.9	188	8.2	218	7.0	154	8.2	176	5.5
Other administrative expenses	1,176	41.7	1,013	44.1	1,418	45.3	959	50.8	1,739	54.0
<b>Administrative expenses</b>	<b>2,819</b>	<b>100.0</b>	<b>2,298</b>	<b>100.0</b>	<b>3,132</b>	<b>100.0</b>	<b>1,888</b>	<b>100.0</b>	<b>3,221</b>	<b>100.0</b>



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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Our staff costs comprise mainly office staff salaries, directors' remuneration and staff related cost such as bonuses and contribution to defined contribution plans. Our staff costs accounted for approximately 51.4%, 47.7%, 47.7%, 41.0% and 40.5% of our total administrative expenses for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Depreciation and amortisation accounted for approximately 6.9%, 8.2%, 7.0%, 8.2% and 5.5% of our total administrative expenses for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

Other administrative expenses comprise rental of offices, legal and professional fees, bank charges and commission, telephone and postage expenses, insurance expenses, repair maintenance and water and electricity expenses. Other administrative expenses accounted for approximately 41.7%, 44.1%, 45.3%, 50.8% and 54.0% of our total administrative expenses for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

### Other expenses

Other expenses comprise allowance for doubtful third parties' trade receivables, allowance for doubtful non-trade receivables, fair value loss on financial assets at fair value through profit or loss, net foreign exchange loss and the others which amounted to approximately S\$0.6 million, S\$0.2 million, S\$0.1 million, S\$0.0 million and S\$34,000 and represented approximately 0.8%, 0.4%, 0.1%, 0.0% and 0.0% of our revenue for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

### Finance costs

Our finance costs comprise mainly interest expenses on bank overdrafts, bank loans and finance leases which amounted to approximately S\$0.4 million, S\$0.4 million, S\$0.3 million, S\$0.2 million and S\$0.1 million and represented approximately 0.5%, 0.7%, 0.2%, 0.3% and 0.1% of our revenue for FY2008, FY2009, FY2010, FP2010 and FP2011 respectively.

### Income tax expenses

We were subjected to the Singapore income tax rates of 18.0%, 18.0%, 17.0% and 17.0% for FY2008, FY2009, FY2010 and FY2011 respectively.

We set out below the computation of our Group's effective income tax rate for FY2008, FY2009, FY2010, FP2010 and FP2011.

(\$'000)	FY2008	FY2009	FY2010	FP2010	FP2011
Income tax expense	300	336	1,241	801	713
Profit before income tax	1,754	2,247	9,398	6,486	8,949
Effective income tax rate (income tax expenses as a percentage of profit before income tax) (%)	17.1	15.0	13.2	12.3	8.0

For FY2008, FY2009, FY2010, FP2010 and FP2011, our effective income tax rate was 17.1%, 15.0%, 13.2%, 12.3% and 8.0% respectively, due mainly to movement in temporary differences between the tax written carrying amount and the net book values of the plant and equipment computed and changes in fair value of investment properties; and changes in fair value of investment properties at the prevailing statutory income tax rate.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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### SEASONALITY

Generally, our business is not subject to any significant seasonal fluctuations.

### INFLATION

The inflation did not have a significant impact on the financial results of our Group for FY2008, FY2009, FY2010, FP2010 and FP2011.

### REVIEW OF PAST OPERATING PERFORMANCE

#### FY2008 vs FY2009

##### Revenue

Our revenue decreased by approximately S\$29.2 million or 37.2% from approximately S\$78.5 million for FY2008 to approximately S\$49.3 million for FY2009.

Singapore was affected by the global financial crisis in September 2008 and the construction sector was severely impacted. As a result, many residential development projects were delayed or shelved. In particular, two of our projects namely the Parvis and L'viv condominium projects were shelved by the developers in early FY2009. We only managed to secure two new projects namely 8@Woodleigh and extension to Singapore Institute Management in late FY2009.

In addition, there was a substantial reduction in the revenue recognised for our existing projects namely The Esta at Amber Gardens and Sime Darby Performance Centre. These projects were substantially completed in FY2008 and the revenue contribution was approximately S\$65.4 million in FY2008 and subsequently reduced significantly to approximately S\$11.3 million in FY2009. Besides, another project, The Belvedere Condominium at Meyer Road, was substantially completed in FY2007 and contributed approximately S\$4.0 million in FY2008.

The decline in revenue was partially offset by the increase in revenue from the Martin Place Residences at Kim Yam Road which commenced in FY2008. Its revenue for FY2008 was approximately S\$11.1 million and increased to S\$27.2 million in FY2009.

##### Cost of sales, gross profit and gross profit margin

Our cost of sales decreased by approximately S\$28.2 million or 36.8% from approximately S\$76.7 million for FY2008 to approximately S\$48.5 million for FY2009, which was in line with the decline in the revenue. Our gross profit margin decreased marginally from 2.3% for FY2008 to 1.6% for FY2009 as we incurred cost overruns resulting in a loss of S\$1.3 million for The Esta at Amber Gardens in FY2009. This was due to the sand export ban imposed by the Indonesian government. Consequently, we purchased sand from alternative suppliers at a much higher cost. Nonetheless, The Esta at Amber Gardens remained profitable on the whole.

##### Other income

Our other income decreased by approximately S\$0.8 million or 50.0% from approximately S\$1.6 million for FY2008 to approximately S\$0.8 million for FY2009 due mainly to the decrease of approximately S\$0.1 million in management fee income, S\$0.3 million in supply of labour and materials income and S\$0.3 million in other miscellaneous income.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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### **Administrative expenses**

Our administrative expenses decreased by approximately S\$0.5 million or 17.9% from approximately S\$2.8 million for FY2008 to approximately S\$2.3 million for FY2009 mainly due to the decrease of approximately S\$0.4 million in staff costs and approximately S\$0.1 million in other administrative expenses.

### **Other expenses**

Other expenses decreased by approximately S\$0.4 million or 66.7% from approximately S\$0.6 million for FY2008 as compared to approximately S\$0.2 million for FY2009 mainly due to the decrease of approximately S\$0.4 million in fair value loss on financial assets at fair value through profit or loss and approximately S\$0.1 million in net foreign exchange loss. These were partially offset by the allowance for doubtful third parties' non-trade receivables of approximately S\$0.1 million for FY2009.

### **Finance costs**

Our finance costs remained similar at approximately S\$0.4 million for FY2008 and FY2009.

### **Income tax expense**

Our income tax expense remained similar at approximately S\$0.3 million for FY2008 and FY2009.

### **FY2009 vs FY2010**

#### **Revenue**

Our revenue increased by approximately S\$75.5 million or 153.1% from approximately S\$49.3 million for FY2009 to approximately S\$124.8 million for FY2010.

The increase in our revenue in FY2010 was mainly attributed to two projects which we completed substantially in FY2010. These included Martin Place Residences at Kim Yam Road and extension to Singapore Institute of Management, which together contributed approximately S\$85.3 million of our revenue in FY2010 as compared to approximately S\$32.4 million in FY2009. Besides, our projects Parvis at Holland Hill and 8@Woodleigh had contributed significantly to our Group from S\$5.0 million in FY2009 to S\$31.0 million. In addition, we have secured our first overseas project to build a hotel resort at Falhumaafushi Island, Maldives, which contributed to approximately S\$7.0 million to our revenue.

#### **Cost of sales, gross profit and gross profit margin**

Our cost of sales increased by approximately S\$66.1 million or 136.3% from approximately S\$48.5 million for FY2009 to approximately S\$114.6 million for FY2010, which was in line with the overall increase in our revenue. The increase in cost of sales was less than proportionate to the increase in revenue. Consequently, the gross profit margin improved from 1.6% for FY2009 to 8.1% for FY2010. The general economic situation in Singapore had improved in FY2010 following Singapore government's effort in maintaining the employment rate in Singapore through the grant of Workfare Income Supplement Scheme and the many public infrastructure development projects. As a result, we achieved more effective cost management. In addition, the construction materials prices had softened and stabilised in FY2010.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

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### **Other income**

Our other income increased by approximately S\$1.9 million or 237.5% from approximately S\$0.8 million for FY2009 to approximately S\$2.7 million for FY2010, mainly due to an increase in gain on disposal of investment properties of approximately S\$1.4 million, gain on disposal of plant and equipment of approximately S\$0.2 million, fair value gain on financial assets at fair value through profit or loss of S\$0.1 million and increase in other miscellaneous income of approximately S\$0.4 million. In FY2010, we have disposed off two commercial properties namely No. 41 and 43, Dickson Road, which has resulted in a gain on disposal of investment properties of approximately S\$1.4 million. These increases are slightly offset by lower management fee income and supply of labour and materials of approximately S\$0.1 million.

### **Administrative expenses**

Our administrative expenses increased by approximately S\$0.8 million or 34.8% from approximately S\$2.3 million for FY2009 as compared to approximately S\$3.1 million for FY2010 mainly due to the increase in staff costs of approximately S\$0.4 million and other administrative expenses of approximately S\$0.4 million.

### **Other expenses**

Other expenses decreased by approximately S\$0.1 million or 50.0% from approximately S\$0.2 million for FY2009 as compared to approximately S\$0.1 million for FY2010 mainly due to no exchange rate losses, no allowance for doubtful third parties trade receivables and no fair value loss on financial assets at fair value through profit or loss.

### **Finance costs**

Our finance costs decreased slightly by approximately S\$0.1 million or 25.0% from approximately S\$0.4 million for FY2009 to approximately S\$0.3 million for FY2010 mainly due to the lower amount of interest incurred on bank overdrafts and bank loans.

### **Income tax expense**

Our income tax expense increased by approximately S\$0.9 million or 300.0% from approximately S\$0.3 million for FY2009 as compared to approximately S\$1.2 million in FY2010 in line with the higher profit in FY2010.

### **FP2010 vs FP2011**

#### **Revenue**

Our revenue increased by approximately S\$63.8 million or 82.3% from approximately S\$77.5 million for FP2010 to approximately S\$141.3 million for FP2011.

The increase in our revenue in FP2011 was mainly attributed to three projects which were progressing substantially in FP2011. These projects are The Parvis at Holland Hill, the extension to Singapore Institute of Management and 8@woodleigh which together contributed approximately S\$77.3 million to our revenue in FP2011 as compared to approximately S\$39.4 million in FP2010. In addition, our

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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overseas project to build a hotel resort at Falhumaafushi Island, Maldives, contributed to approximately S\$27.2 million of our revenue in FP2011 as compared to S\$7.0 million in FP2010.

### **Cost of sales, gross profit and gross profit margin**

Our cost of sales increased by approximately S\$60.3 million or 84.6% from approximately S\$71.3 million for FP2010 to approximately S\$131.6 million for FP2011, which was in line with the overall increase in our revenue. The increase in cost of sales was slightly more than proportionate to the increase in revenue. The gross profit margin decreased from 8.1% for FP2010 to 6.9% for FP2011 due mainly to higher sub-contracting costs and overhead costs.

### **Other income**

Our other income increased by approximately S\$0.1 million or 4.2% from approximately S\$2.4 million for FP2010 to approximately S\$2.5 million for FP2011, mainly due to an increase in interest income, rental income and foreign exchange gains and partially offsetted by a decrease in gain in disposal of investment properties.

### **Administrative expenses**

Our administrative expenses increased by approximately S\$1.3 million or 68.4% from approximately S\$1.9 million for FP2010 as compared to approximately S\$3.2 million for FP2011 mainly due to the increase in staff costs of approximately S\$0.5 million and other administrative expenses of approximately S\$0.8 million.

### **Finance costs**

Our finance costs decreased slightly by approximately S\$0.1 million or 50.0% from approximately S\$0.2 million for FP2010 to approximately S\$0.1 million for FP2011 mainly due to the lower amount of interest incurred on bank overdrafts and bank loans.

### **Income tax expense**

Our income tax expense decreased by approximately S\$0.1 million or 12.5% from approximately S\$0.8 million for FP2010 as compared to approximately S\$0.7 million in FP2011. This is a significant reduction in tax expense for FP2011.

## **REVIEW OF FINANCIAL POSITION**

### **Non-current assets**

Our Group's plant and equipment consist mainly of computers, office equipment, furniture and fittings, motor vehicles and plant and machinery. Our investment properties consist of our 100.0% interest in properties The Esta at Amber Gardens and The Caribbean at Keppel.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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### As at 30 September 2010

As at 30 September 2010, our non-current assets amounted to approximately S\$10.8 million or 11.4% of our total assets and comprise of plant and equipment of approximately S\$5.0 million, investment properties of approximately S\$5.3 million and investments in joint ventures of approximately S\$0.5 million.

### As at 30 June 2011

Non-current assets decreased by S\$5.5 million from S\$10.8 million as at 30 September 2010 to S\$5.3 million as at 30 June 2011 due to disposal of investment properties on our Group's books of approximately S\$5.3 million and a decrease in plant and equipment of approximately S\$0.3 million which were partially offset by an increase in joint ventures of approximately S\$0.1 million.

### **Current assets**

Our current assets comprise of property held for sale, financial assets at fair value through profit or loss, trade and other receivables and cash and cash equivalents.

### As at 30 September 2010

As at 30 September 2010, current assets amounted to approximately S\$83.9 million or 88.6% of our total assets. Trade and other receivables was the largest component of our current assets, accounting for approximately S\$53.6 million. Cash and cash equivalents amounted to approximately S\$27.7 million, property held for sale amounted to S\$0.6 million and financial assets at fair value through profit or loss amounted to approximately S\$2.0 million.

### As at 30 June 2011

Current assets increased by approximately S\$11.3 million from S\$83.9 million as at 30 September 2010 to S\$95.2 million as at 30 June 2011. The increase was mainly due to an increase in cash and cash equivalents of approximately S\$18.1 million, which were partially offset by a decrease in trade and other receivables of approximately S\$4.8 million, a decrease in financial assets at fair value through profit or loss of approximately S\$1.3 million and a decrease in properties held for sale of approximately S\$0.7 million.

### **Current liabilities**

Our current liabilities comprise of trade and other payables, amounts due to contract customers, bank borrowings, finance lease payables and current income tax payable.

### As at 30 September 2010

As at 30 September 2010, current liabilities amounted to approximately S\$76.0 million or 96.3% of our total liabilities. Trade and other payables accounted for approximately S\$59.3 million of our total current liabilities, amounts due to contract customers accounted for approximately S\$14.3 million of our total current liabilities, current portion of our finance lease payables accounted for approximately S\$0.9 million, bank borrowings accounted for approximately S\$0.2 million and current income tax payable accounted for approximately S\$1.3 million of our total current liabilities.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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As at 30 June 2011

Current liabilities decreased by S\$4.9 million from S\$76.0 million in 30 September 2010 to S\$71.1 million in 30 June 2011. The decrease was mainly due to a decrease in trade and other payables amounting to approximately S\$13.8 million, a decrease in current income tax payable of approximately S\$0.2 million and a decrease in bank borrowings of approximately S\$0.2 million, which were partially offset by an increase in amounts due to contract customers of approximately S\$9.3 million.

### **Non-current liabilities**

As at 30 September 2010

As at 30 September 2010, non-current liabilities amounted to approximately S\$2.9 million or 3.7% of our total liabilities and comprise the non-current portion of our finance lease payables, the non-current portion of bank borrowings and deferred tax liabilities amounting to approximately S\$1.5 million, S\$1.1 million and S\$0.3 million respectively.

As at 30 June 2011

Non-current liabilities decreased by S\$2.0 million from S\$2.9 million as at 30 September 2010 to S\$0.9 million as at 30 June 2011. The decrease was mainly due to a decrease in finance leases payables of approximately S\$0.6 million, a decrease in bank borrowings of approximately S\$1.1 million and a decrease in deferred tax liabilities of approximately S\$0.3 million.

### **Capital and reserves**

Our capital and reserves comprise mainly of share capital, accumulated profits, foreign currency translation account and non-controlling interests.

As at 30 September 2010

As at 30 September 2010, our capital and reserves amounted to approximately S\$15.8 million. Share capital accounted for approximately S\$8.4 million, foreign currency translation account accounted for a deficit balance of approximately S\$13,000 and accumulated profits accounted for approximately S\$7.2 million of our total capital and reserves. There was also an amount of S\$0.2 million attributable to the non-controlling interests.

As at 30 June 2011

Capital and reserves increased by S\$12.7 million from S\$15.8 million as at 30 September 2010 to S\$28.5 million as at 30 June 2011. The increase was mainly due to an increase in accumulated profits amounting to approximately S\$5.9 million, an increase in non-controlling interests amounting to approximately S\$1.6 million and an increase in share capital of approximately S\$5.2 million.

### **LIQUIDITY AND CAPITAL RESOURCES**

Over the period under review, our Group has financed our working capital, capital expenditure and other capital requirements through a combination of funds generated from our operating activities, shareholders' equity, and bank and other borrowings.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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As at 30 September 2010, we had an aggregate cash and cash equivalents of approximately S\$27.7 million, of which S\$13.2 million was pledged as security for bank borrowings. There were also credit facilities of approximately S\$75.9 million available, of which approximately S\$26.7 million was unutilised.

Our Directors are of the opinion that after taking into account the cash flows generated from our Group's operations, our Group's existing cash and cash equivalents, our Group's banking facilities and the investments by our Pre-IPO investors, the working capital available to our Group as at date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on the Catalist.

Our Sponsor is of the reasonable opinion that, having regard to the above, after having made due and careful enquiry and after taking into account the cash flows generated from our Group's operations, our Group's existing cash and cash equivalents, our Group's banking facilities and the investments by our Pre-IPO investors, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for its present requirements and for at least 12 months after the listing of our Company on the Catalist.

As at 30 June 2011, we had net working capital of S\$24.1 million and our cash and cash equivalent stood at S\$45.8 million, of which S\$8.9 million was pledged with bank for banking facilities. Please also refer to the section "Capitalisation and Indebtedness" of this Offer Document for further details of the utilised facilities.

A summary of our combined statements of cash flows for FY2008, FY2009, FY2010 and FP2011 is set out below. The following net cash flow summary should be read in conjunction with the full text of this Offer Document.

(S\$'000)	FY2008 (Audited)	FY2009 (Audited)	FY2010 (Audited)	FP2011 (Audited)
Net cash from/(used in) operating activities	2,388	(1,076)	16,846	16,368
Net cash from investing activities	1,682	2,952	2,803	6,575
Net cash used in financing activities	(4,629)	(3,208)	(7,104)	(554)
<b>Net change in cash and cash equivalents</b>	<b>(559)</b>	<b>(1,332)</b>	<b>12,545</b>	<b>22,389</b>
Cash and cash equivalents at beginning of financial year/period	3,819	3,260	1,928	14,466
Exchange difference on cash and cash equivalents	—	—	(7)	(2)
<b>Cash and cash equivalents at end of financial year/period</b>	<b>3,260</b>	<b>1,928</b>	<b>14,466</b>	<b>36,853</b>



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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### FY2008

#### ***Net cash from operating activities***

In FY2008, we generated net cash flows from operating activities of approximately S\$2.4 million, which was a result of operating cash inflows before working capital changes of approximately S\$0.5 million, adjusted for net working capital inflows of approximately S\$2.0 million and income tax paid of approximately S\$0.1 million.

The net working capital inflows were mainly due to an increase in trade and other payables amounting to approximately S\$10.1 million.

The above working capital inflows were partially offset by:

- (a) an increase in trade and other receivables amounting to approximately S\$4.5 million; and
- (b) a decrease in amounts due to contract customers of approximately S\$3.6 million.

#### ***Net cash from investing activities***

Net cash flow derived from investing activities amounted to approximately S\$1.7 million which was mainly attributable to the following:

- (a) proceeds from profit and capital withdrawal of investment in joint ventures of approximately S\$1.9 million;
- (b) proceeds from disposal of financial assets at fair value through profit or loss of approximately S\$0.9 million;
- (c) proceeds from disposal of property held for sale of approximately S\$0.3 million; and
- (d) interest income received amounting to approximately S\$0.1 million.

The above investing cash inflows were partially offset by the purchase of financial assets at fair value through profit or loss of amounting to approximately S\$1.3 million.

#### ***Net cash used in financing activities***

Net cash used in financing activities of approximately S\$4.6 million was due to fixed deposit pledged with financial institutions of approximately S\$0.4 million, repayment of bank borrowings of approximately S\$3.6 million, repayment of finance lease payables of approximately S\$0.2 million and interest payments of approximately S\$0.4 million.

As at 30 September 2008, our cash and cash equivalents were approximately S\$3.3 million.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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### FY2009

#### ***Net cash used in operating activities***

In FY2009, we incurred net cash outflows from operating activities of approximately S\$1.1 million, which was a result of operating cash outflows before working capital changes of approximately S\$0.2 million, adjusted for net working capital outflows of approximately S\$0.6 million and income tax paid of approximately S\$0.3 million.

The net working capital outflows were due to the following:

- (a) an increase in trade and other receivables amounting to approximately S\$2.3 million; and
- (b) a decrease in amounts due to contract customers of approximately S\$1.5 million.

The above working capital outflows were partially offset by an increase in trade and other payables amounting to approximately S\$3.2 million.

#### ***Net cash from investing activities***

Net cash flows derived from investing activities amounted to approximately S\$3.0 million which was mainly attributable to the following:

- (a) proceeds from profit and capital withdrawal of investment in joint ventures amounting to approximately S\$4.0 million;
- (b) proceeds from disposal of investment properties amounting to approximately S\$0.7 million;
- (c) proceeds from disposal of financial assets at fair value through profit or loss amounting to approximately S\$0.2 million; and
- (d) interest income received amounting to approximately S\$0.1 million.

The above investing cash inflows were partially offset by the following:

- (a) purchase of investment properties amounting to approximately S\$1.1 million;
- (b) purchase of plant and equipment amounting to approximately S\$0.7 million; and
- (c) purchase of financial assets at fair value through profit or loss amounting to approximately S\$0.2 million.

#### ***Net cash used in financing activities***

Net cash used in financing activities of approximately S\$3.2 million was due to fixed deposit pledged with financial institutions of approximately S\$2.2 million, repayment of bank borrowings of approximately S\$1.7 million, repayment of finance lease payables of approximately S\$0.5 million, dividends paid to shareholders of approximately S\$0.3 million and interest payments of approximately S\$0.3 million. The above cash outflows were partially offset by the proceeds from bank borrowings of approximately S\$1.8 million.

As at 30 September 2009, our cash and cash equivalents were approximately S\$1.9 million.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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### FY2010

#### ***Net cash from operating activities***

In FY2010, we generated net cash inflows from operating activities of approximately S\$16.8 million, which was a result of operating cash inflows before working capital changes of approximately S\$9.0 million, adjusted for net working capital inflows of approximately S\$8.0 million and income tax paid of approximately S\$0.2 million.

The net working capital inflows were due to the following:

- (a) an increase in amounts due to contract customers of approximately S\$8.9 million; and
- (b) an increase in trade and other payables amounting to approximately S\$25.5 million.

The above working capital inflows were partially offset by an increase in trade and other receivables amounting to approximately S\$26.4 million.

#### ***Net cash from investing activities***

Net cash flows derived from investing activities amounted to approximately S\$2.8 million which was attributable to the following:

- (a) proceeds from disposal of investment properties amounting to approximately S\$4.9 million;
- (b) proceeds from disposal of financial assets at fair value through profit or loss amounting to approximately S\$0.5 million;
- (c) proceeds from disposal of plant and equipment amounting to approximately S\$0.2 million;
- (d) proceeds from profit and capital withdrawal of investment in joint ventures amounting to approximately S\$0.2 million; and
- (e) interest income received amounting to approximately S\$0.1 million.

The above investing inflows were partially offset by the following:

- (a) purchase of financial assets at fair value through profit or loss amounting to approximately S\$1.6 million; and
- (b) purchase of plant and equipment amounting to approximately S\$1.5 million.

#### ***Net cash used in financing activities***

Net cash used in financing activities of approximately S\$7.1 million was due to fixed deposit pledged with financial institutions of approximately S\$2.3 million, repayment of bank borrowings of approximately S\$2.9 million, repayment of finance lease payables of approximately S\$1.1 million, dividends paid to shareholders of approximately S\$0.5 million and interest payments of approximately S\$0.3 million.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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As at 30 September 2010, our cash and cash equivalents were approximately S\$14.5 million.

### FP2011

#### ***Net cash from operating activities***

In FP2011, we generated net cash inflows from operating activities of approximately S\$16.4 million, which was a result of operating cash inflows before working capital changes of approximately S\$9.3 million, adjusted for net working capital inflows of approximately S\$8.3 million and income tax paid of approximately S\$1.2 million.

The net working capital inflows were due to the following:

- (a) an increase in amounts due to contract customers of approximately S\$9.4 million; and
- (b) an increase in trade and other receivables amounting to approximately S\$4.7 million.

The above working capital inflows were partially offset by a decrease in trade and other payables amounting to approximately S\$5.8 million.

#### ***Net cash from investing activities***

Net cash flows derived from investing activities amounted to approximately S\$6.6 million which was attributable to the following:

- (a) proceeds from disposal of investment properties amounting to approximately S\$6.0 million;
- (b) interest income received amounting to approximately S\$0.1 million;
- (c) proceeds from disposal of financial assets of fair value through profit or loss amounting to approximately S\$0.6 million; and
- (d) proceeds from disposal of property held for sale amounting to approximately S\$0.7 million.

The above investing inflows were partially offset by the purchase of plant and equipment amounting to approximately S\$0.8 million.

#### ***Net cash used in financing activities***

Net cash used in financing activities amounted to approximately S\$0.6 million was due to release of fixed deposit pledged with financial institutions of approximately S\$4.3 million, proceeds from issuance which were offset by shares of approximately S\$5.2 million, repayment of bank borrowings of approximately S\$1.3 million, repayment of finance lease payables of approximately S\$0.7 million, dividends paid to shareholders of approximately S\$8.0 million and interest paid on borrowings of approximately S\$0.1 million.

As at 30 June 2011, our cash and cash equivalents were approximately S\$36.9 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

### CAPITAL EXPENDITURES, DIVESTMENTS AND COMMITMENTS

#### Capital Expenditures and Divestments

Capital expenditures and divestments made by our Group in FY2008, FY2009, FY2010, FP2011 and for the period from 1 July 2011 to the Latest Practicable Date were as follows:

(\$'000)	FY2008	FY2009	FY2010	FP2011	1 July 2011 to the Latest Practicable Date
<b>Expenditures</b>					
Investment properties	—	1,081	—	—	—
Intangible asset	10	—	9	1	—
Financial assets at fair value through profit or loss	1,288	177	1,612	—	—
Plant and equipment	1,379	2,672	2,063	778	577
<b>Total Expenditures</b>	<b>2,677</b>	<b>3,930</b>	<b>3,684</b>	<b>779</b>	<b>577</b>
<b>Divestments</b>					
Investment properties	—	670	3,550	5,300	—
Investments in joint ventures	—	—	182	—	—
Intangible asset	—	2	—	—	—
Properties held for sale	300	—	—	650	—
Financial assets at fair value through profit or loss	839	197	460	565	—
Plant and equipment	8	2	482	—	365
<b>Total Divestments</b>	<b>1,147</b>	<b>871</b>	<b>4,674</b>	<b>6,515</b>	<b>365</b>

The above capital expenditures were financed by banking facilities from financial institutions and internally generated funds.

In FY2009, our Group acquired the investment property named The Esta at Amber Gardens.

In FY2010, our Group had disposed its commercial properties namely No. 41 and 43, Dickson Road, which amounted to S\$4.9 million in aggregate. In addition, property amounted to approximately S\$650,000, namely unit #12-01 at Parc Vista, was transferred from investment property to property held for sale because our Group had signed an option agreement to dispose off this property.

Our Group had also divested their interest in Sim Lian — Keong Hong JV on 30 October 2009, a joint venture with Sim Lian Construction Co (Pte) Ltd, which amounted to S\$0.2 million. This was due to their construction project "Project Palm Gardens Condominium", being completed in FY2010.

Our Group had invested in quoted equity investments and unquoted investment fund amounted to S\$1.6 million in FY2010.

In FP2011, our Group acquired S\$0.8 million worth of plant and equipment to support the construction of Parvis project.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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In FP2011, our Group had disposed investment properties in The Esta of Amber Garden and the Caribbean at Keppel. In addition, our Group had disposed a property held for sale namely unit #12-02 at Parc Vista.

### Capital Commitments

As at the Latest Practicable Date, our Group did not have any capital commitments save for a capital commitment of S\$200,000, being investment in an Associated Company.

### Operating lease commitments

As at 30 June 2011 and the Latest Practicable Date, we have the following operating lease payment commitments with respect to the rent of the leased properties and office equipment as disclosed in the section entitled "General Information on Our Group — Properties and Fixed Assets" of this Offer Document. We intend to finance the above operating lease commitments by internally generated funds.

(S\$'000)	As at 30 June 2011	Latest Practicable Date
Not later than 1 year	257	297
Later than 1 year but not later than 5 years	68	164
	325	461

## FOREIGN EXCHANGE MANAGEMENT

### Accounting treatment of foreign currencies

The accounting records for the companies in our Group are maintained in S\$ as it is our country of domicile. Our reporting currency is also in S\$.

Our Group's revenue is denominated entirely in S\$. However, our Group transacts in some US\$ for the purchase of raw materials and payment of wages for the Maldives project.

The percentages of our purchases denominated in different currencies are as follows:

	FY2008 %	FY2009 %	FY2010 %	FP2011 %
<b>Percentage of purchases denominated in</b>				
S\$	100.0	100.0	99.2	88.5
US\$	—	—	0.8	11.5
<b>Total</b>	100.0	100.0	100.0	100.0

Foreign currency monetary assets and liabilities at the end of the financial year and period, if any, are translated into S\$ at exchange rates approximating those prevailing at that date. All resultant exchange differences are dealt with through the combined statements of comprehensive income.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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For FY2008, FY2009, FY2010 and FP2011, the foreign exchange gains and losses of our Group are as shown below:

		FY2008	FY2009	FY2010	FP2011
Net foreign exchange (loss)/gain	(S\$'000)	(78)	(17)	21	878
As a percentage of revenue	(%)	0.1	N.M.	N.M.	0.6
As a percentage of profit before income tax	(%)	4.4	0.7	0.2	9.8

N.M. – Not meaningful.

Currently, we do not have any formal policy for hedging against foreign exchange exposure as our Directors believe that the Group is not significantly exposed to foreign exchange fluctuation in view of the small amount of transactions denominated in foreign currency. In addition, the Maldives project is expected to be completed in April 2012. However, we may consider implementing a formal hedging policy should our exposure to foreign exchange increase. Any adoption of a formal hedging policy in the future will require the approval of our Board and our hedging policies will be subject to review by and approval from our Audit Committee.

### CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

There has been no significant change in the accounting policies of our Group from FY2008 to FY2010. Please refer to the section entitled "Summary of Significant Accounting Policies" in the Audited Combined Financial Statements as set out in Appendix A of this Offer Document, for details on our Group's accounting policies.

### CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents and capitalisation and indebtedness:

- (a) as at 30 September 2010;
- (b) as at 30 September 2011; and
- (c) as adjusted for the Placement and significant events as highlighted in the Unaudited Proforma Combined Financial Information.

You should read this table in conjunction with the Audited Combined Financial Statements and the Unaudited Proforma Combined Financial Information as set out in Appendices A and B of this Offer Document and the related notes under the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" of this Offer Document.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

(S\$'000)	As at 30 September 2010	As at 30 September 2011	As adjusted for Placement and significant events as highlighted in the Unaudited Proforma Combined Financial Information
Cash and cash equivalents	27,676	39,725	44,768
Current			
Finance lease payables (Secured)	898	798	798
Bank borrowings (Secured)	203	—	—
	1,101	798	798
Non-current			
Finance lease payables (Secured)	1,464	852	852
Bank borrowings (Secured)	1,082	—	—
	2,546	852	852
<b>Total indebtedness</b>	<b>3,647</b>	<b>1,650</b>	<b>1,650</b>
<b>Total shareholders' equity</b>	<b>15,596</b>	<b>28,757</b>	<b>33,800</b>
<b>Total capitalisation and indebtedness</b>	<b>19,243</b>	<b>30,407</b>	<b>35,450</b>

As at 30 September 2010, our total secured short term borrowings amounted to approximately S\$1.1 million in aggregate, comprising bank borrowings of approximately S\$0.2 million and the current portion of finance lease payables of approximately S\$0.9 million, while our total secured long term borrowings amounted to approximately S\$2.5 million in aggregate, comprising bank borrowings of approximately S\$1.1 million and the non-current portion of finance lease payables of approximately S\$1.4 million. The effective interest rates for the finance lease payables and bank borrowings ranged from 3.84% to 6.18% per annum and 3.50% to 5.25% per annum respectively for the period between 1 October 2009 and 30 September 2010.

As at the Latest Practicable Date, there were no material changes in our total capitalisation and indebtedness, except for changes in our accumulated profits arising from the day-to-day operations in the ordinary course of our business.

As at the 30 September 2010, the total banking facilities available to our Group amounted to S\$75.9 million, of which S\$26.7 million remain unutilised. As at the Latest Practicable Date, the total banking facilities available to our Group amounted to S\$79.9 million, of which S\$30.0 million remain unutilised.

### Contingent Liabilities

As at the Latest Practicable Date, to the best of our knowledge, information and belief, we are not aware of any contingent liabilities which may have a material effect on the financial position and profitability of our Group.



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## GENERAL INFORMATION ON OUR GROUP

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### OUR HISTORY

Our Company was incorporated in Singapore on 15 April 2008 as an exempt private limited company by shares under the Companies Act. On 7 December 2011, our Company was converted into a public company limited by shares and our name was changed to “Keong Hong Holdings Limited”. To facilitate the listing of our Company on Catalist, the Restructuring Exercise was undertaken. Subsequent to the Restructuring Exercise, our Company became the ultimate holding company of our subsidiaries, KH Construction, KH Land and KH Trading and KHA Resorts.

Our Group’s history commenced when Teou Kem Eng @ Teou Kim Eng, and his brother Teo Peng Seng incorporated KH Construction on 1 October 1983. Our Executive Director and CEO, Leo Ting Ping Ronald, joined KH Construction around 1985. Prior to this, KH Construction was a dormant company. Since Leo Ting Ping Ronald joined the Company as shareholder and managing director in 1986, KH Construction has been actively engaged in the construction business. Initially, KH Construction started out mainly as a sub-contractor and handled projects with generally smaller contract value.

From 1994 to 2000, KH Construction successfully tendered for the comprehensive building maintenance of several government secondary schools and junior colleges in West Zone 2 in Singapore. We also commenced work on a HDB development at Sengkang neighbourhood North Zone 3. KH Construction participated in tenders with higher contract values in the private sector and managed to secure multi-million dollar projects comprising several private sector projects with an aggregate contract value of more than S\$336 million, including the 55-unit housing development of 3-storey terrace houses at Kismis Avenue and five phases of the same landed housing development at Sembawang Road and Jalan Ulu Seletar. Through such projects, the company gained valuable experience and expertise in construction management. It was during this period where we commenced the construction of the 638-unit Parc Vista condominium development and the 694-unit Palm Gardens condominium development.

From 2001 to 2007, our focus was largely on construction of condominiums. KH Construction completed the 53-unit The Edgewater condominium development, the 167-unit The Belvedere condominium development, the 216-unit Butterworth 8 condominium development and the 147-unit Sunville condominium development. We are one of the first few companies to introduce the environmentally friendly jack-in piling system which utilises a hydraulic system to jack-in the concrete piles. This method was used in The Belvedere and The Esta condominium developments. As the jack-in piling system is silent, we are able to use this system at all times during the day. This results in savings in foundation construction time and cost. At the same time, to diversify our business portfolio, KH Construction started adding A&A works to its portfolio when it was responsible for A&A works on retail buildings such as the Tampines Mall Shopping Centre and commercial buildings such as factories and offices at Joo Koon Circle, Senoko Way, No. 2 Gul Avenue, Changi South Industrial Estate and fitting out works for Fuji Xerox, Singapore. We also completed the reconstruction of Pasir Laba Army Camp in 2002. KH Construction also ventured into the construction of buildings in the healthcare industry, including the construction of Toa Payoh Nursing Home and the building of the extension to Mount Alvernia Hospital. During this period, KH Construction continued to expand its client base to include building, extensions and we also completed our first D&B project being the 51-unit The Linc condominium development where we undertook the design of the structural and M&E work of the project.

Since 2008, KH Construction has continued to expand into commercial buildings and D&B condominium development with the completion of main building works for the Sime Darby Performance Centre comprising a 6-storey motor vehicle service centre and ancillary motor vehicle showroom offices and storage, the 400-unit The Esta condominium development, and more recently, the 302-unit Martin Place Residences condominium development. In addition, as part of our strategy to reduce reliance on

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## GENERAL INFORMATION ON OUR GROUP

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construction of condominiums in Singapore, KH Construction has expanded into hotel development by securing the D&B 16-storey IBIS hotel project on Bencoolen Street (“**IBIS Hotel Project**”) in 2009 where we also undertook the architectural design. We subsequently set up a joint venture with Kienta Engineering Construction Pte. Ltd. to jointly construct the IBIS Hotel Project. We have also recently completed a project for Singapore Institute of Management, where we utilised a “top-down” method of construction to enable the above-ground structures and its sub-basement structures to be built simultaneously, saving construction time and minimising disturbances to surrounding structures.

KH Construction has further secured several more major D&B condominium projects, including the 248-unit Parvis condominium development, the 330-unit 8@Woodleigh condominium development and the 414-unit The Terrasse condominium development where we undertook the design of the structural and M&E work of the projects.

In 2009, to further diversify our portfolio of developments and to tap on business opportunities outside of Singapore, we secured a contract with Bonaventure (Maldives) Pvt Ltd (part of the Bonvest Holdings Limited group) and subsequently set up a newly established entity KHA Resorts to construct a resort development at Falhumaafushi Island at Gaafu Alifu Atoll, Maldives. This development project is targeted to complete in April 2012.

KH Construction has progressed over the years as a sub-contractor to an established D&B main contractor. In 2003, KH Construction, having completed several public and private sector projects, successfully applied for its tendering limit under the BCA grading status of A2 under the category CW01 for general building pursuant to the BCA Contractor’s Registry.

We have received certifications and accolades for our business, including the ISO 9001:2008 and SS ISO 9001:2008 certification in 1998, the BCA Award for Construction Excellence (Certificate of Excellence) for the Parc Vista condominium in 2000, the OHSAS 18001:2007, the ISO 14001:2004 and SS ISO 14001:2004 certification in 2004 and the bizSAFE Star Certificate in 2009. Please refer to the section entitled “General Information on our Group — Awards and Achievements” of this Offer Document for more information and details of our other certifications.

We have recently entered into a joint venture with FCL Tampines Court Pte. Ltd. for the development of a 728-unit executive condominium in Punggol. Going forward, we intend to further venture into the property development through strategic alliances and partnerships with developers.

### **BUSINESS OVERVIEW**

We are principally engaged in providing building construction services to both private and public sectors for residential, commercial, industrial and institutional projects. Our clients from the private sector include property owners and developers, and those from the public sector include government bodies and statutory boards. In addition to conventional contracts including A&A works, we also provide construction services for D&B projects. We had also recently entered into a joint venture with FCL Tampines Court Pte. Ltd. for the development of a 728-unit executive condominium in Punggol. Please refer Appendix C of this Offer Document for the valuation certificate.

Our subsidiary, KH Construction, is currently registered with the BCA with a BCA grading of A2 under the category CW01 for general building. Such A2 grading is currently the second highest grade for contractors’ registration in such category and enables KH Construction to tender for public sector construction projects not exceeding S\$85 million in project value.

Our Group’s business comprises building works in Singapore and the Maldives and property development in Singapore.

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## GENERAL INFORMATION ON OUR GROUP

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### BUILDING CONSTRUCTION SERVICES

The nature of our construction projects covers new construction, A&A works of existing buildings, refurbishment and upgrading of existing buildings. The range and scope of our building construction services include excavation, piling, substructures and superstructures works, architectural works, aluminum cladding and curtain walling, mechanical and electrical works, interior fitting-out works, external works and landscaping.

We provide building construction services for projects which comprise:

- Residential projects such as condominiums, apartment buildings, landed housing and public housing
- Commercial projects such as office buildings, hotels and resorts
- Institutional projects such as schools, tertiary institutions and community hospital like the nursing home
- Industrial projects such as factories and warehouses

We provide building construction services to our clients generally in the following forms of contracts:

(i) Conventional Contract

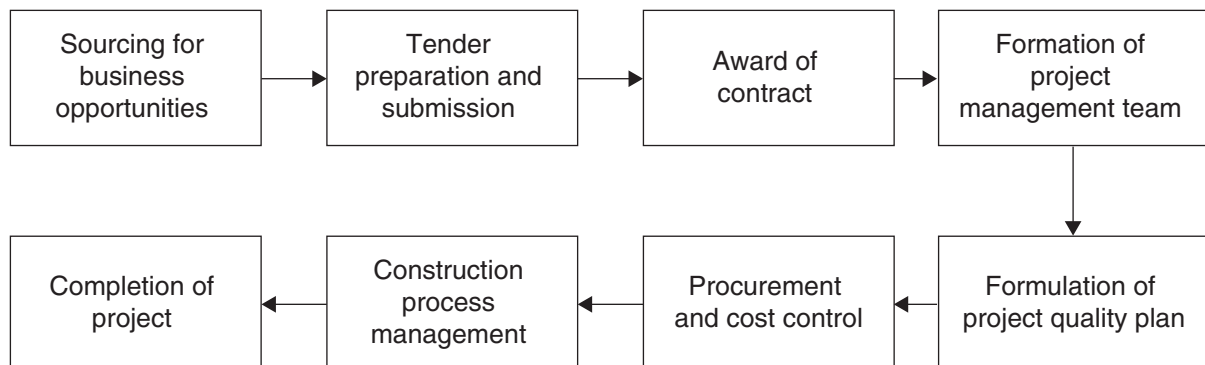
This is the traditional type and most common form of contract used in the construction industry whereby we will execute the construction project in accordance with the designs and specifications provided by consultants appointed by our clients.

(ii) D&B Contract

In a D&B contract, we are generally responsible for the design (structural and M&E) aspect of the project in addition to the conventional construction works. We will have to engage consultants and work together with them from the design stage till completion. Under a D&B contract, we may also undertake architectural design of the project.

### *Business Processes*

The following diagram illustrates our project work flow process:



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## GENERAL INFORMATION ON OUR GROUP

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*(a) Sourcing for business opportunities*

We source for business opportunities by participating in tenders for construction projects either through open tenders or invited tenders. We obtain information on open tenders from the newspapers or the Government Electronic Business (GeBIZ) website. Most construction projects for the public sector are generally awarded through open tenders and any contractors who are registered with BCA and possess the requisite financial grading, will be eligible to tender for the projects. In the case of invited tenders, invitations are made by clients and consultants. Contractors are required to submit a prequalification application form and only those who have good track record, capacity and good financial standing are invited to participate in the tenders. Most of the construction projects for private sector and only selected projects for public sector are awarded through invited tenders.

*(b) Tender preparation and submission*

Before participating in a tender, we would first evaluate our existing commitments and available resources. Once a decision has been made to participate in the tender, our tender department would typically undertake the following steps to ensure that we submit a suitable tender proposal having considered all the requirements stipulated in the tender documents:

- (i) review the relevant tender documents to understand the specific requirements of the project after clarifying any technical or legal ambiguities with the consultants appointed by our clients;
- (ii) verify the bill of quantities prepared to ensure the quantities and scope of work are adequately captured;
- (iii) consider the complexity and construction time frame of the project, the condition of the vicinity of the project site and the applicable market condition in determining the tender price; and
- (iv) obtain quotes from suppliers and sub-contractors for materials and work to be done (as applicable).

The entire process for the above would typically take about two weeks to three months depending on the size of project and the form of contract.

*(c) Award of contract*

Typically, tenders for public projects will be awarded to the lowest tenderer and the results will be published on the Government Electronic Business (GeBIZ) website. For invited tenders, if our submitted tender price is amongst the lowest, we may then be required to attend tender interviews to clarify issues such as pricing and materials offered, methods of construction and to respond to any other queries relating to the tender. There may be negotiations to finalise the price and terms of the contract before the contract is awarded. Notification of a successful tender will typically take place within one to three months after the close of the tender.

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## GENERAL INFORMATION ON OUR GROUP

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Once we are awarded the contract, our tender department will hand over the project to our project department via a project handover meeting, during which our project department will be briefed on, *inter alia*, the scope of works required, specific requirements of the project such as the construction phases, contract period and site constraints, as well as the budget and cost structure.

*(d) Formation of project management team*

Our project director, upon taking over the project from the tender department, will form a project management team to execute the project. The size of the project management team for each of our projects will depend on the size, complexity and construction period of the project. The project management team, under the supervision of our project director, is headed by a project manager who will be supported by a team comprising technical coordinator, mechanical and electrical coordinator, engineer, site supervisor, safety supervisor, quantity surveyor and foreman to manage the project on a full-time basis.

*(e) Formulation of project quality plan*

Once the project management team is formed, it is required to formulate a project quality plan which has to be approved by our project director. A project quality plan is a document that outlines all necessary procedures, schedules and controls to ensure that the project is executed in accordance with the contractual requirements and drawings, meets the objectives of completing the project with high quality under safe conditions within the stipulated time and budgeted cost, and achieves CONQUAS score above the industry standard. The project quality plan will consist of the project organisation chart and the responsibilities of all parties involved, brief description of the project, site utilisation plan, master programme and short term programme, schedule of procurement, schedule of technical submission and integrated quality procedures which specify quality, environmental, health and safety requirements.

*(f) Procurement and cost control*

Our project management team will prepare a procurement schedule stating the required dates of award for various sub-contracts at the commencement of the project. Regular meetings amongst the members of the project management team will be held to monitor the status of the procurement schedule to ensure that the progress of the project will not be affected.

A project cost budget will also be prepared once we are awarded a contract. Sufficient quotes will be called from a list of suppliers and sub-contractors whom we have worked with and are able to give us competitive quotes and we will award the sub-contracts as soon as possible to avoid any escalation in prices.

*(g) Construction process management*

The project manager will manage the project in accordance with the project quality plan. He will have regular meetings with his team members, suppliers and sub-contractors to track the progress of work, schedule of procurement and schedule of technical submission to ensure that these are carried out accordingly. The project management team will also carry out daily site inspections to ensure that the works are carried out in accordance with the integrated quality procedures. The project manager will procure all necessary actions to ensure that the project

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## GENERAL INFORMATION ON OUR GROUP

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quality plan is being complied with. Our project director will conduct site inspections and regular meetings with the project management team members to ensure that the execution of the project is under proper control.

*(h) Completion of project*

A few weeks prior to the completion of a project when most of the works have been completed, our project management team will check the completed works and prepare a list of defects and outstanding works which will be issued to the respective sub-contractors. Our project management team will ensure that the defects are rectified by the sub-contractors to our satisfaction.

Our project management team will inform our clients when the project is ready for handover. We are required to provide documents such as as-built drawings, warranties, operations and maintenance manual to our clients upon completion.

Generally, the projects undertaken by us require us to be liable for any defects in the development for at least 12 months after its completion. We are required to attend to all defects during the defects liability period, inclusive of those arising from the default of the sub-contractors engaged by us. Typically, a sum of 5.0% or 10.0% of the contract sum will be retained by our clients as retention monies to secure the fulfilment of our obligations under the contract. In addition, we will furnish a performance bond for a value of 5.0% or 10.0% of the contract sum that is issued by an insurance company or a financial institution as security for our due performance of the contract on a timely basis. None of our clients has withheld any retention monies after the issue of the final certificate or enforced the performance bond provided by us during the last three financial years ended 30 September 2010 and for the period 1 October 2010 up to the Latest Practicable Date.

Prior to the expiry of the defects liability period, the architect will normally issue a final list of defects for us to rectify. Upon rectification of the final list of defects and fulfilment of other contractual obligations, the architect will issue the final certificate. With the final certificate, we will submit our final payment claim and request for the release of the retention monies and performance bond.

### PROPERTY DEVELOPMENT

We had recently entered into a joint venture with FCL Tampines Court Pte. Ltd. for the development of our first executive condominium in Punggol. Pursuant to the joint venture, we have, through our Associated Company, Punggol Residences Pte. Ltd., successfully tendered for the HDB land parcel in Punggol for the development of a 728-unit executive condominium. Our subsidiary, KH Construction, is the main contractor for the project.

Our key business processes include:

*(a) Site evaluation and assessment*

We identify potential development sites from announcements of public tender, the government land sales programme, private tenders or through our business partners.

In assessing the viability of a development site, various factors will be taken into consideration, including but not limited to the availability of financing, purchase price of the site, construction cost, accessibility of the location, vibrancy and amenities of the area, affordability and profile of

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## GENERAL INFORMATION ON OUR GROUP

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our target home buyers, market conditions, and restrictions from authorities such as Urban Redevelopment Authority, BCA, LTA and National Environment Agency. These assessments could be done internally or externally by professional consultants engaged by our Group.

Construction cost will be predetermined based on projected gross floor areas, number of units to be developed or sellable areas achieved based on maximum permissible plot ratio, and inputs by design consultants including foundation types and depth, structural systems adopted, car parks proposal, floor to floor heights, basement ventilation system.

*(b) Acquisition of sites*

Upon satisfactory results of a site assessment, we will then proceed to bid for or offer to acquire the available site based on a pre-determined price range to ensure the profitability of acquiring the site for property development.

*(c) Appointment of professional consultants*

After acquiring the site, our management will proceed to engage a team of professional consultants, including architects, interior designers, registered surveyors, mechanical and electrical engineers, and civil and structural engineers to formulate the design of the site make-up, architecture and interior design, and specifications of the development such as the number of units to be built, floor area of the units and materials to be used. Approvals, licences and building plan clearances necessary for the sale and construction of the project will also be obtained at this stage.

*(d) Marketing and sales*

Based on the design and building plan approved for the proposed development, showrooms will be built by professional contractors to prepare for the project launch. Our management will be responsible for formulating the marketing strategy for the project, while external consultants will be engaged to execute the necessary marketing and sales activities, including media advertising, and the design, production and distribution of promotional materials. Sales and marketing agents will be engaged to handle sales of the development through exhibitions at our showrooms during project launch and other channels.

*(e) Construction and development of projects*

Prior to the commencement of construction, contractors and suppliers will be selected and appointed, based on factors including their financial status, reliability, track record, ability to commit to the project timeline, and quality of workmanship and finishing. Once the planning approval and relevant licences are obtained and key contractors and suppliers appointed, the construction work will commence.

Our management and project team will manage and supervise the progress of each construction stage of the project closely, with the assistance of the architect and other professional consultants engaged, to ensure that the building standards are met and that the project will be completed within the set budget and scheduled timeline.

*(f) Completion*

Once construction works are completed, an application will be submitted to BCA for the TOP to be issued in respect of the development. Upon the issue of TOP, we will then arrange for the purchasers to take possession of the individual units.

## GENERAL INFORMATION ON OUR GROUP

### MAJOR PROJECTS

#### Completed Projects

As at the Latest Practicable Date, the following are projects that we have completed:

Description of works	Name of developer/owner at the date of commencement of work	Approximate contract sum (\$'million)	Completion date
<b>D&amp;B condominium and hotel developments</b>			
The Linc	Keppel Land Realty Pte Ltd, part of the Keppel Land group	13.7	January 2006
The Belvedere	Sherwood Development Pte Ltd, part of the Keppel Land group	43.4	October 2007
The Esta	Richdeal Pte Ltd, part of MCL Land group	74.3	November 2008
IBIS Hotel Project	Bencool LA Pte Ltd, a joint venture between LaSalle LAO Singapore Pte Ltd and Accor Asia Pacific	46.3	January 2009
Martin Place Residences	FCL Land Pte Ltd	125.7	September 2011
<b>Other condominium developments</b>			
Parc Vista	Parc Vista Pte Ltd, a joint venture between Far East Organization and Pidemco Land Limited (now known as CapitaLand Limited)	120.6	May 1998
Palm Gardens	Keppel Land (Palm Gardens) Pte Ltd, part of the Keppel Land group	147.9	May 2000
The Edgewater	Keppel Land Realty Pte Ltd, part of the Keppel Land group	11.7	November 2003
Butterworth 8	Keppel Land Realty Pte Ltd, part of the Keppel Land group	44.9	April 2004
Sunville	Came Investment Pte Ltd	11.7	April 2005
<b>Terrace housing</b>			
Springside (Phases 1 to 5)	Singapore Engineers Pte Ltd, part of OCBC Property Services	47.6	November 1997
Summerlea Green	OCBC Property Service Pte Ltd	20.1	June 1998



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Description of works	Name of developer/owner at the date of commencement of work	Approximate contract sum (\$'million)	Completion date
Springside (Phases 6A, 7A & Part 7B)	Kallang Development Pte Ltd, part of OCBC Property Services	24.6	December 2003
<b>Commercial buildings/factories</b>			
Artform 2 storey factory building with mezzanine floor and 1st storey ancillary office at Senoko Way	Artform Wood Products Pte Ltd	6.6	July 2001
Vicplas 8-storey factory building with a basement carpark	Vicplas Holdings Pte Ltd	12.5	December 2001
Sime Darby Performance Centre Main building works for 6-storey motor vehicle service centre and ancillary motor vehicle showroom, offices and storage	Performance Motors Limited	38.0	August 2008
<b>Hospitals and nursing homes</b>			
Mount Alvernia Hospital Sisters' Accommodation Sisters' accommodation as an extension to the existing Mount Alvernia Hospital	Mount Alvernia Hospital Assisi Home and Hospice	6.1	December 2005
<b>HDB/army camp/others</b>			
Sengkang N3 C17 Building and electrical works at Sengkang neighbourhood North Zone 3	HDB	28.3	June 2001
Pasir Laba Army Camp Pasir Laba camp redevelopment (Phase 3)	Defence Science and Technology Agency	17.8	April 2002
<b>A&amp;A works</b>			
Avaplas Extention of factory and A&A works	Jurong Consultants Pte Ltd	2.4	July 2001
A&A works to existing factory comprising of a 3-storey technical and training centre with ancillary office	Makino Asia Pte Ltd	5.4	October 2002
Fitting out Works at Fuji Xerox, Singapore	Fuji Xerox Singapore Pte Ltd	2.7	August 2004
A&A works to 4th storey and B3 to B1 of Tampines Mall Shopping Centre	CapitaLand Commercial Ltd	6.9	September 2004
6-storey extension and A&A works to Singapore Institute of Management	Singapore Institute of Management	100.0	September 2011

## GENERAL INFORMATION ON OUR GROUP

### Projects Currently In Progress

As at the Latest Practicable Date, the following projects are examples of our on-going projects:

Description of works	Name of developer/owner	Approximate contract sum (\$ million)	Commencement date	Estimated completion date
Falhumaafushi Resort in the Maldives	Bonaventure (Maldives) Pvt Ltd (part of the Bonvest group)	83.6	February 2010	April 2012
The Parvis	Calne Pte Ltd (a joint venture between MCL Land Ltd and Ho Bee Investment Ltd)	142.9	December 2009	June 2012
8@Woodleigh	FCL Homes Pte Ltd	73.9	July 2009	June 2012
Paterson 2	Bukit Sembawang View Pte Ltd	70.5	August 2011	February 2014
The Terrasse	MCL Land (Serangoon) Pte Ltd	110.5	November 2011	May 2014
An executive condominium project in Punggol	Punggol Residences Pte. Ltd. (a joint venture between KH Construction and FCL Tampines Court Pte. Ltd.)	162.4	First quarter of 2012	December 2014

### AWARDS AND ACHIEVEMENTS

As testament of our commitment to service and quality, our Group has received a number of awards and achievements over the years, some of which are set out below:

Award	Awarding institution(s)	Year
ISO 9001:2008 and SS ISO 9001:2008 Certificate of Registration (Quality Management System) — for design management and building construction services	BCA	1998
“BCA Award for Construction Excellence (Certificate of Excellence)” for Parc Vista condominium	BCA	2000
“BCA Award for Construction Excellence (Certificate of Merit)” for SummerLea Green condominium	BCA	2000
Certificate of Merit for Safety Performance Award 2001 (Sengkang N3 C17)	MOM	2001
ISO 14001:2004 and SS ISO 14001:2004 Certificate of Registration (Environmental Management System) — for building construction services	BCA	2004

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Award	Awarding institution(s)	Year
OHSAS 18001:2007 Certificate of Registration (Occupational Health and Safety Management System) — for building construction services	BCA	2004
Certificate of Merit for Safety Performance Awards 2005 (Butterworth Lane/lpoh Lane)	MOM	2005
Certificate of Merit for Safety Performance Awards 2005 (The Springside)	MOM	2005
Enterprise 50 Awards Winner Year 2006	Business Times and KPMG	2006
SME Growth Excellence For Net Profit Year 2007	HSBC Commercial Banking and DP Information Group	2007
Founding member	Singapore Green Building Council	2009
bizSAFE Star Certificate	Workplace Safety and Health Council	2009

### PRODUCTION FACILITIES AND CAPACITY

We do not undertake any manufacturing or production activities as the nature of our business does not require us to do so.

### SEASONALITY

We do not experience any significant seasonality in the course of our business.

### MARKETING ACTIVITIES

Our Executive Director and CEO, Leo Ting Ping Ronald, is in charge of formulating and planning the marketing strategies and activities for our Group. Our marketing strategies are based on our ability to establish and maintain business relationships with professionals such as quantity surveyors, architects and property developers who would be in a position to refer projects to us.

We also target to grow our business by sourcing for new projects through public and private tenders and, through referrals and recommendations from our clients and consultants from existing and past projects. To provide information on the background and track record of our Group, and to market our capabilities and services, a website at <http://www.keonghong.com> was set up as a cost effective way to reach out to our counterparts, namely, developers, architects, engineering consultants and our other business associates in Singapore as well as in the region. Information contained in our website does not constitute part of this Offer Document.

### RESEARCH AND DEVELOPMENT

We do not undertake research and development activities and have not incurred any research and development expenses as the nature of our business does not require us to do so.

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## GENERAL INFORMATION ON OUR GROUP

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### INSURANCE

We have taken up workmen's compensation insurance, contractors' all risks insurance, workers and employees injury compensation insurance and group personal accident insurance policy in connection with our projects. We have also taken up workmen's medical insurance and workmedic insurance for certain employees.

In addition, we take up marine cargo insurance for our consignment of hardware and raw materials to the Maldives and equipment all risks insurance as and when required.

We are of the view that the above insurance policies are adequate for our existing operations. However, significant damage to our operations may still have a material adverse effect on our results of operations or financial condition. We are not insured against loss of key personnel and business interruption. If such events were to occur, our business may be materially or adversely affected. We have not experienced any difficulties obtaining or renewing our insurance policies, or on realising claims under any of our insurance policies.

We perform an annual review on the insurance coverage to ensure that it is satisfactory in our view.

### INTELLECTUAL PROPERTY

We do not use or own any other trademarks, patents or intellectual property rights which are material to our business.

Our business or profitability is not materially dependent on any licence, trademark, patent or any other intellectual property rights.

### PROPERTIES AND FIXED ASSETS

#### *Fixed Assets*

Our fixed assets comprise plant and equipment, including construction machinery and equipment deployed at the respective construction sites, furniture and fittings, office equipment and motor vehicles.

As at the Latest Practicable Date, we through our Associated Company, Punggol Residences Pte. Ltd., own the following property:

Location	Owned by	Tenure	Approximate gross area (sq m)	Use of property	Valuation (S\$ million)	Valuation Date
HDB land parcel in Punggol	Punggol Residences Pte. Ltd. <sup>(1)</sup>	99 years	25,164.2	For development of an executive condominium	Land value at gross plot ratio 3.0 <sup>(2)(3)</sup>	3 October 2011 <sup>(2)</sup>

#### Notes:

- (1) This is an Associated Company incorporated in Singapore pursuant to a joint venture between KH Construction and FCL Tampines Court Pte. Ltd.. KH Construction and FCL Tampines Court Pte. Ltd. own 20% and 80% of Punggol Residences Pte. Ltd. respectively.
- (2) The valuation for this property was prepared by the independent valuer of our property, Knight Frank Pte Ltd, on 3 October 2011. Please refer to Appendix C of this Offer Document for the valuation certificate.
- (3) Based on the aforesaid valuation by Knight Frank Pte Ltd, the gross development value of the proposed development assuming completion is S\$519.5 million. Please refer to Appendix C of this Offer Document for the valuation certificate.

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As at the Latest Practicable Date, we lease/licence the following properties:

Location	Approximate gross area (sq m)	Tenure	Monthly Rental/ Licence Fee (S\$)	Lessor/ Licencor	Usage
No. 26 Jalan Terusan Singapore 619301	929.0	1 year commencing from 1 April 2011	6,000	Guan Chuan Engineering Construction Pte Ltd	Storage of construction equipment
Block 151 Bukit Batok Street 11 #02-252 Singapore 650151	170.0	3 years commencing from 1 July 2010	2,300	HDB	Office
Block 151 Bukit Batok Street 11 #03-250 Singapore 650151	170.0	3 years commencing from 1 November 2011	2,400	HDB	Office
No. 20 Senoko Drive Singapore 758207	1,008.6	1 year commencing from 15 April 2011	13,027.78	Hulett Construction (S) Pte. Ltd.	Storage of materials
Cochrane Lodge II 49 Admiralty Road West Singapore 757444	96.0	1 year commencing from 11 May 2011	6,000	Aik Chuan Construction (Pte.) Ltd.	Workers accommodation
390 A Sims Avenue Eastern Lodge Singapore 387536	83.6	1 year commencing from 1 April 2011	2,500	Meng Hock Construction Pte. Ltd.	Workers accommodation
No. 20 Senoko Drive Singapore 758207	54.0	1 year commencing from 26 April 2011	5,500	Chuan Lim Construction Pte Ltd	Workers accommodation
No. 20 Senoko Drive Singapore 758207	34.8	1 year commencing from 10 August 2011	3,000	Chuan Lim Construction Pte Ltd	Workers accommodation

To the best of our Directors' knowledge, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties and fixed assets, save as disclosed in the section entitled "Government Regulations" as set out in Appendix D of this Offer Document.

### INVENTORY MANAGEMENT

We maintain a minimal level of inventory of raw materials. However, from time to time, where we anticipate that the materials could not be delivered on time, we may maintain some inventory to meet the needs of our projects.

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## GENERAL INFORMATION ON OUR GROUP

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### QUALITY CONTROL AND ASSURANCE

#### Building Construction Services

We are committed to complete all our projects with quality control as we believe that this is key to remaining competitive in the construction industry. We were awarded by BCA a “Certificate of Excellence” for Parc Vista condominium and a “Certificate of Merit” for SummerLea condominium in 2000 respectively and a “Certificate of Merit for Safety Performance Award” from MOM for Butterworth Lane/Ipoh Lane and The Springside in 2005 respectively. These are testaments to our commitment and effort in providing quality work.

Currently, we are adopting the Integrated Management System (“**IMS**”) that integrates and complies with ISO 9001:2008 (for quality management system), ISO 14001:2004 (for environmental management system) and OHSAS 18001:2007 (for occupational health and safety management system) standards. As part of the IMS, we will prepare a project quality plan for every project that we are awarded. A project quality plan is a document that outlines all necessary procedures, schedules and controls to ensure that the project is executed in accordance with standard good practices, contractual requirements and drawings. Our project management teams have to ensure that the project quality plan is complied with and meets the objectives of completing the project with high quality under safe conditions within the stipulated time and budgeted cost, and achieving CONQUAS score above the industry standard.

To further ensure that our quality objectives are met, we have appointed a quality assurance manager to assist our project management team in ensuring the projects are completed in accordance with our quality standards. He will review on a project-by-project basis, all quality related matters such as the quality procedures, method statement, preparation of shop drawings, selection of materials, sequence of work and method of protection. He will also visit the various project sites regularly to ensure that works are executed properly. He will be involved in the project hand-over stage to ensure that the completed project is ready to be handed over with high quality.

To ensure the quality of our projects, our Group also ensures that our sub-contractors, architects and other building professionals have the relevant experience and proven track record through conducting interviews and completion of standard questionnaire. At each stage of the construction up to the handing over of the completed project, we conduct regular inspections to ensure that each stage is constructed according to the building specifications and the prescribed procedures and methods.

In order to ensure that we maintain high standards of quality and as part of our efforts to monitor quality and service levels, we have established and aim to achieve the following quality objectives:

- To focus on satisfying and exceeding clients’ expectations and to continuously achieve and maintain good feedback and repeat business from our clients;
- To achieve profitable growth with the commitment to provide internationally recognised quality service standards;
- To improve the quality of work and to reduce wastage;
- To deliver all projects on time and to operate within the given budget; and
- To achieve continual improvement of the usage of resources through training and improvement of work processes.

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## GENERAL INFORMATION ON OUR GROUP

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As a testament to our commitment to quality and excellence, we have been awarded certifications and accolades for our business, including the ISO 9001:2008 and SS ISO 9001:2008 certification in 1998, the BCA Award for Construction Excellence (Certificate of Excellence) for the Parc Vista condominium development in 2000, the BCA Award for Construction Excellence (Certificate of Merit) for SummerLea Green condominium in 2000, the OHSAS 18001:2007, the ISO 14001:2004 and SS ISO 14001:2004 certification in 2004 and the bizSAFE Star Certificate in 2009. Please refer to the section entitled “General Information on our Group — Awards and Achievements” of this Offer Document for more information and details of our other certifications.

### Property Development

We have put in place certain quality controls in respect of our property development business pursuant to our recent joint venture with FCL Tampines Court Pte. Ltd. for the development of a 728-unit executive condominium project in Punggol. From time to time, we will update our quality controls to ensure compliance with regulatory instruments and mandatory requirements for the development, design, construction, operation and maintenance of the building.

To meet the increasing customer expectations and needs, our senior management and quality assurance managers conduct monthly meetings to review and improve on key quality processes, including:

- Selection/de-selection of contractors/subcontractors based on project managers’ evaluations
- Evaluation of architecture/mechanical/electrical/structural design concepts;
- Selection of quality building and construction materials;
- Monitoring of construction progress, costs, and project timeline;
- Review of in-process inspections findings, and recommendation for continual improvement;
- Reporting on safety performance and recommending improvement action plans;
- Review of legal requirements and monitoring of regulatory compliance;
- Review of company integrated management system objectives (ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007) and recommendations for improvement on process/procedure/material selection.

### WORKPLACE SAFETY AND HEALTH POLICY

Due to the nature of our construction business, incidents that may have detrimental effects on the health and safety of our workers and the environment may occur from time to time. We consider our workers as our most valuable resource. We aim to conduct our business in such a manner that all reasonable and practicable measures have been taken to protect our workers and the environment from anything detrimental to them. In order for us to achieve our aim, we have established a set of environmental, health and safety policies as follows:

- (a) Risk assessment will be conducted before works are allowed to commence so that any foreseeable risks arising from such works can be identified and eliminated accordingly. Where it is not reasonably practicable to eliminate the risks, measures and safe work procedures will be developed to minimise and control the risks.

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## GENERAL INFORMATION ON OUR GROUP

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- (b) All our staff and workers will be briefed on the hazards and risks associated with their work and trained to carry out works in accordance with the established safe work procedures before they commence the works.
- (c) Regular inspections and checks will be conducted to ensure that the established safe work procedures are adhered to.
- (d) All staff and workers shall be provided with the necessary safety and health training so as to enable them to carry out their work safely.
- (e) All machinery and equipment deployed to our worksites will be in good working condition. Only workers who have been trained are allowed to operate the machinery and equipment. In addition, all machinery and equipment are to be regularly serviced and maintained.
- (f) Regular promotion of safety through talks, demonstrations, seminars and courses will be carried out to maintain and raise awareness of safety.
- (g) Only sub-contractors and suppliers who are able to meet our environmental, health and safety requirements will be selected as our business partners. We will monitor their performance on a continual basis to ensure that they maintain their standards.
- (h) A management safety committee was formed to set our direction with regard to safety, monitoring and reviewing of our safety performance, safety report and recommendation. This committee comprises our Executive Directors, project managers, the environmental control officer and the workplace and health safety officer.
- (i) A safety committee was formed to:
  - (i) conduct safety audit and attend project safety meetings;
  - (ii) conduct in-house safety training for staff;
  - (iii) conduct investigation and handle all incident reports;
  - (iv) liaise with all external safety authority; and
  - (v) review and recommend improvement of safety management systems.
- (j) Implementation of preventive measures at project level that include:
  - (i) daily site checks by the project management team members to ensure safety measures are in place;
  - (ii) conducting project safety meeting weekly instead of monthly;
  - (iii) implementing a 'permit to work' system;
  - (iv) monitoring sub-contractors' safety performance; and
  - (v) cultivating a 'safety is everybody's responsibility' culture.
- (k) Implementation of strict compliance of the safe work procedures by the safety supervisor, the crane supplier, crane operator and lifting supervisor for all lifting operations.
- (l) Conduct monthly workplace environmental, health and safety inspections by the safety officer.



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- (m) Implementation of hazard analysis which aims to identify and analyse all existing and potential hazards.

### STAFF TRAINING

We have been organising both formal training courses and in-house training programs to address the development needs of our human resource. Formal training courses are identified annually, ranging from management to financial, marketing and technical courses. On-the-job training is the principal method of training as it is job specific and enables new employees to acquire the necessary skills to function effectively within the shortest period of time. Technical training by alliance and joint venture partners are also carried out as part of technology transfer programmes.

Sponsoring our staff for continual training and skill upgrading is an integral part of our Company's policy. For example, several of our site managers have received the Diploma in Construction Engineering conferred by BCA and the Certificate in Mechanical and Electrical Co-ordination conferred jointly by Construction Industry Development Board and Singapore Contractors Association Limited.

Our staff training expenses are not significant for the period under review.

### GOVERNMENT REGULATIONS

Save as disclosed in the section entitled "Risk Factors" and in the section entitled "Government Regulations" as set out in Appendix D of this Offer Document, we are not subject to any government regulations in the countries where we operate other than those generally applicable to companies and businesses in such countries, which will have a material effect on our business operations. For details on applicable laws and regulations, please refer to the section entitled "Government Regulations" as set out in Appendix D of this Offer Document.

### OUR MAJOR CUSTOMERS

The customers contributing five per cent. (5.0%) or more of our revenue in the period under review are set out below:

Customers	Project	As a percentage of revenue (%)			
		FY2008	FY2009	FY2010	FP2011
FCL Land Pte Ltd <sup>(1)</sup>	Martin Place Residences	14.2	55.2	35.8	24.9
Singapore Institute of Management	Singapore Institute of Management	—	10.5	32.7	22.3
Calne Pte Ltd	Parvis @ Holland Hill	1.5	8.4	14.3	18.1
FCL Homes Pte Ltd <sup>(1)</sup>	8@Woodleigh Close	—	1.8	10.2	14.3
Bonaventure (Maldives) Pvt Ltd	Falhumaafushi Resorts, Maldives	—	—	5.6	19.3
Richdeal Pte Ltd	Amber Gardens/The Esta	43.7	13.2	—	—
Performance Motors Limited	Sime Darby Performance Centre	34.5	9.7	0.4	—
Sherwood Development Pte Ltd	The Belvedere	5.1	0.1	—	—

**Note:**

(1) FCL Land Pte Ltd and FCL Homes Pte Ltd are related companies of Fraser Centrepoint Limited.

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The fluctuation in revenue contribution from our customers varies from year to year as a result of the nature of our business being conducted on a project basis. We may not generate similar projects in terms of size and scope with the same customer in subsequent years.

Save as disclosed above, there is no other customer whose revenue contribution to us accounted for more than five per cent. (5.0%) of our revenue in the period under review.

As at the Latest Practicable Date and save as disclosed in this Offer Document, none of our Directors, Controlling Shareholder or their respective Associates has any interest, direct or indirect, in any of the above major customers.

### Credit Terms

For our construction business, credit terms extended to our customers vary depending on the size of the transaction or contract. Typical credit terms for our construction business range from 30 days to 60 days and the trade receivables' turnover (in days) for our construction business for the period under review are as follows:

	FY2008	FY2009	FY2010	FP2011
Trade receivables' turnover (in days) <sup>(1)</sup>	42	61	44	30 <sup>(2)</sup>

#### Notes:

(1) Trade receivables' turnover days are computed as follows:

$$\frac{\text{Average third parties' trade receivables balances}}{\text{Revenue}} \times 365 \text{ days}$$

Where:

Average third parties' trade receivables balances is the average of the opening and closing third parties' trade receivables balances for the period under review.

(2) Pro-rated for 270 days

The increase in the FY2009 trade receivables' turnover to 61 days was due to disruptions to the global credit markets and its associated impacts which affected the construction industry and caused a general slowdown by the developers in payment.

Our third parties' trade receivables (net of allowance for doubtful trade receivables) as at 30 June 2011 amounted to approximately S\$9.53 million and its ageing schedule is as follows:

Age of third parties' trade receivables	Percentage of total third parties' trade receivables (%)
0 – 30 days	99.7
31 – 60 days	—
61 – 90 days	0.1
91 – 120 days	—
More than 120 days	0.2
	100.0

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From the commencement of a construction project, an aggregate of 10.0% of each monthly progress payments is withheld by the developer up to an aggregate of 5.0% of the contract value. Upon completion, the developer releases 2.5% of the contract value. After the expiry of the defects liability period and the corresponding issue of the maintenance certificate by the superintending officer, the remaining 2.5% of the contract value is paid by the developer to us.

From 1 July 2011 to the Latest Practicable Date, the Company has collected approximately S\$9.51 million, being approximately 99.8% of the total trade receivables as at 30 June 2011.

We do not have significant allowance for doubtful third parties' trade receivables for the period under review as we have not experienced significant difficulties in collecting our trade receivables. The amount of allowance for doubtful third parties' trade receivables for the period under review are as follows:

	FY2008	FY2009	FY2010	FP2011
Allowance for doubtful third parties' trade receivables (S\$'000)	16	5	5	1

We do not have any material bad debts written off for the period under review.

### OUR MAJOR SUB-CONTRACTORS AND SUPPLIERS

The sub-contractors and suppliers accounting for five per cent. (5.0%) or more of our purchases for the period under review are set out below:

Sub-contractors/Suppliers	Materials/Services supplied	As a percentage of our purchases (%)			
		FY2008	FY2009	FY2010	FP2011
SM Foundation Machinery Pte Ltd	Sub-contractor services	5.6	9.8	3.9	0.4
YKK AP Singapore Pte Ltd	Sub-contractor services	5.5	0.6	—	—
BRC Asia Limited	Materials	4.3	12.2	6.8	5.4
Natsteel Holdings Pte Ltd	Materials	1.1	—	6.7	0.1

Our purchases vary from year to year due to the nature of our business is project based. We purchase and/or engage the services of suppliers and/or sub-contractors who consistently provide favourable terms with regard to price, quality and the ability to meet our delivery schedules.

To the best of their knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major suppliers.

Save as disclosed above, there is no other sub-contractor or supplier whose sales to us accounted for more than five per cent. (5.0%) of our purchases in the period under review.

As at the Latest Practicable Date, save as disclosed in this Offer Document, none of our Directors or Controlling Shareholder has any interest (direct or indirect) in the abovementioned sub-contractors or suppliers.

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## GENERAL INFORMATION ON OUR GROUP

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### Payment Terms

Payment terms granted by our sub-contractors and suppliers vary depending on, *inter alia*, our relationship with the sub-contractors and suppliers as well as the size of the transactions. Typical credit terms granted by our sub-contractors and suppliers range from 30 days to 150 days. Our trade payables' turnover (in days) for the period under review are as follows:

	FY2008	FY2009	FY2010	FP2011
Trade payables' turnover (in days) <sup>(1)</sup>	52	134	114	93 <sup>(2)</sup>

**Notes:**

(1) Trade payables' turnover (in days) =  $\frac{\text{Average third parties' trade payables balances}}{\text{Cost of sales}} \times 365 \text{ days}$

Where:

Average third parties' trade payables balances is the average of the opening and closing third parties' trade payables balances for the period under review.

(2) Pro-rated for 270 days.

Our business or profitability is not materially dependent on any industrial, commercial or financial contract (including a contract with a customer or supplier).

### COMPETITION

For our construction business in Singapore and the Maldives, we face competition mainly from domestic and foreign construction companies. To the best of our knowledge, we consider some of our main competitors to include China Construction (South Pacific) Development Co. Pte. Ltd., Wee Hur Construction Pte Ltd, KSH Holdings Limited, Poh Lian Construction Pte Ltd, Kimly Construction Pte Ltd and Nakano Singapore (Pte) Ltd.

For our property development business in Singapore, we face competition from domestic and foreign property development companies. However, as we have only recently entered into the property development business through our joint venture with FCL Tampines Court Pte. Ltd., we do not view any property developer as our specific competitor at this time.

As at the Latest Practicable Date, none of our Directors or Controlling Shareholder or their respective Associates has any interest, direct or indirect, in any of the above competitors.

### COMPETITIVE STRENGTHS

#### **We have an established track record in various categories of construction projects**

We have more than 20 years of experience as a building contractor in the local construction industry. We are not overly dependent on a single project category for our revenue as over the years, we have handled projects of different categories, namely, high-rise and landed residential, commercial, institutional and industrial projects. In addition, we have handled building construction projects covering new construction, additions and alteration of existing buildings, refurbishment and upgrading of existing buildings. In addition to conventional contracts, we are also capable of taking on D&B projects which provide diversification to our business.

Furthermore, our wholly-owned subsidiary, KH Construction is currently registered with the BCA with a BCA grading of A2 under the category CW01 for general building. Such A2 grading is the second highest grade for contractors' registration in such category and enables KH Construction to tender for

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## GENERAL INFORMATION ON OUR GROUP

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public sector construction projects not exceeding S\$85 million in project value. There are no restrictions on tendering limit for private sector construction projects.

Please refer to the sections entitled “General Information on Our Group — Business Overview” and “General Information on Our Group — Awards and Achievements” of this Offer Document for further information on our completed projects and projects currently in progress, as well as our awards and achievements.

### **Our property development and building construction business are complementary**

We have more than 20 years of experience as a building contractor in the local construction industry. Given our extensive experience in the construction business and our recent joint venture with FCL Court Tampines Pte. Ltd. for the development of a 728-unit executive condominium in Punggol, we are able to review our construction projects from both the perspective of a main contractor as well as that of a property developer. For instance, when we take on a project as a property developer, we are able to tap on our knowledge of the construction industry and better envisage potential problems that might be faced by the contractor. This gives us the advantage of pre-empting problems that might arise in the course of construction and we can take steps to avoid such problems or minimise their impact. As a result, we are able to achieve higher efficiency and have better cost management.

Conversely, with the experience gained from our property development business, we are able to position ourselves as a solution provider to our customers for our construction business, rather than just a service provider. Our competitive edge is in our ability to offer our customers feasible alternatives from both a developer’s and a contractor’s perspective to reduce overall costs in their projects and refine specifications according to their needs. By doing so, we have established close and strong working relationships with our key customers, which will in turn help us to secure more future projects.

### **We have established close working relationships with major developers and main contractors**

We have developed good working relationships with developers and owners, and project consultants who are major players and well established in the construction industry. Our track record of repeat clients includes well established developers like Keppel Land group, Frasers Centrepoint Limited and MCL Land Ltd, which bears testimony to our total commitment to customer satisfaction. Our close working relationships with major developers and major contractors have facilitated our sourcing of opportunities and contributed to our securing of projects.

### **We provide high quality services to our customers**

We are fully committed to achieving a high level of construction quality on all our projects through timely completion and efficient delivery. We are capable of completing and handing over projects within short time constraints where speed and efficiency are major considerations.

We believe that we have an established and proven track record and reputation in the construction industry. We have also achieved high quality standards for our various construction projects and in this regard, we have been awarded several awards and certifications including ISO certifications, which attest to the quality of our projects. Our management team takes an active approach in providing valuable inputs on the most appropriate construction methodologies and engineering techniques derived from their vast experience and in closely monitoring each stage of the construction process so as to ensure that projects are completed on schedule and in accordance with our customers’ requirements and governmental regulations.

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### **We have a committed and experienced management team and support staff**

Our success is supported by our experienced and committed management team, led by our Executive Director and CEO, Leo Ting Ping Ronald. His extensive experience in the construction industry has enabled our Group to identify new opportunities and grow our business. Our Executive Director and CEO has over 30 years of experience in the construction industry. Please refer to the section entitled “Directors, Management and Staff” of this Offer Document for further information on their experience.

We also have a team of committed support staff including project managers, engineers, quality assurance managers, quantity surveyors and site coordinators. We also encourage continuous professional development of our employees and train our employees on technical skills, product knowledge and management techniques.

### **PROSPECTS**

#### **SINGAPORE<sup>(1)</sup>**

Traditionally, Singapore’s real estate and construction sectors have played a key role in the development of the general economy. Backed by a stronger than expected economic growth, Singapore’s construction demand increased by 14.0% year-on-year from value of contracts awarded amounting to approximately S\$22.5 billion in 2009 to approximately S\$25.7 billion in 2010. Singapore’s construction demand is expected to perform strongly in 2011, with value of contracts awarded projected to be between S\$22 billion and S\$28 billion, reflecting a continued and sustained growth. Singapore expects to see a sustained level of construction output in 2012 and 2013 of between S\$20 billion and S\$27 billion<sup>(2)</sup>.

In view of the positive outlook of the Singapore construction industry, our Directors believe that the prospects of our Group are encouraging based on the following:

#### **Advancement of public sector projects**

The public sector demand for construction is likely to improve to between S\$12 billion and S\$15 billion for the year of 2011 and remain stable at between S\$9 billion and S\$12 billion per year for the years 2012 and 2013, as compared to S\$8.3 billion in 2010<sup>(2)</sup>. The public sector demand is expected to contribute to about 55.0% of the overall construction demand. In August 2011, HDB announced that 25,000 HDB flats will be built within the year<sup>(3)</sup>, representing an increase of 56.3% from 16,000 HDB flats built in 2010<sup>(4)</sup>. Other slated government projects include the Land Transport Authority’s Downtown MRT line, public road works, Institute of Technical Education’s third regional campus at Ang Mo Kio, redevelopment of Victoria Theatre and Victoria Concert Hall at Empress Place and the development of Jurong General Hospital with a community hospital at Jurong East. Our Directors believe that, with our A2 status and established track records in both housing and institutional building projects, our Group is poised well to leverage on the opportunities arising from the positive outlook in the public construction sector.

#### **Strengthening private sector projects**

The private sector demand for construction is likely to moderate to between S\$10 billion to S\$13 billion for the year of 2011, as compared to S\$17.4 million in 2010. As for private residential projects, the demand is expected to moderate to between S\$5.1 billion and S\$6.1 billion from 2010’s contracts of S\$7.7 billion<sup>(2)</sup>. However, the longer term prospect looks encouraging with an announcement by the Government Land Sales (“GLS”) programme. The Ministry of National Development (“MND”) announced in June 2011 that it will introduce 19 confirmed list sites and 24 reserve list sites under the second half of 2011 GLS. These sites can collectively provide a potential yield of about 14,200 private residential units (including 2,300 executive condominium (“EC”) units), 268,000 sq m gross floor area of commercial space and 3,700 hotel rooms. In particular, in response to the strong demand from home

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## GENERAL INFORMATION ON OUR GROUP

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purchasers and developers, MND will inject 17 private residential sites into the second half of 2011 GLS confirmed list. They can yield a supply of about 8,100 residential units, comparable to the supply from the confirmed list in the first half of 2011 GLS programme. Most of the private residential sites, including 4 EC sites, are located in the outside central region or in locations in the rest of central region where more affordable private housing is expected to be built.<sup>(5)</sup> As the award of land parcels and sites will entail a gestation period leading to the actual construction work, our Directors believe that this development bodes well for our Group's construction activities from 2012 onwards.

### MALDIVES

The Maldivian economy is mainly driven by fishery and tourism. In recent years, its economy has been experiencing strong demand for new resort construction due to the booming tourism industry. Tourist numbers have been increasing with a high level of interest even from non-European visitors.

In 2009, the Maldivian economy incurred a current account deficit of 28.5% which was partly due to the strong domestic demand for new resort construction. This is higher from the 2004 level of 15.7%. Nonetheless, current demand for new resorts has been hampered by lack of bank financing for the construction industry and delays in construction jobs<sup>(6)</sup>. The Maldivian economy is expected to grow 3.5% in 2011 while the construction sector has enjoyed an unprecedented 22.0% year-on-year historical average growth rates in 2010<sup>(7)</sup>.

Our Directors believe that, with our track record in the hotel and resort construction industry and our mature construction techniques, we are well poised to meet the demand in Maldives' construction industry.

### TREND INFORMATION

In 2011, the Singapore government set in place certain measures in a bid to temper the overheating property market. For instance, in January 2011, the Singapore government extended the holding period for imposition of stamp duty on sellers for residential properties from three years to four years, and increased the rates of such stamp duty so as to provide a strong disincentive for investors looking to make short term gains. However, according to the URA's real estate statistics for the second quarter of 2011, new private home sales continued to be strong with 4,325 uncompleted private residential units sold in the second quarter of 2011 compared to 3,430 units sold in the first quarter of 2011. Prices of private residential, office, shop and industrial properties rose by 2.0%, 3.6%, 1.1% and 5.7% respectively in the second quarter of 2011<sup>(8)</sup>. With the current government projects flow, public infrastructural developments planned and the strong home sales recorded, our Directors are of the view that the Singapore construction industry will continue to see an uptrend due to increase in the demand for construction services, particularly in the private sector. Please refer to the section entitled "Prospects" of this Offer Document for more information and details on the outlook for the Singapore construction industry.

Sub-contracting costs and labour costs have stabilised since the global economic slowdown, while raw materials costs are expected to spike in 2011. Higher raw materials costs will be attributed by the expected increase in steel prices, due to global iron ore and coal availability squeeze. The flooding and typhoon disasters in Queensland, Australia have put a stranglehold on one of the world's largest suppliers of high quality coal which is a main ingredient in the manufacture of steel. Cement prices in Singapore are seen to remain stable or decrease slightly throughout 2011 due to the continued competition by cement suppliers and the increase in global cement production<sup>(9)</sup>. Notwithstanding this, in the event that such costs increase, our Directors are of the view that our Group is well positioned to deal with this as we have, in the past, taken measures to deal with cost increases by providing for certain material costs fluctuations in our contracts with our customers.

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As part of the Singapore Government's initiative to increase productivity in the construction industry and reduce the sector's reliance on lower skilled foreign workers there will be progressive MYE cuts over three phases, leading to a cumulative 25.0% cut in MYE allocation by July 2012. MYE refers to the total number of foreign workers a main contractor is entitled to employ<sup>(10)</sup>. Furthermore, MOM announced that it will be tightening the criteria for employment passes issued to foreign workers from 1 January 2012<sup>(11)</sup>. The reduction in the MYE and tightening of employment pass criteria, coupled with the sustained difficulty in attracting locals to fill the void, may result in a prolonged increase in future labour cost. However, as we have automated some of our construction processes and we are known to always complete a project ahead of time, our Directors are of the view that our Group's financial performance will not be significantly affected by the increase in labour costs. Please refer to the section entitled "General Information on Our Group — Our Business" of this Offer Document for more information and details on the pre-casting and advanced formwork systems.

Save as disclosed above, in the sections entitled "Risk Factors", "Management's Discussion and Analysis of the Financial Condition and Results of Operations" and "General Information on Our Group — Business Strategies and Future Plans" of this Offer Document and barring any unforeseen circumstances, our Directors are not aware of any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenue, profitability, liquidity or capital resources, or that would cause the financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document.

### Sources:

- (1) The information contained in the sections entitled Prospects and Trend Information of this Offer Document has been derived from extracts from the websites of BCA, MOM, HDB, URA, Asian Development Bank, the Maldives Partnership Forum as well as <http://www.vnbusinessreg.com> which are publicly available. Neither BCA, MOM, HDB, URA, Asian Development Bank, the Maldives Partnership Forum have consented of the inclusion of such information for the purpose of section 249 of the SFA and are therefore not liable for such information under sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that such information is reproduced in their proper form and context and that such information is extracted fairly and accurately, neither we nor any party have conducted an independent review of such information nor verify the accuracy of the contents of such information. Information contained in the websites do not constitute part of this Offer Document.
- (2) [http://www.bca.gov.sg/Newsroom/pr12012011\\_CPPS.html](http://www.bca.gov.sg/Newsroom/pr12012011_CPPS.html)
- (3) <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/3F7F3B2BDD45CE64482578ED0009B240?OpenDocument>
- (4) <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/895204E2295BDC394825778E007FA919?OpenDocument>
- (5) <http://www.ura.gov.sg/pr/text/2011/pr11-69.html>
- (6) <http://www.adb.org/documents/books/ado/2010/MLD.pdf>
- (7) <http://www.maldivespartnershipforum.gov.mv/pdf/Macroeconomic%20Outlook%20with%20annex.pdf>
- (8) <http://www.ura.gov.sg/pr/text/2011/pr11-95.html>
- (9) <http://www.vnbusinessreg.com/cement-industry-slammed-%E2%80%98overly-hot-investment%E2%80%99/>
- (10) [http://www.bca.gov.sg/Newsroom/others/pr08032010\\_construction\\_measures.pdf](http://www.bca.gov.sg/Newsroom/others/pr08032010_construction_measures.pdf)
- (11) <http://www.mom.gov.sg/newsroom/Pages/PressReleasesDetail.aspx?listid=377>

### ORDER BOOK

We remain cautious in tendering for new projects for our construction business. As at 30 June 2011, the order book for our construction business stood at approximately S\$219 million. As at 30 September 2011, the order book for our construction business stood at approximately S\$541 million. As the revenue from our construction business is recognised based on the percentage-of-completion method, our order book excludes the contract value of completed works which have been recognised as revenue. The value of our order book is not indicative of our revenue for FY2011 as the revenue derived from our order book will be recognised over a number of years.



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### **BUSINESS STRATEGIES AND FUTURE PLANS**

We intend to implement the following strategies and future plans:

#### **Expansion of our business operations in Singapore and overseas**

We will continue to explore suitable opportunities to expand our business operations in Singapore in the residential, hotel, and commercial sectors.

In addition, our Group currently has an overseas construction project in Maldives where KHA Resorts is developing a resort development at Falhumaafushi Island at Gaafu Alifu Atoll, Maldives. This development project in Maldives is targeted to complete in April 2012. We intend to leverage on our experience gained from our Maldives project to expand overseas, especially for construction of hotels and resorts.

We intend to achieve such expansion through suitable acquisitions, investments, strategic alliances and/or joint ventures with our suppliers, customers and/or third parties as and when the opportunities arise. We believe that suitable acquisitions, new joint ventures and strategic alliances will give us access to new markets and prospective customers as well as new businesses.

Save as disclosed in this Offer Document, we are currently not engaged in any discussion with any party for acquisitions, joint ventures or strategic alliances. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders and the relevant authorities as required by the relevant rules and regulations.

#### **To enter into property development sector in Singapore**

We believe that we have substantial experience as a main contractor in Singapore through our proven track record and we see opportunities in the property developer sector. We believe that our experience as main contractor would aid us in our expansion into the property development sector in Singapore.

We have recently entered into a joint venture for the development of a 728-unit executive condominium in Punggol with FCL Court Tampines Pte. Ltd..

We intend to explore other suitable opportunities to expand our business portfolio to include residential, commercial, industrial property development business in Singapore through strategic alliances and/or joint ventures as we believe that there is growth potential in this industry.

#### **Focus on projects with higher complexity and value-add for our construction business**

The contract value of our construction projects has increased steadily over the years. The majority of our completed construction projects in the past three years were more than S\$35 million each in terms of contract value. We have continued to source and obtain projects with higher contract values and the majority of our current projects exceed S\$70 million in terms of contract value, with two of these projects each having a contract value of more than S\$120 million. We intend to step up our efforts to target larger-scale construction projects with higher complexity and value-add as we believe that such projects will generate higher profits and further raise our business profile in the industry. We plan to leverage on our established and proven track record, reputation in the construction industry and enhanced image through listing on the SGX-ST to secure such projects.

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## INTERESTED PERSON TRANSACTIONS

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### INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors, Chief Executive Officer or Controlling Shareholder of our Company or the Associates of such Directors, Chief Executive Officer or Controlling Shareholder) would constitute interested person transactions for the purpose of Chapter 9 of the Catalist Rules. Details of interested person transactions for the last three financial years ended 30 September 2008, 2009 and 2010 and the period from 1 October 2010 to the Latest Practicable Date (the “**Relevant Period**”) are discussed below.

Save as disclosed below and in the sections entitled “Restructuring Exercise” and “General Information on Our Group — Our History” of this Offer Document, our Group does not have any other material transactions with any of its interested persons during the Relevant Period.

### INTERESTED PERSONS

Leo Ting Ping Ronald is our Executive Director and CEO. He is considered “an Interested Person” for the purposes of this section and the section entitled “Potential Conflicts of Interests” of this Offer Document.

### PAST INTERESTED PERSON TRANSACTIONS

#### (1) Purchase of a unit at The Parvis at Holland Hill by Leo Ting Ping Ronald

On 29 September 2010, KH Construction entered into an option agreement for Leo Ting Ping Ronald to purchase a unit at The Parvis situated at 12 Holland Hill #12-03 for S\$3,330,875. Leo Ting Ping Ronald exercised his option on 6 December 2010. As at the Latest Practicable Date, the sale of the aforesaid unit has been completed.

As the price of the unit was within the range of valuations conducted by third party valuers on the property obtained by KH Construction at that time, our Directors believe that the transaction was entered into on an arm’s length basis and on normal commercial terms.

### PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

#### (1) Provision of personal guarantees by our Executive Director, Leo Ting Ping Ronald, and our then director, Teou Kem Eng @ Teou Kim Eng

As at the Latest Practicable Date, our Executive Director and CEO, Leo Ting Ping Ronald, and our then director, Teou Kem Eng @ Teou Kim Eng, have provided joint and several personal guarantees in respect of our Group’s obligations under certain bank facilities provided to our Group, details of which are set out below:

Bank/Finance Company	Borrower	Facilities	Largest amount guaranteed during the Relevant Period
HSBC	KH Construction	Performance/ maintenance bond, advance payment bond and trade facilities totaling S\$15,070,000	S\$15,070,000
OCBC	KH Construction	Overdraft, letter of credit, banker’s guarantee, accounts receivables financing and term loan totaling S\$15,507,075	S\$15,507,075

## INTERESTED PERSON TRANSACTIONS

Bank/Finance Company	Borrower	Facilities	Largest amount guaranteed during the Relevant Period
UOB	KH Construction	Commercial property loan, overdraft, performance guarantee, project financing and forward foreign exchange contracts totaling S\$34,364,000	S\$33,610,000
Maybank	KH Construction	Overdraft facilities, banker's guarantees, letters of credit, trust receipts and shipping guarantees totalling S\$28,118,000 and foreign exchange line totaling US\$2,900,000	S\$31,000,000

As at the Latest Practicable Date, the aggregate outstanding amount guaranteed by Leo Ting Ping Ronald and Teou Kem Eng @ Teou Kim Eng is approximately S\$49.9 million.

In addition, our Associated Company, Punggol Residences Pte. Ltd. (as borrower) had entered into a term loan and revolving loan facilities with DBS for the amount totalling S\$205 million ("**Facilities**") in respect of the development of the 728-unit executive condominium in Punggol. Our Executive Director and CEO, Leo Ting Ping Ronald, and our then director, Teou Kem Eng @ Teou Kim Eng have jointly and severally undertaken to DBS to, inter alia:

- (a) that within seven business days of demand, to pay or procure the payment of all construction, development and miscellaneous costs not funded by the Facilities and/or not funded by the proceeds from the sale of the units in the development ("**Units**");
- (b) that if for any reason the proceeds from the sale of the Units which are available to the borrower are not sufficient for the borrower to meet its interest (including default interest) payment obligations, to provide cash to the borrower, either by way of loan or equity or both for such interest payments; and
- (c) without prejudice to (b) above, that within three business days of demand, to pay to the bank the outstanding amounts payable by the borrower in the event the borrower does not make such payments.

Leo Ting Ping Ronald and Teou Kem Eng @ Teou Kim Eng's liability under the aforesaid joint and several undertakings is limited to 20.0% ("**Undertaking Proportion**") of the relevant outstanding amount, being the proportion of shareholding we hold in Punggol Residences Pte. Ltd.. In addition, if for any reason the ratio of total loans to total security value exceeds the range specified under the terms of the Facilities, Leo Ting Ping Ronald and Teou Kem Eng @ Teou Kim Eng shall, jointly and severally, provide funds to the borrower or additional security in an amount and/or value equal to the Undertaking Proportion.

No fees were paid by us for the aforesaid guarantee arrangement. As such, our Directors believe that the transactions were not entered into on an arm's length basis or on normal commercial terms but to the benefit of our Group.

Upon the listing of our Company on the Catalyst, we intend to request for a discharge of the guarantees provided to the abovementioned financial institutions. Should the terms and conditions of our existing facilities be affected by the withdrawal of the above guarantees, our Directors are confident that with our listing status and strengthened financial position, we should be able to secure alternative bank facilities on terms similar to those applicable to the existing facilities. In the event that our Group will be materially affected due to the withdrawal of the

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## INTERESTED PERSON TRANSACTIONS

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guarantees or where the Group is unable to find similar facilities on favourable terms, Leo Ting Ping Ronald and Teou Kem Eng @ Teou Kim Eng have undertaken to continue the provision of the aforesaid guarantees furnished by them.

### **GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS**

All future transactions with interested persons shall comply with the requirements of the Listing Manual. As stated in the Listing Manual, our Articles require a director to abstain from voting in any contract or arrangement in which he has a personal material interest.

Our Audit Committee will ensure that all future interested person transactions, including the aforementioned interested person transactions involving companies related to our Group, are conducted on normal commercial terms and not prejudicial to the interests of our Company and its minority Shareholders. Such procedures will include the following:

- (a) when purchasing items from or engaging the services of interested persons, our Directors shall take into account the prices and terms of at least two other comparative offers (where appropriate) from non-interested persons. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two comparative offers (where appropriate) from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quantity, quality, delivery time and track record will be taken into consideration;
- (b) when selling items or providing services to interested persons, our Directors shall take into account the prices and terms of at least two other successful transactions of similar nature and size to non-interested persons. The sale price or fee for the supply of services shall not be lower than the lowest sale price or fee of the other two successful transactions to non-interested persons; and
- (c) when renting from or to interested persons, our Directors shall take appropriate steps to ensure that such rent commensurates with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar location and size, or obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where appropriate). The rent payable shall be based on the most competitive market rental rate of similar properties in terms of size and location, based on the results of the relevant enquiries.

In addition, we shall monitor all interested person transactions entered into by us by categorising the transactions as follows:

- (i) a “category one” interested person transaction is one where the value thereof is in excess of 3.0% of the NTA of our Group; and
- (ii) a “category two” interested person transaction is one where the value thereof is below or equal to 3.0% of the NTA of our Group.

“Category one” interested person transactions must be reviewed and approved by our Audit Committee prior to entry. “Category two” interested person transactions must be approved by a Director who shall not be an interested person in respect of the particular transaction prior to entry and must be reviewed on a half-yearly basis by our Audit Committee. In its review, our Audit Committee will ensure that all

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## **INTERESTED PERSON TRANSACTIONS**

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future interested person transactions are conducted on normal commercial terms and are not prejudicial to the interests of our Company and its minority Shareholders.

In respect of all interested person transactions, we shall adopt the following policies:

- (i) In the event that a member of our Audit Committee is interested in any interested person transactions, he will abstain from deliberating, reviewing and/or approving that particular transaction.
- (ii) We shall maintain a register to record all interested person transactions which are entered into by our Group, including any quotations obtained from unrelated parties to support the terms of the interested person transactions.
- (iii) We shall incorporate into our internal audit plan a review of all interested person transactions entered into by our Group.
- (iv) Our Audit Committee shall review the internal audit reports at least half-yearly to ensure that all interested person transactions are carried out on an arm's length basis and in accordance with the procedures outlined above. Furthermore, if during these periodic reviews, our Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that the interests of minority Shareholders are not prejudiced, we will adopt new guidelines and procedures. The Audit Committee may request for an independent financial adviser's opinion as it deems fit.

Our Audit Committee shall ensure that all interested person transactions comply with the provisions in Chapter 9 of the Listing Manual, and if required, we will seek independent Shareholders' approval for such transactions. In accordance with Rule 919 of the Listing Manual, interested persons and their Associates shall abstain from voting on resolutions approving interested person transactions involving themselves and our Group and they shall not accept appointments as proxies unless specific instructions as to voting are given. In addition, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the Shareholder(s).

Our Board of Directors will ensure that all interested person transactions will be subject to the disclosure requirements of the Listing Manual, and will be subject to Shareholders' approval if deemed necessary under the provisions of the Listing Manual. We will disclose in our annual report the aggregate value of interested person transactions conducted during the financial year.

### **POTENTIAL CONFLICTS OF INTERESTS**

All our Directors have a duty to disclose their interests in respect of any transaction in which they have any personal material interest or any actual or potential conflicts of interest (including a conflict that arises from their directorship or employment or personal investment in any corporation). Upon such disclosure, such Directors will not participate in any proceedings of the Board and shall abstain from voting in respect of any such transaction where the conflict arises.

Save as disclosed in the sections entitled "Interested Person Transactions" and "Restructuring Exercise" of this Offer document, and personal investment (whether directly or through nominees) in quoted investments which may include companies listed on the SGX-ST, none of our Directors, Executive Officers, Controlling Shareholder or any of their Associates has had any interest, direct or indirect, in the following:

- (a) any transactions to which our Company was or is to be a party;

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## INTERESTED PERSON TRANSACTIONS

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- (b) any company carrying on the same business or a similar trade which competes materially and directly with the existing business of our Group; and
- (c) any company that is our customer, principal or other supplier of goods and services.

### **Interests of Experts**

No expert is employed on a contingent basis by our Company or any of our subsidiaries; or has a material interest, whether direct or indirect, in our Shares or the shares of our subsidiaries; or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Listing.

### **Interests of the Manager and Sponsor and the Joint Placement Agents**

In the reasonable opinion of our Directors, save as disclosed below and in the section entitled “Plan of Distribution” of this Offer Document, our Company does not have any material relationship with the Manager, Sponsor and the Joint Placement Agents or any other financial adviser in relation to the Placement and the Listing:

- (a) PPCF is the Manager and Sponsor of the Listing;
- (b) PPCF will be the continuing Sponsor of our Company for a period of three years from the date our Company is admitted and listed on the Catalist;
- (c) pursuant to the Management Agreement and as part of PPCF’s fees as the Manager and Sponsor, our Company will issue 2,000,000 PPCF Shares to PPCF;
- (d) Kim Eng and PPCF are the Joint Placement Agents of the Placement; and
- (e) one of the Principal Bankers, Malayan Banking Berhad, is a related entity of Kim Eng.

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## DIRECTORS, MANAGEMENT AND STAFF

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### DIRECTORS

The board of Directors is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are listed below:

Name	Age	Address	Principal Occupation	Country of Principal Residence
Leo Ting Ping Ronald	60	38 Jalan Jarak Singapore 809197	Executive Director and CEO	Singapore
Er Ang Hooa	59	29A Hillview Avenue #10-02 Singapore 669562	Executive Director	Singapore
Chong Weng Hoe	47	11 Thomson Heights Singapore 574840	CEO, TUV SUD PSB Pte Ltd	Singapore
Lim Jun Xiong Steven	56	78 Lorong Pisang Emas Singapore 597895	CEO, SG Trust (Asia) Ltd	Singapore
Wong Meng Yeng	53	1 Victoria Park Road Singapore 266478	Advocate and Solicitor	Singapore

The working, business experience and areas of responsibility of our Directors are set out below:

**Leo Ting Ping Ronald** is our Executive Director and CEO and was appointed to our Board on 15 April 2008. As Executive Director and CEO of our Company, he is in charge of our day-to-day operations and overseeing our strategic direction and corporate business expansion.

He is an engineer with over 30 years of post-graduate experience in the industry. From 1974 to 1983, he was a senior structural engineer in the Structural Engineering Department at HDB. In 1980, as head of the construction technology unit at HDB, he spearheaded the drive towards prefabrication and mechanisation of the local construction industry. He later joined Eng Hup Heng Construction Pte Ltd from 1983 to 1985 as its general manager and was in charge of construction and management of the company projects, including HUDC, HDB housing, factories, and institutional buildings.

Leo Ting Ping Ronald graduated with a Bachelor of Engineering (Civil) with first class honours and a Master of Science (Construction Engineering) degree from The National University of Singapore in 1974 and 1977 respectively. He was made a member of The Institution of Engineers Singapore and an associate of The Institute of Structural Engineers, UK, in 1978 and 1992 respectively. He was also registered as a professional engineer with the Singapore Professional Engineers Board in 1979.

**Er Ang Hooa** joined our Group in 1996 and was appointed to our Board on 26 September 2011. He has been the project director at KH Construction since June 2010. He is responsible for all operational activities relating to construction projects undertaken by our Group. Prior to being project director at KH Construction, he was the general manager from 2005 to 2010, assistant general manager from 2001 to 2004 and senior project manager from 1996 to 2000 at KH Construction.

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

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## DIRECTORS, MANAGEMENT AND STAFF

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**Chong Weng Hoe** is our Independent Director and was appointed to our Board on 22 November 2011. He joined TUV SUD PSB Pte Ltd in April 1991 as an engineer. He became Vice President (Electromagnetic Compatibility) in April 1995, Senior Vice President (Testing) in March 2002 and has been the CEO of the TUV SUD PSB Pte Ltd since January 2008 and he is responsible for TUV SUD PSB's business activities in the ASEAN region, with operations in Singapore, Malaysia, Thailand, Vietnam, Indonesia and Philippines. He has over 15 years experience in financial management, marketing and customer support and project management. He is also a director of several companies, both locally and overseas, including several public listed companies in Singapore.

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

**Lim Jun Xiong Steven** is our Independent Director and was appointed to our Board on 22 November 2011. He started his career in PricewaterhouseCoopers. From December 2007 to August 2008, he was a director and senior consultant of Global Wealth Solutions, a line of business in HSBC Private Bank (Suisse) SA that offers wealth planning solutions to high net-worth individuals and families. From January 1990 to November 2007, he was the managing director of Global Wealth Solutions, HSBC Private Bank (Suisse) SA. He is currently the chief executive officer of SG Trust (Asia) Ltd, a subsidiary of Societe Generale Private Banking and sits on the board of a few public listed companies in Singapore.

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

**Wong Meng Yeng** is our Independent Director and was appointed to our Board on 22 November 2011. Apart from a stint with a US law firm, he has been practising law in Singapore first in litigation and changing to corporate commercial law in 1989. His practice includes the establishment and structuring of companies, corporate advisory, commercial contracts, joint ventures, mergers and acquisitions and corporate secretarial work. He has been a director of Alliance LLC, a law firm in Singapore, since 2001 and currently sits on the board of a few public listed companies in Singapore.

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

None of our Directors, Executive Officers and Controlling Shareholder is related to one another by blood or marriage.

Leo Ting Ping Ronald and Er Ang Hooa have attended the relevant seminar on 17 September 2010 conducted by the Singapore Institute of Directors. They have been updated on the roles and responsibilities of a director of a public listed company in Singapore. Ng Siew Ge had also attended the aforesaid seminar.

The Independent Directors, Chong Weng Hoe, Lim Jun Xiong Steven and Wong Meng Yeng have relevant experience as directors of various listed companies in Singapore.



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## DIRECTORS, MANAGEMENT AND STAFF

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None of our Independent Directors sits on the board of our subsidiary, KHA Resorts, which is based in the Maldives. None of the other entities in our Group is based in a jurisdiction other than Singapore. The list of present and past directorships of each Director over the last five years excluding those held in our Company, is set out below:

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Leo Ting Ping Ronald	<p><i>Group corporations</i></p> <p>Keong Hong Construction Pte Ltd K.H. Land Pte Ltd KH Trading Pte. Ltd. KHA Resorts &amp; Hotels Construction Pvt Ltd Punggol Residences Pte. Ltd.</p> <p><i>Other corporations</i></p> <p>Keong Hong Engineering Sdn Bhd (in the process of being struck off) Sum Keong Realty Pte Ltd (in liquidation — members voluntary winding up)</p>	<p><i>Group corporations</i></p> <p>Nil</p> <p><i>Other corporations</i></p> <p>BRC Asia Limited Hifin Pte Ltd (struck off) Meda Engineering Pte Ltd Teo Teck Huat (M) Sdn Bhd Very Useful Ideas Pte. Ltd. (struck off)</p>
Er Ang Hooa	<p><i>Group corporations</i></p> <p>Keong Hong Construction Pte Ltd K.H. Land Pte Ltd KH Trading Pte. Ltd. KHA Resorts &amp; Hotels Construction Pvt Ltd Punggol Residences Pte. Ltd. (alternate director)</p> <p><i>Other corporations</i></p> <p>Nil</p>	<p><i>Group corporations</i></p> <p>Nil</p> <p><i>Other corporations</i></p> <p>Nil</p>
Chong Weng Hoe	<p><i>Group corporations</i></p> <p>Nil</p> <p><i>Other corporations</i></p> <p>Hisaka Holdings Ltd. PCA Technology Limited PT TUV SUD PSB Indonesia Co. Ltd TUV SUD PSB Learning Pte. Ltd. TUV SUD PSB Malaysia Sdn Bhd TUV SUD PSB Philippines Inc TUV SUD PSB Pte. Ltd. TUV SUD PSB Thailand Ltd TUV SUD PSB Vietnam Co. Ltd</p>	<p><i>Group corporations</i></p> <p>Nil</p> <p><i>Other corporations</i></p> <p>Jiangsu TUV Product Service Ltd PSB Electronics Shanghai Co. Ltd Sibercert Pte Ltd (Dissolved — members voluntary winding up)</p>

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## DIRECTORS, MANAGEMENT AND STAFF

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<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Lim Jun Xiong Steven	<i>Group corporations</i>	<i>Group corporations</i>
	Nil	Nil
	<i>Other corporations</i>	<i>Other corporations</i>
	Bund Centre Investment Ltd Mirach Energy Limited SG Trust (Asia) Ltd	CPA Australia Ltd Gentrade Pte Ltd (struck off) HSBC International Trustee (Singapore) Limited HSBC Trustee (Singapore) Limited MAP Technology Holdings Pte. Limited Passion Holdings Pte. Ltd.
Wong Meng Yeng	<i>Group corporations</i>	<i>Group corporations</i>
	Nil	Nil
	<i>Other corporations</i>	<i>Other corporations</i>
	Alliance LLC Baker Technology Limited BancAlliance Pte Ltd Collins Impex Pte. Ltd. Elitepower Investments Limited Evergreen Venture Capital Limited Gracecourt Offshore Inc Interglobal Enterprises Limited KS Energy Limited Lido Pacific Limited Memoasia Group Limited Morgan Fleming & York Limited Multi-Chem Limited Providence Inc Pure Dale Pte. Ltd. Straumann Singapore Pte. Ltd.	Amos Holding Pte. Ltd. (struck off) ESP Consulting Pte. Ltd. (struck off) GE Healthcare Pte. Ltd. IMGAlliance Pte. Ltd. (struck off) Jatropha Energy Pte. Ltd. (now known as Re-Energy Holdings Pte. Ltd.) Novena Holdings Ltd (now known as Viking Offshore and Marine Limited) PA Watertech Pte. Ltd. Pan Asian Water Solutions Limited (now known as Pan Asian Holdings Limited) Prime Value Holdings Pte. Ltd. (struck off) Rotol Singapore Ltd

### EXECUTIVE OFFICERS

The day-to-day operations are entrusted to our Executive Director who are assisted by an experienced and qualified team of Executive Officers. The particulars of our Executive Officers are set out below:

<b>Name</b>	<b>Age</b>	<b>Address</b>	<b>Principal Occupation</b>
Ng Siew Ge	55	4 Elite Park Avenue Singapore 458825	CFO
Loo Toon Boon	42	461 Choa Chu Kang Avenue 4 #07-73 Singapore 680461	General Manager (Operations)
Ng Siew Khim	38	238 Jurong East Street 21 #25-386 Singapore 600238	Head of Contracts

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## DIRECTORS, MANAGEMENT AND STAFF

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The working, business experience and areas of responsibility of our Executive Officers are set out below:

**Ng Siew Ge** is our CFO. His current responsibility includes overseeing all financial, accounting and corporate secretarial matters in our Group. He has more than 14 years of experience in accountancy, audit and finance. Prior to joining our Group in 2010, he was the financial controller at Avaplas Ltd and Vice President of finance and system at United Engineers Ltd from 2008 to 2010 and 2006 to 2008 respectively. Prior to that, he was the finance manager at Koh Brother Ltd from 2004 to 2006, the internal audit manager at Epcos Pte Ltd from 2002 to 2004 and Vice President of finance and administration at a subsidiary of Neptune Orient Lines Group from 1996 to 2002.

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

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

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

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

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

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

The list of present and past directorships of each Executive Officers over the last five years excluding those held in our Company, is set out below:

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Ng Siew Ge	<i>Group corporations</i>	Group corporations
	Nil	Nil
	<i>Other corporations</i>	<i>Other corporations</i>
	Centurion International Wholesalers Pte. Ltd.	Nil
Loo Toon Boon	<i>Group corporations</i>	Group corporations
	Nil	Nil
	<i>Other corporations</i>	<i>Other corporations</i>
	Nil	Nil

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## DIRECTORS, MANAGEMENT AND STAFF

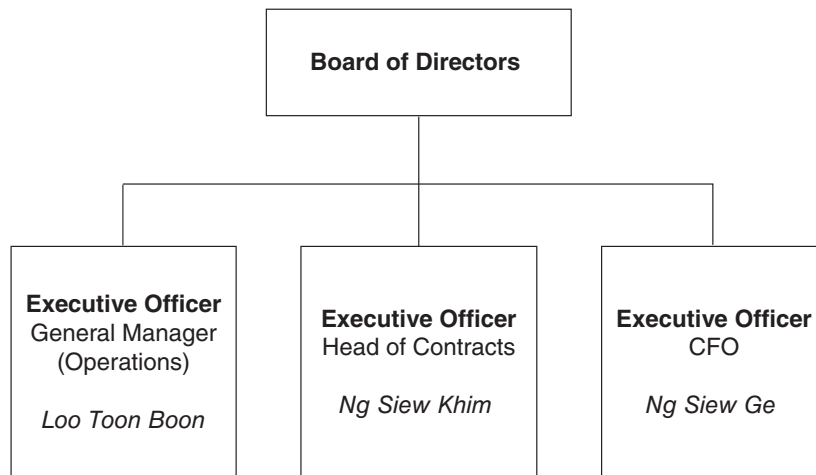
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Name	Present Directorships	Past Directorships
Ng Siew Khim	Group corporations	Group corporations
	Nil	Nil
	<i>Other corporations</i>	<i>Other corporations</i>
	Nil	Nil

There is no arrangement or understanding with a Controlling Shareholder, customer, principal or other supplier of our Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a Director or Executive Officer of our Company.

### MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date.



**Note:**

None of our Executive Officers and Directors is related to each other.

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## DIRECTORS, MANAGEMENT AND STAFF

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### REMUNERATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

#### Directors and Executive Officers

The remuneration (including salary, bonus, contributions to CPF, directors' fees and benefits-in-kind) paid or payable to our Directors and Executive Officers on a pro forma basis and in remuneration bands for FY2010, and the estimated remuneration payable to them on a pro forma basis and in remuneration bands for FY2011 and FY2012 are as follows:

	FY2010	Estimated for FY2011 <sup>(1)</sup>	Estimated for FY2012 <sup>(2)</sup>
<b>Directors</b>			
Leo Ting Ping Ronald	Band B	Band B	Band C
Er Ang Hooa	Band A	Band A	Band A
Chong Weng Hoe	–	Band A	Band A
Lim Jun Xiong Steven	–	Band A	Band A
Wong Meng Yeng	–	Band A	Band A
<b>Executive Officers</b>			
Ng Siew Ge	Band A	Band A	Band A
Loo Toon Boon	Band A	Band A	Band A
Ng Siew Khim	Band A	Band A	Band A

Remuneration bands:

“Band A” refers to remuneration of up to S\$250,000.

“Band B” refers to remuneration from S\$250,001 and S\$500,000.

“Band C” refers to remuneration of more than S\$500,000.

**Notes:**

- (1) The estimated remuneration for FY2011 does not include bonuses.
- (2) The estimated remuneration for FY2012 does not include performance bonuses payable under the Service Agreement of our Executive Director and CEO, Leo Ting Ping Ronald. The estimated remuneration for our Executive Director, Er Ang Hooa and our Executive Officers for FY2012 does not include bonuses.

#### Related Employees

As at the Latest Practicable Date, there were no employees related to our Directors and/or Controlling Shareholder.

In the event of any new employment of employees who are related to our Directors or Controlling Shareholder, the remuneration of such employees will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from participating in the review.

## DIRECTORS, MANAGEMENT AND STAFF

### EMPLOYEES

As at the Latest Practicable Date, we have 116 full-time employees. A breakdown of our full-time permanent employees by business function is as follows:

Segmented by Business Function	As at 30 September 2008	As at 30 September 2009	As at 30 September 2010	As at Latest Practicable Date
Management	6	5	6	5
Finance and administration	4	4	9	10
Tender and contract	5	6	6	7
Project management	44	49	85	94
<b>Total</b>	59	64	106	116

The geographical breakdown of our full-time employees is as follows:

Location	As at 30 September 2008	As at 30 September 2009	As at 30 September 2010	As at Latest Practicable Date
Maldives	0	0	25	24
Singapore	59	64	81	92
<b>Total</b>	59	64	106	116

The increase in the number of full-time employees from 64 as at FY2009 to 106 as at FY2010 is due to the increased number of construction projects, including our construction project in the Maldives where KHA Resorts is developing a resort development at Falhumaafushi Island at Gaafu Alifu Atoll, Maldives.

In addition to the above full-time employees, we hire construction workers on one to two years work permit, on a project to project basis. As at FY2008, FY2009, FY2010 and the Latest Practicable Date, we employed 128, 138, 516 and 801 construction workers respectively.

To the best of our Directors' knowledge, none of our employees is unionised. There has not been any incidence of work stoppages arising from labour disputes which affected our operations.

The number of temporary or part time staff employed by our Group is insignificant. The number of full-time staff that we employ is not subject to any significant seasonal fluctuation.

### Pension or retirement benefits

Other than amounts set aside or accrued in respect of mandatory employee funds, no amounts have been set aside or accrued by our Company or subsidiaries to provide pension, retirement or similar benefits to our employees.

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## DIRECTORS, MANAGEMENT AND STAFF

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### SERVICE AGREEMENT

On 21 November 2011, our Company entered into the Service Agreement with Leo Ting Ping Ronald (“**Executive**”) to appoint him as the CEO of our Company. The Service Agreement will take effect from the date of admission of our Company to the Catalist for an initial period of three years (“**Initial Term**”) and may be renewed at the end of the Initial Term on such period on such terms as may be agreed between our Company and the Executive, unless otherwise terminated by either party giving at least six (6) months’ notice in writing or six (6) months’ salary in lieu of such notice to the other (“**termination by mutual agreement**”).

Pursuant to a termination by mutual agreement, the parties shall agree upon the quantum of the gratuity and performance bonus payable to the Executive in good faith consultation with each other, taking into consideration the views of the remuneration committee of the Company and the pro-rated contributions of the Executive.

If he shall at any time be incapacitated or prevented by physical illness, physical injury, caused by accident or any other circumstances beyond his control (excluding becoming of an unsound mind) (such incapacity or prevention being hereinafter referred to as the “**incapacity**”) from discharging in full of his duties hereunder for a total of six (6) months, our Company may, by notice in writing of six (6) months to the Executive given at any time so long as the incapacity shall continue, terminate his employment provided always that the Executive shall be paid his full remuneration for the period of six (6) months from the time of his incapacity and thereafter such remuneration, if any, as the Board shall in its absolute discretion determine. The Service Agreement will automatically determine upon the Executive’s death.

Our Company shall be entitled to terminate the appointment without prior notice, but without prejudice to any right of action already accrued to any party in respect of any breach of the Service Agreement, in any of the following cases:

- (a) if the Executive commits any material or persistent breach of any of the provisions of the Service Agreement;
- (b) if the Executive is guilty of any grave or wilful misconduct or gross neglect or gross negligence in the discharge of his duties hereunder;
- (c) if the Executive becomes bankrupt or make any arrangement or composition with his creditors;
- (d) if the Executive is guilty of conduct tending to bring himself or our Company into disrepute;
- (e) if the Executive becomes of unsound mind;
- (f) if the Executive is convicted of any criminal offence other than an offence which in the reasonable opinion of the Board does not affect his position as Executive Director of our Company;
- (g) if the Executive is guilty of dishonesty;
- (h) if the Executive neglects or refuses, without reasonable cause, to attend to the business of our Company or any related company to which he is assigned duties; and/or
- (i) if the Executive ceases to hold the office of director pursuant to our Company’s articles of association or is disqualified from holding the office of, or acting as, a director of any company, pursuant to any applicable law, for whatever reason.

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## DIRECTORS, MANAGEMENT AND STAFF

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In the event the appointment is terminated arising from incapacity, death, items (c) and (e) above (“**Exceptional Events**”), our Company shall make payment to the Executive within 14 days in respect of:

- (a) all outstanding remuneration by way of salary and/or benefits or calculated on a pro-rata basis, not including the performance bonus;
- (b) a gratuity equal to one (1) week salary for every full year of service by the Executive from 1 January 1990, with the last day of his appointment;
- (c) in the event that any days of leave that the Executive is entitled (calculated on a pro-rate basis) have yet to be used, our Company shall pay to the Executive the relevant salary calculated on a pro-rata basis; and
- (d) performance bonus on a pro-rata basis.

If termination of the appointment arises due to other events not being the Exceptional Events, the Executive shall be entitled to payments under (a) and (c) above only.

Under the Service Agreement, the Executive shall, for so long as he is an employee of our Company and for the period of twelve (12) months from the date he ceases to be an employee of our Company, be subject to non-competition obligations.

Pursuant to the Service Agreement, the Executive will receive a monthly salary (inclusive of directors’ fees) of S\$40,000 and an annual wage supplement of 3 months’ salary. Our Company will also reimburse the Executive for all reasonable traveling, accommodation, entertainment and other out-of-pocket expenses reasonably incurred by him in or about the discharge of his duties. The Executive is entitled to, *inter alia*, a golf club membership, the use of a company car or a fixed transport allowance of S\$6,000 per month in lieu of the use of such company car, and to any other benefits and/or participation in scheme provided for in our Company’s then current human resource policies.

The Executive will be paid a performance bonus based on our Consolidated PBT and the rate of performance bonus payable will be computed according to the table below. For this purpose, Consolidated PBT is defined as our Group’s audited consolidated profit before income tax for the financial year, before performance bonus and excluding any gains earned from extraordinary and exceptional items.

The amount of performance bonus that the Executive will receive in each financial year will be determined as follows:

Consolidated PBT	Rate of performance bonus payable
Where the Consolidated PBT is less than S\$5 million	Nil
Where the Consolidated PBT is between S\$5 million and S\$10 million	2.0% of the Consolidated PBT value
Where the Consolidated PBT is more than S\$10 million but does not exceed S\$20 million	2.5% of the Consolidated PBT value
Where the Consolidated PBT exceeds S\$20 million	3.5% of the Consolidated PBT value

Save as disclosed above, there are no profit-sharing plans or any other profit-linked agreements or arrangements between our Company and any of our Directors, Executive Officers or employees. Save



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## DIRECTORS, MANAGEMENT AND STAFF

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for the Keong Hong Employee Share Option Scheme, we do not have any share-based incentive schemes for any of our Directors, Executive Officers or employees.

Under the Service Agreement, the remuneration of the Executive is subject to annual review by the Remuneration Committee.

During the continuance of the Executive's employment under the Service Agreement, the Executive's basic monthly salary shall be payable in arrears at the end of each month.

Had the Service Agreement mentioned above been in place for FY2010, the aggregate remuneration (including the contributions to the CPF and other benefits, if any) paid or provided to the Executive would have been approximately S\$0.9 million instead of S\$0.5 million and the consolidated profit before income tax would have been approximately S\$9.0 million instead of S\$9.4 million.

Save as disclosed above, there are no other existing or proposed service contracts entered into or to be entered into between our Company and our subsidiaries with any of our Directors or Executive Officers. There are no existing or proposed service agreements entered or to be entered into by our Directors with our Company or any of its subsidiaries which provide for benefits upon termination of employment.

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## KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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On 21 November 2011, our then shareholders approved an employee share option scheme known as the Keong Hong Employee Share Option Scheme, the rules of which are set out in Appendix H — “Rules of the Keong Hong Employee Share Option Scheme” of this Offer Document. The ESOS complies with the relevant rules of the SGX-ST as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of our employee compensation plan, is designed to primarily reward and retain executive directors, non-executive directors and employees of our Group whose services are vital to our well being and success.

As at the Latest Practicable Date, no Options have been granted under the ESOS.

### Objectives of the ESOS

The objectives of the ESOS are as follows:

- (i) to motivate the participants to optimise performance standards and efficiency and to maintain a high level of contribution;
- (ii) to retain key employees whose contributions are important to the long term growth and prosperity of our Group;
- (iii) to attain harmonious employer/employee relations;
- (iv) to align the interest of employees and directors with the interests of the shareholders; and
- (v) to develop a participatory style of management which promotes greater commitment and dedication amongst the employees, instilling loyalty and a stronger sense of identification with the long term prosperity of our Group.

### Summary of ESOS

A summary of the rules of the ESOS is set out as follows:

#### (1) Participants

Under the rules of the ESOS, executive and non-executive directors (including our Independent Directors) and employees of our Group, who are not Controlling Shareholders, are eligible to participate in the ESOS.

#### (2) Administration

The ESOS shall be administered by the Remuneration Committee with powers to determine, *inter alia*, the following:

- (a) persons to be granted Options;
- (b) number of Options to be granted; and
- (c) recommendations for modifications to the ESOS.

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## KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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As at the date of this Offer Document, our Remuneration Committee comprises Messrs Wong Meng Yeng, Chong Weng Hoe and Lim Jun Xiong Steven. The Remuneration Committee will consist of Directors (including Directors who may be participants of the ESOS). A member of the Remuneration Committee who is also a participant of the ESOS must not be involved in its deliberation in respect of Options granted or to be granted to him.

### (3) Size of the ESOS

The aggregate number of Shares over which the Remuneration Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of all Options granted under the ESOS, shall not exceed 15% of the issued share capital of our Company on the date preceding the grant of an Option.

Our Directors believe that this limit gives us sufficient flexibility to decide upon the number of Option Shares to offer to our existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. If the number of Options available under the ESOS is limited, our Company may only be able to grant a small number of Options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing ones. The number of Options offered must also be significant to serve as a meaningful reward for contributions to our Group. However, it does not necessarily mean that the Remuneration Committee will definitely issue Option Shares up to the prescribed limit. The Remuneration Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee which will depend on the performance and value of the employee to our Group.

### (4) Maximum entitlements

The aggregate number of Shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service, potential for future development of that participant, provided that in relation to Associates of Controlling Shareholders:

- (i) the aggregate number of Shares which may be offered by way of grant of options to participants who are Associates of Controlling Shareholders under the ESOS shall not exceed 25.0% of the total number of Shares available under the ESOS; and
- (ii) the number of Shares available to each Associate of a Controlling Shareholder shall not exceed 10.0% of the Shares available under the ESOS.

### (5) Options, exercise period and exercise price

The Options that are granted under the ESOS may have exercise prices that are, at the Remuneration Committee's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for the Shares on the Official List of Catalist for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("**Market Price Option**") 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 ("**Discounted Option**")

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## KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will have a life span of ten years.

### (6) Grant of Options

Under the rules of the ESOS, there are no fixed periods for the grant of Options. As such, offers for the grant of Options may be made at any time from time to time at the discretion of the Remuneration Committee. However, no Option shall be granted the longer of (i) the period of 30 days immediately preceding the date of announcement of our Company's interim or final results (as the case may be) or (ii) such time periods as may be provided pursuant to the Listing Manual.

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second Market Day from the date on which the aforesaid announcement is made.

Any grant of option by our Company will be announced in accordance with the Listing Manual.

### (7) Termination of Options

Special provisions in the rules of the ESOS deal with the lapse or earlier exercise of Options in circumstances which include the termination of the participant's employment in our Group, the bankruptcy of the participant, the death of the participant, a take-over of our Company and the winding-up of our Company.

### (8) Acceptance of Options

The closing date for the acceptance for the grant of any Option under the ESOS shall not be less than 15 days and not more than 30 days from the date of offer. Offers of Options made to grantees, if not accepted before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.

### (9) Rights of Shares arising

Shares arising from the exercise of Options are subject to the provisions of the Memorandum of Association of our Company. The Shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued Shares, save for any dividend, rights, allotments or distributions, the record date ("**Record Date**") for which is prior to the relevant exercise date of the Option. "**Record Date**" means the date as at the close of business on which Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as the case may be).

### (10) Duration of the ESOS

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

### (11) Abstention from voting

Shareholders who are eligible to participate in the ESOS are to abstain from voting on any resolution of Shareholders relating to the ESOS.

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## KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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### Grant of Discounted Options

The ability to offer Options to participants of the ESOS with exercise prices set at a discount to the prevailing market prices of the Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit our Shareholders when these are eventually reflected through share price appreciation. The ESOS will also serve to recruit new employees whose contributions are important to the long-term growth and profitability of our Group. Discounted Options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Discounted Options as only employees who have made significant contributions to the success and development of our Group would be granted Discounted Options.

The flexibility to grant Discounted Options is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Remuneration Committee will have absolute discretion to:

- (a) grant Options set at a discount to the Market Price of a Share (subject to a maximum limit of 20 per cent.); and
- (b) determine the participants to whom, and the Options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, the Remuneration Committee shall be at liberty to take into consideration factors including the performance of our Company, our Group, the performance of the participant concerned, the contribution of the participant to the success and development of our Group and the prevailing market conditions.

At present, our Company foresees that Discounted Options may be granted principally in the following circumstances:

- (a) Firstly, where it is considered more effective to reward and retain talented employees by way of a Discounted Option rather than a Market Price Option. This is to reward the outstanding performers who have contributed significantly to our Group's performance and the Discounted Option serves as additional incentive to such Group employees. Options granted by our Company on the basis of market price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence during such period the ability to offer Discounted Options would allow our Company to grant Options on a more realistic and economically feasible basis. Furthermore, Discounted Options will give an opportunity to our Group employees to realise some tangible benefits even if external events cause the Share price to remain largely static.
- (b) Secondly, where it is more meaningful and attractive to acknowledge a participant's achievements through a Discounted Option rather than paying him a cash bonus. For example, Discounted Options may be used to compensate employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses annual wage supplements. Accordingly, it is possible that merit-based cash bonuses or rewards may be combined with grants of Market Price Options or Discounted Options, as part of eligible employees' compensation packages. The ESOS will provide our Group employees with an incentive to focus more on improving the profitability of our Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of our Shares after the vesting period.

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## KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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- (c) Thirdly, where due to speculative forces and having regard to the historical performance of the Share price, the Market Price of the Shares at the time of the grant of the Options may not be reflective of financial performance indicators such as return on equity and/or earnings growth.

The Remuneration Committee will have the absolute discretion to grant Discounted Options, to determine the level of discount (subject to a maximum discount of 20 per cent. of the Market Price) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

Our Company may also grant Options without any discount to the Market Price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the Options (whether such Options are granted at the market price or at a discount to the Market Price), such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

### **Rationale for participation of directors (including our Independent Directors) and employees of our Group**

The extension of the ESOS to the executive and non-executive directors (including our Independent Directors but excluding Controlling Shareholders or their Associates) and employees of our Group allows our Group to have a fair and equitable system to reward directors and employees who have made and who continue to make significant contributions to the long-term growth of our Group.

Non-executive directors bring to our Group their wealth of knowledge, business expertise and contacts in the business community. It is desirable that non-executive directors of our Group be allowed to participate in the ESOS to incentivise and retain them and to further align their interests with that of our Group. Granting eligibility to the non-executive directors of our Group gives us the ability to supplement the current cash-based remuneration by way of director's fees to the non-executive directors of our Group for their services and will help us remain competitive in the remuneration of the non-executive directors of our Group when other listed companies offer share options to their non-executive directors.

We are of the view that including the non-executive directors of our Group in the ESOS will show our appreciation for, and further motivate them in their contribution towards our success. However, as we recognise that the services and contributions of the non-executive directors of our Group cannot be measured in the same way as those of our full time employees, we envisage that the bulk of the Options will be given to our employees. The non-executive directors of our Group will be granted Options at the discretion of our Remuneration Committee.

Our Remuneration Committee, when deciding on the selection of the non-executive directors of our Group to participate in the ESOS and the number of Options to be offered, will take into consideration the nature and extent of their input, the assistance and expertise rendered by them to the board of Directors and the impact thereof on the growth, success and development of our Group, as well as their involvement and commitment to the boards of directors on which they sit. Our Remuneration Committee may, where it considers relevant, take into account other factors such as the economic conditions and our Company's performance.

Although the non-executive directors of our Group may be appointed as members of our Remuneration Committee, the rules of the ESOS provide that a member is not to be involved in its deliberations in respect of the grant of Options to him. We will ensure that the number of Options granted to the non-executive directors of our Group will be such that any conflict of interests that may potentially arise is kept minimal and that the independence of the non-executive directors of our Group are not compromised.

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## KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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It is our intention that all our employees whether key employees or not should be treated equally for the purposes of the ESOS. The main purpose of the ESOS is to align the interests of our Group's directors and all employees who are involved in our business and prosperity with those of our own. The extension of the ESOS to all employees of our Group allows us a fair and equitable system to reward employees who have made and will continue to make important contributions to our long-term growth, be they key employees or otherwise.

We believe that the ESOS will be an essential part of our strategy for recruiting and retaining capable employees. The ESOS will provide an incentive to our employees to achieve and maintain a high level of performance as well as to encourage greater dedication and loyalty by enabling our Group to give recognition to past contributions and services as well as to further encourage participants generally to contribute towards our long term prosperity. To this end, we will determine the number of Options to be granted to an employee by taking into account the appointment, responsibilities, length of service, potential and performance. The level of performance of each employee will be assessed on the basis of an annual appraisal process for all employees.

### **Cost of Options granted under the ESOS to our Company**

The grant of Options under the ESOS will result in an increase in our Company's issued share capital to the extent that Options are exercised and new Shares are issued. This will in turn depend on, *inter alia*, the number of Shares comprised in the Options granted, the vesting schedules and the prevailing Market Price of the Shares on Catalist.

The issue of new Shares upon the exercise of Options granted under the ESOS will have the effect of increasing our Company's consolidated NTA by the aggregate exercise price of the new Shares issued. On a per Share basis, the effect would be accretive if the exercise price is above the NTA per Share but dilutive otherwise.

Based on the International Financial Reporting Standards, no cash outlays would be expended by our Company at the time Options are granted by it (as compared with cash bonuses). However, whenever the Options are granted by our Company to subscribe for new Shares, such Options have a fair value attached to them at the time of grant. This fair value is the estimated value of the Option on its date of grant and may be derived by applying a variety of valuation techniques or pricing models developed for valuing traded options.

Under the ESOS, each participant to whom an Option is offered pays a nominal consideration of S\$1.00 to our Company on his acceptance of the offer of the Option. Insofar as such Options are granted at a consideration that is less than their fair value at the time of grant, there will be a cost to our Company (in that we will receive from the participant upon the grant of the Option to him, a consideration that is less than the fair value of the Option).

The cost to our Company in granting an Option would vary depending on the number of Options granted pursuant to the ESOS, whether these Options are granted at Market Price or at a discount and the validity period of the Options. Generally a greater discount and a longer validity period for an Option will result in a higher potential cost to our Company. If such costs were to be recognised, it would have to be charged to our Company's profit and loss account at the time the Options are granted.

The issuance of new Shares under the ESOS will have a dilutive impact on our consolidated EPS. However, the impact is not expected to be material in any given financial year as the Options are likely to be exercised over several years in accordance with the predetermined vesting schedules.

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## CORPORATE GOVERNANCE

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The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company.

Our Board has formed three committees: (i) the Nominating Committee; (ii) the Remuneration Committee; and (iii) the Audit Committee.

### **Nominating Committee**

Our Nominating Committee comprises Chong Weng Hoe, Lim Jun Xiong Steven and Wong Meng Yeng. The Chairman of the Nominating Committee is Chong Weng Hoe.

Our Nominating Committee will be responsible for:

- (a) reviewing and recommending the nomination or re-nomination of our Directors having regard to our Director's contribution and performance;
- (b) determining on an annual basis whether or not a Director is independent;
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director; and
- (d) reviewing and approving any new employment of related persons and the proposed terms of their employment.

The Nominating Committee will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a director.

### **Remuneration Committee**

Our Remuneration Committee comprises Chong Weng Hoe, Lim Jun Xiong Steven and Wong Meng Yeng. The Chairman of the Remuneration Committee is Wong Meng Yeng.

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package.

The remuneration of related employees will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from participating in the review.



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## CORPORATE GOVERNANCE

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### **Audit Committee**

Our Audit Committee comprises Chong Weng Hoe, Lim Jun Xiong Steven and Wong Meng Yeng. The Chairman of the Audit Committee is Lim Jun Xiong Steven. Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders of our Company.

Our Audit Committee does not have any existing business or professional relationship of a material nature with our Group, our Directors or Controlling Shareholders.

Our Audit Committee shall meet periodically to perform the following functions:

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

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## CORPORATE GOVERNANCE

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

Apart from the duties listed above, our Audit Committee shall 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 our Company's operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Our Audit Committee, after having conducted an interview with Ng Siew Ge and considered:

- (a) the qualifications and past working experiences of Ng Siew Ge (as described in the section entitled "Directors, Management and Staff" of this Offer Document) which are compatible with his position as CFO of our Group;
- (b) Ng Siew Ge's past internal and external audit, taxation and accounting related experiences;
- (c) Ng Siew Ge's demonstration of the requisite competency in finance-related matters in connection with the preparation for the listing of our Company;
- (d) the absence of negative feedback on Ng Siew Ge from the representatives of our Group's Independent Auditors and Reporting Auditors, BDO LLP; and
- (e) the absence of internal control weaknesses attributable to Ng Siew Ge identified during the internal control review conducted,

is of the view that Ng Siew Ge is suitable for the position of CFO of our Group. Further, after making all reasonable enquiries, and to the best of our knowledge and belief, nothing has come to the attention of our Audit Committee members to cause them to believe that Ng Siew Ge does not have the competence, character and integrity expected of a CFO of a listed issuer.

In addition, Ng Siew Ge shall be subject to performance appraisal by our Audit Committee on an annual basis to ensure satisfactory performance.

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## **CORPORATE GOVERNANCE**

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The Audit Committee shall also commission an annual internal control audit until such time as the Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our Group's internal control weaknesses (if any). Currently, our Board, with the concurrence of our Audit Committee, is of the view that our internal control procedures are adequate to address financial, operational and compliance risks. Prior to the decommissioning of such an annual audit, our Board is required to report to the SGX-ST and the Manager and Sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by the Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure must be made via SGXNET on any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

### **BOARD PRACTICES**

Our Directors are appointed by our shareholders at a general meeting, and an election of Directors takes place annually. One third (or the number nearest one third) of our Directors, are required to retire from office at each annual general meeting. Further each Director is required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found in the section entitled "Summary of Selected Articles of Association" as set out in Appendix F of this Offer Document.

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## EXCHANGE CONTROLS

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The following is a description of the exchange controls that exist in the jurisdictions which our Group operates in.

### **Singapore**

Currently, no foreign exchange control restrictions exist in Singapore.

### **Maldives**

Currently, no foreign exchange control restrictions exist in Maldives.

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## CLEARANCE AND SETTLEMENT

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Upon listing and quotation on Catalist, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of our Shares through Catalist will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended, modified or supplemented from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on Catalist although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 subject to GST at the prevailing rate (currently 7.0 per cent.) is payable to CDP upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the Catalist is payable at the rate of 0.04 per cent. of the transaction value subject to a maximum of S\$600.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore GST at the prevailing rate (currently 7.0 per cent) (or such other rate prevailing from time to time).

Dealings of our Shares will be carried out in Singapore Dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

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## GENERAL AND STATUTORY INFORMATION

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### INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. Saved as disclosed below, none of our Directors, Executive Officers and Controlling Shareholders:
  - (a) has, at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner;
  - (b) has, at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
  - (c) has any unsatisfied judgement against him;
  - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
  - (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
  - (f) has, at any time during the last 10 years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, nor has he been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
  - (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
  - (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
  - (i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
  - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
    - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

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## GENERAL AND STATUTORY INFORMATION

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- (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
- (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
- (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

### SUMMONS AGAINST NG SIEW GE

2. On 17 February 2011, summons were issued against our CFO, Ng Siew Ge, as the sole Singapore resident director of Centurion International Wholesalers Pte. Ltd. (“**Centurion**”), in respect of failure by Centurion to hold its annual general meeting and to lodge its annual return within the requisite period. The offences were committed when Centurion failed to hold its annual general meeting by 14 June 2010 and to lodge its annual return by 14 July 2010. As at the Latest Practicable Date, Ng Siew Ge was discharged amounting to acquittal and Centurion has fully paid the fine of S\$700. Centurion also received summons from the IRAS for late filing of income tax assessment for the year of assessment 2009 for which Centurion was fined \$300. There are no fines owing by Ng Siew Ge and Centurion in respect of the aforesaid summons.

Centurion is a company that deals in the wholesale trade of safes and locks, and the proprietor of Centurion has expressed an intention to end the business through Centurion.

### INVOLVEMENT OF WONG MENG YENG IN INVESTIGATIONS

3. Wong Meng Yeng is a director of BancAlliance Pte Ltd which is in the business of providing corporate secretarial services. In 2007, BancAlliance Pte Ltd was asked by the Malaysian Securities Commission to assist in the investigation of one of the clients by providing corporate documents in the files of BancAlliance Pte Ltd. Save as disclosed, there was no further action.
4. There is no shareholding qualification for Directors under the Articles of Association of our Company.

### PREVIOUS DEBARMENT BY MOF

5. Pursuant to the terms of tenders for HDB projects, no tenders may be withdrawn after the closing date of such a tender. Any tender who so withdraws will be subject to any remedy that HDB has against him including debarments from future tenders. Such a debarment may be coordinated through MOF. KH Construction and its then directors, including our Executive Director and CEO, Leo Ting Ping Ronald, had been previously debarred by the MOF from tendering to the following workhead groups due to KH Construction’s commercial decision to withdraw from a tender before award of some HDB lift upgrading works in 2009:
  - (a) construction workhead

## GENERAL AND STATUTORY INFORMATION

- (b) construction related workhead
- (c) mechanical and electrical workhead
- (d) maintenance workhead
- (e) supply workhead

The withdrawal of tender before award was due to KH Construction's underestimation of the cost for logistics, individual block accesses and the reinstatements for surrounding infrastructure and facilities. The resulting debarment prevented KH Construction and our Directors from participating in public tenders relating to the above workhead groups during the period of debarment. While the debarment period was for one year with effect from 26 October 2009, the debarment was subsequently lifted in May 2010. Pursuant to the debarment, BCA also de-registered KH Construction. KH Construction re-applied with BCA and obtained the registration on 20 August 2010.

### SHARE CAPITAL

6. Save as disclosed below and in the sections entitled "Share Capital" and "Restructuring Exercise" of this Offer Document, there were no changes in the issued and paid-up share capital of our Company, our subsidiaries and our Associated Companies within the last three years preceding the Latest Practicable Date.

Date of issue	Number of Shares Issued	Issue Price/ Consideration	Purpose of Issue	Resultant Issued Share Capital
<b>Our Company</b>				
15 April 2008	2	S\$2.00	Incorporation	S\$2.00
<b>KHA Resorts</b>				
9 March 2010	1	US\$1.00	Incorporation	US\$1.00
20 March 2010	254,999	US\$254,999.00	Investment	US\$255,000.00 <sup>(1)</sup>
20 March 2010	245,000	US\$245,000.00	Investment	US\$255,000.00 <sup>(2)</sup>
<b>Punggol Residence Pte. Ltd.</b>				
12 August 2011	1,000,000	S\$1,000,000	Incorporation	S\$1,000,000

**Notes:**

- (1) The issue of 254,999 shares by KHA Resorts to KH Land has been fully paid-up.
- (2) The issue of 245,000 shares to Hotels And Resort Construction Pvt Ltd's has not been paid-up.

7. Save as disclosed above and under the section entitled "Restructuring Exercise" of this Offer Document, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for in cash or for a consideration other than cash, during the last three years preceding the date of lodgement of this Offer Document.



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## GENERAL AND STATUTORY INFORMATION

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### MEMORANDUM AND ARTICLES OF ASSOCIATION

8. The nature of our Company's business has been stated earlier in this Offer Document. Our objects can be found in our Memorandum of Association which is available for inspection at our registered office in accordance with paragraph 21 in the section entitled "General and Statutory Information — Documents Available for Inspection" of this Offer Document.

An extract of our Articles of Association relating to, *inter alia*, Directors' powers to vote on contracts in which they are interested, Directors' remuneration, Directors' borrowing powers, Directors' retirement, Directors' share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in Appendix F of this Offer Document. The Articles of Association of our Company is available for inspection at our registered office in accordance with paragraph 21 in the section entitled "General and Statutory Information — Documents Available for Inspection" of this Offer Document.

### MATERIAL CONTRACTS

9. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries or subsisting within the two years preceding the date of lodgement of this Offer Document and are or may be material:
- (a) the sale and purchase agreement entered into between Calne Pte Ltd (the developer) and KH Construction (as purchaser) dated 30 November 2009 for the purchase of Holland Hill #12-03 Parvis, Singapore 278743 at the purchase price of S\$3,239,100;
  - (b) the option agreement dated 29 September 2010 entered into between KH Construction (as vendor) and Leo Ting Ping Ronald (as purchaser) in respect of Holland Hill #12-03 Parvis, Singapore 278743 at the purchase price of S\$3,330,875, which the purchaser exercised his option to purchase on 6 December 2010;
  - (c) the option agreement dated 29 September 2010 entered into between KH Construction (as vendor) and 2 independent third party purchasers (as purchasers) in respect of 454 Corporation Road #12-01 Parc Vista Singapore 649812 at the purchase price of S\$700,000, which the purchasers exercised their option to purchase on 13 October 2010;
  - (d) the option agreement entered into between KH Construction (as vendor) and an independent third party purchaser dated 12 January 2011 for the purchase of 33 Amber Gardens #19-06 The Esta, Singapore 439968 at the purchase price of S\$1,730,000, which the purchaser exercised his option to purchase on 25 January 2011;
  - (e) the option agreement entered into between KH Construction (as vendor) and an independent third party purchaser dated 5 March 2011 for the purchase of 38 Keppel Bay Drive #02-86 Caribbean at Keppel Bay Singapore 098654 at the purchase price of S\$4,300,000 which the purchaser exercised his option to purchase on 18 March 2011;
  - (f) joint venture agreement dated 5 February 2007 entered into between KH Construction and Kienta Engineering Construction Pte. Ltd. for the sole purpose of executing and completing the hotel development on land parcel at Bencoolen Street Singapore;
  - (g) joint venture agreement dated 1 November 1997 entered into between KH Construction and Sim Lian Construction Co (Pte) Ltd for the sole purpose of executing and completing the condominium housing development at Choa Chu Kang Way;

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## GENERAL AND STATUTORY INFORMATION

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- (h) shareholders agreement dated 19 January 2010 entered into between Hotels and Resort Construction Pvt Ltd and KH Land for the establishment of KHA Resorts;
- (i) joint venture agreement dated 10 November 2011 entered into between KH Construction and FCL Tampines Court Pte. Ltd. for the development of a 728-unit executive condominium in Punggol;
- (j) share buy back agreement entered into between KH Construction and Teou Kem Eng @ Teou Kim Eng dated 21 November 2011 in respect of 946,969 shares, representing 10% of the issued share capital of KH Construction;
- (k) share buy back agreement entered into between KH Land and Teou Kem Eng @ Teou Kim Eng dated 21 November 2011 in respect of 85,000 shares, representing 10% of the issued share capital of KH Land;
- (l) share buy back agreement entered into between KH Trading and Teou Kem Eng @ Teou Kim Eng dated 21 November 2011 in respect of 5,000 shares, representing 10% of the issued share capital of KH Trading;
- (m) share swap agreement dated 21 November 2011 entered into between our Company, Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors pursuant to which our Company holds the entire issued and paid-up share capital of KH Construction;
- (n) share swap agreement dated 21 November 2011 entered into between our Company and Leo Ting Ping Ronald pursuant to which our Company holds the entire issued and paid-up share capital of KH Land;
- (o) share swap agreement dated 21 November 2011 entered into between our Company and Leo Ting Ping Ronald pursuant to which our Company holds the entire issued and paid-up share capital of KH Trading;
- (p) share subscription agreement dated 21 February 2011 and entered into between our Company, KH Construction, Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and certain Pre-IPO Investors, whereby the Pre-IPO Investors agree to invest S\$5.2 million in KH Construction to subscribe for 1,969,697 shares of KH Construction. Such Pre-IPO Investors comprise Kuik Thiam Huat, Lim Ewe Ghee, Lau Eng Tiong, Lim Siak Meng, Seah Hoe Seng, Tan Lee Meng, Tan Tin Nam, Liaw Wie Sein, Foo Chek Heng, Guan Chuan Engineering Construction Pte Ltd and Kienta Engineering Construction Pte. Ltd.;
- (q) first, second and third supplemental agreements dated 26 August 2011, 13 October 2011 and 21 November 2011 respectively entered into between the parties to the share subscription agreement referred to in paragraph (p) above in respect of, inter alia, confirmation of the Restructuring Exercise and the agreement by parties to enter into all necessary agreements, resolutions and any other documents to effect the Restructuring Exercise;
- (r) undertakings by KH Trading and KH Land, dated 13 October 2011 respectively to enter into all necessary agreements, resolutions and any other documents to effect the Restructuring Exercise;
- (s) share swap agreement dated 21 November 2011 entered into between our Company (as the purchaser) and Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors (as the vendors) pursuant to which our Company acquired the entire issued and fully paid-up share capital of KH Construction, comprising 8,522,728 ordinary shares,

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## GENERAL AND STATUTORY INFORMATION

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consideration of which was satisfied by the allotment and issue of 125,000,000 Shares credited as fully paid, by our Company to Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors;

- (t) share swap agreement dated 21 November 2011 entered into between our Company (as the purchaser) and Leo Ting Ping Ronald (as the vendor) pursuant to which our Company acquired the entire issued and fully paid-up share capital of KH Trading, comprising 45,000 ordinary shares, consideration of which was satisfied by the allotment and issue of 999,998 Shares credited as fully paid, by our Company to Leo Ting Ping Ronald;
- (u) share swap agreement dated 21 November 2011 entered into between our Company (as the purchaser) and Leo Ting Ping Ronald (as the vendor) pursuant to which our Company acquired the entire issued and fully paid-up share capital of KH Land, comprising 765,000 ordinary shares, consideration of which was satisfied by the allotment and issue of 5,000,000 Shares credited as fully paid, by our Company to Leo Ting Ping Ronald; and
- (v) sale and purchase agreement entered into between Leo Ting Ping Ronald (as purchaser) and Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors (as vendors) on 21 November 2011 for a total of 8,767 Shares for the consideration of S\$1,464.10 in aggregate.

### LITIGATION

10. As at the Latest Practicable Date, save as disclosed below, neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings as plaintiff or defendant including those which are pending or known to be contemplated which may have or have had in the last 12 months before the date of lodgement of this Offer Document, a material effect on the financial position or the profitability of our Company or any of our subsidiaries.

In respect of certain specialist works such as water proofing and aluminum works, we provide a joint warranty together with our sub-contractors for such works for a period of up to 10 years. This limited warranty covers defects and any premature wear and tear of the materials used in the projects. From time to time, we may be subject to claims which we are of the opinion do not fall under our responsibilities arising from such warranties.

On 13 February 2009, Zhang Hui Xin filed a writ of summons in the Subordinate Court of the Republic of Singapore against Oh Heng Seng (formally trading as Choon Seng Construction), as the first defendant, and KH Construction, as the second defendant, for the sum of S\$250,000 for negligence and breach of statutory duty under the Workplace Safety and Health Act and relevant regulations after he fell off from the scaffold work platform onto the floor and suffered head injury. The first and second defendants to this claim have filed their defence on 19 March 2009. Pursuant to the pre-trial conference held on 11 July 2011, the plaintiff was awarded S\$30,000 for general and special damages which was fully covered by our insurance policy. This payment has since been made to the plaintiff in full and the matter is now closed.

On 16 April 2011, Choo Loke Kim filed a writ of summons in the Subordinate Court of the Republic of Singapore against KH Construction for a personal injury claim arising from an industrial accident at our worksite during the course of his work. The amount of claim is S\$100,000. A Notice of Discontinuance for the aforesaid action was filed on 24 May 2011 in the Subordinate Court of the Republic of Singapore.

We have been informed by counsel representing an unrelated third party, Xie Aizu (as plaintiff) of a claim the plaintiff had brought against Fucom Construction Pte Ltd in respect of certain

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## GENERAL AND STATUTORY INFORMATION

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workplace injury sustained by him. The writ of summons was filed against Fucom Construction Pte Ltd on 27 April 2011 and the amount of claim was S\$250,000. At the time of the incident, Fucom Construction Pte Ltd was a sub-contractor of Singapore TST Aluminium Pte Ltd, which was our sub-contractor for the project at Martin Place Residences. While no suit has been filed against us on this matter, there is no assurance that a suit will not be filed by the plaintiff against KH Construction (as the main contractor) as a co-defendant on this matter in the future. In such an event, we are of the view that we owe no duty to Xie Aizu and further that the allegations against us have no strong basis.

### MISCELLANEOUS

11. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Offer Document.
12. There has not been any public takeover offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date.
13. Save as disclosed in this Offer Document, our Directors are not aware of any event which has occurred since the end of FP2011 to the Latest Practicable Date which may have a material effect on the financial position and results of our Group or the financial information provided in this Offer Document.
14. Details, including the name, address and professional qualifications including membership in a professional body of the auditors of our Group for the period under review are as follows:

Name and address	Membership in professional body	Partner-in-charge / Professional qualification
BDO LLP Public Accountants and Certified Public Accountants 21 Merchant Road #05-01 Royal Merukh S.E.A. Building Singapore 058267	Institute of Certified Public Accountants of Singapore	<p><b><i>For the financial years ended 30 September 2009 and 2010 and the financial period from 1 October 2010 to 30 June 2011</i></b></p> Leong Hon Mun Peter/Certified Public Accountant, Singapore  <p><b><i>For the financial year ended 30 September 2008</i></b></p> Lee Joo Hai/Certified Public Accountant, Singapore

We currently have no intention of changing our auditors after the admission to, and listing of, our Company on Catalist.

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## GENERAL AND STATUTORY INFORMATION

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### CONSENTS

15. The Independent Auditors and Reporting Auditors, BDO LLP, have given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of the Audited Combined Financial Statements and the Unaudited Proforma Combined Financial Information as set out in Appendices A and B of this Offer Document respectively in the form and context in which they are included and references to their name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
16. The Manager, Sponsor and the Joint Placement Agents have each given and have not withdrawn their written consents to the issue of this Offer Document with the inclusion herein of their names and references thereto in the form and context in which they respectively appear in this Offer Document and to act in such respective capacities in relation to this Offer Document.
17. The Solicitors to the Placement and the Solicitors to our Company on Maldivian Law, have each given and have not withdrawn their written consents to the issue of this Offer Document with the inclusion herein of their names and references thereto in the form and context in which they respectively appear in this Offer Document and to act in such respective capacities in relation to this Offer Document.
18. Knight Frank Pte Ltd, named as the Independent Valuer of our Property, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of the valuation certificate as set out in Appendix C of this Offer Document in the form and context in which the valuation certificate is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
19. Each of the Solicitors to the Placement, the Solicitors to our Company on Maldivian Law, Knight Frank Pte Ltd, the Share Registrar, the Principal Bankers and the Receiving Banker do not make, or purport to make, any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any persons which is based on, or arises out of, the statements, information or opinions in this Offer Document.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS

20. This Offer Document has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement and our Group, and our Directors are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

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## GENERAL AND STATUTORY INFORMATION

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### DOCUMENTS AVAILABLE FOR INSPECTION

21. The following documents or copies thereof may be inspected at our registered office at Block 151 Bukit Batok Street 11 #03-250, Singapore 650151 during normal business hours for a period of six months from the date of registration of this Offer Document with the SGX-ST:
- (a) the Memorandum and Articles of Association of our Company;
  - (b) the Audited Combined Financial Statements as set out in Appendix A of this Offer Document;
  - (c) the Unaudited Proforma Combined Financial Information as set out in Appendix B of this Offer Document;
  - (d) the material contracts referred to in this Offer Document;
  - (e) the letters of consent referred to in this Offer Document;
  - (f) the Service Agreement referred to in this Offer Document; and
  - (g) the valuation certificate relating to our property as set out in Appendix C of this Offer Document.

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**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

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**Keong Hong Holdings Limited**  
**and its subsidiaries**

Audited Combined Financial Statements  
For the financial years ended 30 September 2008, 2009 and 2010 and for the financial  
period from 1 October 2010 to 30 June 2011

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**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

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**STATEMENT OF DIRECTORS**

We, Leo Ting Ping Ronald and Er Ang Hooa, being two of the Directors of Keong Hong Holdings Limited (the "Company"), do hereby state that, in the opinion of the Directors,

- (i) the accompanying combined financial statements as set out on pages A-5 to A-77 together with notes thereto are drawn up so as to present fairly, in all material respects, the state of affairs of the Company and its subsidiaries (the "Group") as at 30 September 2008, 2009 and 2010 and 30 June 2011 and of the results, changes in equity and cash flows of the Group for the financial years ended on 30 September 2008, 2009 and 2010 and nine-month financial period ended on 30 June 2011, and
- (ii) 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.

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**Leo Ting Ping Ronald**  
Director

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**Er Ang Hooa**  
Director

Singapore  
8 December 2011



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**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

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**INDEPENDENT AUDITORS' REPORT ON AUDITED COMBINED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

8 December 2011

The Board of Directors  
Keong Hong Holdings Limited  
Block 151 Bukit Batok Street 11 #03-250  
Singapore 650151

Dear Sirs,

*Report on the Combined Financial Statements*

We have audited the accompanying combined financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") as set out on pages A-5 to A-77, comprising the combined statements of financial position as at 30 September 2008, 2009 and 2010 and 30 June 2011, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 30 September 2008, 2009 and 2010 and for the financial period from 1 October 2010 to 30 June 2011 and a summary of significant accounting policies and other explanatory information.

For the purpose of this report, the comparative figures for the corresponding financial period from 1 October 2009 to 30 June 2010 were extracted from the unaudited management financial information and we have not carried out an audit or review of these interim financial information. The unaudited financial information for the financial period from 1 October 2009 to 30 June 2010 is the responsibility of the management.

*Management's Responsibility for the Combined Financial Statements*

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

*Auditors' Responsibility*

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

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**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

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**INDEPENDENT AUDITORS' REPORT ON AUDITED COMBINED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011 (Continued)**

*Auditors' Responsibility (Continued)*

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

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

*Opinion*

In our opinion, the accompanying combined financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards to present fairly, in all material respects, the state of affairs of the Group as at 30 September 2008, 2009 and 2010 and 30 June 2011 and the combined results, changes in equity and cash flows of the Group for the financial years ended 30 September 2008, 2009 and 2010 and for the financial period from 1 October 2010 to 30 June 2011.

*Other Matter*

This report has been prepared solely for inclusion in the Offer Document of the Company in connection with the initial public offering of the shares of the Company on Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited.

Yours faithfully

**BDO LLP**

Public Accountants and  
Certified Public Accountants

Singapore

Leong Hon Mun Peter  
Partner-in-charge

**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2008, 2009, 2010 AND 30 JUNE 2011**

	Note	30.9.2008 \$	30.9.2009 \$	30.9.2010 \$	30.6.2011 \$
← Audited →					
<b>Non-current assets</b>					
Plant and equipment	5	2,258,805	4,145,594	4,986,670	4,602,053
Investment properties	6	8,300,000	9,500,000	5,300,000	—
Investments in joint ventures	7	1,886,147	640,717	523,754	662,442
Intangible asset	8	8,001	2,842	4,360	1,870
		<u>12,452,953</u>	<u>14,289,153</u>	<u>10,814,784</u>	<u>5,266,365</u>
<b>Current assets</b>					
Property held for sale	9	—	—	650,000	—
Financial assets at fair value through profit or loss	10	772,775	713,557	2,002,249	705,592
Trade and other receivables	11	24,974,348	27,245,098	53,589,386	48,781,290
Cash and cash equivalents	12	11,940,121	12,830,806	27,675,909	45,750,580
		<u>37,687,244</u>	<u>40,789,461</u>	<u>83,917,544</u>	<u>95,237,462</u>
Less:					
<b>Current liabilities</b>					
Due to contract customers	13	6,827,055	5,393,331	14,268,694	23,624,340
Trade and other payables	14	23,197,377	26,553,818	59,294,273	45,548,178
Bank borrowings	15	1,303,967	854,542	202,498	—
Finance lease payables	16	328,555	853,958	898,369	862,741
Current income tax payable		390,878	232,692	1,314,398	1,061,657
		<u>32,047,832</u>	<u>33,888,341</u>	<u>75,978,232</u>	<u>71,096,916</u>
<b>Net current assets</b>		<u>5,639,412</u>	<u>6,901,120</u>	<u>7,939,312</u>	<u>24,140,546</u>
Less:					
<b>Non-current liabilities</b>					
Bank borrowings	15	2,774,943	3,365,533	1,082,259	—
Finance lease payables	16	1,127,659	2,039,085	1,464,166	831,649
Deferred tax liabilities	17	216,000	401,000	368,000	110,000
		<u>4,118,602</u>	<u>5,805,618</u>	<u>2,914,425</u>	<u>941,649</u>
		<u>13,973,763</u>	<u>15,384,655</u>	<u>15,839,671</u>	<u>28,465,262</u>
<b>Capital and reserves</b>					
Share capital	18	8,400,002	8,400,002	8,400,002	13,600,002
Foreign currency translation account	19	—	—	(12,987)	(70,037)
Retained earnings		5,573,761	6,984,653	7,208,482	13,081,245
Equity attributable to owners of the parent		<u>13,973,763</u>	<u>15,384,655</u>	<u>15,595,497</u>	<u>26,611,210</u>
Non-controlling interests		—	—	244,174	1,854,052
<b>Total equity</b>		<u>13,973,763</u>	<u>15,384,655</u>	<u>15,839,671</u>	<u>28,465,262</u>

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

**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND**  
**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

	Note	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
		← Audited →				Unaudited
Revenue	20	78,496,049	49,257,391	124,764,023	141,278,967	77,545,854
Cost of sales		(76,670,785)	(48,493,167)	(114,621,752)	(131,574,463)	(71,302,769)
Gross profit		1,825,264	764,224	10,142,271	9,704,504	6,243,085
Other income	21	1,591,452	802,956	2,732,237	2,475,970	2,375,267
Administrative expenses		(2,819,458)	(2,297,968)	(3,132,144)	(3,221,367)	(1,888,210)
Other expenses		(648,703)	(212,190)	(116,439)	(33,574)	(438)
Fair value (loss)/gain on investment properties		(150,000)	788,750	—	—	—
Finance costs	22	(422,132)	(353,750)	(292,800)	(115,603)	(244,474)
Share of results of joint ventures		2,378,092	2,754,570	64,677	138,688	(245)
Profit before income tax	23	1,754,515	2,246,592	9,397,802	8,948,618	6,484,985
Income tax expense	24	(300,106)	(335,700)	(1,240,993)	(712,510)	(800,547)
<b>Profit for the financial year/period</b>		<b>1,454,409</b>	<b>1,910,892</b>	<b>8,156,809</b>	<b>8,236,108</b>	<b>5,684,438</b>
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations		—	—	(25,464)	(111,865)	4,579
Income tax on other comprehensive income		—	—	—	—	—
<b>Other comprehensive income for the financial year/period, net of tax</b>		<b>—</b>	<b>—</b>	<b>(25,464)</b>	<b>(111,865)</b>	<b>4,579</b>
<b>Total comprehensive income for the financial year/period</b>		<b>1,454,409</b>	<b>1,910,892</b>	<b>8,131,345</b>	<b>8,124,243</b>	<b>5,689,017</b>
<b>Profit attributable to:</b>						
Owners of the parent		1,454,409	1,910,892	8,222,579	6,571,415	5,701,787
Non-controlling interests		—	—	(65,770)	1,664,693	(17,349)
		<b>1,454,409</b>	<b>1,910,892</b>	<b>8,156,809</b>	<b>8,236,108</b>	<b>5,684,438</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the parent		1,454,409	1,910,892	8,209,592	6,514,365	5,704,122
Non-controlling interests		—	—	(78,247)	1,609,878	(15,105)
		<b>1,454,409</b>	<b>1,910,892</b>	<b>8,131,345</b>	<b>8,124,243</b>	<b>5,689,017</b>
<b>Earnings per share (cents)</b>	25					
— Basic		17.31	22.75	97.89	70.37	67.88
— Diluted		17.31	22.75	97.89	70.37	67.88
— Based on Pre- Placement shares		1.11	1.46	6.28	5.02	4.35

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

**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
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**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

**COMBINED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND**  
**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

Note	Share capital \$	Foreign currency translation account \$	Retained earnings \$	Equity attributable to owners of the parent \$	Non- controlling interests \$	Total \$
	← Audited →					
Balance at 1 October 2007	8,400,002	—	4,419,352	12,819,354	—	12,819,354
Profit for the financial year	—	—	1,454,409	1,454,409	—	1,454,409
Total comprehensive income for the financial year	—	—	1,454,409	1,454,409	—	1,454,409
Distribution to owners of the parent:						
Dividends	—	—	(300,000)	(300,000)	—	(300,000)
Total transaction with owners of the parent	—	—	(300,000)	(300,000)	—	(300,000)
Balance at 30 September 2008	8,400,002	—	5,573,761	13,973,763	—	13,973,763
Balance at 1 October 2008	8,400,002	—	5,573,761	13,973,763	—	13,973,763
Profit for the financial year	—	—	1,910,892	1,910,892	—	1,910,892
Total comprehensive income for the financial year	—	—	1,910,892	1,910,892	—	1,910,892
Distribution to owners of the parent:						
Dividends	—	—	(500,000)	(500,000)	—	(500,000)
Total transaction with owners of the parent	—	—	(500,000)	(500,000)	—	(500,000)
Balance at 30 September 2009	8,400,002	—	6,984,653	15,384,655	—	15,384,655
Balance at 1 October 2009	8,400,002	—	6,984,653	15,384,655	—	15,384,655
Profit for the financial year	—	—	8,222,579	8,222,579	(65,770)	8,156,809
Other comprehensive income for the financial year:						
Exchange differences on translating foreign operations	—	(12,987)	—	(12,987)	(12,477)	(25,464)
Total comprehensive income for the financial year	—	(12,987)	8,222,579	8,209,592	(78,247)	8,131,345
Distribution to owners of the parent:						
Dividends	—	—	(7,998,750)	(7,998,750)	—	(7,998,750)
Total transaction with owners of the parent	—	—	(7,998,750)	(7,998,750)	—	(7,998,750)
Subscription of shares by non-controlling interest in a newly incorporated subsidiary	—	—	—	—	322,421	322,421
Balance at 30 September 2010	8,400,002	(12,987)	7,208,482	15,595,497	244,174	15,839,671

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

**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

**COMBINED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND**  
**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011(Continued)**

Note	Share capital	Foreign currency translation account	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$
	← <b>Audited</b> →					
Balance at 1 October 2010	8,400,002	(12,987)	7,208,482	15,595,497	244,174	15,839,671
Profit for the financial period	—	—	6,571,415	6,571,415	1,664,693	8,236,108
Other comprehensive income for the financial period:						
Exchange differences on translating foreign operations	—	(57,050)	—	(57,050)	(54,815)	(111,865)
Total comprehensive income for the financial period	—	(57,050)	6,571,415	6,514,365	1,609,878	8,124,243
Contribution by and distribution to owners of the parent:						
Dividends	26	—	(698,652)	(698,652)	—	(698,652)
Issue of shares	18	5,200,000	—	5,200,000	—	5,200,000
Total transactions with owners of the parent		5,200,000	(698,652)	4,501,348	—	4,501,348
Balance at 30 June 2011	13,600,002	(70,037)	13,081,245	26,611,210	1,854,052	28,465,262

	Share capital	Foreign currency translation account	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$
	← <b>Unaudited</b> →					
Balance at 1 October 2009	8,400,002	—	6,984,653	15,384,655	—	15,384,655
Profit for the financial period	—	—	5,701,787	5,701,787	(17,349)	5,684,438
Other comprehensive income for the financial period:						
Exchange differences on translating foreign operations	—	2,335	—	2,335	2,244	4,579
Total comprehensive income for the financial period	—	2,335	5,701,787	5,704,122	(15,105)	5,689,017
Subscription of shares by non-controlling interest in a newly incorporated subsidiary	—	—	—	—	322,421	322,421
Balance at 30 June 2010	8,400,002	2,335	12,686,440	21,088,777	307,316	21,396,093

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

**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
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**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND**  
**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
<b>Operating activities</b>					
Profit before income tax	1,754,515	2,246,592	9,397,802	8,948,618	6,484,985
Adjustments for:					
Allowance for doubtful third parties trade receivables	—	1,521	—	—	—
Allowance for doubtful third parties non-trade receivables	—	40,000	—	—	—
Allowance for doubtful related parties non-trade receivables	—	2,299	—	—	—
Amortisation of intangible asset	4,191	5,159	7,202	3,426	5,595
Depreciation of plant and equipment	485,181	784,853	1,224,572	1,140,933	862,987
Dividend income from financial assets at fair value through profit or loss	(11,484)	(5,474)	(7,641)	(1,771)	(6,494)
Fair value loss/(gain) on financial assets at fair value through profit or loss	483,384	39,178	(136,994)	33,494	(47,766)
Fair value loss/(gain) on investment properties	150,000	(788,750)	—	—	—
Loss/(Gain) on disposal of plant and equipment	2,845	(200)	(167,009)	—	(167,009)
Gain on disposal of financial assets at fair value through profit or loss	(13,355)	(1,000)	(74,515)	(34,018)	—
Gain on disposal of property held for sale	(9,375)	—	—	(50,000)	—
Interest income	(137,253)	(99,845)	(96,860)	(116,430)	(67,875)
Interest expense	422,132	353,750	292,800	115,603	244,474
Loss/(Gain) on disposal of investment properties	—	1,133	(1,375,569)	(637,203)	(1,375,569)
Return of surplus asset from joint venture upon termination	—	—	(34,919)	—	(34,919)
Share of results of joint ventures	(2,378,092)	(2,754,570)	(64,677)	(138,688)	245
Write-back of impairment loss of investments in joint ventures	(91,246)	—	—	—	—
Write-back of allowance for doubtful third parties trade receivables	(155,601)	(12,259)	—	(3,879)	—
Operating cash flows before working capital changes	505,842	(187,613)	8,964,192	9,260,085	5,898,654
Working capital changes:					
Trade and other receivables	(4,487,080)	(2,302,311)	(26,351,640)	4,765,799	(16,300,781)
Due to contract customers	(3,598,654)	(1,433,724)	8,872,350	9,354,536	6,354,661
Trade and other payables	10,061,274	3,156,441	25,553,845	(5,788,706)	18,924,673
Cash generated from/ (absorbed by) operations	2,481,382	(767,207)	17,038,747	17,591,714	14,877,207
Income tax paid	(93,405)	(308,886)	(192,287)	(1,223,251)	(203,238)
Net cash from/(used in) operating activities	2,387,977	(1,076,093)	16,846,460	16,368,463	14,673,969

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

**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
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**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND**  
**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011 (Continued)**

Note	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
<b>Investing activities</b>					
Purchase of plant and equipment	(231,986)	(761,661)	(1,524,459)	(777,733)	(1,316,448)
Purchase of investment properties	—	(1,081,250)	—	—	—
Purchase of financial assets at fair value through profit or loss	(1,287,612)	(176,880)	(1,611,898)	—	(1,571,018)
Purchase of intangible asset	(10,318)	—	(8,720)	(936)	(8,720)
Proceeds from disposal of plant and equipment	247	200	167,009	—	167,009
Proceeds from disposal of financial assets at fair value through profit or loss	851,916	197,920	534,715	598,529	—
Proceeds from disposal of investment properties	—	668,867	4,925,569	5,937,203	4,925,569
Proceeds from disposal of property held for sale	309,375	—	—	700,000	—
Proceeds from profit and capital withdrawal of investment in joint ventures	1,901,995	4,000,000	216,559	—	216,559
Dividend received	11,484	5,474	7,641	1,771	6,494
Interest received	137,253	99,845	96,860	116,430	67,875
Net cash from investing activities	<u>1,682,354</u>	<u>2,952,515</u>	<u>2,803,276</u>	<u>6,575,264</u>	<u>2,487,320</u>
<b>Financing activities</b>					
Fixed deposit pledged with financial institutions	(393,284)	(2,222,110)	(2,307,417)	4,313,095	(2,059,945)
Proceeds from bank borrowings	—	1,844,000	—	—	—
Proceeds from issuance of shares	2	—	—	5,200,000	—
Repayment of bank borrowings	(3,627,753)	(1,702,835)	(2,935,318)	(1,284,757)	(2,896,275)
Repayment of finance lease payables	(186,528)	(473,152)	(1,068,794)	(668,145)	(722,352)
Dividend paid	—	(300,000)	(500,000)	(7,998,750)	(500,000)
Interest paid	(422,132)	(353,750)	(292,800)	(115,603)	(244,474)
Net cash used in financing activities	<u>(4,629,695)</u>	<u>(3,207,847)</u>	<u>(7,104,329)</u>	<u>(554,160)</u>	<u>(6,423,046)</u>
Net change in cash and cash equivalents	(559,364)	(1,331,425)	12,545,407	22,389,567	10,738,243
Cash and cash equivalents at beginning of financial year/period	3,819,283	3,259,919	1,928,494	14,466,180	1,928,494
Exchange difference on cash and cash equivalents	—	—	(7,721)	(1,801)	(52)
Cash and cash equivalents at end of financial year/period	12 <u>3,259,919</u>	<u>1,928,494</u>	<u>14,466,180</u>	<u>36,853,946</u>	<u>12,666,685</u>

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



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**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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

These combined financial statements were authorised for issue by the Directors on 8 December 2011 and have been prepared for inclusion in the Offer Document of Keong Hong Holdings Limited.

**1. Corporate information**

**1.1 Domicile and activities**

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

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

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

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

**1.2 Restructuring exercise**

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

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**1. Corporate information (Continued)**

**1.2 Restructuring exercise (Continued)**

**i. Pre-IPO investment in Keong Hong Construction Pte Ltd (“KH Construction”) (Continued)**

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

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

**ii. Share buy back by each of KH Construction, KH Land and KH Trading**

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

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

**iii. Sale of Teou Kem Eng @ Teou Kim Eng’s shares in KH Construction**

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**1. Corporate information (Continued)**

**1.2 Restructuring exercise (Continued)**

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

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

**iv. Sale of Teou Kem Eng @ Teou Kim Eng's shares in KH Land and KH Trading**

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

**v. Acquisition of KH Construction**

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

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

**vi. Acquisition of KH Land**

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**1. Corporate information (Continued)**

**1.2 Restructuring exercise (Continued)**

**vi. Acquisition of KH Land (Continued)**

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

**vii. Acquisition of KH Trading**

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

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

**viii. Sale of odd-lot Shares by Pre-IPO Investors and Teou Kem Eng @ Teou Kim Eng to Leo Ting Ping Ronald**

Subsequent to the issue of shares by the Company pursuant to the acquisition of KH Construction, KH Trading and KH Land, Leo Ting Ping Ronald (as purchaser) entered into a sale and purchase agreement dated 21 November 2011 with Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors (as vendors) for an aggregate of 8,767 shares. This aimed to consolidate the odd-lot Shares among Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and the Pre-IPO Investors. The aggregate consideration to be paid by Leo Ting Ping Ronald to the vendors for the purchase of such shares was \$1,464.10.

Upon the completion of the Restructuring Exercise and as at the date of this report, the Company has the following subsidiaries, joint venture and associated company:

<b>Name of company</b>	<b>Date and country of incorporation</b>	<b>Registered and paid in capital</b>	<b>Principal activities</b>	<b>Effective equity interest</b>
<b>Subsidiaries</b>				
Keong Hong Construction Pte Ltd ("KH Construction")	1 October 1983 Singapore	\$11,753,031	General and building contractors	100%
K. H. Land Pte Ltd ("KH Land")	28 July 1993 Singapore	\$765,000	Investment holding, real estate development and building construction	100%

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**1. Corporate information (Continued)**

**1.2 Restructuring exercise (Continued)**

<b>Name of company</b>	<b>Date and country of incorporation</b>	<b>Registered and paid in capital</b>	<b>Principal activities</b>	<b>Effective equity interest</b>
KH Trading Pte. Ltd. ("KH Trading")	30 May 2007 Singapore	\$45,000	Trading of building construction materials	100%
KHA Resorts & Hotels Construction Pvt Ltd. ("KHA Resorts")	9 March 2010 Incorporated in Cayman Island and re-registered in Republic of Maldives	US\$500,000	Hotel building contractors	51%
Sum Keong Realty Pte Ltd ("SKR")	6 June 1994 Singapore	\$1,000,000	Property investment	99%
<b>Joint venture</b>				
Keong Hong — Kienta Engineering JV LLP ("KH-Kienta JV LLP")	12 February 2007 Singapore	\$1,000,000	Construction activities pertaining to the Ibis Hotel development project at Bencoolen Street	50%
<b>Associated Company</b>				
Punggol Residences Pte. Ltd.	5 August 2011 Singapore	\$1,000,000	Real estate developer	20%

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

During the financial year ended 30 September 2010, one of the joint ventures, Sim Lian — Keong Hong JV was dissolved on 30 October 2009 as its construction project has been completed. The joint venture was incorporated for the purpose of undertaking the building works of its construction project, "Palm Gardens Condominium". The results of the joint venture have been included in the combined financial statements for the financial years ended 30 September 2008, 2009 and 2010 but excluded from the combined financial statements for the nine-month financial period ended 30 June 2011. As the joint venture was dissolved before the completion of the Restructuring Exercise, the joint venture would not form part of the Group.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**1. Corporate information (Continued)**

**1.2 Restructuring exercise (Continued)**

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

**2. Basis of preparation of combined financial statements**

The Restructuring Exercise involved companies which are under common control. The combined financial statements of the Group for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 have been prepared in a manner similar to the “pooling-of-interest” method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the end of the reporting periods.

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

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

The financial statements of KHA Resorts & Hotels Construction Pvt Ltd. (“KHA”) for the financial period from 6 April 2010 (date of re-registration) to 30 September 2010 and for the nine-month financial period ended 30 June 2011 were audited by Ernst & Young, Maldives and its report carried an audit emphasis of matter paragraph drawing attention to the following note 1.1 as follows:

*For the financial period from 6 April 2010 (date of re-registration) to 30 September 2010*

1.1 “The Company was incorporated as a subsidiary of KH Land Private Limited, a company incorporated in Singapore. The re-registration of the business in the Maldives is granted by the Ministry of Economic Development for the purposes of undertaking the construction of Falhumaafushi Resort at Falhumaafushi Island, Gaafu Alifu Atoll. The re-registration in the Maldives is valid until 31 October 2011.

However, the financial statements have been prepared on going concern basis. Property, plant and equipment have been recorded at its cost less accumulated depreciation and classified under non-current assets.

The Directors’ intend to undertake new projects in the Maldives and may obtain further extension of licence to carry on business in the Maldives.”

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**2. Basis of preparation of combined financial statements (Continued)**

*For the financial period from 1 October 2010 to 30 June 2011*

1.1 “The Company was incorporated as a subsidiary of KH Land Private Limited, a company incorporated in Singapore, for construction of proposed Falhumaafushi Resort at Falhumaafushi Island. The re-registration in the Maldives is valid until 25 June 2012.”

The statutory audited financial statements of the companies in the Group as at and for the three financial years ended 30 September 2008, 2009 and 2010 covered by this report were audited by the following firms of Certified Public Accountants whom issued unqualified audit opinions in their reports:

<b>Name of company</b>	<b>Auditors</b>	<b>Financial year</b>
Keong Hong Holdings Pte. Ltd.	BDO LLP	Financial period from 15 April 2008 to 31 December 2008, financial year ended 31 December 2009 and financial period from 1 January 2010 to 30 September 2010
Keong Hong Construction Pte Ltd	BDO LLP	Financial years ended 30 September 2008, 2009 and 2010
K. H. Land Pte Ltd	BDO LLP	Financial period from 1 July 2007 to 30 September 2008 and financial years ended 30 September 2009 and 2010
K H Trading Pte. Ltd.	BDO LLP	Financial years ended 30 September 2008, 2009 and 2010
Keong Hong — Kienta Engineering JV LLP	BDO LLP	Financial years ended 30 September 2008, 2009 and 2010
Sum Keong Realty Pte Ltd	BDO LLP	Financial years ended 30 September 2008, 2009 and 2010
KHA Resorts & Hotels Construction Pvt Ltd.	Ernst & Young, Maldives	Financial period from 6 April 2010 (date re-registration) to 30 September 2010

The Company changed its financial year-end from 31 December to 30 September in 2010. As the financial periods of the Company for the past three years were not co-terminous with the reporting year-end of the Group, i.e. year ended 30 September, the financial statements of the Company drawn up to the different reporting year-ends were adjusted, using a consistent basis, for any material impact on the combined financial statements presented.

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**2. Basis of preparation of combined financial statements (Continued)**

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

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the combined financial statements are disclosed in Note 4 to the combined financial statements.

**3. Summary of significant accounting policies**

**3.1 Changes in accounting policies**

During the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011, the Group adopted the new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the annual period beginning on or after 1 October 2007, 2008, 2009 and 2010 respectively. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's accounting policies.

For the purposes of preparing the combined financial statements for the financial years ended 30 September 2008 and 2009, the Group has early adopted the following FRS which are applicable to its combined financial statements but which were only effective from 1 October 2009:



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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.1 Changes in accounting policies (Continued)**

*FRS 1 (2008) — Presentation of Financial Statements (Revised)*

FRS 1 (2008) requires the Group to present all changes in equity arising from transactions with non-owners in an unaudited proforma combined statement of comprehensive income separately from those equity changes arising from transaction with owners in their capacity as owners to be presented in the unaudited proforma combined statement of changes in equity. FRS 1 (2008) also requires the Group to disclose income tax relating to each component of other comprehensive income and to disclose reclassification adjustments relating to components of other comprehensive income. Where the Group restates or reclassifies comparative information, the Group will be required to present a restated balance as at the beginning of the earliest comparative period in addition to the current requirement to present the unaudited proforma combined statements of financial position as at the end of the current period and comparative period. The Group has chosen to present both the income statement and the statement of comprehensive income in one single combined statement of comprehensive income.

*FRS 108 Operating Segments*

FRS 108 replaces FRS 14 Segment Reporting and requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision maker. There is no significant change in the presentation of the reportable segments from that reported in the financial year ended 30 September 2008 and 2009.

*Amendments to FRS 107 Financial instruments: Disclosures — Improving Disclosures about Financial Instruments*

The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk. There was no significant impact on the Group’s disclosures arising from these amendments.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.1 Changes in accounting policies (Continued)**

*FRS and INT FRS issued but not yet effective*

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

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

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.1 Changes in accounting policies (Continued)**

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

*FRS 24 Related Party Disclosures (Revised)*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationship and to eliminate inconsistencies in its application. The revised FRS 24 expands the definitions of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented.

On 20 September 2011, the Accounting Standards Council has issued new and revised FRS namely; FRS 1 *Presentation of Items of Other Comprehensive Income*, FRS 19 *Employee Benefits (Revised)*, FRS 27 *Separate Financial Statements*, FRS 28 *Investments in Associates and Joint Ventures*, FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities* and FRS 113 *Fair Value Measurement*. The Group is currently determining the impact of these new and revised FRS on the consolidated financial statements upon initial adoption.

**3.2 Basis of combination**

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.2 Basis of combination (Continued)**

*Acquisition under common control*

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

*Transactions eliminated on combination*

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

**3.3 Plant and equipment**

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

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

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.3 Plant and equipment (Continued)**

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

	<b>Years</b>
Office equipment	2
Furniture and fittings	5
Motor vehicles	5
Plant and machinery	5 –10

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

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

**3.4 Subsidiaries**

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

**3.5 Joint venture**

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.5 Joint venture (Continued)**

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

**3.6 Investment properties**

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

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

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

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

**3.7 Intangible asset**

*Computer software*

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.7 Intangible asset (Continued)**

Computer software licences 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.

**3.8 Property held for sale**

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

**3.9 Impairment of non-financial assets**

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

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.9 Impairment of non-financial assets (Continued)**

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

**3.10 Financial assets**

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

(i) Loans and receivables

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

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

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



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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.10 Financial assets (Continued)**

*Recognition and derecognition*

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

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

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

*Initial and subsequent measurement*

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

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

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

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

*Impairment*

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.10 Financial assets (Continued)**

*Impairment (Continued)*

(i) Loans and receivables

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed either directly or by adjusting on allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

**3.11 Cash and cash equivalents**

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

**3.12 Financial liabilities**

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

(i) Trade and other payables

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.12 Financial liabilities (Continued)**

(ii) Bank borrowings

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

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

*Recognition and derecognition*

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

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

**3.13 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.

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.14 Revenue recognition**

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

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

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

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

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

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

**3.15 Grants**

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

*Government grant — Jobs Credit Scheme*

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.16 Construction contracts**

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

Contract costs are recognised as and when they are incurred.

When the outcome of a contract can be estimated reliably, contract revenue and costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (percentage-of-completion method). The stage of completion is measured by reference to surveys of work performed. When outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

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

**3.17 Leases**

*Group as lessor of operating leases*

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

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.17 Leases (Continued)**

*Group as lessee of operating leases*

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

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

*Group as lessee of finance leases*

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

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

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

**3.18 Employee benefits**

*Defined contribution plans*

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

*Employee leave entitlement*

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.19 Borrowing costs**

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

**3.20 Income tax**

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

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years.

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

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

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

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

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.21 Foreign currencies**

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

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

In preparing the financial statements, transactions in a currency other than the Group’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

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

- (i) assets and liabilities for the combined statements of financial position presented are translated at the closing exchange rate at the end of the reporting period;
- (ii) income and expenses for the combined statements of comprehensive income are translated at average exchange rate for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) the resulting exchange differences are recognised in the foreign currency translation account within equity.



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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**3. Summary of significant accounting policies (Continued)**

**3.22 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.

**3.23 Segment reporting**

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

**4. Critical accounting judgements and key sources of estimation uncertainty**

**4.1 Critical judgements made in applying the Group's accounting policies**

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

(i) Construction contracts

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

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

(ii) Impairment of investments or financial assets

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**4. Critical accounting judgements and key sources of estimation uncertainty (Continued)**

**4.2 Key sources of estimation uncertainty**

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

(i) Depreciation of plant and equipment and amortisation of intangible asset

The plant and equipment and intangible asset are depreciated or amortised on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be within 2 to 10 years. The carrying amounts of plant and equipment as at 30 September 2008, 2009 and 2010 and 30 June 2011 were \$2,258,805, \$4,145,594, \$4,986,670 and \$4,602,053 respectively. The carrying amounts of intangible asset as at 30 September 2008, 2009 and 2010 and 30 June 2011 were \$8,001, \$2,842, \$4,360 and \$1,870 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation or amortisation could be revised.

(ii) Allowance for doubtful trade and other receivables

The management establishes allowance for doubtful receivables when it believes that payment of amounts owed is unlikely to occur. In establishing the allowance, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of the ability to make the required payments, additional allowance may be required. The carrying amounts of trade and other receivables as at 30 September 2008, 2009 and 2010 and 30 June 2011 were \$24,974,348, \$27,245,098, \$53,589,386 and \$48,781,290 respectively.

(iii) Income taxes

The Group recognises expected income tax liabilities based on estimates of income tax payable. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions, in the financial year in which such determination is made. The carrying amounts of current income tax payable as at 30 September 2008, 2009 and 2010 and 30 June 2011 were \$390,878, \$232,692, \$1,314,398 and \$1,061,657 respectively. The carrying amounts of deferred tax liabilities as at 30 September 2008, 2009 and 2010 and 30 June 2011 were \$216,000, \$401,000, \$368,000 and \$111,000 respectively.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**4. Critical accounting judgements and key sources of estimation uncertainty (Continued)**

**4.2 Key sources of estimation uncertainty (Continued)**

(iv) Investment properties

The Group's investment properties are stated at fair value in accordance with the accounting policy stated in Note 3.6 to the combined financial statements. The fair values of the investment properties were determined by independent professional valuers and the carrying value of investment properties as at 30 September 2008, 2009 and 2010 and 30 June 2011 were \$8,300,000, \$9,500,000, \$5,300,000 and \$Nil respectively. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

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

**5. Plant and equipment**

	<b>Office equipment</b>	<b>Furniture and fittings</b>	<b>Motor vehicles</b>	<b>Plant and machinery</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance at 1 October 2007	147,548	69,227	1,111,193	1,344,331	2,672,299
Additions	40,957	53,049	—	1,285,480	1,379,486
Disposals	(1,400)	—	—	(6,800)	(8,200)
Written off	—	(2,280)	(38,360)	—	(40,640)
Balance at 30 September 2008	<u>187,105</u>	<u>119,996</u>	<u>1,072,833</u>	<u>2,623,011</u>	<u>4,002,945</u>
<b>Accumulated depreciation</b>					
Balance at 1 October 2007	129,325	24,984	819,998	330,400	1,304,707
Depreciation	36,875	23,492	130,618	294,196	485,181
Disposals	(1,400)	—	—	(6,800)	(8,200)
Written off	—	(912)	(36,636)	—	(37,548)
Balance at 30 September 2008	<u>164,800</u>	<u>47,564</u>	<u>913,980</u>	<u>617,796</u>	<u>1,744,140</u>
<b>Net carrying amount</b>					
Balance at 30 September 2008	<u>22,305</u>	<u>72,432</u>	<u>158,853</u>	<u>2,005,215</u>	<u>2,258,805</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**5. Plant and equipment (Continued)**

	Office equipment \$	Furniture and fittings \$	Motor vehicles \$	Plant and machinery \$	Total \$
<b>Cost</b>					
Balance at 1 October 2008	187,105	119,996	1,072,833	2,623,011	4,002,945
Additions	35,342	115,823	—	2,520,477	2,671,642
Disposals	(1,800)	—	—	—	(1,800)
Written off	(3,121)	—	—	—	(3,121)
Balance at 30 September 2009	<u>217,526</u>	<u>235,819</u>	<u>1,072,833</u>	<u>5,143,488</u>	<u>6,669,666</u>
<b>Accumulated depreciation</b>					
Balance at 1 October 2008	164,800	47,564	913,980	617,796	1,744,140
Depreciation	24,563	35,336	122,817	602,137	784,853
Disposals	(1,800)	—	—	—	(1,800)
Written off	(3,121)	—	—	—	(3,121)
Balance at 30 September 2009	<u>184,442</u>	<u>82,900</u>	<u>1,036,797</u>	<u>1,219,933</u>	<u>2,524,072</u>
<b>Net carrying amount</b>					
Balance at 30 September 2009	<u>33,084</u>	<u>152,919</u>	<u>36,036</u>	<u>3,923,555</u>	<u>4,145,594</u>
<b>Cost</b>					
Balance at 1 October 2009	217,526	235,819	1,072,833	5,143,488	6,669,666
Additions	86,877	41,110	554,440	1,380,318	2,062,745
Disposals	(3,620)	(2,120)	(475,974)	—	(481,714)
Balance at 30 September 2010	<u>300,783</u>	<u>274,809</u>	<u>1,151,299</u>	<u>6,523,806</u>	<u>8,250,697</u>
<b>Accumulated depreciation</b>					
Balance at 1 October 2009	184,442	82,900	1,036,797	1,219,933	2,524,072
Depreciation	46,776	51,448	113,803	1,012,545	1,224,572
Disposals	(3,620)	(2,120)	(475,974)	—	(481,714)
Currency realignments	(36)	(14)	—	(2,853)	(2,903)
Balance at 30 September 2010	<u>227,562</u>	<u>132,214</u>	<u>674,626</u>	<u>2,229,625</u>	<u>3,264,027</u>
<b>Net carrying amount</b>					
Balance at 30 September 2010	<u>73,221</u>	<u>142,595</u>	<u>476,673</u>	<u>4,294,181</u>	<u>4,986,670</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**5. Plant and equipment (Continued)**

	Office equipment \$	Furniture and fittings \$	Motor vehicles \$	Plant and machinery \$	Total \$
<b>Cost</b>					
Balance at 1 October 2010	300,783	274,809	1,151,299	6,523,806	8,250,697
Additions	93,700	3,850	—	680,183	777,733
Currency realignments	(560)	(197)	—	(28,541)	(29,298)
Balance at 30 June 2011	<u>393,923</u>	<u>278,462</u>	<u>1,151,299</u>	<u>7,175,448</u>	<u>8,999,132</u>
<b>Accumulated depreciation</b>					
Balance at 1 October 2010	227,562	132,214	674,626	2,229,625	3,264,027
Depreciation	57,844	36,675	83,166	963,248	1,140,933
Currency realignments	(134)	(32)	—	(7,715)	(7,881)
Balance at 30 June 2011	<u>285,272</u>	<u>168,857</u>	<u>757,792</u>	<u>3,185,158</u>	<u>4,397,079</u>
<b>Net carrying amount</b>					
Balance at 30 June 2011	<u>108,651</u>	<u>109,605</u>	<u>393,507</u>	<u>3,990,290</u>	<u>4,602,053</u>

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:

	30.9.2008 \$	30.9.2009 \$	30.9.2010 \$	30.6.2011 \$
Plant and machinery	1,289,321	3,369,257	2,730,392	2,268,567
Motor vehicles	156,597	36,036	461,326	380,583
	<u>1,445,918</u>	<u>3,405,293</u>	<u>3,191,718</u>	<u>2,649,150</u>

Finance lease assets are pledged as securities for the related finance lease payables (Note 16).

Motor vehicles with net carrying amounts as at 30 September 2008, 2009 and 2010 and 30 June 2011 were \$83,063, \$10,840, \$287,868 and \$238,985 respectively were registered in the name of the Directors and staff who are holding the motor vehicles in trust for the Group.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**5. Plant and equipment (Continued)**

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

	1.10.2007 to 30.9.2008	1.10.2008 to 30.9.2009	1.10.2009 to 30.9.2010	1.10.2010 to 30.6.2011	1.10.2009 to 30.6.2010
	\$	\$	\$	\$	\$
	← Audited →				Unaudited
Additions of plant and equipment	1,379,486	2,671,642	2,062,745	777,733	1,726,448
Acquired under finance lease agreements	(1,147,500)	(1,909,981)	(538,286)	—	(410,000)
Cash payments to acquire plant and equipment	<u>231,986</u>	<u>761,661</u>	<u>1,524,459</u>	<u>777,733</u>	<u>1,316,448</u>

**6. Investment properties**

	30.9.2008	30.9.2009	30.9.2010	30.6.2011
	\$	\$	\$	\$
<b>At fair value</b>				
Balance at beginning of financial year/period	8,450,000	8,300,000	9,500,000	5,300,000
Additions	—	1,081,250	—	—
Disposals	—	(670,000)	(3,550,000)	(5,300,000)
Changes in fair value	(150,000)	788,750	—	—
Reclassification to property held for sale (Note 9)	—	—	(650,000)	—
Balance at end of financial year/period	<u>8,300,000</u>	<u>9,500,000</u>	<u>5,300,000</u>	<u>—</u>

The fair values of investment properties at 30 September 2008, 2009 and 2010 respectively have been determined on the basis of valuation carried out by independent valuers having the appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuations were arrived at by reference to market evidences of transaction prices for similar properties, and were performed in accordance with International Valuation Standards.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**6. Investment properties (Continued)**

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

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

The following amounts are recognised in profit or loss:

	1.10.2007 to 30.9.2008	1.10.2008 to 30.9.2009	1.10.2009 to 30.9.2010	1.10.2010 to 30.6.2011	1.10.2009 to 30.6.2010
	\$	\$	\$	\$	\$
	← Audited →				Unaudited
Rental income	406,300	316,389	304,557	116,940	278,657
Property taxes and other direct operating expenses arising from investment properties	35,984	44,534	43,921	12,778	10,961

The investment properties of \$7,050,000, \$8,850,000, \$5,300,000 and \$Nil at 30 September 2008, 2009 and 2010 and 30 June 2011 respectively were mortgaged as securities for the banking facilities as set out in Note 15 to the combined financial statements.

**7. Investments in joint ventures**

	30.9.2008	30.9.2009	30.9.2010	30.6.2011
	\$	\$	\$	\$
Unquoted capital contributions, at cost	1,000,000	1,000,000	500,000	500,000
Share of results of joint ventures	11,136,367	13,890,937	5,523,754	5,662,442
Net profit and capital withdrawal	(10,250,220)	(14,250,220)	(5,500,000)	(5,500,000)
	1,886,147	640,717	523,754	662,442

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**7. Investments in joint ventures (Continued)**

The details of the joint ventures are as follows:

Name of entity (Country of incorporation)	Effective equity interest held by the Group				Principal activities
	30.9.2008	30.9.2009	30.9.2010	30.6.2011	
	%	%	%	%	
Sim Lian — Keong Hong JV <sup>(1)</sup> (Singapore)	50	50	—	—	To undertake the main building works of a housing development project known as “Palm Gardens Condominium” awarded by Keppel Land (Palm Gardens) Pte Ltd.
Keong Hong — Kienta Engineering JV LLP <sup>(2)</sup> (Singapore)	50	50	50	50	To carry out the construction of a project known as “IBIS Hotel” awarded by Bencool LA Pte Ltd.

<sup>(1)</sup> Audited by Lee Seng Chan & Co, Singapore

<sup>(2)</sup> Audited by BDO LLP, Singapore

The financial year end of Sim Lian — Keong Hong JV and Keong Hong — Kienta Engineering JV LLP are 30 June and 30 September respectively.

Sim Lian — Keong Hong JV was incorporated for the purpose of undertaking the building works of the Palm Gardens Condominium project. As the project had been completed, it was dissolved on 30 October 2009.

Movements in allowance for impairment loss were as follows:

	30.9.2008	30.9.2009	30.9.2010	30.6.2011
	\$	\$	\$	\$
Balance at beginning of financial year/period	91,246	—	—	—
Write-back of allowance no longer required	(91,246)	—	—	—
Balance at end of financial year/period	—	—	—	—

The Group carried out a review on the recoverable amount of its investments in joint ventures. The review led to the write-back of allowance no longer required amounting to \$91,246, \$Nil, \$Nil and \$Nil that had been recognised in profit or loss for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011. The recoverable amounts of the investments in joint ventures have been determined on the basis of their net asset values as at the end of the reporting period as in the opinion of the Directors, the net asset values of the joint ventures reasonably approximate their fair values less costs to sell.



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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**7. Investments in joint ventures (Continued)**

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

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
<b>Assets and liabilities</b>				
Non-current assets	735	254	127	—
Current assets	<u>4,792,880</u>	<u>1,755,706</u>	<u>750,405</u>	<u>717,476</u>
Total assets	<u><u>4,793,615</u></u>	<u><u>1,755,960</u></u>	<u><u>750,532</u></u>	<u><u>717,476</u></u>
Current liabilities	<u>(2,997,020)</u>	<u>(1,204,493)</u>	<u>(226,778)</u>	<u>(55,034)</u>
<b>Results</b>				
Income	14,609,757	7,074,488	67,300	144,488
Expenses	<u>(12,231,665)</u>	<u>(4,319,918)</u>	<u>(2,623)</u>	<u>(5,800)</u>

**8. Intangible asset**

**Computer software**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
<b>Cost</b>				
Balance at beginning of financial year/period	16,412	26,730	25,230	33,950
Additions	10,318	—	8,720	936
Written off	—	(1,500)	—	—
Balance at end of financial year/period	<u>26,730</u>	<u>25,230</u>	<u>33,950</u>	<u>34,886</u>
<b>Accumulated amortisation</b>				
Balance at beginning of financial year/period	14,538	18,729	22,388	29,590
Amortisation during the financial year/period	4,191	5,159	7,202	3,426
Written off	—	(1,500)	—	—
Balance at end of financial year/period	<u>18,729</u>	<u>22,388</u>	<u>29,590</u>	<u>33,016</u>
<b>Net carrying amount</b>				
Balance at end of financial year/period	<u><u>8,001</u></u>	<u><u>2,842</u></u>	<u><u>4,360</u></u>	<u><u>1,870</u></u>

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**9. Property held for sale**

	30.9.2008	30.9.2009	30.9.2010	30.6.2011
	\$	\$	\$	\$
Balance at beginning of financial year/period	300,000	—	—	650,000
Transferred from investment properties (Note 6)	—	—	650,000	—
Disposal during the financial year/period	<u>(300,000)</u>	<u>—</u>	<u>—</u>	<u>(650,000)</u>
Balance at end of financial year/period	<u>—</u>	<u>—</u>	<u>650,000</u>	<u>—</u>

During the financial year ended 30 September 2008, the property held for sale was disposed for a total consideration of \$309,375 to a third party.

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

**10. Financial assets at fair value through profit or loss**

	30.9.2008	30.9.2009	30.9.2010	30.6.2011
	\$	\$	\$	\$
Quoted equity investments	93,962	35,856	1,250,232	—
Investment fund	514,614	677,701	752,017	705,592
Fixed income securities	<u>164,199</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>772,775</u>	<u>713,557</u>	<u>2,002,249</u>	<u>705,592</u>
<i>Investments held for trading</i>				
Balance at beginning of financial year/period	807,108	772,775	713,557	2,002,249
Additions	1,287,612	176,880	1,611,898	—
Disposals	(838,561)	(196,920)	(460,200)	(564,511)
Distribution as dividends (Note 26)	—	—	—	(698,652)
Fair value (loss)/gain recognised in profit or loss	<u>(483,384)</u>	<u>(39,178)</u>	<u>136,994</u>	<u>(33,494)</u>
Balance at end of financial year/period	<u>772,775</u>	<u>713,557</u>	<u>2,002,249</u>	<u>705,592</u>

During the nine-month financial period ended 30 June 2011, investments held for trading amounting to \$698,652 were distributed as dividends to shareholders of a subsidiary.

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

	30.9.2008	30.9.2009	30.9.2010	30.6.2011
	\$	\$	\$	\$
Singapore dollar	202,620	127,470	1,250,232	—
United States dollar	<u>570,155</u>	<u>586,087</u>	<u>752,017</u>	<u>705,592</u>
	<u>772,775</u>	<u>713,557</u>	<u>2,002,249</u>	<u>705,592</u>

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**11. Trade and other receivables**

	30.9.2008	30.9.2009	30.9.2010	30.6.2011
	\$	\$	\$	\$
Trade receivables				
— third parties	8,716,810	7,621,660	22,110,857	9,531,363
— retention sum	7,915,999	9,280,283	17,026,460	24,227,456
— unbilled revenue	7,668,115	9,998,832	12,108,793	13,411,322
	24,300,924	26,900,775	51,246,110	47,170,141
Allowance for doubtful trade receivables				
— third parties	(15,909)	(5,171)	(5,171)	(1,190)
	24,285,015	26,895,604	51,240,939	47,168,951
Deposit for purchase of properties (Note 28.2)	211,000	—	739,593	—
Security deposits	208,098	284,514	762,444	1,203,177
Return on surplus assets	—	—	—	12,254
Prepayments	193,260	43,530	68,352	41,363
Other receivables — third parties	127,890	113,490	375,084	93,312
Allowance for doubtful non-trade receivables — third parties	(52,040)	(92,040)	(92,040)	(92,040)
	75,850	21,450	283,044	1,272
Due from related parties — non-trade	8,471	9,645	504,659	363,918
Allowance for doubtful non-trade receivables — related parties	(7,346)	(9,645)	(9,645)	(9,645)
	1,125	—	495,014	354,273
	<u>24,974,348</u>	<u>27,245,098</u>	<u>53,589,386</u>	<u>48,781,290</u>

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**11. Trade and other receivables (Continued)**

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

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

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year/period	184,182	15,909	5,171	5,171
Charged for the financial year/period	—	1,521	—	—
Write-back of allowance no longer required	(155,601)	(12,259)	—	(3,879)
Bad trade receivables written off against allowance	(12,672)	—	—	(102)
Balance at end of financial year/period	<u>15,909</u>	<u>5,171</u>	<u>5,171</u>	<u>1,190</u>

During the financial year and period, the Group carried out a review on the recoverable amount of its trade receivables. The review led to an allowance made for doubtful trade receivables of \$Nil, \$1,521, \$Nil and \$Nil and write-back of allowance no longer required of \$155,601, \$12,259, \$Nil and \$3,879 were recognised in profit or loss for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011.

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

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

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year/period	52,040	52,040	92,040	92,040
Charged for the financial year/period	—	40,000	—	—
Balance at end of financial year/period	<u>52,040</u>	<u>92,040</u>	<u>92,040</u>	<u>92,040</u>

During the financial year and period, the Group carried out a review on the recoverable amount of its third parties non-trade receivables. The review led to an allowance made for doubtful non-trade receivables of \$Nil, \$40,000, \$Nil and \$Nil recognised in profit or loss for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**11. Trade and other receivables (Continued)**

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

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Balance at beginning of financial year/period	7,346	7,346	9,645	9,645
Charged for the financial year/period	—	2,299	—	—
Balance at end of financial year/period	<u>7,346</u>	<u>9,645</u>	<u>9,645</u>	<u>9,645</u>

During the financial year and period, the Group carried out a review on the recoverable amount of its related parties non-trade receivables. The review led to an allowance made for doubtful non-trade receivables of \$Nil, \$2,299, \$Nil and \$Nil recognised in profit or loss for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011.

Trade and other receivables are denominated in the following currencies:

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Singapore dollar	24,974,348	27,245,098	52,830,776	47,775,713
United States dollar	—	—	493,947	352,442
Maldive Rufiyaa	—	—	264,663	653,135
	<u>24,974,348</u>	<u>27,245,098</u>	<u>53,589,386</u>	<u>48,781,290</u>

**12. Cash and cash equivalents**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Fixed deposits	8,760,706	11,008,984	18,654,273	24,234,679
Cash and bank balances	<u>3,179,415</u>	<u>1,821,822</u>	<u>9,021,636</u>	<u>21,515,901</u>
Cash and cash equivalents on combined statements of financial position	<u>11,940,121</u>	<u>12,830,806</u>	<u>27,675,909</u>	<u>45,750,580</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**12. Cash and cash equivalents (Continued)**

Cash and cash equivalents included in the combined statements of cash flows is as follows:

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
Cash and cash equivalents	11,940,121	12,830,806	27,675,909	45,750,580	25,628,942
Fixed deposits pledged	(8,680,202)	(10,902,312)	(13,209,729)	(8,896,634)	(12,962,257)
Cash and cash equivalents included in the combined statements of cash flows	<u>3,259,919</u>	<u>1,928,494</u>	<u>14,466,180</u>	<u>36,853,946</u>	<u>12,666,685</u>

Fixed deposits are placed for a period of 3 to 12 months, 1 to 12 months, 1 to 12 months and 1 to 9 months and bear effective interest rate on the fixed deposits ranging from between 0.30% to 3.35%, 0.10% to 1.89%, 0.14% to 0.86% and 0.15% to 0.88% per annum for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively.

The fixed deposits of \$8,680,202, \$10,902,312, \$13,209,729 and \$8,896,634 for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively have been pledged as securities for banking facilities as disclosed in Note 15 to the combined financial statements.

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

	30.9.2008 \$	30.9.2009 \$	30.9.2010 \$	30.6.2011 \$
Ringgit Malaysia	643,551	670,669	689,266	766,490
Singapore dollar	11,168,703	11,986,537	26,678,209	44,560,810
United States dollar	<u>127,867</u>	<u>173,600</u>	<u>308,434</u>	<u>423,280</u>
	<u>11,940,121</u>	<u>12,830,806</u>	<u>27,675,909</u>	<u>45,750,580</u>

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**13. Due to contract customers**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011.</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$.</b>
Contract costs incurred to date	110,006,036	46,699,554	166,381,498	313,478,978
Recognised profits less recognised losses to date	<u>5,549,633</u>	<u>3,034,586</u>	<u>12,499,536</u>	<u>22,556,582</u>
	115,555,669	49,734,140	178,881,034	336,035,560
Less: Progress billings received and receivable	<u>(122,382,724)</u>	<u>(55,127,471)</u>	<u>(193,149,728)</u>	<u>(359,659,900)</u>
Amounts due to contract customers	<u>(6,827,055)</u>	<u>(5,393,331)</u>	<u>(14,268,694)</u>	<u>(23,624,340)</u>

**14. Trade and other payables**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Trade payables</b>				
— third parties	12,253,276	23,352,337	47,959,606	42,651,327
— related parties	<u>3,630,423</u>	<u>—</u>	<u>680,553</u>	<u>—</u>
	15,883,699	23,352,337	48,640,159	42,651,327
<b>Other payables</b>				
— third parties	460,845	150,172	182,542	146,042
— related parties	360	—	—	—
Rental deposits	22,800	26,200	—	—
Dividend payable	300,000	500,000	7,998,750	—
Accrued operating expenses	<u>6,529,673</u>	<u>2,525,109</u>	<u>2,472,822</u>	<u>2,750,809</u>
	<u>23,197,377</u>	<u>26,553,818</u>	<u>59,294,273</u>	<u>45,548,178</u>

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

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

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**14. Trade and other payables (Continued)**

Trade and other payables are denominated in the following currencies:

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Singapore dollar	23,197,377	26,553,818	59,287,693	45,387,576
United States dollar	—	—	6,580	160,602
	<u>23,197,377</u>	<u>26,553,818</u>	<u>59,294,273</u>	<u>45,548,178</u>

**15. Bank borrowings**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current liabilities</b>				
<b>Secured</b>				
Bank overdrafts	925,405	—	—	—
Bank loan I	120,892	129,366	134,246	—
Bank loan II	57,936	—	—	—
Bank loan III	199,734	207,245	—	—
Bank loan V	—	26,324	68,252	—
	<u>1,303,967</u>	<u>362,935</u>	<u>202,498</u>	<u>—</u>
<b>Unsecured</b>				
Bank loan IV	—	491,607	—	—
	<u>1,303,967</u>	<u>854,542</u>	<u>202,498</u>	<u>—</u>
<b>Non-current liabilities</b>				
<b>Secured</b>				
Bank loan I	621,040	491,674	359,400	—
Bank loan II	292,493	—	—	—
Bank loan III	1,861,410	1,653,931	—	—
Bank loan V	—	791,111	722,859	—
	<u>2,774,943</u>	<u>2,936,716</u>	<u>1,082,259</u>	<u>—</u>
<b>Unsecured</b>				
Bank loan IV	—	428,817	—	—
	<u>2,774,943</u>	<u>3,365,533</u>	<u>1,082,259</u>	<u>—</u>
	<u>4,078,910</u>	<u>4,220,075</u>	<u>1,284,757</u>	<u>—</u>



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**15. Bank borrowings (Continued)**

Non-current bank borrowings are repayable as follows:

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
In the second year	397,729	809,597	209,718	—
In the third year	418,810	401,172	217,327	—
In the fourth year	442,306	422,663	131,425	—
After five years	1,516,098	1,723,101	523,789	—
	<u>2,774,943</u>	<u>3,365,533</u>	<u>1,082,259</u>	<u>—</u>

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

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Bank overdrafts	5.75–6.75	—	—	—
Bank loan I	5.25	5.25	5.25	—
Bank loan II	5.75–6.50	—	—	—
Bank loan III	4.50–4.75	4.75–5.25	—	—
Bank loan IV	—	5.00	5.00	—
Bank loan V	—	4.25	3.50–4.25	—

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

**Secured**

Banking facilities are secured on fixed deposits amounting to \$8,680,202, \$10,902,312, \$13,209,729 and \$8,896,634 for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively as disclosed in Note 12 to the combined financial statements and supported by joint and several guarantees of the Directors of KHC amounting to \$31,000,000, \$64,610,000, \$64,610,000 and \$64,610,000 for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively.

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

- (a) first legal mortgage over an investment property with a carrying value of \$3,400,000, \$3,700,000, \$3,700,000 and \$Nil for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 as referred to in Note 6 to the combined financial statements;

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**15. Bank borrowings (Continued)**

**Secured (Continued)**

- (b) assignment of all rental proceeds relating to the mortgaged investment property;
- (c) first fixed charge over all past, present and future contract proceeds of certain projects of the Group; and
- (d) joint and several guarantees of the Directors of KHC amounting to \$31,000,000, \$31,000,000, \$31,000,000 and \$31,000,000 for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively.

The bank loan II from a financial institution is repayable over 120 months commencing from January 2004 to December 2013 and is secured by first legal mortgage over investment properties with total carrying value of \$1,250,000 and \$850,000 for the financial years ended 30 September 2008 and 2009 as disclosed in Note 6 to the combined financial statements and joint and several guarantees of the Directors of KHC. In September 2009, bank loan II was fully repaid.

The bank loan III from a financial institution is repayable over 120 monthly instalments commencing from April 2007 and its interest rate repriced at intervals of 12 months. In June 2010, bank loan III was fully repaid and is secured by:

- (a) legal mortgage over the investment properties with carrying values of \$3,650,000, \$3,550,000, \$Nil and \$Nil at financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively as referred to in Note 6 to the combined financial statements;
- (b) a corporate guarantee from a subsidiary, KHC; and
- (c) personal guarantees from the Directors of KHC.

Bank loan V from a financial institution is repayable over 240 months commencing from December 2008 to November 2018. In March 2011, bank loan V was fully repaid and is secured by:

- (a) first legal mortgage over an investment property with a carrying value of \$1,600,000, \$1,600,000 and \$Nil at financial year ended 30 September 2009 and 2010 and for the nine-month financial period ended 30 June 2011 as referred to in Note 6 to the combined financial statements;
- (b) assignment of all rental proceeds relating to the mortgaged investment property;
- (c) first fixed charge over all past, present and future contract proceeds of certain projects of the Group; and

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**15. Bank borrowings (Continued)**

**Secured (Continued)**

(d) joint and several guarantees of the Directors of KHC amounting to \$33,610,000, \$33,610,000 and \$Nil for the financial years ended 30 September 2009 and 2010 and for the nine-month financial period ended 30 June 2011.

**Unsecured**

The bank loan IV from a financial institution is repayable over 48 months commencing from August 2009 to July 2011 and is supported by joint and several guarantees of a Director and a controlling shareholder of the Company. In May 2010, bank loan IV was fully repaid.

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

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Banking facilities granted	68,014,456	62,758,222	75,933,780	63,758,750
Banking facilities utilised	<u>40,654,482</u>	<u>50,402,319</u>	<u>49,209,936</u>	<u>47,516,941</u>

Bank borrowings are denominated in Singapore dollar.

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

**16. Finance lease payables**

<b>30.9.2008</b>	<b>Minimum lease payments</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
	\$	\$	\$
<b>Current liabilities</b>			
Within one financial year	392,604	(64,049)	328,555
<b>Non-current liabilities</b>			
After one financial year but within five financial years	<u>1,232,896</u>	<u>(105,237)</u>	<u>1,127,659</u>
	<u>1,625,500</u>	<u>(169,286)</u>	<u>1,456,214</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**16. Finance lease payables (Continued)**

	<b>Minimum lease payments</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
<b>30.9.2009</b>			
<b>Current liabilities</b>			
Within one financial year	977,986	(124,028)	853,958
<b>Non-current liabilities</b>			
After one financial year but within five financial years	2,169,026	(129,941)	2,039,085
	<u>3,147,012</u>	<u>(253,969)</u>	<u>2,893,043</u>
<b>30.9.2010</b>			
<b>Current liabilities</b>			
Within one financial year	995,684	(97,315)	898,369
<b>Non-current liabilities</b>			
After one financial year but within five financial years	1,469,049	(90,264)	1,378,785
After five financial years	88,424	(3,043)	85,381
	<u>1,557,473</u>	<u>(93,307)</u>	<u>1,464,166</u>
	<u>2,553,157</u>	<u>(190,622)</u>	<u>2,362,535</u>
<b>30.6.2011</b>			
<b>Current liabilities</b>			
Within one financial year	925,478	(62,737)	862,741
<b>Non-current liabilities</b>			
After one financial year but within five financial years	843,602	(47,773)	795,829
After five financial years	36,383	(563)	35,820
	<u>879,985</u>	<u>(48,336)</u>	<u>831,649</u>
	<u>1,805,463</u>	<u>(111,073)</u>	<u>1,694,390</u>

The finance lease terms range from 5 to 7 years, 3 to 7 years, 5 to 7 years and 3 to 7 years for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively. The effective interest rates for the finance lease obligations range from between 4.26% to 6.83%, 4.26% to 6.83%, 3.84% to 6.18% and 4.15% to 6.66% per annum for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**16. Finance lease payables (Continued)**

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

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

Finance lease payables are denominated in Singapore dollar.

**17. Deferred tax liabilities**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Balance at beginning of financial year/period	10,332	216,000	401,000	368,000
Charged/(Credited) to profit or loss	205,668	185,000	(33,000)	(258,000)
Balance at end of financial year/period	<u>216,000</u>	<u>401,000</u>	<u>368,000</u>	<u>110,000</u>

The recognised deferred tax liabilities are attributable to the following:

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Plant and equipment	65,000	82,000	74,000	110,000
Changes in fair value of investment properties	151,000	319,000	319,000	—
Others	—	—	(25,000)	—
	<u>216,000</u>	<u>401,000</u>	<u>368,000</u>	<u>110,000</u>

**18. Share capital**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Issued and fully-paid ordinary share capital of:				
— Keong Hong Holdings Limited	2	2	2	2
— Keong Hong Construction Pte Ltd ("KH Construction")	7,500,000	7,500,000	7,500,000	12,700,000
— KH Trading Pte. Ltd.	50,000	50,000	50,000	50,000
— K.H. Land Pte. Ltd.	850,000	850,000	850,000	850,000
	<u>8,400,002</u>	<u>8,400,002</u>	<u>8,400,002</u>	<u>13,600,002</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**18. Share capital (Continued)**

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

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

Pursuant to a share subscription agreement dated 21 February 2011 and entered into between the Company, KH Construction, Leo Ting Ping Ronald, Teou Kem Eng @ Teou Kim Eng and certain Pre-IPO Investors (comprising Kuik Thiam Huat, Lim Ewe Ghee, Lau Eng Tiong, Lim Siak Meng, Seah Hoe Seng, Tan Lee Meng, Tan Tin Nam, Liaw Wie Sein, Foo Chek Heng, Guan Chuan Engineering Construction Pte Ltd and Kienta Engineering Construction Pte. Ltd.), these Pre-IPO investors collectively subscribed for 1,969,697 shares of KH Construction, constituting 20.8% of the issued share capital of KH Construction, for an aggregate consideration of \$5,200,000. The shares were issued to these Pre-IPO Investors on 21 February 2011.

**19. Foreign currency translation account**

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

**20. Revenue**

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

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**21. Other income**

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	←———— Audited —————→				Unaudited
Dividend income from financial assets at fair value through profit or loss	11,484	5,474	7,641	1,771	6,494
Fair value gain on financial assets at fair value through profit or loss	—	—	136,994	—	47,766
Foreign exchange gain, net	—	—	21,338	878,377	—
Gain on disposal of financial assets at fair value through profit or loss	13,355	1,000	74,515	34,018	—
Gain on disposal of investment properties	—	—	1,375,569	637,203	1,375,569
Gain on disposal of plant and equipment	—	200	167,009	—	167,009
Gain on disposal of property held for sale	9,375	—	—	50,000	—
Government grant — jobs credit scheme	—	84,522	58,645	—	58,645
Interest income from fixed deposits	133,629	99,845	96,860	116,430	67,875
Interest income from financial asset at fair value through profit or loss	3,624	—	—	—	—
Management fee income	268,447	123,938	83,425	—	76,971
Rental income	365,800	316,389	304,557	345,707	278,657
Return of surplus asset from joint venture upon termination	—	—	34,919	—	34,919
Balance c/f	<u>805,714</u>	<u>631,368</u>	<u>2,361,472</u>	<u>2,063,506</u>	<u>2,113,905</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**21. Other income (Continued)**

	1.10.2007 to 30.9.2008	1.10.2008 to 30.9.2009	1.10.2009 to 30.9.2010	1.10.2010 to 30.6.2011	1.10.2009 to 30.6.2010
	\$	\$	\$	\$	\$
	← Audited →				Unaudited
Balance b/f	805,714	631,368	2,361,472	2,063,506	2,113,905
Sales of scrap steel	26,930	8,632	65,703	61,152	32,293
Supply of labour and materials	375,326	98,777	17,735	70,396	10,135
Write-back of impairment loss of investments in joint ventures	91,246	—	—	—	—
Write-back of allowance for doubtful third parties trade receivables	155,601	12,259	—	3,879	—
Write-back of accrued litigation expense	—	—	104,413	—	104,413
Others	136,635	51,920	182,914	277,037	114,521
	<u>1,591,452</u>	<u>802,956</u>	<u>2,732,237</u>	<u>2,475,970</u>	<u>2,375,267</u>

**22. Finance costs**

	1.10.2007 to 30.9.2008	1.10.2008 to 30.9.2009	1.10.2009 to 30.9.2010	1.10.2010 to 30.6.2011	1.10.2009 to 30.6.2010
	\$	\$	\$	\$	\$
	← Audited →				Unaudited
Interest expenses:					
— bank overdrafts	161,687	80,036	221	781	221
— bank loans	218,892	188,162	156,220	35,261	139,132
— finance leases	38,935	85,552	136,359	79,561	105,121
— trust receipts	2,618	—	—	—	—
	<u>422,132</u>	<u>353,750</u>	<u>292,800</u>	<u>115,603</u>	<u>244,474</u>



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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**23. Profit before income tax**

The above is arrived at after charging:

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
<i>Cost of sales</i>					
Depreciation of plant and equipment	294,196	602,137	1,013,779	967,993	715,032
<i>Administrative expenses</i>					
Amortisation of intangible asset	4,191	5,159	7,202	3,426	5,595
Depreciation of plant and equipment	190,985	182,716	210,793	172,940	147,955
Operating lease expenses	127,513	140,787	147,456	156,661	109,647
Professional fees	64,474	(14,225)	154,977	558,236	10,050
<i>Other expenses</i>					
Allowance for doubtful trade receivables — third parties	—	1,521	—	—	—
Allowance for doubtful non-trade receivables — third parties	—	40,000	—	—	—
Allowance for doubtful non-trade receivables — related parties	—	2,299	—	—	—
Fair value loss on financial assets at fair value through profit or loss	483,384	39,178	—	33,494	—
Foreign exchange loss, net	78,257	16,927	—	—	—
Loss on disposal of investment property	—	1,133	—	—	—
Loss on disposal of plant and equipment	2,845	—	—	—	—

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**23. Profit before income tax (Continued)**

The profit before income tax also includes:

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
<i>Staff costs:</i>					
Salaries, wages, bonuses and other staff benefits	5,122,466	3,886,397	7,507,286	7,112,552	3,922,321
Contributions to defined contribution plans	<u>505,826</u>	<u>201,028</u>	<u>359,595</u>	<u>347,238</u>	<u>178,984</u>
	<u>5,628,292</u>	<u>4,087,425</u>	<u>7,866,881</u>	<u>7,459,790</u>	<u>4,101,305</u>

The staff costs are recognised in the following line items in profit or loss:

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
Cost of sales	4,111,628	2,898,062	6,265,809	5,992,200	3,255,561
Administrative expenses	1,447,976	1,096,596	1,495,875	1,305,720	775,496
Other expenses	<u>68,688</u>	<u>92,767</u>	<u>105,197</u>	<u>161,870</u>	<u>70,248</u>
	<u>5,628,292</u>	<u>4,087,425</u>	<u>7,866,881</u>	<u>7,459,790</u>	<u>4,101,305</u>

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

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**24. Income tax expense**

	1.10.2007 to 30.9.2008	1.10.2008 to 30.9.2009	1.10.2009 to 30.9.2010	1.10.2010 to 30.6.2011	1.10.2009 to 30.6.2010
	← Audited →				Unaudited
	\$	\$	\$	\$	\$
Current income tax					
— current financial year	300,000	150,655	1,273,993	970,510	829,547
— (over)/under provision in prior years	(205,562)	45	—	—	—
	<u>94,438</u>	<u>150,700</u>	<u>1,273,993</u>	<u>970,510</u>	<u>829,547</u>
Deferred income tax					
— current financial year	28,276	185,000	(33,000)	61,000	(29,000)
— under provision in prior years	177,392	—	—	—	—
— effect of changes in expected manner of recovery of assets	—	—	—	(319,000)	—
	<u>205,668</u>	<u>185,000</u>	<u>(33,000)</u>	<u>(258,000)</u>	<u>(29,000)</u>
Total income tax expense recognised in profit or loss	<u>300,106</u>	<u>335,700</u>	<u>1,240,993</u>	<u>712,510</u>	<u>800,547</u>

**Reconciliation of effective income tax rate**

	1.10.2007 to 30.9.2008	1.10.2008 to 30.9.2009	1.10.2009 to 30.9.2010	1.10.2010 to 30.6.2011	1.10.2009 to 30.6.2010
	← Audited →				Unaudited
	\$	\$	\$	\$	\$
Profit before income tax	<u>1,754,515</u>	<u>2,246,592</u>	<u>9,397,802</u>	<u>8,948,618</u>	<u>6,484,985</u>
Income tax calculated at Singapore's statutory income tax rate of 18%, 17%, 17%, 17% and 17% respectively	315,813	381,921	1,597,626	1,521,265	1,102,447
Effect of different tax rate in other country	—	—	22,874	(577,589)	5,566
Tax effect of income not subject to income tax	(61,228)	(88,419)	(422,470)	(125,767)	(304,758)
Tax effect of expenses not deductible for income tax purposes	73,457	63,947	78,262	190,363	2,540
Tax effect of tax exemption	(30,736)	(29,517)	(27,308)	(20,661)	(20,697)
(Over)/Under provision of current income tax in prior years	(205,562)	45	—	—	—
Under provision of deferred income tax in prior years	177,392	—	—	—	—
Effect of changes in expected manner of recovery of assets	—	—	—	(319,000)	—
Others	<u>30,970</u>	<u>7,723</u>	<u>(7,991)</u>	<u>43,899</u>	<u>15,449</u>
	<u>300,106</u>	<u>335,700</u>	<u>1,240,993</u>	<u>712,510</u>	<u>800,547</u>

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**25. Earnings per share**

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners of the parent for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 by the actual aggregated weighted average number of ordinary shares in issue in the relevant periods.

	<b>1.10.2007 to 30.9.2008 \$</b>	<b>1.10.2008 to 30.9.2009 \$</b>	<b>1.10.2009 to 30.9.2010 \$</b>	<b>1.10.2010 to 30.6.2011 \$</b>	<b>1.10.2009 to 30.6.2010 \$</b>
	←————— <b>Audited</b> —————→				<b>Unaudited</b>
Profit attributable to owners of the parent	1,454,409	1,910,892	8,222,579	6,571,415	5,701,787
Aggregated weighted average number of shares during the financial year and period applicable to basic earnings per share	8,400,002	8,400,002	8,400,002	9,337,953	8,400,002

Dilutive earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive options for the relevant periods.

The calculations for earnings per share based on Pre-Placement share capital for the relevant period is based on the profit attributable to owners of the parent for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 on the assumption that Pre-Placement share capital of 131,000,000 ordinary shares are in issue as at the date of the Offer Document.

**26. Dividends**

	<b>1.10.2007 to 30.9.2008 \$</b>	<b>1.10.2008 to 30.9.2009 \$</b>	<b>1.10.2009 to 30.9.2010 \$</b>	<b>1.10.2010 to 30.6.2011 \$</b>	<b>1.10.2009 to 30.6.2010 \$</b>
	←————— <b>Audited</b> —————→				<b>Unaudited</b>
Interim exempt (one — tier) dividend declared by Keong Hong Construction Pte Ltd of \$0.04, \$0.07, \$1.07 and \$0.09 per share for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively	<u>300,000</u>	<u>500,000</u>	<u>7,998,750</u>	<u>698,652</u>	<u>—</u>

The Directors of the Company did not recommend any dividend in respect of the financial years ended 30 September 2008, 2009 and 2010 and the nine-month financial period ended 30 June 2011.

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**27. Significant related party transactions**

For the purposes of these combined financial statements, parties are considered to be related to the Group if the Group have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the combined financial statements, the following are significant related party transactions between the Group and its related parties during the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 at rates and terms agreed between the parties:

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
<b>Related party</b>					
Expenses paid on behalf of the Group	—	—	—	182,292	—
Expenses paid on behalf by a related party	—	—	—	317,037	—
Services rendered by a related party	—	—	41,017	66,167	8,961
Subcontractor costs to a related party	951,204	324,610	1,292,660	3,727	1,008,988
	<u>951,204</u>	<u>324,610</u>	<u>1,292,660</u>	<u>3,727</u>	<u>1,008,988</u>
<b>Joint ventures</b>					
Billing on behalf of a joint venture	29,205,295	13,854,037	—	—	—
Management fee income received from joint ventures	268,447	123,938	83,425	—	76,971
	<u>268,447</u>	<u>123,938</u>	<u>83,425</u>	<u>—</u>	<u>76,971</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**27. Significant related party transactions (Continued)**

**Compensation of key management personnel**

The remuneration of the key management personnel who are also the Directors of the Company and its subsidiaries for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 were as follows:

	1.10.2007 to 30.9.2008 \$	1.10.2008 to 30.9.2009 \$	1.10.2009 to 30.9.2010 \$	1.10.2010 to 30.6.2011 \$	1.10.2009 to 30.6.2010 \$
	← Audited →				Unaudited
Short-term benefits	698,527	497,267	732,186	624,400	352,476
Post-employment benefits	22,218	4,861	16,553	10,037	5,921
Directors' fee	50,000	30,000	30,000	22,500	—
	<u>770,745</u>	<u>532,128</u>	<u>778,739</u>	<u>656,937</u>	<u>358,397</u>

**28. Commitments**

**28.1 Operating lease commitments**

*Group as a lessor*

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

	30.9.2008 \$	30.9.2009 \$	30.9.2010 \$	30.6.2011 \$
Not later than one financial year	157,800	349,800	115,500	—
Later than one financial year but not later than five financial years	3,200	219,350	—	—
	<u>161,000</u>	<u>569,150</u>	<u>115,500</u>	<u>—</u>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**28. Commitments (Continued)**

**28.1 Operating lease commitments (Continued)**

*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:

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Not later than one financial year	92,036	89,556	100,236	256,510
Later than one financial year but not later than five financial years	98,789	59,327	67,779	68,341
	<u>190,825</u>	<u>148,883</u>	<u>168,015</u>	<u>324,851</u>

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

**28.2 Capital commitments**

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

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Plant and equipment	1,431,990	—	—	—
Investment properties	844,000	—	2,591,282	—
Investment fund	329,222	156,090	—	—
	<u>2,605,212</u>	<u>156,090</u>	<u>2,591,282</u>	<u>—</u>

**29. Segment information**

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

The Group operates mainly in Singapore with revenue generated in the Singaporean market. The Group's operation in the Republic of Maldives is insignificant to the Group. Accordingly, an analysis of assets and profits of the Group by geographical distribution has not been included for the purposes of presentation under secondary segment.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**30. Financial instruments, financial risks and capital management**

The Group's activities expose it to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. The Group does 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. The Group'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 exposures to these financial risks or the manner in which it manages and measures the risk.

**30.1 Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only bidding for contracts from developers with good financial standings. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collaterals.

The Group has no significant concentrations of credit risk except for trade receivables from third parties, retention sum and unbilled revenue which accounts for 97%, 99%, 96% and 97% of the total trade and other receivables for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011 respectively.

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

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

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



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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.1 Credit risk (Continued)**

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

	<b>Gross receivables 30.9.2008</b>	<b>Gross receivables 30.9.2009</b>	<b>Gross receivables 30.9.2010</b>	<b>Gross receivables 30.6.2011</b>
	\$	\$	\$	\$
Past due 0 to 1 month	11,375	19,672	288,532	2,129,095
Past due over 1 month	38,664	64,317	25,245	31,334

**30.2 Market risk**

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

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

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

(i) *Foreign exchange risk management*

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.2 Market risk (Continued)**

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

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

	<b>Assets</b>			
	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Singapore dollar	—	—	3,975,016	20,602,137
United States dollar	698,022	759,687	875,677	1,065,267
Ringgit Malaysia	643,551	670,669	689,266	766,490
Maldive Rufiyaa	—	—	264,663	653,135
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	<b>Liabilities</b>			
	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Singapore dollar	—	—	6,210,485	20,411,321
United States dollar	—	—	—	—
Ringgit Malaysia	—	—	—	—
Maldive Rufiyaa	—	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.2 Market risk (Continued)**

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

*Foreign currency sensitivity analysis*

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

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	<b>Profit or loss</b>			
	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
<i>United States dollar</i>				
Strengthens against Singapore dollar	34,901	37,984	43,784	53,263
Weakens against Singapore dollar	<u>(34,901)</u>	<u>(37,984)</u>	<u>(43,784)</u>	<u>(53,263)</u>
<i>Ringgit Malaysia</i>				
Strengthens against Singapore dollar	32,178	33,533	34,463	38,325
Weakens against Singapore dollar	<u>(32,178)</u>	<u>(33,533)</u>	<u>(34,463)</u>	<u>(38,325)</u>

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

**30.2 Market risk (Continued)**

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

*Foreign currency sensitivity analysis (Continued)*

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	<b>Profit or loss</b>			
	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
<i>Singapore dollar</i>				
Strengthens against United States dollar	—	—	(111,773)	9,541
Weakens against United States dollar	—	—	111,773	(9,541)
	<u>—</u>	<u>—</u>	<u>111,773</u>	<u>(9,541)</u>
<i>Maldiva Rufiyaa</i>				
Strengthens against United States dollar	—	—	13,233	32,657
Weakens against United States dollar	—	—	(13,233)	(32,657)
	<u>—</u>	<u>—</u>	<u>(13,233)</u>	<u>(32,657)</u>

(ii) *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings and finance lease payables as shown in Notes 15 and 16 to the financial statements.

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.2 Market risk (Continued)**

(ii) *Interest rate risk (Continued)*

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 1% change in the interest rates from the end of the reporting period, with all variables held constant.

If the interest rate increases/decreases by 1%, profit before income tax, will increase or decrease by:

	<b>Profit or loss</b>			
	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	\$	\$	\$	\$
Bank borrowings	40,789	42,201	12,848	—

**30.3 Liquidity risk**

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

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.3 Liquidity risk (Continued)**

*Contractual maturity analysis*

	Within one financial year \$	After one financial year but within five financial years \$	After five financial years \$	Total \$
<b>30.9.2008</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	28,926,538	—	—	28,926,538
Interest bearing	8,760,706	—	—	8,760,706
	<u>37,687,244</u>	<u>—</u>	<u>—</u>	<u>37,687,244</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	23,197,377	—	—	23,197,377
Interest bearing	1,696,571	2,491,741	1,516,098	5,704,410
	<u>24,893,948</u>	<u>2,491,741</u>	<u>1,516,098</u>	<u>28,901,787</u>
<b>30.9.2009</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	29,780,477	—	—	29,780,477
Interest bearing	11,008,984	—	—	11,008,984
	<u>40,789,461</u>	<u>—</u>	<u>—</u>	<u>40,789,461</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	26,553,818	—	—	26,553,818
Interest bearing	1,832,528	3,811,458	1,723,101	7,367,087
	<u>28,386,346</u>	<u>3,811,458</u>	<u>1,723,101</u>	<u>33,920,905</u>
<b>30.9.2010</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	64,613,271	—	—	64,613,271
Interest bearing	18,654,273	—	—	18,654,273
	<u>83,267,544</u>	<u>—</u>	<u>—</u>	<u>83,267,544</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	59,294,273	—	—	59,294,273
Interest bearing	1,198,182	2,027,519	612,213	3,837,914
	<u>60,492,455</u>	<u>2,027,519</u>	<u>612,213</u>	<u>63,132,187</u>

**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.3 Liquidity risk (Continued)**

	Within one financial year \$	After one financial year but within five financial years \$	After five financial years \$	Total \$
<b>30.6.2011</b>				
<b><u>Financial assets</u></b>				
Non-interest bearing	71,002,783	—	—	71,002,783
Interest bearing	24,234,679	—	—	24,234,679
	<u>95,237,462</u>	<u>—</u>	<u>—</u>	<u>95,237,462</u>
<b><u>Financial liabilities</u></b>				
Non-interest bearing	45,548,178	—	—	45,548,178
Interest bearing	925,478	843,602	36,383	1,805,463
	<u>46,473,656</u>	<u>843,602</u>	<u>36,383</u>	<u>47,353,641</u>

The Group's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

**30.4 Capital management policies and objectives**

The Group manages its capital to ensure that the Group is able to continue as going concern and maintains an optimal capital structure so as to maximise shareholder's value. The Group is not subject to any externally imposed capital requirements for the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011.

The Group constantly reviews the capital structure to ensure the Group is able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged during the financial years ended 30 September 2008, 2009 and 2010 and for the nine-month financial period ended 30 June 2011.

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.4 Capital management policies and objectives (Continued)**

	<b>30.9.2008</b>	<b>30.9.2009</b>	<b>30.9.2010</b>	<b>30.6.2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	23,197,377	26,553,818	59,294,273	45,548,178
Bank borrowings	4,078,910	4,220,075	1,284,757	—
Finance lease payables	1,456,214	2,893,043	2,362,535	1,694,390
Less: Cash and cash equivalents	<u>(11,940,121)</u>	<u>(12,830,806)</u>	<u>(27,675,909)</u>	<u>(45,750,580)</u>
Net debt	<u>16,792,380</u>	<u>20,836,130</u>	<u>35,265,656</u>	<u>1,491,988</u>
Total equity	<u>13,973,763</u>	<u>15,384,655</u>	<u>15,839,671</u>	<u>28,465,262</u>
Total capital	<u><u>30,766,143</u></u>	<u><u>36,220,785</u></u>	<u><u>51,105,327</u></u>	<u><u>29,957,250</u></u>
Gearing ratio (%)	<u>55%</u>	<u>58%</u>	<u>69%</u>	<u>5%</u>

**30.5 Fair values**

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

*Fair value hierarchy*

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

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



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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

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

**30.5 Fair values (Continued)**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30.9.2008</b>				
Financial assets at fair value through profit or loss	<u>772,775</u>	<u>—</u>	<u>—</u>	<u>772,775</u>
<b>30.9.2009</b>				
Financial assets at fair value through profit or loss	<u>713,557</u>	<u>—</u>	<u>—</u>	<u>713,557</u>
<b>30.9.2010</b>				
Financial assets at fair value through profit or loss	<u>2,002,249</u>	<u>—</u>	<u>—</u>	<u>2,002,249</u>
<b>30.6.2011</b>				
Financial assets at fair value through profit or loss	<u>705,592</u>	<u>—</u>	<u>—</u>	<u>705,592</u>

**31. Events after the reporting period**

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

- (i) The restructuring exercise are set out in Note 1.2 to the audited combined financial statements.
- (ii) At an extraordinary general meeting held on 21 November 2011, the shareholders of the Company approved, *inter alia*, the following:
  - (a) the conversion of the Company into public limited company and the change of its name to Keong Hong Holdings Limited;
  - (b) the listing and quotation of all the issued shares (including the new shares to be allotted and issued as part of the Placement, the new shares to be issued to Primepartners Corporate Finance Pte. Ltd. ("PPCF") as part of PPCF's professional fees as the Manager and Sponsor of the Company ("PPCF Shares") and the new shares which may be allotted and issued upon the exercise of the Company's share option ("Option Shares")) on the Catalist to be approved;
  - (c) the adoption of a new set of Articles of Association (the "Articles");

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**APPENDIX A**  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**31. Events after the reporting period (Continued)**

- (ii) At an extraordinary general meeting held on 21 November 2011, the shareholders of the Company approved, *inter alia*, the following (Continued):
- (d) the allotment and issue of 27,000,000 new shares which are the subject of the Placement, on the basis that the new shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing issued and fully paid-up shares;
  - (e) the Restructuring Exercise;
  - (f) the appointment of Chong Weng Hoe, Lim Jun Xiong Steven and Wong Meng Yeng (as the Company's Independent Directors) to the Board;
  - (g) the payment of fees to the Independent Directors of an aggregate amount of \$51,250 for the services rendered in connection with the Placement;
  - (h) the Service Agreement for the Executive Director and CEO, Leo Ting Ping Ronald;
  - (i) the allotment and issue of 2,000,000 PPCF Shares to PPCF in satisfaction of their professional fees as Manager and Sponsor;
  - (j) the authorisation of the Directors of the Company, pursuant to Section 161 of the Companies Act, to (i) allot and issue shares in the Company; and (ii) issue convertible securities and any shares in the Company pursuant to the convertible securities, whether by way of rights, bonus or otherwise, at any time and upon such terms and conditions, whether for cash or otherwise and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to such authority shall not exceed 100% of the issued share capital of the Company immediately after the Placement excluding treasury shares and that the aggregate number of shares to be issued other than on a pro-rata basis to the then-existing shareholders of the Company shall not exceed 50% of the issued share capital of the Company immediately after the Placement excluding treasury shares. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law or by the Articles to be held, whichever is earlier, except that the Directors of the Company shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

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**APPENDIX A**  
**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS**  
**ENDED 30 SEPTEMBER 2008, 2009 AND 2010 AND FOR**  
**THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 30 JUNE 2011**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**

**31. Events after the reporting period (Continued)**

- (ii) At an extraordinary general meeting held on 21 November 2011, the shareholders of the Company approved, *inter alia*, the following (Continued):
  - (j) For the purposes of this resolution and pursuant to Rules 806(3) and 806(4) of the Listing Manual, “issued share capital of the Company immediately after the Placement excluding treasury shares” shall mean the enlarged issued and paid-up share capital of the Company after the Placement excluding treasury shares after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time such authority is given, provided that the options or awards were granted in compliance with the Listing Manual; and (iii) any subsequent consolidation or sub-division of shares; and
  - (k) the adoption of the Keong Hong Employee Share Option Scheme (“ESOS”) that the Directors of the Company be authorised to allot and issue Option Shares upon the exercise of the option(s) granted under the ESOS.
- (iii) On 10 November 2011, the Group had entered into a joint venture agreement to subscribe for 20% of the issued capital of Punggol Residences Pte. Ltd. (“associate”) for a total consideration of \$200,000.
- (iv) In July and August 2011, the Group had paid a total of \$12,295,697 on behalf of its associate for the tender of a land parcel.

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**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

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**Keong Hong Holdings Limited**  
**and its subsidiaries**

Unaudited Proforma Combined Financial Information  
For the financial year ended 30 September 2010 and the nine-month financial period  
ended 30 June 2011

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**APPENDIX B  
COMPILATION REPORT OF THE REPORTING AUDITORS  
ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

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8 December 2011

The Board of Directors  
Keong Hong Holdings Limited  
Blk 151 Bukit Batok  
Street 11  
#03-250  
Singapore 650151

Dear Sirs

**REPORT OF THE INDEPENDENT REPORTING AUDITORS ON THE UNAUDITED PROFORMA  
COMBINED FINANCIAL INFORMATION**

This report has been prepared for inclusion in the Offer Document in respect of initial public offering of shares of Keong Hong Holdings Limited (the “Company”). The unaudited proforma combined financial information comprises the unaudited proforma combined statement of financial position as at 30 September 2010 and 30 June 2011 and the unaudited proforma combined statement of comprehensive income and unaudited proforma combined statement of cash flows for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011.

We report on the unaudited proforma combined financial information as set out in pages B-5 to B-15 which has been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments to show what:

- (i) the financial results and cash flows of the Company and its subsidiaries (the “Group”) for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011 would have been if the significant events as stated in Note 2 of the unaudited proforma combined financial information had occurred on 1 October 2009; and
- (ii) the financial positions of the Group as at 30 September 2010 and 30 June 2011 would have been if the significant events had occurred on that date.

The unaudited proforma combined financial information, because of their nature, may not give a true picture of the Group’s actual financial position, results and cash flows.

The unaudited proforma combined financial information is the responsibility of the Directors of the Company.

Our responsibility is to express an opinion on the unaudited proforma combined financial information based on our work. We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: Auditors and Public Offering Documents. Our work, which involved no independent examination of the unaudited proforma combined financial information, consisted primarily of comparing the unaudited proforma combined financial information to the audited combined financial statements of the Group for the financial year ended 30 September 2010 and for the nine-month financial period ended 30 June 2011, considering the evidence supporting the adjustments and discussing the unaudited proforma combined financial information with the Directors of the Company.

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**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

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In our opinion,

- (a) the unaudited proforma combined financial information has been properly prepared:
  - (i) on the basis stated in Note 3 of the unaudited proforma combined financial information;
  - (ii) such basis is consistent with the accounting policies of the Company; and
- (b) each material adjustment made to the information used in the preparation of the unaudited proforma combined financial information is appropriate for the purpose of preparing such financial information.

Yours faithfully

**BDO LLP**  
Public Accountants and  
Certified Public Accountants

Singapore

Leong Hon Mun Peter  
Partner-in-charge

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**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

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**UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

The unaudited proforma combined financial information, which comprises the unaudited proforma combined statements of financial position, unaudited proforma combined statements of comprehensive income and unaudited proforma combined statements of cash flows, as set out herein has been prepared for illustrative purposes only to show what the financial positions of the Group as at 30 September 2010 and 30 June 2011 the financial results and cash flows for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011 would have been based on certain assumptions and after making certain adjustments as stated in Notes 2 and 3 of the unaudited proforma combined financial information. Save as disclosed in Notes 2 and 3 of the unaudited proforma combined financial information, the Directors of the Company, for the purpose of preparing this set of proforma combined financial information, have not considered the effects of other events.

The unaudited proforma combined financial information for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011 have been prepared for inclusion in the Offer Document in connection with the invitation of shares of Keong Hong Holdings Limited and should be read in conjunction with the audited combined financial statements of the Group for the financial year ended 30 September 2010 and for the nine-month financial period ended 30 June 2011. The unaudited proforma combined financial information, because of their nature, may not give a true picture of the Group's actual financial position, results and cash flows.



**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2010**

	Audited combined statement of financial position 2010 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of financial position 2010 \$
<b>Non-current assets</b>			
Plant and equipment	4,986,670		4,986,670
Investment in associate	—	200,000 <sup>(vii)</sup>	200,000
Investment properties	5,300,000	(1,600,000) <sup>(v)</sup> (3,700,000) <sup>(vi)</sup>	—
Investments in joint ventures	523,754		523,754
Intangible asset	4,360		4,360
	<u>10,814,784</u>		<u>5,714,784</u>
<b>Current assets</b>			
Property held for sale	650,000	(650,000) <sup>(ii)</sup>	—
Financial assets at fair value through profit or loss	2,002,249	(698,652) <sup>(i)</sup> (564,511) <sup>(iii)</sup>	739,086
Trade and other receivables	53,589,386	12,295,697 <sup>(viii)</sup>	65,885,083
Cash and cash equivalents	27,675,909	232,832 <sup>(ii),(iii),(iv),(v),(vi),(viii)</sup>	27,908,741
	<u>83,917,544</u>		<u>94,532,910</u>
Less:			
<b>Current liabilities</b>			
Due to contract customers	14,268,694		14,268,694
Trade and other payables	59,294,273	200,000 <sup>(vii)</sup>	59,494,273
Bank borrowings	202,498		202,498
Finance lease payables	898,369		898,369
Current income tax payable	1,314,398		1,314,398
	<u>75,978,232</u>		<u>76,178,232</u>
<b>Net current assets</b>	<u>7,939,312</u>		<u>18,354,678</u>
Less:			
<b>Non-current liabilities</b>			
Bank borrowings	1,082,259		1,082,259
Finance lease payables	1,464,166		1,464,166
Deferred tax liabilities	368,000		368,000
	<u>2,914,425</u>		<u>2,914,425</u>
	<u>15,839,671</u>		<u>21,155,037</u>
<b>Capital and reserves</b>			
Share capital	8,400,002	5,200,000 <sup>(iv)</sup>	13,600,002
Foreign currency translation account	(12,987)		(12,987)
Accumulated profits	7,208,482	115,366 <sup>(i),(ii),(iii),(v),(vi)</sup>	7,323,848
Equity attributable to owners of the parent	15,595,497		20,910,863
Non-controlling interests	244,174		244,174
<b>Total equity</b>	<u>15,839,671</u>		<u>21,155,037</u>

**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

	Audited combined statement of financial position 2011 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of financial position 2011 \$
<b>Non-current assets</b>			
Plant and equipment	4,602,053		4,602,053
Investment in associate	—	200,000 <sup>(vii)</sup>	200,000
Investments in joint ventures	662,442		662,442
Intangible asset	1,870		1,870
	5,266,365		5,466,365
<b>Current assets</b>			
Financial assets at fair value through profit or loss	705,592		705,592
Trade and other receivables	48,781,290	12,295,697 <sup>(viii)</sup>	61,076,987
Cash and cash equivalents	45,750,580	(12,295,697) <sup>(viii)</sup>	33,454,883
	95,237,462		95,237,462
Less:			
<b>Current liabilities</b>			
Due to contract customers	23,624,340		23,624,340
Trade and other payables	45,548,178	200,000 <sup>(vii)</sup>	45,748,178
Finance lease payables	862,741		862,741
Current income tax payable	1,061,657		1,061,657
	71,096,916		71,296,916
<b>Net current assets</b>	24,140,546		23,940,546
Less:			
<b>Non-current liabilities</b>			
Finance lease payables	831,649		831,649
Deferred tax liabilities	110,000		110,000
	941,649		941,649
	28,465,262		28,465,262
<b>Capital and reserves</b>			
Share capital	13,600,002		13,600,002
Foreign currency translation account	(70,037)		(70,037)
Accumulated profits	13,081,245		13,081,245
Equity attributable to owners of the parent	26,611,210		26,611,210
Non-controlling interests	1,854,052		1,854,052
<b>Total equity</b>	28,465,262		28,465,262

**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010**

	Audited combined statement of comprehensive income 2010 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of comprehensive income 2010 \$
Revenue	124,764,023		124,764,023
Cost of sales	(114,621,752)		(114,621,752)
Gross profit	10,142,271		10,142,271
Other income	2,732,237	814,018 <sup>(ii),(iii),(v),(vi)</sup>	3,546,255
Administrative expenses	(3,132,144)		(3,132,144)
Other expenses	(116,439)		(116,439)
Finance costs	(292,800)		(292,800)
Share of results of joint ventures	64,677		64,677
Profit before income tax	9,397,802		10,211,820
Income tax expense	(1,240,993)		(1,240,993)
<b>Profit for the financial year</b>	<b>8,156,809</b>		<b>8,970,827</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations	(25,464)		(25,464)
Income tax on other comprehensive income	—		—
<b>Other comprehensive income for the financial year, net of tax</b>	<b>(25,464)</b>		<b>(25,464)</b>
<b>Total comprehensive income for the financial year</b>	<b>8,131,345</b>		<b>8,945,363</b>
<b>Profit attributable to:</b>			
Owners of the parent	8,222,579		9,036,597
Non-controlling interests	(65,770)		(65,770)
	<b>8,156,809</b>		<b>8,970,827</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	8,209,592		9,023,610
Non-controlling interests	(78,247)		(78,247)
	<b>8,131,345</b>		<b>8,945,363</b>
<b>Earnings per share (cents)<sup>(1)</sup></b>			
— Basic	97.89		87.14
— Diluted	97.89		87.14
— Based on Pre-Placement shares	6.28		6.90

**Note:**

(1) The calculations of proforma basic and diluted earnings per share for the financial year is based on the profit attributable to owners of the parent for the financial year ended 30 September 2010 on the assumption that Pre-IPO Investors share capital of 1,969,697 ordinary shares are in issue as at 30 September 2010.

**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2011**

	Audited combined statement of comprehensive income 2011 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of comprehensive income 2011 \$
Revenue	141,278,967		141,278,967
Cost of sales	(131,574,463)		(131,574,463)
Gross profit	9,704,504		9,704,504
Other income	2,475,970		2,475,970
Administrative expenses	(3,221,367)		(3,221,367)
Other expenses	(33,574)		(33,574)
Finance costs	(115,603)		(115,603)
Share of results of joint ventures	138,688		138,688
Profit before income tax	8,948,618		8,948,618
Income tax expense	(712,510)		(712,510)
<b>Profit for the financial period</b>	<b>8,236,108</b>		<b>8,236,108</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations	(111,865)		(111,865)
Income tax on other comprehensive income	—		—
<b>Other comprehensive income for the financial period, net of tax</b>	<b>(111,865)</b>		<b>(111,865)</b>
<b>Total comprehensive income for the financial period</b>	<b>8,124,243</b>		<b>8,124,243</b>
<b>Profit attributable to:</b>			
Owners of the parent	6,571,415		6,571,415
Non-controlling interests	1,664,693		1,664,693
	<b>8,236,108</b>		<b>8,236,108</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	6,514,365		6,514,365
Non-controlling interests	1,609,878		1,609,878
	<b>8,124,243</b>		<b>8,124,243</b>
<b>Earnings per share (cents)</b>			
— Basic	70.37		70.37
— Diluted	70.37		70.37
— Based on Pre-Placement shares	5.02		5.02

**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010**

	Audited combined statement of cash flows 2010 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of cash flows 2010 \$
<b>Operating activities</b>			
Profit before income tax	9,397,802	814,018 <sup>(ii),(iii),(v),(vi)</sup>	10,211,820
Adjustments for:			
Amortisation of intangible asset	7,202		7,202
Depreciation of plant and equipment	1,224,572		1,224,572
Dividend income from financial assets at fair value through profit or loss	(7,641)		(7,641)
Fair value gain on financial assets at fair value through profit or loss	(136,994)		(136,994)
Gain on disposal of plant and equipment	(167,009)		(167,009)
Gain on disposal of financial assets at fair value through profit or loss	(74,515)	(34,018) <sup>(iii)</sup>	(108,533)
Interest income	(96,860)		(96,860)
Interest expense	292,800		292,800
Gain on disposal of investment properties	(1,375,569)	(780,000) <sup>(ii),(v),(vi)</sup>	(2,155,569)
Return of surplus asset from joint venture upon termination	(34,919)		(34,919)
Share of results of joint ventures	(64,677)		(64,677)
Operating cash flows before working capital changes	8,964,192		8,964,192
Working capital changes:			
Trade and other receivables	(26,351,640)	(12,295,697) <sup>(viii)</sup>	(38,647,337)
Due to contract customers	8,872,350		8,872,350
Trade and other payables	25,553,845		25,553,845
Cash generated from operations	17,038,747		4,743,050
Income tax paid	(192,287)		(192,287)
Net cash from operating activities	16,846,460		4,550,763

**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010 (Continued)**

	Audited combined statement of cash flows 2010 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of cash flows 2010 \$
<b>Investing activities</b>			
Purchase of plant and equipment	(1,524,459)		(1,524,459)
Purchase of financial assets at fair value through profit or loss	(1,611,898)		(1,611,898)
Purchase of intangible asset	(8,720)		(8,720)
Proceeds from disposal of plant and equipment	167,009		167,009
Proceeds from disposal of financial assets at fair value through profit or loss	534,715	598,529 <sup>(iii)</sup>	1,133,244
Proceeds from disposal of investment Properties	4,925,569	6,730,000 <sup>(ii),(v),(vi)</sup>	11,655,569
Proceeds from profit and capital withdrawal of investment in joint ventures	216,559		216,559
Dividend received	7,641		7,641
Interest received	96,860		96,860
Net cash from investing activities	<u>2,803,276</u>		<u>10,131,805</u>
<b>Financing activities</b>			
Fixed deposit pledged with financial institutions	(2,307,417)		(2,307,417)
Proceeds from issuance of shares	—	5,200,000 <sup>(iv)</sup>	5,200,000
Repayment of bank borrowings	(2,935,318)		(2,935,318)
Repayment of finance lease payables	(1,068,794)		(1,068,794)
Dividend paid	(500,000)		(500,000)
Interest paid	(292,800)		(292,800)
Net cash used in financing activities	<u>(7,104,329)</u>		<u>(1,904,329)</u>
Net change in cash and cash equivalents	12,545,407		12,778,239
Cash and cash equivalents at beginning of financial year	1,928,494		1,928,494
Exchange difference on cash and cash equivalents	(7,721)		(7,721)
Cash and cash equivalents at end of financial year	<u><u>14,466,180</u></u>		<u><u>14,699,012</u></u>

**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2011**

	Audited combined statement of cash flows 2011 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of cash flows 2011 \$
<b>Operating activities</b>			
Profit before income tax	8,948,618		8,948,618
Adjustments for:			
Amortisation of intangible asset	3,426		3,426
Depreciation of plant and equipment	1,140,933		1,140,933
Dividend income from financial assets at fair value through profit or loss	(1,771)		(1,771)
Fair value loss on financial assets at fair value through profit or loss	33,494		33,494
Gain on disposal of financial assets at fair value through profit or loss	(34,018)		(34,018)
Interest income	(116,430)		(116,430)
Interest expense	115,603		115,603
Gain on disposal of property held for sale	(50,000)		(50,000)
Gain on disposal of investment properties	(637,203)		(637,203)
Share of results of joint ventures	(138,688)		(138,688)
Write-back of allowance for doubtful third parties trade receivables	(3,879)		(3,879)
Operating cash flows before working capital changes	9,260,085		9,260,085
Working capital changes:			
Trade and other receivables	4,765,799	(12,295,697) <sup>(viii)</sup>	(7,529,898)
Due to contract customers	9,354,536		9,354,536
Trade and other payables	(5,788,706)		(5,788,706)
Cash generated from operations	17,591,714		5,296,017
Income tax refund	(1,223,251)		(1,223,251)
Net cash from operating activities	16,368,463		4,072,766
<b>Investing activities</b>			
Purchase of plant and equipment	(777,733)		(777,733)
Purchase of intangible asset	(936)		(936)
Proceeds from disposal of financial assets at fair value through profit or loss	598,529		598,529
Proceeds from disposal of investment properties	5,937,203		5,937,203
Proceeds from disposal of property held for sale	700,000		700,000
Dividend received	1,771		1,771
Interest received	116,430		116,430
Net cash from investing activities	6,575,264		6,575,264

**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

**UNAUDITED PROFORMA COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2011 (Continued)**

	Audited combined statement of cash flows 2011 \$	Proforma adjustments Note 3 \$	Unaudited proforma combined statement of cash flows 2011 \$
<b>Financing activities</b>			
Fixed deposit pledged with financial institutions	4,313,095		4,313,095
Proceeds from issuance of shares	5,200,000		5,200,000
Repayment of bank borrowings	(1,284,757)		(1,284,757)
Repayment of finance lease payables	(668,145)		(668,145)
Dividend paid	(7,998,750)		(7,998,750)
Interest paid	(115,603)		(115,603)
Net cash used in financing activities	(554,160)		(554,160)
Net change in cash and cash equivalents	22,389,567		10,093,870
Cash and cash equivalents at beginning of financial period	14,466,180		14,466,180
Exchange difference on cash and cash equivalents	(1,801)		(1,801)
Cash and cash equivalents at end of financial period	36,853,946		24,558,249



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**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

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**NOTES TO UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010 AND**  
**NINE-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2011**

**1 Corporate information**

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

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

**2. Significant events**

Save for the following significant events relating to the disposal of assets and issue of shares (the “Significant Events”), the Directors of the Company, as at the date of this report, are not aware of any significant acquisitions/disposals of assets which have occurred since 30 September 2010 and any significant changes made to the capital structure of the Company subsequent to 30 September 2010:

- On 1 October 2010, the Group declared dividend in specie for its financial assets at fair value through profit or loss with carrying amount of \$698,652.
- On 22 December 2010, the Group has entered into a sale and purchase agreement to dispose a property held for sale with carrying amount of \$650,000 for a total consideration of \$700,000.
- In January 2011, the Group has disposed its financial assets at fair value through profit or loss with carrying amount of \$564,511 for a total consideration of \$598,529.
- On 21 February 2011, the Group has raised an amount \$5,200,000 through a specific issue of 1,969,697 shares at an issue price of \$2.64 per share through Pre-IPO Investors.
- On 24 March 2011, the Group has entered into a sale and purchase agreement to dispose an investment property with carrying amount of \$1,600,000 for a total consideration of \$1,730,000.
- On 16 May 2011, the Group has entered into a sale and purchase agreement to dispose an investment property with carrying amount of \$3,700,000 for a total consideration of \$4,300,000.
- On 10 November 2011, the Group had entered into a joint venture agreement to subscribe for 20% of the issued capital of Punggol Residences Pte. Ltd. (“associate”) for a total consideration of \$200,000.
- In July and August 2011, the Group had paid a total of \$12,295,697 on behalf of its associate for the tender of a land parcel.

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**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

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**NOTES TO UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010 AND**  
**NINE-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2011 (Continued)**

**3. Basis of preparation of the unaudited proforma combined financial information**

The Group in this unaudited proforma combined financial information relates to the companies referred to in the entities within Keong Hong Holdings Limited and its subsidiaries (the "Group") subsequent to the Restructuring Exercise as referred to in the Offer Document.

The unaudited proforma combined financial information have been prepared based on audited combined financial statements of the Group for the financial year ended 30 September 2010 and for the nine-month financial period ended 30 June 2011, prepared in accordance with Singapore Financial Reporting Standards by the Directors of the Company. The audited combined financial statements of the Group are audited by BDO LLP, in accordance with Singapore Standards on Auditing. The auditors' report on these financial statements were not qualified.

The unaudited proforma combined financial information for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011 are prepared for illustrative purposes only. These are prepared based on certain assumptions and after making certain adjustments to show what:

- the financial results and cash flows of the Group for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011 would have been if the Significant Events discussed above had occurred on 1 October 2009 and 1 October 2010 respectively; and
- the financial positions of the Group as at 30 September 2010 and 30 June 2011 would have been if the Significant Events had occurred on those dates.

Based on the assumptions discussed above, the following material adjustments have been made to the financial statements of the Group in arriving at the unaudited proforma combined financial information included herein:

- (i) inclusion of proforma financial information for the financial year ended 30 September 2010, where the Group declared interim dividend which payment was made by way of distribution in specie of its financial assets at fair value through profit or loss with carrying amount of \$698,652. This is on the assumption that the fair value of financial assets at fair value through profit or loss remains unchanged on the date of settlement. Subsequently, if there was any change in fair value on the date of settlement, the differences will be recognised accordingly in profit or loss in the relevant financial year.
- (ii) inclusion of proforma financial information for the financial year ended 30 September 2010, assuming that the Group has entered into a sale and purchase agreement to dispose a property held for sale with carrying amount of \$650,000 for a total consideration of \$700,000.

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**APPENDIX B**  
**COMPILATION REPORT OF THE REPORTING AUDITORS**  
**ON THE UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

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**NOTES TO UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010 AND**  
**NINE-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2011 (Continued)**

**3. Basis of preparation of the unaudited proforma combined financial information**  
**(Continued)**

- (iii) inclusion of proforma financial information for the financial year ended 30 September 2010, assuming that the Group has disposed its financial assets at fair value through profit or loss with carrying amount of \$564,511 for a total consideration of \$598,529.
- (iv) being adjustments to effect the issue of new shares through a specific issue of 1,969,697 shares at an issue price of \$2.64 per share to Pre-IPO Investors for an amount of \$5,200,000, assuming that the acquisition had occurred on 1 October 2009.
- (v) inclusion of proforma financial information for the financial year ended 30 September 2010, assuming that the Group has entered into a sale and purchase agreement to dispose an investment property with carrying amount of \$1,600,000 for a total consideration of \$1,730,000, excluding transaction costs.
- (vi) inclusion of proforma financial information for the financial year ended 30 September 2010, assuming that the Group has entered into a sale and purchase agreement to dispose an investment property with carrying amount of \$3,700,000 for a total consideration of \$4,300,000, excluding transaction costs.
- (vii) inclusion of proforma financial information for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011, where the Group had entered into a joint venture agreement to subscribe for 20% of the issued capital of Punggol Residences Pte. Ltd. ("associate") for a total consideration of \$200,000.
- (viii) inclusion of proforma financial information for the financial year ended 30 September 2010 and nine-month financial period ended 30 June 2011, where the Group had paid a total of \$12,295,697 on behalf of its associate for the tender of a land parcel.

The unaudited proforma combined financial information, because of their nature, is not necessarily indicative of the results of the operations, cash flows or the related effects on the financial position that would have been attained had the Significant Events actually occurred earlier. Save as disclosed in the Explanatory Notes, the Directors of the Company, for the purposes of preparing this set of unaudited proforma combined financial information, have not considered the effects of the other events.

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## APPENDIX C VALUATION CERTIFICATE

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**Knight Frank**



Our Ref: 3205/V/356/11/TL/say

3 October 2011

Keong Hong Construction Pte Ltd  
151 Bukit Batok Street 11  
#03-250  
Singapore 650151

Dear Sirs

**VALUATION OF HDB LAND PARCEL ON  
LOT 2472X MUKIM 21 AT  
PUNGGOL WAY/PUNGGOL FIELD  
SINGAPORE**

**1 Introduction**

We thank you for your instructions for a formal valuation to be carried out in respect of the abovementioned Property for initial public offering purposes. We have specifically been instructed to provide our opinion of the Market Value of the Property, prepared as at 3 October 2011, with vacant possession.

We have, in accordance with your instructions, prepared formal valuation report. Our valuation is our opinion of the Open Market Value, which we would define as intended to mean:

"the best price at which the sale of an interest in property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:-

- (a) a willing, but not anxious, buyer and seller;
- (b) that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market), for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation; and
- (d) that no account is taken of any additional bid by a purchaser with a 'special interest'."

Our valuation has been made on the assumption that the Property is sold in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to alter the value of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect values.

Knight Frank Pte Ltd 16 Raffles Quay #30-01 Hong Leong Building Singapore 048581  
Tel: (65) 6222 1333 Fax: (65) 6224 5843 www.knightfrank.com.sg Reg. No. 198205243Z

Other Offices:  
Knight Frank Estate Management Pte Ltd 160 Paya Lebar Road #05-05/06 Orion @ Paya Lebar Singapore 409022  
Knight Frank Shopping Centre Management Pte Ltd 16 Raffles Quay #30-01 Hong Leong Building Singapore 048581  
KF Property Network Pte Ltd (Licensee) 167 Jalan Bukit Merah #05-10 Connection One Tower 5 Singapore 150167



Cert No. 160076



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## APPENDIX C VALUATION CERTIFICATE

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In preparing this valuation, we have relied on information provided to us, particularly in respect of such matters as gross/net saleable floor areas, proposed gross plot ratio, etc. Dimensions, measurements and areas are only approximations.

We have provided our opinion of market value as at 3 October 2011 with vacant possession.

We have valued the Property by both the Comparable Sales Method and Residual Land Value Method, each method being used as a check against the other. In adopting these two methods, we have followed closely the principles as outlined in the Statements of Assets Valuation Practice as the basis for analysis.

### 2 Valuation

- |   |   |   |
|---|---|---|
| (A) Land Value at Gross Plot Ratio 3.0  | : | \$220,000,000/-   |
|   |   | (Dollars Two Hundred And Twenty Million Only)                             |
| (B) Gross Development Value<br>of the Proposed Development<br>Assuming Completion | : | \$519,500,000/-   |
|   |   | (Dollars Five Hundred Nineteen Million And Five<br>Hundred Thousand Only) |

### 3 DISCLAIMER

Knight Frank Pte Ltd has relied upon property data provided to us which we assume to be true and accurate. Knight Frank Pte Ltd takes no responsibility for inaccurate data provided and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and have no personal interest or bias with respect to the party/parties involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We certify that our valuers undertaking the valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully  
Knight Frank Pte Ltd

Low Kin Hon  
B.Sc.(Estate Management) Hons.,MSISV  
Managing Director  
Valuation  
Appraiser's Licence No. AD 041-2003752I

# APPENDIX C VALUATION CERTIFICATE

**Knight Frank**



## VALUATION CERTIFICATE

- Property** : HDB Land Parcel on Lot 2472X Mukim 21 At Punggol Way/Punggol Field Singapore
- Client** : Keong Hong Construction Pte Ltd  
151 Bukit Batok Street 11  
#03-250  
Singapore 650151
- Legal Description** : Lot No : 2472X  
Mukim : 21
- Tenure** : Fresh 99 years lease
- Purpose of Valuation** : For Initial Public Offering
- Land Area** : 25,164.2 sm
- Master Plan 2008** : "Residential" with gross plot ratio 3.0
- Brief Description** : The subject property is a vacant residential development site for a proposed executive condominium housing development at a gross plot ratio of 3.0. It is located at the south-eastern junction of Punggol Way and Punggol Field, and some 14.5 km from the City Centre. The Punggol MRT Station/Bus Interchange is within reasonable walking distance away. The subject site is almost rectangular in shape. The land is slightly above road level and has a flat contour generally.
- Proposed Gross Floor Area** : Approximately 75,492.6 sm
- Proposed Net Saleable Floor Area** : Approximately 71,718.43 sm
- Valuation Approaches** : Comparable Sales Method and Residual Land Value Method
- Date Of Valuation** : 3 October 2011
- Open Market Value** : (A) Land Value at Gross Plot Ratio 3.0 : \$220,000,000/-  
(Dollars Two Hundred And Twenty Million Only)
- (B) Gross Development Value of the Proposed Development Assuming Completion : \$519,500,000/-  
(Dollars Five Hundred Nineteen Million And Five Hundred Thousand Only)
- Assumptions, Disclaimers, Limitations & Qualifications** : *This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the Limiting Conditions located at the end of this certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorized, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorized use or reliance. The document should not be reproduced without our written authority. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.*
- Prepared By** : Knight Frank Pte Ltd

Low Kin Hon  
B.Sc.(Estate Management) Hons.,MSISV  
Managing Director  
Valuation  
Appraiser's Licence No. AD 041-20037521

Knight Frank Pte Ltd 16 Raffles Quay #30-01 Hong Leong Building Singapore 048581  
Tel:(65) 6222 1333 Fax:(65) 6224 5843 www.knightfrank.com.sg Reg.No.198205243Z

Other Offices:  
Knight Frank Estate Management Pte Ltd 160 Paya Lebar Road #05-05/06 Orion @ Paya Lebar Singapore 409022  
Knight Frank Shopping Centre Management Pte Ltd 16 Raffles Quay #30-01 Hong Leong Building Singapore 048581  
KF Property Network Pte Ltd (Licensee) 167 Jalan Bukit Merah #06-10 Connection One Tower 5 Singapore 150167



Cert No. 160076



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## APPENDIX D GOVERNMENT REGULATIONS

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This Appendix sets out a summary of certain aspects of the laws and regulations of Maldives and Singapore, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the laws and regulations of the said jurisdictions, which may differ from equivalent provisions in each jurisdiction with which interested parties may be more familiar.

### Maldives

There is currently no building construction law applicable in the Maldives.

### Singapore

We have identified the main laws and regulations that materially affect our operations and the relevant regulatory bodies in Singapore (apart from those pertaining to general business requirements) as follows:

#### **Contractors Registry**

The construction industry in Singapore is regulated by the BCA, whose primary role is to develop and regulate Singapore's building and construction industry. Pursuant to the Building Control (Amendment) Act 2007, builders who undertake all building works where plans are required to be approved by the BCA and those who undertake works in specialist areas which have a high impact on public safety and require specific expertise, skill or resources for their proper execution have to be licenced. The Building Control (Amendment) Act 2007 will be discussed in greater detail below.

In addition to obtaining the requisite licences, registration in the contractors' registry maintained by the BCA is a pre-requisite to tendering for projects in the public sector and the contractors' registry is subject to review every three years. Presently, there are six major categories of registration, some of which are further sub-classified into six to seven grades, depending on the category of registration. Registration of a contractor with the BCA is dependent on the contractor fulfilling certain requirements relating to, *inter alia*, the value of previously completed projects and personnel resources. The grade assigned to each contractor is dependent on its minimum net worth and paid-up capital.

KH Construction is currently registered with the second highest BCA grading of A2 under the categories of CW01 for general building. The category of CW01 is classified into seven grades whereby the second highest grading of A2 enables KH Construction to tender for public sector construction projects not exceeding S\$85 million in project value. To maintain KH Construction's existing A2 grading, there are certain requirements to be complied with, including but not limited to the following:

- maintaining a minimum paid-up capital and net worth of S\$6,500,000;
- employing at least 12 professional and technical personnel with relevant qualifications;
- obtaining certificates such as ISO 9001:2008, ISO 14000, OHSAS 18000/SS506 Part 1; and
- engaging in general building projects worth S\$65,000,000 of which S\$32,500,000 consists of projects executed in Singapore, S\$48,750,000 consists of main contracts (nominated subcontracts may be included) and S\$16,250,000 consists of minimum size single projects.

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## APPENDIX D GOVERNMENT REGULATIONS

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### General Builder Licence and Specialist Builder Licence

From 16 June 2009, builders undertaking general building works are required to obtain a General Builder Licence. There are two classes of General Builder Licences: a Class One licence which permits the builder to undertake projects of any value and a Class Two licence which permits the builder to undertake projects of up to S\$6 million.

From 16 June 2009, builders are also required to obtain a Specialist Builder Licence if they undertake any of the following specialist building works: piling works, ground support and stabilisation works, site investigation work, structural steelwork, pre-cast concrete work or in-situ post-tensioning work.

Our Group does not hold any Specialist Builder Licences. The licencing requirements for the General Builder Licence (Class One) our Group is registered under are as follows:

<b>Licencing Code</b>	<b>Title</b>	<b>Licencing Requirements</b>
GB1	General Building Works (Class 1)	<p>The contractor must have a minimum paid-up capital of S\$300,000.</p> <p>The contractor must appoint an approved person who should meet the following requirements:</p> <ul style="list-style-type: none"><li>(a) holds a qualification of a bachelor's degree or post-graduate degree in any field and has at least three years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications;</li><li>(b) holds a qualification of a diploma in a construction-related field and has at least five years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications; or</li><li>(c) completed the course "Essential Knowledge in Construction Regulations &amp; Management for Licensed Builders" conducted by BCA and has at least ten years (in aggregate) of practical experience in the execution of construction projects in Singapore.</li></ul> <p>The contractor must appoint a technical controller who holds a bachelor's degree or post-graduate degree in construction-related field and has at least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications.</p>

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## APPENDIX D GOVERNMENT REGULATIONS

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### **Building Control (Amendment) Act 2007**

Changes have been made to the Building Control Act by way of the Building Control (Amendment) Act 2007. Pursuant to the Building Control (Amendment) Act 2007, builders who undertake all building works where plans are required to be approved by the BCA and those who undertake works in specialist areas which have a high impact on public safety and require specific expertise, skill or resources for their proper execution, have to be licenced. That Act came into effect on 16 December 2008 and builders were given a period of six months from 16 December 2008 to apply for a licence.

The objective of the amendments is to strengthen the building control regulatory framework to raise the professionalism, quality and safety standards in the construction industry. It also puts in place the recommendations of the committee which was formed to examine the regulation of the construction process following the Nicoll Highway collapse. Some examples of amendments include more stringent regulation of underground building works, provision of adequate site supervision, ensuring the independence of parties in a construction project and the raising of penalties for non-compliance with building control regulatory requirements. There are also new provisions setting minimum standards of environmental sustainability for buildings and which require the continual maintenance of barrier-free provisions in buildings.

In particular, one of the key amendments in the Building Control (Amendment) Act 2007 is the licencing of builders that will set minimum standards of professionalism for general builders and six selective specialist builders. Licencing will apply to builders who undertake all building works where plans are required to be approved by the BCA and those who undertake works in specialist areas which have a high impact on public safety and require specific expertise, skill or resources for their proper execution. Builders will be licenced under two registers, such licence to be renewable on a three-yearly basis. The two registers are the General Builder Register and the Specialist Builder Register. Under the General Builder Register, there are two categories. General Builder Class 1 consists of general building works of unlimited value and General Builder Class 2 consists of general building works of contract values of S\$6 million or less.

As at the Latest Practicable Date, our subsidiary, KH Land, is registered as builders under General Builder Class 1 of the General Builder Register pursuant to the Building Control (Amendment) Act 2007 which enables us to undertake general building work of unlimited value.

It is noteworthy that main contractors registered under General Builder Class 1 will need to comply with requirements on Construction Registration of Tradesmen Scheme (“**CoreTrade**”) on construction personnel. The objective of CoreTrade is to build up a permanent core of localised workers in key trades for the retention of skills and experience so that this core group of experienced and skilled workers will enable the industry to enhance quality and safety standards and raise the professionalism of the workforce. Under CoreTrade, main contractors have to ensure that, at project level, a stipulated number of their construction personnel are localised workers, i.e. Singaporeans, permanent residents or workers of a traditional source, deployed in key trades. All General Builder Class 1 contractors carrying out building works with project contract value of S\$20 million and above will be required to submit a project employment plan to the BCA. The plan will set out the number and proportion of registered construction personnel to be deployed for the key trades for the duration of the project. It is the responsibility of the General Builder Class 1 contractor to ensure that the deployment requirements are met and the submission of the plan will be a requirement for the issue of the permit to carry out building works.

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## APPENDIX D GOVERNMENT REGULATIONS

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### Approval and Execution of Plans of Building Works

Under the BCA's Building Control Act (Chapter 29), no person shall commence or carry out, or permit or authorise the commencement or carrying out of, any building works unless the plans of the building works have been approved by the Commissioner of Building Control ("**CBC**") and in the case of structural works, there is in force a permit granted by the CBC to carry out the structural works. Before an application to the CBC for the approval of the plans of the building works is made, every person for whom any relevant building works are or are to be carried out, or the builder of such building works, shall appoint either a registered architect or professional engineer ("**Qualified Person**") to prepare the said plans in accordance with the Building Control Regulations 2003, and to supervise the building works. The carrying out of structural elements and concreting, piling, pre-stressing, tightening of high-friction grip bolts or other critical structural works of a prescribed class of building works would also require the supervision of a Qualified Person or a site supervisor appointed by him. Under the Building Control Act, a builder undertaking any building works shall, *inter alia*, (i) ensure that the building works are carried out in accordance with the plans of the building works supplied to it by the Qualified Person and with any terms or conditions imposed by the CBC in accordance with the Building Control Act and the Building Control Regulations 2003, (ii) notify the CBC of any contravention of the provisions of the Building Control Act or the building regulations in connection with those building works and (iii) within seven days from the completion of the building works, certify that the new building has been erected or the building works have been carried out in accordance with the Building Control Act and the building regulations and deliver such certificate to the CBC.

The Building Control Regulations 2003 sets out certain requirements of the BCA relating to, *inter alia*, design and construction and the installation of exterior features. For example, (i) no person shall, without the permission of the CBC, install any lift in any building; (ii) in installing an air-conditioning unit on the exterior of any building or which projects outwards from any building, a trained air-conditioning unit installer would have to be engaged to carry out the installation works relating to the air-conditioning unit; and (iii) whenever soil investigation and determination of the depth of the water table are to be carried out in respect of any building works, the Qualified Person shall submit the soil investigation reports to the CBC.

If the CBC is of the opinion that any building works, other than structural works, have been or are carried out in such a manner as (i) will cause, or will be likely to cause, a risk of injury to any person or damage to any property, (ii) will cause, or will be likely to cause, a total or partial collapse of any adjoining or other building or street or land; or (iii) will render, or will be likely to render, any adjoining or other building or street or land so dangerous that it will collapse or be likely to collapse either totally or partially, he may, by order, direct the person for whom those building works have been or are being carried out to immediately stop the building works and to take such remedial or other measures as he may specify to prevent the abovementioned situations from happening.

Under the Fire Safety Act (Chapter 109A), the person for whom any proposed fire safety works are to be commenced or carried out in any building shall apply to the Commissioner of Civil Defence ("**CCD**") for approval of the plans of the fire safety works in accordance with the Fire Safety (Building Fire Safety) Regulations and such person shall appoint an appropriate qualified person to prepare those plans. No person shall commence or carry out or permit or authorise the commencement or carrying out of any fire safety works in any building unless the CCD has approved all the plans of the fire safety works. Upon completion of any fire safety works, the person for whom the fire safety works had been carried out shall apply for a fire safety certificate from the CCD in respect of the completed fire safety works.

Where, in the opinion of the CCD, any fire safety works are carried out or have been carried out in contravention of the Fire Code, the Fire Safety Act or any regulations made thereunder, he may by order in writing require (i) the cessation of the unauthorised fire safety works until such order is

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withdrawn, (ii) such work or alteration to be carried out to the unauthorised fire safety works or the building or part thereof to which the unauthorised fire safety works relate as may be necessary to comply with the Fire Code, Fire Safety Act or any regulations made thereunder, or (iii) the demolition of the building or part thereof to which the unauthorised fire safety works relate.

Under the Fire Safety Act, no person shall store or keep, or cause to be stored or kept, any petroleum or flammable material except, *inter alia*, under the authority of and in accordance with the provisions of a licence from the CCD and every condition specified therein, and such licence shall be applied for in accordance with the Fire Safety (Petroleum and Flammable Materials) Regulations 2005.

### **Factory registration/Factory permits**

For premises that are carrying out building operations and works of engineering construction, the occupiers are required by the MOM to register the premises (or worksite) as a “factory” with the Commissioner for Workplace Safety and Health (“CWSH”) pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 (“**WSH Factories Regulations**”). Under the WSH Factories Regulations, occupiers of premises or worksites in which building operations and works of engineering construction are intended to be carried out (save for any premises or worksites in which building operations (other than excavation or piling works) or works of engineering construction are being carried out for a period not exceeding two months) must apply to the CWSH to register the worksites as a “factory” one month before the work begins. A certificate of registration issued by the CWSH is valid for a period of one year and may be renewed subsequently upon the payment of a renewal fee. The CWSH may, instead of registering any premises as a “factory”, issue a factory permit, with or without conditions, authorising the applicant to occupy the premises as a factory. A factory permit is valid for such period not exceeding six months as may be specified in the permit and may be extended subsequently for such period not exceeding 6 months as the CWSH may determine upon the payment of an extension fee.

We have obtained the necessary Certificates of Registration of a Factory or Factory Permit under WSH Factories Regulations for all our worksites.

### **Workplace and Health Safety Measures**

Under the MOM’s Workplace Safety and Health Act (Chapter 354A) of Singapore (“**WSHA**”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work. In addition, it shall be the duty of every principal to take, so far as is reasonably practicable, such measures as are necessary to ensure that any contractor engaged by the principal on or after 1 September 2011:

- (a) has the necessary expertise to carry out the work for which the contractor is engaged by the principal to do; and

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- (b) has taken adequate safety and health measures in respect of any machinery, equipment, plant, article or process used, or to be used, by the contractor or any employee employed by the contractor.

More specific duties imposed on employers are laid out in, *inter alia*, the Workplace Safety and Health (Construction) Regulations 2007. Some of these duties include appointing a workplace safety and health co-ordinator in respect of every worksite to assist and identify any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite and recommend and implement reasonably practicable measures to remedy the unsafe condition or unsafe work practice.

Additional duties imposed on employers are also set out in the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”) including taking effective measures to protect persons at work from the harmful effects of any exposure to any biohazardous material which may constitute a risk to their health, ensuring adequate ventilation and maintaining sufficient and suitable lighting.

Pursuant to the WSHR, the following equipment, amongst others, are required to be tested and examined by an examiner (“**Authorised Examiner**”), who is authorised by the CWSH, before they can be used in a factory and thereafter, at specified intervals:

- (a) hoist or lift;
- (b) lifting gears; and
- (c) lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the owner of the equipment/occupier of the factory to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, *inter alia*, enter any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is required for the purpose of an investigation or inquiry under the WSHA.

Under the WSHA, the CWSH may serve a stop-work order in respect of a workplace if he is satisfied that (a) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (b) any person has contravened any duty imposed by the WSHA; or (c) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to alleviate any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

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In addition, in the event that our work sites contravene the requisite safety standards imposed by the regulatory authorities, we could be issued stop work orders. The issuance of such stop work orders may severely disrupt our operations and lead to a delay in the completion of our project.

### **Business under Surveillance Programme**

The main purpose of the Business under Surveillance (“**BUS**”) Programme is to ensure that companies implement safety precautions and guidelines at its work sites so as to prevent accidents, occupational diseases and improve the company’s safety and health management and performance.

In general, a company will be placed under assessment if:

- (a) there are fatal accidents at its work site;
- (b) the company accumulates more than 18 demerit points under the demerit point system; or
- (c) the company demonstrates poor management of workplace safety and health, e.g. poor site conditions resulting in stop-work order.

Under the demerit point system introduced by the MOM for contractors with bad safety record or other health concerns, if we are found to have violated safety requirements at our work sites, we will be given demerit points. In the event that our Group accumulates more than 18 demerit points within a 12-month period, we will be given a formal warning letter from MOM. Continued accumulation of demerit points will result in more stringent corrective actions such as a freeze on the MYE.

If a company fails the assessment, it will be placed into the BUS Programme and be subjected to close surveillance. A company placed in the BUS Programme is required to act in accordance with an action plan imposed on it by the MOM. This company will be subjected to frequent inspections and engagements to ensure that the action plan is implemented.

### **Public Sector Standard Conditions of Contract for Construction Works**

The Public Sector Standard Conditions of Contract for Construction Works (“**PSSCOC**”) was developed by the BCA to enable a common contract form to be used in all public sector construction projects. The PSSCOC contains terms relating to, *inter alia*, the general obligations of the contractor, programme for the works, quality in construction, commencement of works, suspension of works, time for completion, liquidated damages, defects, variations to the works, valuation of variations, procedures for claims, indemnity provisions, insurance, progress payments and final account and settlement of disputes.

### **Environmental laws and regulations**

The EPHA requires, *inter alia*, a person, during the erection, alteration, construction or demolition of any building or at any time, to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance. The EPHA also regulates, *inter alia*, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Ministry of Environment has empowered the Director-General of Public Health to serve a nuisance order on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with by the Ministry of Environment and/or its statutory board, the National Environmental Agency, summarily under the EPHA include any factory or workplace which is not kept in a clean state and any place where there exists or is likely to

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exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety. The EPHA also requires the occupier of any construction site to employ a competent person to act as an environmental control officer in the construction site for the purpose of exercising general supervision within the construction site of the observance of the provisions of, *inter alia*, the EPHA.

The Environmental Protection and Management Act (Chapter 94A) of Singapore seeks to control the levels of pollution in Singapore by regulating the activities of various industries and regulates, *inter alia*, air pollution, water pollution, land pollution and noise control. Under the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations, the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels prescribed in such Regulations.

For the period under review, we had been fined in connection with the following:

- (a) retention of water on sites causing mosquito breeding;
- (b) discharge of untreated water into drains; and
- (c) exceeding the permitted noise level on a work site.

For the period under review, the fines paid to the authorities pursuant to the infractions above amounted in aggregate to approximately S\$41,000. To the best knowledge and belief of our Directors, there had been no other fines for the period under review.

### **Workmen's Compensation**

The Work Injury Compensation Act (Chapter 354) of Singapore ("**WICA**"), which is regulated by the MOM, applies to employees in all industries in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

The WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

### **Employment of Foreign Manpower**

The availability and the employment cost of skilled and unskilled foreign workers are affected by the Government's policies and regulations on the immigration and employment of foreign workers in Singapore, which are set out in, *inter alia*, the Employment of Foreign Manpower Act (Chapter 91A) of Singapore and the relevant Government Gazettes.



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## APPENDIX D GOVERNMENT REGULATIONS

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The availability of the foreign workers to the construction industry is dependant on *inter alia* the MOM's policies in connection with:

- (a) the countries from which foreign workers may be sourced;
- (b) the requirements and procedures for the issuance of work permits;
- (c) the imposition of security bonds and levies;
- (d) the dependency ceilings based on the ratio of local to foreign workers; and
- (e) quotas based on MYE in respect of workers from non-traditional sources and the People's Republic of China.

Currently, the countries which contractors may source construction workers from are Malaysia, the People's Republic of China, India, Sri Lanka, Thailand, Bangladesh, Myanmar, Philippines, Pakistan, Hong Kong, Macau, South Korea and Taiwan. Before we are allowed to employ construction workers from these countries, we are required to obtain In-Principle Approvals ("**IPAs**") for each individual's work permit. The foreign construction worker is also required to undergo a medical examination by a registered Singapore doctor and must pass such medical examination before a work permit can be issued to him.

We are required to provide the Controller of Immigration with a security bond of S\$5,000 in the form of a banker's guarantee or insurance guarantee for each construction worker from the People's Republic of China, India, Sri Lanka, Thailand, Bangladesh, Myanmar, Philippines, Pakistan, Hong Kong, Macau and South Korea for whom we have successfully obtained a work permit,

The employment of foreign workers is also subject to the payment of levies. The amount of foreign worker levy payable on each unskilled foreign worker is S\$470 per month and with effect from 1 January 2007, the amount of foreign worker levy payable on each skilled foreign worker is S\$150 per month. However, pursuant to the Singapore Budget 2010, it was announced that the Singapore Government will, from 1 July 2010, be increasing levy rates for most work permits and the increment of these levy rates will be conducted in stages during the period from 2010 to 2012. For each year from 2010 to 2012, the increment in levy rates will be in the range of S\$10 to S\$30.

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore Citizen or Singapore Permanent Resident employed by a company in the construction sector with regular full month CPF contributions made by the employer, our Company can employ seven foreign workers.

The MYE allocation system is a work permit allocation system pertaining to the employment of construction workers from countries such as the People's Republic of China as well as non-traditional source foreign workers including Bangladesh, India, Thailand, Myanmar, Philippines, Sri Lanka, and Pakistan.

MYE reflects the total quota of foreign construction workers allocated to a main contractor for a specific construction project. Based on the value of projects/contracts awarded by developers/owners and the project category, main contractors are allocated a number of "man-years" required to complete a project (1 "man-year" = 1-year employment under a Work Permit), and a number of foreign workers it is entitled to employ.

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At the time of the MYE application, the balance duration of the project must be at least one month and the total remaining contract value of the project must be at least S\$500,000. To employ such construction workers, the employer must make an application for MYE and IPAs for individual work permits.

The allocation of MYE is in the form of the number of “man-years” required to complete a project and only main contractors may apply for MYEs. All levels of sub-contractors are required to obtain their MYE allocation from their main contractors.

Under the work permit conditions, employers are required to provide acceptable accommodation for their foreign workers. Such accommodation must meet the statutory requirements set by various government agencies, including the National Environment Agency, the Public Utilities Board, the Singapore Civil Defence Force and the BCA. A list of approved off-site housing is provided by the relevant approving agencies, namely the URA, Singapore Land Authority, Jurong Town Corporation and the HDB.

An employer of foreign workers is also subject to, *inter alia*, the provisions set out in the Employment Act (Chapter 91) of Singapore, the Employment of Foreign Manpower Act (Chapter 91A) of Singapore, the Immigration Act (Chapter 133) of Singapore and the Immigration Regulations.

### **Building and Construction Industry Security of Payment Act**

Prior to the introduction of the Building and Construction Industry Security of Payment Act (Chapter 30B) of Singapore (the “**BCISP Act**”), a construction contract between a main contractor and a sub-contractor would typically contain a “pay when paid” provision. Such provision would provide that the liability of the main contractor to pay money owing to the sub-contractor is contingent or conditional on payment to the main contractor by a third party of the whole or part of that money, or make the due date for payment of money owing by the main contractor to the sub-contractor contingent or conditional on the date on which payment of the whole or any part of that money is made to the main contractor by the third party. With the introduction of the BCISP Act by the Ministry of National Development, such “pay when paid” provisions in construction or supply contracts are now rendered unenforceable and have no effect in relation to any payment for construction work carried out or undertaken to be carried out, or for goods or services supplied or undertaken to be supplied, under the contract.

The BCISP Act, regulated by the BCA, confers a statutory entitlement to progress payments on any person who has carried out any construction work or supplied any goods or services under a contract. The BCISP Act also contains provisions relating to, *inter alia*, the amount of the progress payment to which a person who has carried out any construction work is entitled under a contract, the valuation of the construction work carried out and the date on which a progress payment becomes due and payable (even where a construction contract does not provide for such date). In addition, the BCISP Act, *inter alia*, endorses the following rights:

- (a) the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISP Act has established an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudicated amount;

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## APPENDIX D GOVERNMENT REGULATIONS

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- (b) the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce the adjudication as if it were a judgment debt, if such claimant is not paid after it obtains judgment against the respondent pursuant to an adjudication; and
- (c) where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right for such principal to recover such payment from the respondent.

### Licences and Approvals

#### Housing Developer's Licence

This licence is issued by the Urban Redevelopment Authority of Singapore under the Housing Developers (Control and Licensing) Act, Chapter 130 of Singapore, and will have to be obtained prior to a developer undertaking the business of developing more than four units of housing accommodation. The "sale before TOP licence" is required before a developer may commence the business of housing development and start selling units in the development once the building plan approval has been obtained. The licence will be issued subject to certain conditions, such as:

- (a) strict compliance with the applicable laws governing housing development;
- (b) no options be granted or sale and purchase agreements entered into until:
  - (i) the Commissioner of Building Control (as appointed under Section 3(1) of the BC Act) approves the building plans; and
  - (ii) the planning permission has been given; and
- (c) the developer shall not, after redemption of the mortgage of the land, further encumber the land or register further charges over it.

The licence remains in force until the issuance of the certificate of statutory completion for the project and the issue of separate certificates of title or subsidiary strata certificates of title for all the units in the development. We are also required to comply with the Housing Developers (Project Account) Rules with respect to the administration of the accounts of our property development projects.

#### Land Dealings Approval

The Residential Property Act, Chapter 274 of Singapore ("**RPA**"):

- (a) defines a "Singapore company" as, *inter alia*, a company which is incorporated in Singapore and its members and directors are all Singapore citizens or where the member is another company, where all the members and directors of such other company are Singapore citizens; and
- (b) restricts the purchase or transfer of residential property to approved purchasers, including Singapore companies.

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After the Placement, our Shareholders and Directors may consist of non-Singapore citizens, as a result of which our Company and our subsidiaries may not qualify as “Singapore companies” for the purposes of the RPA. Accordingly, any acquisition of Singapore residential property for the purposes of redevelopment and sale by our Company or our subsidiaries would be subject to the approval of the Controller of Housing (as appointed under Section 3 of the Housing Developers (Control and Licensing) Act, Chapter 130 of Singapore).

However, if such residential property is a flat comprised in any building in a development permitted to be used under the Planning Act, Chapter 232 of Singapore (“**Planning Act**”), for residential purposes, and is not a landed dwelling-house, any unit comprised in a development which is shown in an approved plan bearing the title “condominium” and issued by the relevant competent authority under the Planning Act or any unit in a development comprising housing accommodation sold under the executive condominium scheme established under the Executive Condominium Housing Scheme Act, Chapter 99A of Singapore, then the approval of the Controller of Housing would not be required.

To the best knowledge and belief of our Directors and save as disclosed in this Offer Document, our Directors confirm as at the Latest Practicable Date that we have complied with all the relevant regulations stated in this Appendix and there are no offences committed by our Group under these legislations.

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## **APPENDIX E**

### **DESCRIPTION OF ORDINARY SHARES**

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Our Company was converted from a private limited company into a public limited company on 7 December 2011. Our corporate affairs are governed by our Articles. The following statements are brief summaries of our capital structure and the more important rights and privileges of our shareholders as conferred by the laws of Singapore and our Articles of Association. These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our registered offices during normal business hours for a period of 6 months from the date of the registration of this Offer Document with the SGX-ST. The summary below does not purport to be complete and is qualified in its entirety by reference to our Articles.

#### **Shares**

We have only one class of shares, namely, our Shares, which have identical rights in all respects and rank equally with one another. Our Articles provide that we may issue shares of a different class with preferential, deferred, qualified or special rights, privileges or conditions as our Directors may think fit and may issue preference shares which are, or at our option are, redeemable, the terms and manner of redemption being determined by our Directors. Our ordinary Shares do not have a par value.

As at the date of this Offer Document, 131,000,000 Shares have been issued and fully paid. All of our Shares are in registered form and recorded in our share register book. No Shares are held by, or on behalf of, us or our subsidiaries. We may, subject to the provisions of the Companies Act and the listing rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

#### **New Shares**

New Shares may only be issued with the prior approval of our shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being, of which the aggregate number of Shares to be issued other than on a pro-rata basis to the then existing shareholders of our Company shall not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted unless otherwise revoked or varied by shareholders in a general meeting. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Directors who may allot and issue the same with such rights and restrictions as they may think fit.

#### **Shareholders**

We maintain a register of Shareholders which contains the particulars of our Shareholders. Only persons who are registered on our register of Shareholders and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for our Shares, are recognised as our shareholders. Except as required by law, no person shall be recognised by our Company as holding any share upon any trust and we will not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or any fractional part of a Share or (except only as provided by our Articles or by law) any other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the depository register for that Share. If any Share stands jointly in the names of two or more persons, the person first named in the register

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## **APPENDIX E**

### **DESCRIPTION OF ORDINARY SHARES**

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shall as regards service of notices and, subject to the provisions of the Articles, all or any other matters connected with our Company except with respect to the transfer of Shares, be deemed the sole holder thereof.

We may close our register of Shareholders for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days' notice and the SGX-ST at least 10 clear market days' notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We typically close the register of Shareholders to determine our shareholders' entitlement to receive dividends and other distributions.

#### **Transfer of Shares**

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of the SGX-ST. Our Directors may decline to register any transfer of Shares which are not fully paid or Shares on which we have a lien. Subject to our Articles, Shares may be transferred by any Shareholder by a duly signed instrument of transfer in a form approved by the SGX-ST. Our Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if we are properly notified and the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Directors may require.

#### **General Meetings of Shareholders**

Our Company is required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two or more Shareholders holding not less than 10% of the issued share capital of our Company (excluding treasury shares) may call a meeting. Unless otherwise required by law or by the Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and the Articles, a change of the corporate name and a reduction in the share capital. Our Company must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to every Shareholder who has supplied our Company with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

#### **Voting Rights**

A holder of our ordinary Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy does not need to be a shareholder. A person who holds ordinary Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in

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### **DESCRIPTION OF ORDINARY SHARES**

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accordance with the Articles, at any general meeting (i) on a show of hands, every shareholder present in person and by proxy shall have one vote (provided that in the case of a shareholder who is represented by two or more proxies, only one of the proxies as determined by that shareholder or, failing such determination, by the Chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and (ii) on a poll, every shareholder present in person or by proxy shall have one vote for each fully paid Share which he holds or represents and in respect of partly paid shares where calls are not due and unpaid. If the Shareholder is CDP, CDP may appoint at least three proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of CDP as CDP could exercise, including the right to vote individually on a show of hands. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

#### **Dividends**

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. Our Board may also declare an interim dividend without the approval of our Shareholders.

We must pay all dividends out of our profits. We may satisfy dividends by the issue of Shares to our Shareholders. See the section titled, "Bonus and Rights Issue" below.

All dividends are paid pro-rata amongst our Shareholders in proportion to the amount paid-up on each Shareholder's Shares, unless the rights attaching to an issue of any Share or class of shares provide otherwise.

Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address appearing in our register of Shareholders or (as the case may be) the depository register. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

#### **Bonus and Rights Issue**

Our Board may, with the approval of our shareholders at a general meeting, capitalise any sums standing to the credit of any of our Group's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account and distribute the same as bonus shares credited as paid-up to our shareholders in proportion to their shareholdings.

Our Board may also issue rights to take up additional Shares to other shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

Our Board may also issue bonus Shares to participants of any share incentive or option scheme or plan implemented by our Company and approved by our shareholders in such manner and on such terms the Board shall think fit.

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## APPENDIX E

### DESCRIPTION OF ORDINARY SHARES

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#### Takeovers and Substantial Shareholdings

##### *Obligations under The Singapore Code on Take-overs and Mergers*

There are requirements under Singapore laws on take-over offers for our Shares that apply to us. We will be subject to Sections 138, 139 and 140 of the SFA and the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”) issued by the Authority pursuant to Section 321 of the Securities and Futures Act (collectively, the “**Singapore Take-over and Merger Laws and Regulations**”) for so long as our Shares are listed for quotation on the SGX-ST. The Take-over Code regulates the acquisition of ordinary shares of public companies or corporations, all or any of the Shares of which are listed for quotation on a securities exchange, and contains certain provisions that may delay, deter or prevent a takeover or change in control of such a public company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of our voting shares in such a public company, or if such person holds, either on his own or together with parties acting in concert with him, between 30% and 50% (both inclusive) of the voting shares in that company and acquires additional voting shares representing more than 1% of the voting shares in that company in any six-month period, must, except with the consent of the Securities Industry Council, extend a takeover offer for the remaining voting shares in accordance with the provisions of the Take-over Code. Under the Take-over Code, “parties acting in concert” comprise individuals or companies who, pursuant to an arrangement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other unless the contrary is established, as follows:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of (i), (ii), (iii) or (iv); and
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;



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### DESCRIPTION OF ORDINARY SHARES

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- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
  - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
  - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10% or more of the customer's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
  - (i) an individual;
  - (ii) the close relatives of (i);
  - (iii) the related trusts of (i);
  - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
  - (v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Take-over Code, a takeover offer for consideration other than cash must, subject to certain exceptions, be accompanied by a cash alternative at not less than the highest price by the offeror or parties acting in concert with the offeror during the offer period and within the 6 months preceding the acquisition of shares that triggered the takeover offer obligation.

Under the Take-over Code, where effective control of a public company incorporated in Singapore is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders of the company is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that our Shareholders subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

#### ***Obligation to notify substantial shareholdings and changes thereto***

For so long as our Shares are listed on the SGX-ST, each member shall, (a) upon becoming a substantial shareholder of our Company, (b) for so long as he remains a substantial shareholder of our Company, upon a change in the percentage level of his interest or interests in our Company and (c) upon ceasing to be a substantial shareholder of our Company, give our secretary a notice in writing of (i) the particulars of the Shares beneficially owned by him, or (ii) the particulars of the change in interests (including the date of change and the circumstances by reason of which that change has occurred), or (iii) the particulars of the date and circumstances of the cessation of substantial shareholding, as the case may be, within two (2) business days after (aa) becoming a substantial shareholder, (bb) the date of change in the percentage level of his interests, or (cc) the date of cessation, as the case may be. The term “**substantial shareholder**” shall have the same meaning

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## APPENDIX E

### DESCRIPTION OF ORDINARY SHARES

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ascribed to it in Section 81(1) and 81(2) of the Companies Act, the term “**interest**” or “**interests**” shall have the meaning ascribed to it in Section 83(3) of the Companies Act. The requirement to give notice shall not apply to CDP.

“**Percentage level**”, in relation to a substantial shareholder means the percentage figure ascertained by expressing the total votes attached to all the voting Shares in which the substantial shareholder has an interest (or interests) immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to all the voting Shares in our Company and, if it is not a whole number, rounding that figure down to the next whole number.

Pursuant to the Listing Manual, our Company will immediately announce on SGXNET, any notices of substantial shareholders’ interests or Directors’ interests in our Shares received by us.

The Securities and Futures (Amendment) Act 2009 (the “**Amendment Act**”) was gazetted on 23 February 2009 and will, *inter alia*, migrate the substantial shareholder disclosure requirements to the SFA and extend the obligation to notify substantial shareholdings and changes thereto to persons having an interest in Shares in companies incorporated outside Singapore, whose Shares are listed for quotation on the SGX-ST by way of a primary listing, such as our Company. The amendments affecting substantial shareholder disclosure requirements have yet to take effect. Once these amendments take effect, a substantial shareholder of our Company will be required to notify our Company of his interests, or changes in his interests, in voting Shares of our Company. Upon receipt of the notice, we will in turn announce or otherwise disseminate the information stated in the notice to the SGX-ST as soon as practicable and in any case no later than the end of the Singapore business day following the day on which we received the notice.

While the definition of “interest” in our voting Shares for the purposes of substantial shareholder disclosure requirements under the SFA is similar to that under the Companies Act, the SFA provides that a person who has authority (whether form or informal, or express or implied) to dispose of, or to exercise control over the disposal of, a voting Share is regarded as having an interest in such Share, even if such authority is, or is capable of being made, subject to restraint or restriction in respect of particular voting Shares.

#### **Liquidation or Other Return of Capital**

If we are liquidated or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

#### **Indemnity**

As permitted by Singapore law, our Articles provide that, subject to the Companies Act, our Board and officers shall be entitled to be indemnified by us against all costs, charges, losses, expenses and liabilities incurred in (a) the execution and discharge of their duty in their respective offices unless such costs, charges, losses, expenses or liabilities arises as a result of any negligence, default, breach of duty or breach of trust on their part in relation to us, and (b) defending any proceedings, whether civil or criminal, relating to the affairs of our Company and in which judgement is given in their favour or in which they are acquitted or in connection with any application under the Companies Act in which relief is granted by the court.

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#### **Limitations on Rights to Hold or Vote Shares**

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident shareholders to hold or vote in respect of our Shares.

#### **Minority Rights**

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our shareholders, as they think fit to remedy any of the following situations where:

- (a) our affairs are being conducted or the powers of our Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) we take an action, or threaten to take an action, or our shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, the Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder’s Shares by our other shareholders or by us;
- (e) in the case of a purchase of Shares by the company, provide for a reduction accordingly of the company’s capital; or
- (f) provide that we be wound up.

#### **Treasury Shares**

Our Articles of Association expressly permit our Company to acquire our issued shares and to hold such shares as treasury shares in accordance with requirements of Section 76 of the Companies Act. Our Company may make a purchase or acquisition of our own shares (i) on a securities exchange if the purchase or acquisition has been authorised in advance by our Company in general meeting; or otherwise than on a securities exchange if the purchase or acquisition is made in accordance with an equal access scheme authorised in advance by our company in general meeting. The aggregate number of ordinary Shares held as treasury shares shall not at any time exceed 10% of the total number of Shares of our Company at that time. Any excess shares shall be disposed or cancelled before the end of a period of 6 months beginning with the day on which that contravention of limit occurs, or such further period as the Registrar may allow. Where ordinary Shares or stocks are held as treasury shares by our Company through purchase or acquisition by our Company, our Company shall be entered in the register as the member holding those shares or stocks.

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Our Company shall not exercise any right in respect of the treasury shares and any purported exercise of such a right is void. Such rights include any right to attend or vote at meetings and our Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of our Company's assets (including any distribution of assets to members on a winding up) may be made, to our Company in respect of the treasury shares. However, this would not prevent an allotment of shares as fully paid bonus shares in respect of the treasury shares or the subdivision or consolidation of any treasury share into treasury share of a smaller amount, if the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

Where shares are held as treasury shares, our Company may at any time (i) sell the shares (or any of them) for cash; (ii) transfer the shares (or any of them) for the purposes of or pursuant to an employees' share scheme; (iii) transfer the shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person; or (iv) cancel the shares (or any of them).

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## APPENDIX F

### SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY

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The discussion below provides information about certain provisions of our Articles of Association. This description is only a summary and is qualified by reference to our Articles of Association, a copy of which will be displayed at our registered office at Block 151 Bukit Batok Street 11 #03-250, Singapore 650151. The following are extracts of the provisions in our Articles relating to:

**(a) A director's power to vote on a proposal, arrangement or contract in which he is interested**

*Article 90(1) — Powers of Directors to contract with Company*

No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors in transactions or proposed transactions with the Company or of any office or property held by a Director which might create duties or interests in conflict with his duties or interests as a Director and any transactions to be entered into by or on behalf of the Company in which any Director shall be in any way interested shall be subject to any requirements that may be imposed by the Exchange. No Director shall vote in regard to any contract, arrangement or transaction, or proposed contract, arrangement or transaction in which he has directly or indirectly a personal material interest as aforesaid or in respect of any allotment of shares in or debentures of the Company to him and if he does so vote his vote shall not be counted.

*Article 90(2) — Relaxation of restriction on voting*

A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any office or place of profit under the Company, or where the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or where the Directors resolve to enter into or make any arrangements with him or on his behalf pursuant to these Articles or where the terms of any such appointment or arrangements as hereinbefore mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.

*Article 91(2) — Exercise of voting power*

The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

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- (b) **A director's power to vote on remuneration (including pension or other benefits) for himself or for any other director and whether the quorum at a meeting of the board of directors to vote on directors' remuneration may include the director whose remuneration is the subject of the vote**

*Article 86(1) — Fees*

The fees of the Directors shall be determined from time to time by the Company in general meetings and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fee is payable shall be entitled only to rank in such division for the proportion of fee related to the period during which he has held office.

*Article 86(2) — Extra remuneration*

Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which, in the opinion of the Directors, are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Article.

*Article 86(3) — Remuneration of director*

The fees (including any remuneration under Article 86(2) above) in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

*Article 87 — Expenses*

The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

*Article 88 — Pensions to directors and dependents*

Subject to the Act, the Directors on behalf of the Company may pay a gratuity or other retirement, superannuation, death or disability benefits to any Director or former Director who had held any other salaried office or place of profit with the Company or to his widow or dependants or relations or connections or to any persons in respect of and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

*Article 89 — Benefits for employees*

The Directors may procure the establishment and maintenance of or participate in or contribute to any non-contributory or contributory pension or superannuation fund or life assurance scheme

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### SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY

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or any other scheme whatsoever for the benefit of and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to any persons (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of the predecessors in business of the Company or of any subsidiary company, and the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or of its Members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

*Article 94 — Remuneration of Chief Executive Officer/Managing Director*

The remuneration of a Chief Executive Officer/Managing Director (or any Director holding an equivalent appointment) shall from time to time be fixed by the Directors and may subject to these Articles be by way of salary or commission or participating in profits or by any or all of these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

*Article 103(1) — Alternate Directors*

Any Director of the Company may at any time appoint any person who is not a Director or alternate Director and who is approved by a majority of his co-Directors to be his alternate Director for such period as he thinks fit and may at any time remove any such alternate Director from office. An alternate Director so appointed shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company. Any fee paid to an alternate Director shall be deducted from the remuneration otherwise payable to his appointor.

**(c) The borrowing powers exercisable by the directors and how such borrowing powers may be varied**

*Article 118 — Directors' borrowing powers*

The Directors may at their discretion exercise all the powers of the Company to borrow or otherwise raise money, to mortgage, charge or hypothecate all or any property or business of the Company including any uncalled or called but unpaid capital and to issue debentures or give any other security for any debt or obligation of the Company or of any third party.

**(d) The retirement or non-retirement of a director under an age limit requirement**

*Article 93 — Chief Executive Officer/Managing Director to be subject to retirement by rotation*

Any Director who is appointed as a Chief Executive Officer/Managing Director (or an equivalent appointment) shall be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors of the Company notwithstanding the provisions of his contract of

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**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

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service in relation to his executive office and if he ceases to hold the office of Director from any cause he shall *ipso facto* and immediately cease to be a Chief Executive Officer/Managing Director.

*Article 96(1)(viii) — Vacation of office of director*

Subject as herein otherwise provided or to the terms of any subsisting agreement, the office of a Director shall be vacated subject to the provisions of the Act, at the conclusion of the Annual General Meeting commencing next after he attains the age of seventy (70) years.

*Article 98 — Retirement of directors by rotation*

Subject to these Articles and to the Act, at each Annual General Meeting at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. For the avoidance of doubt, each Director shall retire from office at least once every three (3) years.

*Article 99 — Selection of directors to retire*

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (3) years since their last election. However as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

*Article 100 — Deemed re-elected*

The Company at the meeting at which a Director retires under any provision of these Articles may by ordinary resolution fill up the vacated office by electing a person thereto. In default the retiring Director shall be deemed to have been re-elected, unless:

- (i) at such meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (ii) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected; or
- (iii) such Director has attained any retiring age applicable to him as a Director; or
- (iv) the nominating committee appointed has given notice in writing to the directors that such director is not suitable for re-appointment, having regard to the Director's contribution and performance.



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**(e) The number of shares, if any, required for the qualification of a director**

*Article 85 — Qualifications*

A Director need not be a Member and shall not be required to hold any share qualification in the Company and shall be entitled to attend and speak at general meetings but subject to the provisions of the Act he shall not be of or over the age of seventy (70) years at the date of his appointment.

**(f) The rights, preferences and restrictions attaching to each class of shares**

*Article 4 — Issue of new shares*

Subject to the Act and these Articles, no shares may be issued by the Directors without the prior sanction of an ordinary resolution of the Company in general meeting but subject thereto and to Article 47, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors.

*Article 5(1) — Rights attached to certain shares*

Preference shares may be issued subject to such limitations thereof as may be prescribed by any stock exchange upon which shares in the Company may be listed and the rights attaching to shares other than ordinary shares shall be expressed in the Memorandum of Association or these Articles. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.

*Article 5(2)*

The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.

*Article 7(2) — Rights of preference shareholders*

The repayment of preference capital other than redeemable preference or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.

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*Article 16(1) — Entitlement to certificate*

Shares must be allotted and certificates despatched within ten (10) market days of the final closing date for an issue of shares unless the Exchange shall agree to an extension of time in respect of that particular issue. The Depository must despatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within ten (10) market days after lodgement of any transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) for each such new certificate as the Directors may determine. Where the member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.

*Article 21(1) — Directors' power to decline to register*

Subject to these Articles, there shall be no restriction on the transfer of fully paid up shares except where required by law or by the rules, bye-laws or listing rules of the Exchange but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act and the listing rules of the Exchange.

*Article 47 — Rights and privileges of new shares*

Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

*Article 71(1) — Voting rights of Members*

Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 6, each Member entitled to vote may vote in person or by proxy or

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attorney, and (in the case of a corporation) by a representative. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.

#### *Article 71(3)*

Notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not later than forty-eight (48) hours before the time of the relevant general meeting (the cut-off time) as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor's Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two (2) proxies, to apportion the said number of shares between the two (2) proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

#### *Article 72 — Voting rights of joint holders*

Where there are joint holders of any share any one (1) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one (1) of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.

#### *Article 73 — Voting rights of members of unsound mind*

If a Member be a lunatic, idiot or non-compos mentis, he may vote whether on a show of hands or on a poll by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting.

#### *Article 74 — Right to vote*

Subject to the provisions of these Articles, every Member either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. In the event a member has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.

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**APPENDIX F**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

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**(g) Any change in capital**

*Article 50(1) — Power to consolidate, cancel and subdivide shares*

The Company may by ordinary resolution alter its share capital in the manner permitted under the Act including without limitation:

- (i) consolidate and divide all or any of its shares;
- (ii) cancel the number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital in accordance with the Act;
- (iii) subdivide its shares or any of them (subject to the provisions of the Act), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
- (iv) subject to the provisions of these Articles and the Act, convert any class of shares into any other class of shares.

*Article 50(2) — Repurchase of Company's shares*

The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Act and any other relevant rule, law or regulation enacted or promulgated by any relevant competent authority from time to time (collectively, the **Relevant Laws**), on such terms and subject to such conditions as the Company may in general meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid may be cancelled or held as treasury shares and dealt with in accordance with the Relevant Laws. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

*Article 51 — Power to reduce capital*

The Company may by special resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

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**APPENDIX F**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

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- (h) **Any change in the respective rights of the various classes of shares including the action necessary to change the rights, indicating where the conditions are different from those required by the applicable law**

*Article 7(1) — Variation of rights*

If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution, the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general meeting shall be as valid and effectual as a special resolution carried at the general meeting.

*Article 8 — Creation or issue of further shares with special rights*

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by these Articles, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

- (i) **Any time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement operates**

*Article 130(1) — Unclaimed dividends*

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If the Depositor returns any such dividend or money to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or money against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.

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## APPENDIX F

### SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY

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**(j) Any limitation on the right to own shares including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the shares**

*Article 11 — No trust recognised*

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share.

*Article 20 — Person under disability*

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind but nothing herein contained shall be construed as imposing on the company any liability in respect of the registration of such transfer if the company has no actual knowledge of the same.

*Article 48(1) — Issue of new shares to Members*

Subject to any direction to the contrary that may be given by the Company in general meeting, or except as permitted under the Exchange's listing rules, all new shares shall before issue be offered to the Members in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of the aforesaid time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

*Article 48(2)*

Notwithstanding Article 48(1) above but subject to the Act and the byelaws and listing rules of the Exchange, the Company may by ordinary resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution to:

- (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant Instruments; and/or

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**APPENDIX F**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

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- (iii) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force;

provided that:

- (a) the aggregate number of shares or Instruments to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits prescribed by the Exchange;
- (b) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Exchange) and the Articles; and
- (c) (unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the Annual General Meeting next following the passing of the ordinary resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

*Article 48(3)*

Notwithstanding Article 48(1) above but subject to the Act, the Directors shall not be required to offer any new shares to members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but may sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

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## APPENDIX G TAXATION

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The following is a discussion of certain tax matters relating to Singapore and the Maldives income tax, capital gains tax, stamp duty, estate duty and GST consequences in relation to the purchase, ownership and disposal of our Shares. The discussion is limited to a general description of certain tax consequences in Singapore and Maldives with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

*You, as a prospective subscriber of our Shares should consult your tax advisers concerning the tax consequences of owning and disposing our Shares. Neither our Company, our Directors nor any other persons involved in this Placement accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.*

### **SINGAPORE**

#### **INCOME TAX**

##### **General**

Singapore resident taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed received in Singapore. However, foreign income in the form of branch profits, dividends and service income (“**specified foreign income**”) received or deemed received in Singapore on or after 1 June 2003 by a resident taxpayer are exempted from tax in Singapore provided the following conditions are met:

- (i) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;
- (ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and
- (iii) the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign income.

As a concession, the “subject to tax condition” in (i) above would, with effect from 30 July 2004, be considered met for specified foreign income which are exempt from tax in the foreign jurisdiction from which the specified foreign income is received if the exemption is due to a tax incentive granted by the foreign jurisdiction for carrying out substantive business activities in that jurisdiction. Generally, substantive business activities refer to business activities that are carried out through staff with certain expertise and actual expenditure is incurred to carry out the activities. In addition, all foreign-sourced personal income received or deemed received in Singapore by a Singapore tax resident individual (except where such income is received through a partnership in Singapore) on or after 1 January 2004 will be exempt from tax in Singapore if the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the individual. Certain investment income derived from Singapore sources by individuals on or after 1 January 2004 will also be exempt from tax.

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## APPENDIX G TAXATION

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Non-Singapore tax-resident corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign income received or deemed received in Singapore, subject to certain exemptions. Non-Singapore tax-resident individual taxpayers, subject to certain exemptions, are subject to Singapore income tax only on income accruing in or derived from Singapore. A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. An individual is regarded as a tax resident in Singapore in a year of assessment if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

### **Rates of Tax**

The corporate tax rate in Singapore is 17% with effect from year of assessment 2010 (i.e. financial year ended 2009). In addition, 75% of up to the first S\$10,000 of a company's normal chargeable income, and 50% of up to the next S\$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. In addition, for newly incorporated companies, subject to meeting certain conditions, the first S\$100,000 and one-half of up to the next S\$200,000 of their normal chargeable income will be eligible for tax exemption.

Singapore tax-resident individuals are subject to tax based on progressive rates, currently ranging from 0% to 20% (from year of assessment 2003 to 2009).

Non-Singapore resident individuals are generally subject to tax at a rate equivalent to the prevailing corporate tax rate except that Singapore employment income is tax at a flat rate of 15% or at resident rate, whichever yields a higher tax.

### **Dividend Distributions**

#### One Tier Corporate Taxation System (“One-Tier System”)

The previous Imputation System was replaced by a One Tier Corporate Taxation System (“**One-Tier System**”) on 1 January 2003. Under the One-Tier System, the tax paid by a company is a final tax and the after-tax profits of the company can be distributed to shareholders as Tax Exempt (One-Tier) dividends.

### **Withholding Taxes**

There is no withholding tax on non-Singapore tax resident Shareholders. Our Company has opted to move to the one-tier corporate tax system on 12 March 2003. Therefore, our Company is on the one-tier corporate tax system and can only declare tax exempt (one-tier) dividends to our Shareholders in Singapore.

### **CAPITAL GAINS TAX**

There is no tax on capital gains in Singapore.

Thus any gains derived from the disposal of our Shares acquired for long-term investment will not be taxable in Singapore.

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## **APPENDIX G TAXATION**

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On the other hand, where the taxpayer is deemed by the IRAS to be carrying on a trade or business of dealing in shares in Singapore, gains from disposal of shares are of an income nature (rather than capital gains) and thus subject to Singapore income tax.

However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be construed to be of an income nature and subject to tax especially if they arise from activities which the IRAS regards as the carrying on of a trade in Singapore.

Any profits from the disposal of our Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case, the disposal profit would be taxable.

### **BONUS SHARES**

Any bonus shares received by our shareholders are not taxable.

### **STAMP DUTY**

No stamp duty is payable on the subscription and issuance of our shares.

Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$2.00 for every S\$1,000 or any part thereof of the consideration for, or market value of the Shares, whichever is higher. The purchaser is liable for stamp duty, unless otherwise agreed.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore. Stamp duty is also not applicable to electronic transfers of Shares through the central depository system.

### **ESTATE DUTY**

Singapore estate duty has been abolished with effect from 15 February 2008.

### **GOODS AND SERVICES TAX (“GST”)**

#### **General**

The issue, sale or transfer of ownership of shares is considered a supply of exempt services for Singapore GST purposes. Hence, investors would not incur any GST on the subscription price of our Shares. Expenses incurred in the course of subscribing to our Shares may be subject to GST if the provider of the service is GST registered, e.g. legal fees, brokerage charges, etc. Where investors are GST registered, these expenses are generally not recoverable as input tax credit from the IRAS except under certain condition.

Investors should seek the advise of their tax consultants if they are making an input tax claim.

The subsequent disposal of our Shares by investors belonging in Singapore is also exempt from GST. However, the GST on expenses incurred in the process of disposal is generally not claimable as input tax credit from IRAS. These expenses may be zero-rated if the services are provided to investors belonging outside Singapore.

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## APPENDIX G TAXATION

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### MALDIVES

Save as disclosed in the Offer Document, there is no income tax, value added tax, capital gain tax, dividend tax or withholding tax.

The Business Profit Tax Act (Act no. 05/2011) was gazetted on 18 January 2011. This law comes into effect six (6) months from the day it was gazetted (18 January 2011). If a registered business in the Maldives is making a profit greater than MVR 500,000, the company will be liable for a 15% tax on the profit greater than the above amount.

The Export Import Act of the Maldives (Act No. 31/79) ("**Export Import Act**") applies when, *inter alia*, certain items are imported into the Maldives. The amount of duty payable varies depending on the type of items imported, which can be up to 200% of the "C.I.F. Value" in the case of insured goods and the "C. and F. Value" in the case of uninsured goods. "C.I.F. Value" is defined in the Export Import Act as the price of the items and the value of the items including the insurance and freight charges. "C. and F. Value" is defined in the Act as the price of the items and the value of the items including freight charges.

The Goods and Services Tax Act (Law Number 10/2011) will come into effect from 2 October 2011.

Persons carrying on taxable activities in the Maldives shall be liable to be registered with the Maldives Inland Revenue Authority, within 30 days from the date of commencement of the Goods and Services Tax Act, *inter alia*:

- persons importing goods into the Maldives at the time of commencement of the Goods and Services Tax Act.

The rate of GST applicable are as follows:

Period	Rate of GST
2 October 2011 – 31 December 2011	3.5%
1 January 2012 – 31 December 2012	6.0%
1 January 2013 onwards	6.0%

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## APPENDIX H

### RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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#### 1. NAME OF THIS SHARE OPTION SCHEME

This Share Option Scheme shall be called the “Keong Hong Employee Share Option Scheme” (the “**Share Option Scheme**”).

#### 2. DEFINITIONS

In this Share Option Scheme, except where the context otherwise requires, the following words and expressions shall have the following meanings:

<i>“Acceptance Period”</i>	The period within which an Option may be accepted, as described in Rule 7.2.
<i>“Act”</i>	The Companies Act, Chapter 50 of Singapore as amended or modified from time to time.
<i>“Adoption Date”</i>	The date on which this Share Option Scheme is adopted by our Company in general meeting.
<i>“Auditors”</i>	The auditors of our Company for the time being.
<i>“Board”</i>	The Board of Directors of our Company for the time being.
<i>“CDP”</i>	The Central Depository (Pte) Limited.
<i>“CPF”</i>	Central Provident Fund.
<i>“Catalist”</i>	The Catalist Board of the SGX-ST.
<i>“Company” or “Keong Hong”</i>	Keong Hong Holdings Limited.
<i>“control”</i>	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of our Company.
<i>“Controlling Shareholder”</i>	A Shareholder who has control over our Company and unless rebutted, a person who controls directly or indirectly a shareholding of 15% or more of our Company’s issued share capital shall be presumed to be a Controlling Shareholder of our Company.
<i>“Depositor”</i>	A person being a Depository Agent or holder of a securities account maintained with CDP but not including a holder of a sub-account maintained with a Depository Agent.
<i>“Director”</i>	A person holding office as a director for the time being of our Company.
<i>“EGM”</i>	Extraordinary General Meeting.
<i>“Employee”</i>	Any full-time confirmed employee of our Group selected by the Remuneration Committee to participate in this Share Option Scheme in accordance with Rule 4.

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## APPENDIX H

### RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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<i>“ESOS Shares”</i>	The new Shares which may be allotted and issued pursuant to the exercise of Share options awarded under the Keong Hong Employee Share Option Scheme.
<i>“Executive Director”</i>	A Director who is a full-time or part time employee of our Group and who performs an executive function.
<i>“Exercise Date”</i>	The date on which an Option is exercised pursuant to Rule 9.1.
<i>“Exercise Price”</i>	The price at which a Participant shall subscribe for each Share upon the exercise of an option as determined in accordance with Rule 8.1 in relation to a Market Price Option, and Rule 8.2 in relation to an Incentive Option.
<i>“Financial Year”</i>	Each period of 12 months or more or less than 12 months, at the end of which the balance of accounts of our Company are prepared and audited, for the purpose of laying the same before an annual general meeting of our Company.
<i>“Grantee”</i>	The person to whom an offer of an Option is made.
<i>“Group”</i>	Our Company, our Subsidiaries (as they may exist from time to time) and associated companies which our Company has control over.
<i>“Incentive Option”</i>	The right to subscribe for Shares granted or to be granted pursuant to this Share Option Scheme and for the time being subsisting, and in respect of which the Exercise Price is determined in accordance with Rule 8.2.
<i>“Listing Manual”</i>	Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time.
<i>“Market Day”</i>	A day on which the SGX-ST is open for trading of securities.
<i>“Market Price”</i>	The price as defined in Rule 8.1.
<i>“Market Price Option”</i>	The right to subscribe for Shares granted or to be granted pursuant to this Share Option Scheme and for the time being subsisting, and in respect of which the Exercise Price is determined in accordance with Rule 8.1.
<i>“Non-Executive Director”</i>	A Director who is not an Executive Director.
<i>“Offering Date”</i>	The date on which an Option is granted pursuant to Rule 6.1.
<i>“Option”</i>	A Market Price Option or an Incentive Option, as the case may be.
<i>“Option Period”</i>	The period for the exercise of an Option as set out in Rule 9.1.

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## APPENDIX H

### RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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<i>“Participant”</i>	A holder of an Option.
<i>“Remuneration Committee”</i>	A committee comprising Directors of our Company, duly authorised and appointed by the Board pursuant to Rule 13 to administer this Share Option Scheme.
<i>“Rules”</i>	The rules of this Share Option Scheme, as the same may be amended from time to time.
<i>“SGX-ST”</i>	The Singapore Exchange Securities Trading Limited.
<i>“Share Option Scheme”</i>	The Keong Hong Employee Share Option Scheme, as modified or amended from time to time.
<i>“shareholders”</i>	The registered holders for the time being of the Shares (other than the CDP) or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register.
<i>“Shares”</i>	Fully paid ordinary shares in the capital of our Company.
<i>“Sponsor”</i>	The sponsor of the Company from time to time, as required by the Listing Manual
<i>“Subsidiary”</i>	A company which is for the time being a subsidiary of our Company as defined by Section 5 of the Act.
<i>“Trading Day”</i>	A day on which the Shares are traded on Catalist.
<i>“S\$”</i>	Singapore dollars.

The terms **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively by Section 130A of the Act.

The term **“Associate”** shall have the meaning ascribed to it by the SGX-ST Listing Manual as set out below:

- (a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:
  - (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any corporation in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
  
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a corporation) means any other corporation which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

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## **APPENDIX H**

### **RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME**

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Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter gender. References to persons shall include corporations. References to Rules and Appendices shall be construed as references to Rules of and the Appendices to this Share Option Scheme.

Any reference in this Share Option Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Share Option Scheme shall, where applicable, have the same meaning assigned to it under the Act.

Any reference in this Share Option Scheme to a time of day shall be a reference to Singapore time unless otherwise stated.

#### **3. OBJECTIVES OF THIS SHARE OPTION SCHEME**

This Share Option Scheme is a share incentive scheme. The purpose of this Share Option Scheme is to provide an opportunity for directors and employees of our Group to participate in the equity of our Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed significantly to the growth and performance of our Company and/or our Group.

This Share Option Scheme is proposed on the basis that it is important to recognise the fact that the services of such Employees and Directors are important to the success and continued well-being of our Group. Implementation of this Share Option Scheme will enable our Company to give recognition to the contributions made by such Employees and Directors, which is essential to the well-being and prosperity of our Group. At the same time, it will give such Employees and Directors an opportunity to have a direct interest in our Company and will also help to achieve the following positive objectives:

- (i) the motivation of Participants to optimise performance standards and efficiency and to maintain a high level of contribution;
- (ii) the retention of key employees whose contributions are important to the long term growth and prosperity of our Group;
- (iii) the attainment of harmonious employer/employee relations;
- (iv) to align the interest of Employees and Directors with the interests of the shareholders; and
- (v) the development of a participatory style of management which promotes greater commitment and dedication amongst the employees and instils loyalty and a stronger sense of identification with the long term prosperity of our Group.

#### **4. ELIGIBILITY**

4.1 The following persons shall be eligible to participate in this Share Option Scheme at the absolute discretion of the Remuneration Committee:

- (i) Employees and Directors
  - (a) Employees of our Group who are not on probation and have attained the age of 21 years on or before the Offering Date;



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## APPENDIX H

### RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME

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- (b) Executive Directors who have attained the age of 21 years on or before the Offering Date; and
- (c) Non-Executive Directors who have attained the age of 21 years on or before the Offering Date.

Controlling Shareholders are not eligible to participate in our Share Option Scheme. The Participant must not be an undischarged bankrupt and must not have entered into a composition with his creditors.

- (ii) Associates of Controlling Shareholders

Subject to Rule 4.2, persons who are qualified under 4.1(i) above and who are also Associates of Controlling Shareholders.

4.2 Employees who are Associates of Controlling Shareholders shall (notwithstanding that they may meet the eligibility criteria in Rule 4.1(i) above) not participate in this Share Option Scheme unless:

- (i) their participation; and
- (ii) the actual number of Shares to be issued to them and the terms of any Option to be granted to them,

have been approved by the independent shareholder in general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual number of Shares to be issued to him and the terms of any Option to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent shareholder of our Company for the participation in this Share Option Scheme of an Associate of a Controlling Shareholder who is, at the relevant time already a Participant. For the purposes of obtaining such approval from the independent shareholder, our Company shall procure that the circular, letter or notice to the shareholder in connection therewith shall set out the following:

- (a) clear justifications for the participation of such Associates of Controlling shareholders;
- (b) clear rationale for the number and terms (including the Exercise Price) of the Options to be granted to such Associates of Controlling shareholders; and
- (c) (where Incentive Options are proposed to be granted to Associates of Controlling Shareholders) the discount to the Market Price applicable to the Exercise Price of such Options (as determined in accordance with Rule 8.2).

4.3 Save as prescribed by Rule 853 of the Listing Manual, there shall be no restriction on the eligibility of any Grantee or Participant to participate in any other share option or share incentive scheme, whether or not implemented by any other companies within our Group.

4.4 Subject to the Act and any requirement of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted, the terms of eligibility for participation in this Share Option Scheme may be amended from time to time at the absolute discretion of the Remuneration Committee.

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#### 5. LIMITATIONS OF THIS SHARE OPTION SCHEME

- 5.1 The aggregate number of Shares over which the Remuneration Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of all Options granted under this Share Option Scheme, shall not exceed 15% of the issued share capital of our Company on the date preceding the grant of an Option.
- 5.2 Subject to Rule 4 and Rule 10, the aggregate number of Shares comprised in Market Price Options or (as the case may be) Incentive Options, to be offered to any Grantee in accordance with this Share Option Scheme shall be determined at the absolute discretion of the Remuneration Committee, who shall take into account, in respect of a Grantee, criteria such as rank, past performance, years of service and potential for future development of that employee, provided that in relation to Associates of Controlling Shareholders:
- (i) the aggregate number of Shares which may be offered by way of grant of options to Participants who are Associates of Controlling Shareholders under this Share Option Scheme shall not exceed 25% of the total number of Shares available under this Share Option Scheme, and such aggregate number of Shares which may be offered to such Participants under this Share Option Scheme has been approved by the independent shareholders of our Company in a separate resolution. For the purposes of obtaining such approval of the independent shareholders of our Company, the Remuneration Committee shall procure that the circular, letter or notice to the shareholders in connection therewith shall set out clear rationale for the participation of and grant of Options to which Participants who are Associates of Controlling Shareholders, provided always that it shall not be necessary obtain the approval of the independent shareholders of our Company for the participation of this Share Option Scheme of Associates of Controlling Shareholders, at the relevant time already Participants; and
  - (ii) the number of Shares available to each Associate of a Controlling Shareholder shall not exceed 10% of the Shares available under this Share Option Scheme.

#### 6. OFFERING DATE

- 6.1 The Remuneration Committee may, save as provided in Rule 4 and Rule 5, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when this Share Option Scheme is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Options may only be granted on or after the second Market Day from the date on which the aforesaid announcement is released.
- 6.2 An offer to grant the Option to a Grantee shall be made by way of a letter (the “**Letter of Offer**”) in the form or substantially in the form set out in Schedule A, subject to such modification including, but not limited to imposing restrictions on the number of Options that may be exercised within particular sections of the relevant Option Period, as the Remuneration Committee may from time to time determine.

#### 7. ACCEPTANCE OF OFFER

- 7.1 An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant’s personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval in writing of the Remuneration Committee.

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- 7.2 The closing date for the acceptance for the grant of any Option under this Rule 7 shall not be less than 15 days and not more than 30 days from the Offering Date of that Option. The grant of an Option must be accepted by completing, signing and returning of the Acceptance Form in or substantially in the form set out in Schedule B, subject to such modification as the Remuneration Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration or such other amount and such other documentation as the Remuneration Committee may require. The Option is deemed not accepted until actual receipt by our Company of the Acceptance Form.
- 7.3 Unless the Remuneration Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
- (i) a grant of an Option is not accepted strictly in the manner as provided in Rule 7.2, such offer being within the Acceptance Period; or
  - (ii) the Grantee dies prior to his acceptance of the Option; or
  - (iii) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
  - (iv) the Grantee being an Executive Director or, as the case may be, an Employee ceases to be in the employment of our Group or (being a Non-Executive Director) ceases to be a Director of our Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
  - (v) our Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.
- 7.4 Our Company shall be entitled at its absolute discretion to reject any purported acceptance of a grant of an Option made pursuant to this Rule 7 or Exercise Notice given pursuant to Rule 11 which does not strictly comply with the terms of this Share Option Scheme.
- 7.5 In the event that an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and of no effect and the relevant Participant shall have no claim whatsoever against our Company.

## 8. EXERCISE PRICE

- 8.1 Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which a Market Price Option is exercisable shall be determined by the Remuneration Committee at its absolute discretion, and fixed by the Remuneration Committee at a price (the "**Market Price**") equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for the 5 consecutive trading days immediately preceding the Offering Date of that Option, rounded up to the nearest whole cent in the event of fractional prices provided in the case of a Market Price Option that is proposed to be granted to an Associate of a Controlling Shareholder, the Exercise Price for each Share shall be equal to the average of the last dealt process for a Share, as determined by reference to the daily official list published by the SGX-ST, for the 5 consecutive Market Days immediately preceding the latest practicable date prior to the date of any circular, letter or notice to the shareholder proposing to seek their approval of the grant of such Options to such Associate of a Controlling Shareholder.

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- 8.2 Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which an Incentive Option is exercisable shall be determined by the Remuneration Committee at its absolute discretion, and fixed by the Remuneration Committee at a price which is set at a discount to the Market Price (as determined in accordance with Rule 8.1), provided that:
- (i) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX-ST). In determining the quantum of such discount, the Remuneration Committee shall take into consideration such criteria as the Remuneration Committee may, in its absolute discretion, deem appropriate including but not limited to:
    - (1) the performance of our Company and our Group;
    - (2) the individual performance of the Participant; and
    - (3) the contribution of the Participant to the success and development of our Company and/or our Group; and
  - (ii) the prior approval of the shareholders of our Company in general meeting shall have been obtained for the making of offers and grants of Options under this Share Option Scheme at a discount not exceeding the maximum discount as aforesaid (for the avoidance of doubt, such prior approval shall be required to be obtained only once and, once obtained, shall, unless revoked, authorise the making of offers and grants of Options under this Share Option Scheme at such discount for the duration of this Share Option Scheme), rounded up to the nearest whole cent.

#### 9. EXERCISE OF OPTION

- 9.1 Except as provided in this Rule 9 and Rule 10 and any other conditions as may be introduced by the Remuneration Committee from time to time, each option shall be exercisable, in whole or in part, as follows:
- (i) In the case of a Market Price Option, during the period commencing after the first anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date, provided that in the case of a Market Price Option which is granted to a Participant not holding a salaried office or employment in our Group, such Option Period shall expire on the fifth anniversary of such Offering Date; and
  - (ii) In the case of an Incentive Option, during the period commencing after the second anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date, provided that in the case of an Incentive Option which granted to a Participant not holding a salaried office or employment in our Group, such Option Period shall expire on the fifth anniversary of such Offering Date.
- 9.2 In the event of an Option being exercised in part only, the balance of the option not thereby exercised shall continue to be exercisable in accordance with this Share Option Scheme until such time as it shall lapse in accordance with the Rules of this Share Option Scheme.
- 9.3 Subject to Rule 9.4, an Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against our Company:
- (i) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or

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- (ii) in the event of misconduct on the part of the Participant, as determined by the Remuneration Committee in its absolute discretion; or
- (iii) subject to Rules 9.4 and 9.5, upon the Participant ceasing to be in full-time employment of our Group, for any reason whatsoever; or
- (iv) in the event that the Remuneration Committee shall, at its sole and absolute discretion, deem it appropriate that such Option granted to a Participant shall so lapse on the grounds that any of the objectives of this Share Option Scheme (as set out in Rule 3) have not been met.

For the purpose of Rule 9.3(iii), the Participant shall be deemed to have ceased to be so employed as at the earlier of the date of the Participant's notice of resignation of employment or the cessation of his employment/appointment with our Group.

- 9.4 Where a Participant who is an Executive Director ceases to be an employee of our Group due to a change in control of the Board of Directors, he shall, notwithstanding Rule 9.3, be entitled to exercise in full all unexercised Options from the last date of employment with our Group until the end of the relevant Option Period.
- 9.5 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Remuneration Committee, be fully exercisable by the duly appointed legal personal representatives of the Participant from the date of his death to the end of the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

#### 10. TAKE-OVER AND WINDING-UP OF OUR COMPANY

10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over being made for the Shares, a Participant (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (i) the expiry of 6 months thereafter, unless prior to the expiry of such 6 month period, at the recommendation of the offeror and with the approvals of the Remuneration Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
- (ii) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void provided that the rights of acquisition or

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obligation to acquire shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall subject to Rule 9 remain exercisable until the expiry of the Option Period relating thereto.

- 10.2 If under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies, each Participant (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled, notwithstanding Rule 9 but subject to Rule 10.5, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option period relating thereto), whereupon the Option shall lapse and become null and void.
- 10.3 If an order is made for the winding-up of our Company on the basis of its insolvency, all Options to the extent unexercised, shall lapse and become null and void.
- 10.4 In the event of a members' voluntary winding-up (other than amalgamation or reconstruction), the Participants (including Participants holding Options which are not exercisable pursuant to the provisions of Rule 9.1) shall be entitled within 30 days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto), to exercise any unexercised Option, after which period such unexercised Option shall lapse and become null and void.
- 10.5 If in connection with the making of a general offer referred to in Rule 10.1 or this Share Option Scheme referred to in Rule 10.2 or the winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Remuneration Committee, be permitted to exercise that Option as provided for in this Rule 10.
- 10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.

#### 11. MANNER OF EXERCISE

- 11.1 An Option may be exercised during the Option Period, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiples thereof), by a Participant giving notice in writing to our Company in or substantially in the form set out in Schedule C (the "**Exercise Notice**"), each case being subject to such modifications as the Remuneration Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Remuneration Committee may require. An Option shall be deemed to be exercised upon the receipt by our Company of Exercise Notice duly completed, the relevant documentation required by the Remuneration Committee and the aggregate Exercise Price.
- 11.2 All payments shall be made by cheque, cashier's order, bank draft or postal order made out in favour of our Company or such other mode of payment as may be acceptable to our Company.

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#### 11.3 Subject to:

- (i) such consents or other required actions of any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and
- (ii) compliance with the Rules of this Share Option Scheme and the Memorandum and Articles of Association of our Company,

our Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within 10 Market Days after the date of the exercise of the Option in accordance with Rule 11.1, allot the relevant Shares and within 5 Market Days from the date of such allotment, dispatch the relevant share certificates to CDP for the credit of the securities account of that Participant by ordinary post or such other mode of delivery as the Remuneration Committee may deem fit.

11.4 Our Company shall as soon as practicable after the exercise of an Option, apply to the Sponsor and/or the SGX-ST and any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 12.

11.5 Shares which are all allotted on the exercise of an Option by a Participant shall be issued, as the Participant may elect, in the name of CDP to the credit of the securities account of the Participant maintained with CDP, the Participant's securities sub-account with a CDP Depository Agent or the CPF investment account maintained with a CPF agent bank.

11.6 Shares allotted and issued upon the exercise of an Option shall be subject to all provisions of the Memorandum and Articles of Association of our Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of our Company except for any dividends, rights, allotments or other distributions, the record date of which is prior to the date such Option is exercised.

11.7 Our Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

11.8 Except as set out in Rule 11.3 and subject to Rule 12, an Option does not confer on a Participant any right to participate in any new issue of Shares.

## 12. ALTERATION OF CAPITAL

12.1 If a variation in the issued share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction, subdivision, consolidation or distribution, or issues for cash or for shares or otherwise than for cash or otherwise howsoever) should take place, then:

- (i) the Exercise Price in respect of the Shares comprised in the Option to the extent unexercised; and/or
- (ii) the class and/or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and/or

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- (iii) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

shall, at the option of the Remuneration Committee, be adjusted in such manner as the Remuneration Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable. For this purpose, “**Record Date**” means the date as at the close of business on which shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as the case may be).

12.2 Unless the Remuneration Committee considers an adjustment to be appropriate, the following shall not be regarded as a circumstance requiring adjustment under the provisions of this Rule 12:2

- (i) the issue of securities as consideration for an acquisition of any assets or private placement of securities by our Company; and
- (ii) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on Catalist during the period when a share purchase mandate granted by shareholders of our Company (including any renewal of such mandate) is in force.

12.3 Notwithstanding the provisions of Rule 12.1 above:

- (a) no such adjustment shall be made if as a result:
  - (i) such adjustment will result in the number of Shares comprised in an Option, together with new Shares to be issued or issuable under the Scheme, to exceed 25% of the total number of issued Shares of the Company (excluding treasury shares) for the time being; and; or
  - (ii) the Participant receives a benefit that a shareholder does not receive; and
- (b) any determination by the Remuneration Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

12.4 Upon any adjustment required to be made, our Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the class and/or number of Shares thereafter comprised in the Option so far as unexercised and the maximum entitlement in any one Financial Year. Any adjustment shall take effect upon such written notification being given.

12.5 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 12.



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#### **13. ADMINISTRATION**

- 13.1 This Share Option Scheme shall be administered by the Remuneration Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Remuneration Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.
- 13.2 The Remuneration Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with this Share Option Scheme) for the implementation and administration of this Share Option Scheme as it thinks fit including, but not limited to, imposing restrictions on the number of Options that may be exercised within particular sections of the relevant Option Period.
- 13.3 Any decision of the Remuneration Committee, made pursuant to any provision of this Share Option Scheme (other than a matter to be certified by the Auditors), shall be final, binding and conclusive (including any decisions pertaining to quantum of discount applicable to an Incentive Option pursuant to Rule 8.2 or to disputes as to the interpretation of this Share Option Scheme or any rule, regulation, or procedure thereunder or as to any rights under this Share Option Scheme).

#### **14. NOTICES AND ANNUAL REPORT**

- 14.1 Any notice given by a Participant to our Company shall be sent by post or delivered to the registered office of our Company or such other address as may be notified by our Company to the Participant in writing.
- 14.2 Any notice, documents or correspondence given by our Company to a Participant shall be sent to the Participant by the Remuneration Committee (or such person(s) as it may from time to time direct) on behalf of our Company and shall be delivered to him by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.
- 14.3 Our Company shall in relation to this Share Option Scheme, as required by law, the SGX-ST or other relevant authority, make the following disclosures in its annual report to shareholders:
- (i) the names of the members of the Remuneration Committee;
  - (ii) the following details in respect of each Participant who is a Director, Associate of a Controlling Shareholder or a person who received more than 5% or more of the total number of Options available under this Share Option Scheme:
    - (a) name;
    - (b) the number of Options granted during the Financial Year in review;
    - (c) the aggregate number of Options granted since the commencement of this Share Option Scheme up to the end of the Financial Year in review;
    - (d) the aggregate number of Options exercised since the commencement of this Share Option Scheme up to the Financial Year in review; and

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- (e) the aggregate number of Options outstanding as at the end of the Financial Year in review;
- (iii) the number and proportion of Options granted at a discount during the Financial Year in review in respect of every 10% range, up to the maximum quantum of discount granted; and
- (iv) an appropriate negative statement will be included in the annual report to the shareholders in the event the disclosure of any of the abovementioned information is not applicable.

#### 15. MODIFICATIONS TO THIS SHARE OPTION SCHEME

15.1 Any or all of the provisions of this Share Option Scheme may be modified and/or altered at any time and from time to time by resolution of the Remuneration Committee except that:

- (i) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Remuneration Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than  $\frac{3}{4}$  of the total number of Shares which would fall to be issued and allotted upon exercise in full of all outstanding Options;
- (ii) the definitions of “Controlling Shareholder”, “Director”, “Employee”, “Group”, “Participant”, “Remuneration Committee”, “Option Period” and “Exercise Price” and the provisions of Rules 4, 5, 6, 7, 8, 9, 10, 11.1, 11.6, 12, 13 and this Rule shall not be altered or modified to the advantage of Participants under this Share Option Scheme except with the prior approval of shareholders at a general meeting; and
- (iii) no modification or alteration shall be made without the prior approval of the SGX-ST or (if required) any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 15.1(i), the opinion of the Remuneration Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Remuneration Committee may at any time by resolution (and without any other formality save for the prior approval of the SGX-ST) amend or alter this Share Option Scheme in any way to the extent necessary to cause this Share Option Scheme to comply with any statutory provision or the provisions or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

15.3 Shareholders who are eligible to participate in this Share Option Scheme must abstain from voting on any resolution relating to the Share Option Scheme (other than a resolution relating to the participation of, or grant of Options to the Employees). In particular, all Shareholders who are eligible to participate in the Scheme shall abstain from voting on resolutions of the Shareholders relating to (a) the implementation of the Share Option Scheme; (b) the quantum of discount to be determined; and (c) the participation of, or grant of Options to Controlling Shareholders and their Associates.

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15.4 Employees who are also Shareholders and are eligible to participate in this Share Option Scheme must abstain from voting on any resolution relating to the participation of, or grant of Options to the Employees.

15.5 Written notice of any modification or alteration made in accordance with this Rule shall be given to all Participants.

#### **16. VESTING**

16.1 The Options may, at the discretion of the Remuneration Committee, be vested partially over a number of years. The periods over which the Options will vest may exceed any minimum vesting periods prescribed by any laws, regulations or rules to which this Share Option Scheme may be subject, including the regulations of any stock exchange on which the Shares may be listed and quoted. Further, the Shares to be issued and allotted to a Participant pursuant to the exercise of any Option under this Share Option Scheme may or may not at the discretion of the Remuneration Committee, be subject to any retention period.

#### **17. TERMS OF EMPLOYMENT UNAFFECTED**

17.1 This Share Option Scheme or any Option shall not form part of any contract of employment between our Company, or any Company within our Group and any Participant and the rights and obligations of a Participant (who is an Employee or a Director) under the terms of the office or employment with such company within our Group shall not be affected by his participation in this Share Option Scheme or any right which he may have to participate in it or any Option which he may hold and this Share Option Scheme or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.

17.2 This Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against our Company or our Group directly or indirectly or give rise to any cause of action at law or in equity against our Company and/or our Group.

#### **18. DURATION OF THIS SHARE OPTION SCHEME**

18.1 This Share Option Scheme shall continue to be in force at the discretion of the Remuneration Committee, for a maximum period of 10 financial years commencing on the Adoption Date. Subject to compliance with any applicable laws and regulations in Singapore, this Share Option Scheme may be continued beyond the above stipulated period with the approval of the shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

18.2 This Share Option Scheme may be terminated at any time by the Remuneration Committee or by resolution of the shareholders at a general meeting subject to all other relevant approvals which may be required and if this Share Option Scheme is so terminated, no further Options shall be offered by our Company hereunder.

18.3 The termination, discontinuance or expiry of this Share Option Scheme shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 7.2, whether such Options have been exercised (whether fully or partially) or not.

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#### **19. TAXES**

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under this Share Option Scheme shall be borne by the Participant.

#### **20. COSTS AND EXPENSES OF THIS SHARE OPTION SCHEME**

20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (collectively, the "**CDP Charges**").

20.2 Save for the taxes referred to in Rule 19 and such costs and expenses expressly provided in this Share Option Scheme to be payable by the Participants, all fees, costs, and expenses incurred by our Company in relation to this Share Option Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment of the Shares pursuant to the exercise of any Option shall be borne by the Company.

#### **21. DISCLAIMER OF LIABILITY**

Notwithstanding any provisions herein contained and subject to the Act, the Board, the Remuneration Committee and our Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with this Share Option Scheme including but not limited to our Company's delay or failure in issuing and allotting the Shares or in applying for or procuring the listing of and quotation for the Shares on Catalist in accordance with Rule 11.4 (and any other stock exchanges on which the Shares are quoted or listed).

#### **22. DISPUTES**

Any disputes or differences of any nature in connection with this Share Option Scheme shall be referred to the Remuneration Committee and its decision shall be final and binding in all respects.

#### **23. CONDITION OF OPTION**

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

#### **24. GOVERNING LAW**

This Share Option Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore. Our Company and the Participants, by accepting the offer of the grant of Options in accordance with this Share Option Scheme, submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

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**APPENDIX H**  
**RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME**

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**SCHEDULE A**  
**KEONG HONG EMPLOYEE SHARE OPTION SCHEME**  
**LETTER OF OFFER**

Serial No:

Date:

To: Name  
Designation  
Address

**PRIVATE AND CONFIDENTIAL**

Dear Sir/Madam

We are pleased to inform you that you have been nominated by the Remuneration Committee of the Board of Directors of Keong Hong Holdings Limited (the “**Company**”) to participate in the Keong Hong Employee Share Option Scheme (the “**Scheme**”). Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, an offer is hereby made to grant you an Option, in consideration of the payment of a sum of S\$1.00, to subscribe for and be allotted \_\_\_\_\_ Shares in the capital of the Company at the price of S\$ \_\_\_\_\_ per Share. The Option shall be subject to the terms of the Scheme (as the same may be amended from time to time pursuant to the terms and conditions of the Scheme). A copy of the Scheme is available for inspection at the business address of the Company.

The Option is personal to you and may not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part, except with the prior approval of the Remuneration Committee.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on \_\_\_\_\_ failing which this offer will forthwith lapse.

Yours faithfully  
for and on behalf of  
**KEONG HONG HOLDINGS LIMITED**

Name:  
Designation:

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**APPENDIX H**  
**RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME**

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**SCHEDULE B**  
**KEONG HONG EMPLOYEE SHARE OPTION SCHEME**  
**ACCEPTANCE FORM**

Serial No:

To: The Remuneration Committee,  
Keong Hong Holdings Limited  
Block 151 Bukit Batok Street 11  
#03-250  
Singapore 650151

Closing Date and Time for Acceptance of Option:	_____
No. of Shares in respect of which Option is offered:	_____
Exercise Price per Share:	S\$ _____
Total Amount Payable on acceptance of Option: (exclusive of the relevant CDP charges)	S\$ _____

I have read your Letter of Offer dated \_\_\_\_\_ (the "**Offering Date**") and agree to be bound by the terms hereof and of the Keong Hong Employee Share Option Scheme stated therein. I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I hereby accept the Option to subscribe for \_\_\_\_\_ Shares in the capital of Keong Hong Holdings Limited (the "**Shares**") at S\$\_\_\_\_\_ per Share and enclose a \*cheque/banker's draft/cashier's order/postal order no. \_\_\_\_\_ for S\$1.00 being payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP relating to or in connection with the issue and allotment of any Shares in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (collectively, the "**CDP Charges**").

I confirm as at the date hereof:

- (a) I am not less than 21 years old and nor an undischarged bankrupt nor have I entered into a composition with any of my creditors;
- (b) I satisfy the eligibility requirements to participate in the Scheme as defined in Rule 4 of the Scheme; and
- (c) I satisfy the other requirements to participate in the Scheme as set out in the Rules of the Scheme.

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**APPENDIX H**  
**RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME**

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I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer. I agree to keep all information pertaining to the grant of the Option to me confidential.

PLEASE PRINT IN BLOCK LETTERS

Name in Full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

\*Delete where inapplicable

**Notes:**

1. Option must be accepted in full or in multiples of 1,000 Shares.
2. The Acceptance Form must be forwarded to the Company Secretary in an envelope marked "Private and Confidential".
3. The Participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.

**APPENDIX H**  
**RULES OF THE KEONG HONG EMPLOYEE SHARE OPTION SCHEME**

**SCHEDULE C**  
**KEONG HONG EMPLOYEE SHARE OPTION SCHEME**  
**EXERCISE NOTICE**

To: The Remuneration Committee,  
 Keong Hong Holdings Limited  
 Block 151 Bukit Batok Street 11  
 #03-250  
 Singapore 650151

Total Number of ordinary shares (the “Shares”) at S\$ _____ per Share under an Option granted on (the “Offering Date”)	:	
Number of Shares previously allotted and issued thereunder	:	
Outstanding balance of Shares which may be allotted and issued thereunder	:	
Number of Shares now to be subscribed (in multiples of 1,000)	:	

1. Pursuant to your Letter of Offer dated \_\_\_\_\_ (the “Offering Date”) and my acceptance thereof, I hereby exercise the Option to subscribe for Shares in Keong Hong Holdings Limited (the “Company”) at S\$\_\_\_\_\_ per Share.
2. I hereby request the Company to allot and issue to me the number of Shares specified in paragraph 1 in the name of The Central Depository (Pte) Limited (“CDP”) to the credit of my “Securities Account with a CDP/\*Securities Sub-Account with a CDP Depository Agent/\* CPF investment account with a CPF agent bank specified below and to deliver the share certificates relating thereto to CDP at my own risk. I further agree to bear such fees or other charges as may be imposed by CDP/CPF (the “CDP charges”) and any stamp duties in respect thereof:
  - \*(a) Direct Securities Account Number: \_\_\_\_\_
  - \*(b) Securities Sub-Account Number: \_\_\_\_\_  
 Name of CDP Depository Agent: \_\_\_\_\_
  - \*(c) CPF Investment Account Number: \_\_\_\_\_  
 Name of CPF agent bank: \_\_\_\_\_
3. I enclose a \*cheque/cashier’s order/bank draft/postal order no. \_\_\_\_\_ for S\$\_\_\_\_\_ in payment for the subscription of S\$\_\_\_\_\_ for the total number of the said Shares and the applicable CDP charges.
4. I agree to subscribe for the Shares subject to the terms of the Letter of Offer, the Keong Hong Employee Share Option Scheme (as the same may be amended pursuant to the terms thereof from time to time) and the Memorandum and Articles of Association of the Company.
5. I declare that I am subscribing for the Shares for myself and not as a nominee for any other person.

\* Delete where inapplicable



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## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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You are invited to apply and subscribe for the New Shares at the Issue Price, subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 NEW SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for New Shares may only be made by way of Placement Shares Application Forms.

**YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE NEW SHARES.**

3. **You are allowed to submit only one application in your own name for the New Shares. If you, being other than an approved nominee company, have submitted an application for New Shares in your own name, you should not submit any other application for New Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.**

**Joint and multiple applications shall be rejected. If you submit or procure submissions of multiple share applications for the New Shares, you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company.**

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole proprietorships, partnerships, or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies and licenced securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected. If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality, permanent residence status and CDP Securities

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## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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Account number provided in your Application Form differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.

8. **If your address as stated in the Application Form is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company, the Manager and Sponsor and the Joint Placement Agents reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and in this Offer Document or with the terms and conditions of this Offer Document or, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance or remittances which are not honoured upon the first presentation.**
10. **Our Company, the Manager and Sponsor and the Joint Placement Agents further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
11. Our Company, the Manager and Sponsor and the Joint Placement Agents reserve the right to reject or to accept, in whole or in part, any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company will be entertained. In deciding the basis of allotment and/or allocation which shall be at the discretion of our Company, due consideration will be given to the desirability of allotting and/or allocating the New Shares to a reasonable number of applicants with a view of establishing an adequate market for our Shares.
12. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of New Shares allotted to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf, as transferee or renounee, any instrument of transfer and/or other documents required for the issue or transfer of the New Shares allotted and/or allocated to you.
13. In the event that we lodge a supplementary or replacement Offer Document ("**Relevant Document**") pursuant to the SFA or any applicable legislation in force from time to time prior to the close of the Placement, and the New Shares have not been issued and/or sold, we will (as required by law), and subject to the SFA, at our sole and absolute discretion either:
  - (i) within seven (7) days of the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdraw; or
  - (ii) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven (7) days from the lodgement of the Relevant Document.

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## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraph 13(i) above to withdraw your application, we shall pay to you all monies paid by you on account of your application for the New Shares without interest or any share or revenue or other benefit arising therefrom and at your own risk, within seven (7) days from the receipt of such notification.

In the event that at any time at the time of the lodgement of the Relevant Document, the New Shares have already been issued and/or sold but trading has not commenced, we will (as required by law), and subject to the SFA, either:

- (iii) within seven (7) days from the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the New Shares; or
- (iv) deem the issue as void and refund your payment for the New Shares (without interest or any share of revenue or other benefit arising therefrom) within seven (7) days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraph 13(iii) above to return the New Shares issued and/or sold to him shall, within 14 days from the date of lodgement of the Relevant Document, notify us of this and return all documents, if any, purporting to be evidence of title of those New Shares, whereupon we shall, subject to the SFA, within seven (7) days from the receipt of such notification and documents, pay to him all monies paid by him for the New Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the New Shares issued to him shall be void.

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement Offer Document, including instructions on how you can exercise the option to withdraw, may be found in such supplementary or replacement Offer Document.

- 14. You irrevocably authorise CDP to disclose the outcome of your application, including the number of New Shares allotted and/or allocated to you pursuant to your application, to us, the Manager and Sponsor and the Joint Placement Agents and, any other parties so authorised by the foregoing persons.
- 15. Any reference to **“you”** or the **“applicant”** in this section shall include an individual, a corporation, an approved nominee and trustee applying for the New Shares through the Joint Placement Agents or its designated sub-placement agent(s).
- 16. By completing and delivering an Application Form in accordance with the provisions of this Offer Document, you:
  - (i) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of New Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such New Shares as may be allotted and/or allocated to you, in each case, subject to the conditions set out in this Offer Document and the Memorandum and Articles of Association of our Company;
  - (ii) agree that the aggregate Issue Price for the New Shares applied for is due and payable to our Company upon application;

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**APPENDIX I**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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- (iii) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allot and/or allocate any New Shares to you; and
  - (iv) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Manager and Sponsor and the Joint Placement Agents will infringe any such laws as a result of the acceptance of your application.
17. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:
- (i) permission has been granted by the SGX-ST to deal in and for quotation of all our existing Shares and the New Shares on the Catalist;
  - (ii) the Management Agreement and the Placement Agreement referred to in the section “Plan of Distribution” of this Offer Document have become unconditional and have not been terminated; and
  - (iii) the Authority has not served a stop order which directs that no or no further shares to which this Offer Document relates be allotted and/or allocated.
18. In the event that a stop order in respect of the New Shares is served by the Authority or other competent authority, and
- (i) in the case the New Shares have not been issued, and/or sold, we will (as required by law), and subject to the SFA, deem all applications withdrawn and cancelled and we shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
  - (ii) in the case the New Shares have already been issued and/or sold but trading has not commenced, the issue of the New Shares will (as required by law) be deemed void and
    - (a) if documents purporting to evidence title had been issued to you, our Company shall inform you to return such documents to us within 14 days from that date; and
    - (b) we will refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days from the date of receipt of those documents (if applicable) or the date of the stop order, whichever is later.
- This shall not apply where only an interim stop order has been served.
19. In the event that an interim stop order in respect of the New Shares is served by the Authority or other competent authority, no New Shares shall be issued to you until the Authority revokes the interim stop order.
20. The Authority or the SGX-ST, acting as agent on behalf of the Authority, is not able to serve a stop order in respect of the New Shares if the New Shares have been issued and listed on a securities exchange and trading in them has commenced.

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**APPENDIX I**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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21. In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same through a SGXNET announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com> and through a paid advertisement in a generally circulating daily press.
22. We will not hold any application in reserve.
23. We will not allot and/or allocate shares on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.
24. Additional terms and conditions for applications by way of Application Forms are set out on pages I-6 to I-8 of this Offer Document.

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## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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#### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in the section entitled "Terms, Conditions and Procedures for Application and Acceptance" of this Offer Document as well as the Memorandum and Articles of Association of our Company.

1. Your application for the New Shares must be made using the **BLUE** Placement Shares Application Forms for New Shares accompanying and forming part of this Offer Document. **ONLY ONE APPLICATION** should be enclosed in each envelope.

We draw your attention to the detailed instructions contained in the respective Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms, except those under the heading "**FOR OFFICIAL USE ONLY**", must be completed and the words "**NOT APPLICABLE**" or "**N.A.**" should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full names as they appear in your identity cards (if you have such identification document) or in your passports and, in the case of corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company's Share Registrar and Share Transfer Office. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign on page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent

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## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the New Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

7. The completed and signed **BLUE** Placement Shares Application Form and the correct remittance in full in respect of the number of New Shares applied for (in accordance with the terms and conditions of this Offer Document) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate postage (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 to arrive by 12.00 noon on 14 December 2011 or such other time as our Company may decide, in consultation with the Manager and Sponsor and the Joint Placement Agents. Local urgent mail or registered post must NOT be used.** Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of New Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**KEONG HONG SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", with your name, CDP Securities Account Number and address written clearly on the reverse side. **APPLICATIONS NOT ACCOMPANIED BY ANY PAYMENT OR ACCOMPANIED BY ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED.** We will reject remittances bearing "**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings. No acknowledgement or receipt will be issued by us or the Manager and Sponsor or the Joint Placement Agents for applications and application monies received.
8. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Placement is cancelled by us following the termination of the Management Agreement and/or the Placement Agreement or the Placement does not proceed for any reason, the application monies received will be refunded (without interest or any share of revenue or any other benefit arising therefrom) to you by ordinary post at your own risk within five (5) Market Days of the termination of the Placement. In the event that the Placement is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of our Company, our Directors, the Manager and Sponsor, the Joint Placement Agents and/or any party involved in the Placement, and in any such

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## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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event, our Company, the Manager and Sponsor and/or the Joint Placement Agents does not receive your Application Form, you shall have no claim whatsoever against our Company, the Manager and Sponsor and the Joint Placement Agents and/or any other party involved in the Placement for the New Shares applied for or for any compensation, loss or damage.

11. By completing and delivering the Application Form, you agree that:

- (i) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 14 December 2011 or such other time or date as our Directors may, in consultation with the Manager and Sponsor and the Joint Placement Agents, decide and by completing and delivering the Application Form, you agree that:
  - (a) your application is irrevocable; and
  - (b) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
- (ii) neither our Company, our Manager and Sponsor, the Joint Placement Agents nor any other party involved in the Placement shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any course beyond their respective controls;
- (iii) all applications, acceptances and contracts resulting therefrom under the Placement shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (iv) in respect of the New Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
- (v) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (vi) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Manager and Sponsor and the Joint Placement Agents or any other person involved in the Placement shall have any liability for any information not so contained;
- (vii) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount to our Share Registrar, CDP, SGX-ST, our Company, the Manager and Sponsor and the Joint Placement Agents or other authorised operators; and
- (viii) you irrevocably agree and undertake to subscribe for the number of New Shares applied for as stated in the Application Form or any smaller number of such New Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company decides to allot and/or allocate any smaller number of New Shares or not to allot and/or allocate any New Shares to you, you agree to accept such decision as final.



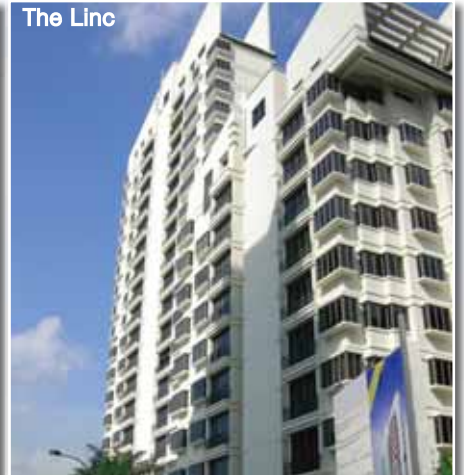
# OUR PORTFOLIO



Paterson 2



The Parvis



The Linc



The Belvedere



SIM



The Esta



IBIS Hotel



Sime Darby Performance Centre



The Terrace



## KEONG HONG HOLDINGS LIMITED

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

(Company Registration No.: 200807303W)

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

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

[www.keonghong.com](http://www.keonghong.com)

