CIRCULAR DATED 25 FEBRUARY 2022

THIS CIRCULAR IS ISSUED BY KEONG HONG HOLDINGS LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF THE COMPANY AND THE ADVICE OF W CAPITAL MARKETS PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS IN RELATION TO THE OFFER (AS DEFINED HEREIN). THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about its contents or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

KEONG HONG HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200807303W)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY CONDITIONAL CASH OFFER

by

NOVUS CORPORATE FINANCE PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201723484W)

for and on behalf of

LJHB CAPITAL (S) PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 202125750R)

to acquire all the issued and paid-up ordinary shares in the capital of the Company,
other than those already owned, controlled or agreed to be acquired by the Offeror and the persons acting in concert with the Offeror

Independent Financial Adviser to the Independent Directors

W CAPITAL MARKETS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201813207E)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER UNCONDITIONAL ANNOUNCEMENT (AS DEFINED HEREIN) STATES THAT THE OFFER WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 11 MARCH 2022 (THE "CLOSING DATE").

THE OFFEROR HAS GIVEN NOTICE THAT THE OFFEROR WILL NOT EXTEND THE OFFER BEYOND 5.30 P.M. (SINGAPORE TIME) ON THE CLOSING DATE AND THE OFFER WILL NOT BE OPEN FOR ACCEPTANCE BEYOND 5.30 P.M. (SINGAPORE TIME) ON THE CLOSING DATE, SAVE THAT SUCH NOTICE SHALL NOT BE CAPABLE OF BEING ENFORCED IN A COMPETITIVE SITUATION.

CONTENTS

The following definitions apply throughout this Circular, unless the context otherwise requires:

"**Acceptance Forms**"	:	The FAA and the FAT collectively, or any one of them, as the case may be
"**Business Day**"	:	A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore
"**CDP**"	:	The Central Depository (Pte) Limited
"**Circular**"	:	This circular to Shareholders dated 25 February 2022 issued by the Company containing, *inter alia*, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in relation to the Offer
"**Closing Date**"	:	5.30 p.m. (Singapore time) on 11 March 2022, being the last day of the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers, as amended, modified and/or supplemented or from time to time
"**Companies Act**"	:	The Companies Act 1967 (2020 Revised Edition), as amended, modified and/or supplemented or from time to time
"**Company**"	:	Keong Hong Holdings Limited
"**Company Options**"	:	Any options granted under the Company Scheme
"**Company Scheme**"	:	The Keong Hong Employee Share Option Scheme
"**Company Securities**"	:	(a) Shares; (b) securities which carry voting rights in the Company; and (c) Convertible Securities, Warrants, Options and Derivatives in respect of any Shares or such securities which carry voting rights in the Company
"**Convertible Securities**"	:	Securities convertible or exchangeable into new Shares or existing Shares
"**Constitution**"	:	The constitution of the Company, as amended, modified and/or supplemented or from time to time
"**Derivatives**"	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
"**Directors**"	:	The directors of the Company (including the Independent

		Directors) as at the Latest Practicable Date, and "**Director**" means any one of them
"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP
"**Financial Adviser**"	:	Novus Corporate Finance Pte. Ltd., being the financial adviser to the Offeror in relation to the Offer
"**Forevertrust**"	:	Forevertrust International (S) Pte. Ltd.
"**FY**"	:	Financial year ended or ending on (as the case may be) 30 September of a particular year as stated
"**FY2018**"	:	The financial year ended 30 September 2018
"**FY2019**"	:	The financial year ended 30 September 2019
"**FY2020**"	:	The financial year ended 30 September 2020
"**FY2021**"	:	The financial year ended 30 September 2021
"**FY2021 Unaudited Financial Results**"	:	The unaudited condensed interim financial statements of the Group for the 6 months and full year ended 30 September 2021 which was released by the Company on SGXNET on 29 November 2021, which is reproduced in **Appendix IV** to this Circular
"**Group**"	:	The Company and its subsidiaries
"**IFA**" or "**W Capital**"	:	W Capital Markets Pte. Ltd., being the independent financial adviser appointed in accordance with the Code to advise the Independent Directors on the Offer
"**IFA Letter**"	:	The letter dated 25 February 2022 issued by the IFA to the Independent Directors containing, *inter alia*, the advice of the IFA to the Independent Directors in respect of the Offer, as reproduced in **Appendix I** to this Circular
"**Independent Directors**"	:	The Directors who are considered independent for the purposes of making a recommendation to the Shareholders in respect of the Offer in accordance with the Code, namely, (a) Mr. Leo; (b) Mr. Er Ang Hooa;

(c) Mr. Chong Weng Hoe;
(d) Mr. Chong Wai Siak;
(e) Mr. Koh Tee Huck Kenneth; and
(f) Mr. Fong Heng Boo

"**Interested Person**"	:	As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or substantial shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
"**Irrevocable Undertaking**"	:	The irrevocable undertaking given by Mr. Leo to the Offeror to not accept the Offer in respect of the 27,731,180 Shares held by Mr. Leo representing approximately 11.80% of the total number of Shares
"**Latest Practicable Date**"	:	16 February 2022, being the latest practicable date prior to the electronic despatch of this Circular, save that where parts of the Offer Document are reproduced, references to the "Latest Practicable Date" in such reproduction shall mean the Offer Document Latest Practicable Date
"**Listing Manual**"	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
"**LJHB Holdings**"	:	LJHB Holdings (S) Pte. Ltd.

"**Mr. Leo**"	:	Mr. Leo Ting Ping Ronald, being the Executive Chairman and Chief Executive Officer of the Company as at the Latest Practicable Date
"**Mr. Xu**"	:	Mr. Xu Quanqiang, being a Non-Executive Non-Independent Director of the Company as at the Latest Practicable Date
"**Notification**"	:	Shall have the meaning ascribed to it in **Section 13** of this Circular
"**Offer**"	:	The mandatory conditional cash offer by the Financial Adviser, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document and the Acceptance Forms, as such Offer may be amended and revised from time to time by or on behalf of the Offeror
"**Offer Announcement**"	:	The announcement of the Offer released by the Financial Adviser, for and on behalf of the Offeror, on the Offer Announcement Date
"**Offer Announcement Date**"	:	21 January 2022, being the date of the Offer Announcement
"**Offer Document**"	:	The offer document dated 11 February 2022 issued by the Financial Adviser, for and on behalf of the Offeror, in respect of the Offer
"**Offer Document Latest Practicable Date**"		7 February 2022, being the latest practicable date prior to the date of the Offer Document as stated in the Offer Document
"**Offer Shares**"	:	Shall have the meaning ascribed to it in paragraph 2.1 of the Offer Document, as reproduced in **Section 2** of this Circular
"**Offer Unconditional Announcement**"	:	The announcement released by the Financial Adviser, for and on behalf of the Offeror, in relation to the Offer being declared unconditional in all respects on the Offer Unconditional Date
"**Offer Unconditional Date**"	:	17 February 2022, the date on which the Offer has become or is declared unconditional in all respects in accordance with its terms
"**Offeror**"	:	LJHB Capital (S) Pte. Ltd.
"**Offeror Securities**"	:	(a) Offeror Shares; (b) securities which carry voting rights in the Offeror; and (c) Convertible Securities, Warrants, Options and Derivatives in respect of the Offeror Shares, or securities which carry voting rights in the Offeror

"**Offeror Shares**"	:	Issued and paid-up ordinary shares in the capital of the Offeror
"**Options**"	:	Options to subscribe for or purchase new Shares or existing Shares
"**Overseas Shareholders**"	:	Shareholders whose mailing addresses are outside of Singapore, as shown on the Register or in the Depository Register (as the case may be), each an "**Overseas Shareholder**"
"**Register**"	:	The register of members of the Company, as maintained by the Share Registrar
"**Securities and Futures Act**"	:	The Securities and Futures Act 2001 (2020 Revised Edition), as amended, modified and/or supplemented or from time to time
"**Service Agreement**"	:	Shall have the meaning ascribed to it in **Paragraph 6** of **Appendix II** to this Circular
"**SGXNET**"		A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share Registrar**"	:	B.A.C.S Private Limited
"**Shareholders**"	:	Persons who/which are registered as holders of Shares in the Register, and persons whose/which Shares are deposited with CDP or who/which have purchased Shares on the SGX-ST
"**Shares**"	:	The issued and paid-up ordinary shares in the capital of the Company
"**SIC**"	:	Securities Industry Council of Singapore
"**SRS**"	:	The Supplementary Retirement Scheme
"**SRS Investors**"	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
"**Valuers**"	:	RHT Real Estate Pte. Ltd. and Century 99 Pte. Ltd. collectively, each a "**Valuer**"
"**Warrants**"	:	Rights to subscribe for or purchase new Shares or existing Shares

<u>Units and currencies</u>

"**$**" or "**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore

"**%**" or "**per cent.**"	:	Per centum or percentage

Acting in Concert. The expression "**acting in concert**" shall have the meaning ascribed to it in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Depository Related Terms. The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Expressions. 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 gender and *vice versa.* References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in the figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be arithmetic aggregations of the figures that precede them.

Shareholders. References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined in the Companies Act, the Securities and Futures Act, the Listing Manual or the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the Securities and Futures Act, the Listing Manual or the Code, or any modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporation. The terms "**subsidiary**" and "**related corporation**" shall have the meanings ascribed to them in Sections 5 and 6 of the Companies Act respectively.

Time and Date. Any reference to a time of the day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise stated.

Total Number of issued Shares. Unless stated otherwise, any reference in this Circular to the total number of issued Shares is a reference to a total of 235,010,000 Shares (excluding 7,555,000 Shares held by the Company as treasury Shares) as at the Latest Practicable Date.

Unless otherwise specified, all references to the percentage shareholding in the capital of the Company in this Circular are based on 235,010,000 Shares (excluding 7,555,000 Shares held by the Company as treasury Shares) as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has 7,555,000 Shares held by the Company as treasury Shares.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements shall bear the same meanings as ascribed to them in the Offer Document, the IFA Letter and the Constitution, respectively.

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "**aim**", "**seek**", "**expect**", "**anticipate**", "**believe**", "**estimate**", "**intend**", "**project**", "**plan**", "**strategy**", "**forecast**", "**possible**", "**probable**" and similar expressions or future or conditional verbs such as "**if**", "**will**", "**would**", "**should**", "**could**", "**may**" and "**might**". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

Date of electronic despatch of the Offer Document	:	11 February 2022
Date of electronic despatch of this Circular	:	25 February 2022
Closing Date	:	**5.30 p.m. (Singapore time) on 11 March 2022**
Settlement of consideration for valid acceptances of the Offer[1]	:	(a) in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the Offer Unconditional Date, within seven (7) Business Days of the Offer Unconditional Date; or (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the Offer Unconditional Date, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

Note:

(1) Please refer to the Offer Unconditional Announcement as well as Appendix V and Appendix VI to the Offer Document for further details.

KEONG HONG HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company registration no. 200807303W)

Board of Directors:

Mr. Leo Ting Ping Ronald (Executive Chairman and Chief Executive Officer)
Mr. Er Ang Hooa (Executive Director)
Mr. Chong Weng Hoe (Lead Independent Director)
Mr. Chong Wai Siak (Non-Executive Independent Director)
Mr. Koh Tee Huck Kenneth (Non-Executive Independent Director)
Mr. Fong Heng Boo (Non-Executive Independent Director)
Mr. Xu Quanqiang (Non-Executive Non-Independent Director)

Registered Office:

9 Sungei Kadut Street 2
Singapore 729230

25 February 2022

To: The Shareholders of Keong Hong Holdings Limited

Dear Sir/Madam

MANDATORY CONDITIONAL CASH OFFER BY NOVUS CORPORATE FINANCE PTE. LTD. FOR AND ON BEHALF OF LJHB CAPITAL (S) PTE. LTD. FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement

On 21 January 2022, being the Offer Announcement Date, the Financial Adviser announced, for and on behalf of the Offeror, *inter alia*, that the Offeror intends to make the Offer for the Offer Shares in compliance with Rule 14 of the Code.

An electronic copy of the Offer Announcement is available on the website of the SGX-ST at http://www.sgx.com.

1.2 Offer Document

Shareholders should by now have received a copy of the notification letter containing, *inter alia*, instructions on how Shareholders can locate the Offer Document electronically, as announced by the Financial Adviser, for and on behalf of the Offeror, which was despatched on 11 February 2022, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in paragraph 2 of the Offer Document as well as Appendices V and VI to the Offer Document.

Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.

An electronic copy of the Offer Document is available on the website of the SGX-ST at http://www.sgx.com and on the website of the Company at http://www.keonghong.com.

1.3 Offer declared unconditional in all respects

On 17 February 2022, the Financial Adviser announced, for and on behalf of the Offeror, *inter alia* that the Offeror has, as at 6.00 p.m. (Singapore time) on 17 February 2022, received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the maximum potential issued share capital of the Company[1].

Based on the Offer Unconditional Announcement, as at 6.00 p.m. (Singapore time) on 17 February 2022, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror; and (b) valid acceptances of the Offer, amount to an aggregate of 139,030,320 Shares, representing approximately 59.16%[2] of the total number of Shares and approximately 57.58% of the maximum potential issued share capital of the Company[1].

Accordingly, based on the Offer Unconditional Announcement, the Offer has become unconditional as to acceptances and is declared unconditional in all respects on 17 February 2022, being the Offer Unconditional Date.

An electronic copy of the Offer Unconditional Announcement is available on the website of the SGX-ST at http://www.sgx.com.

1.4 Independent Financial Adviser

W Capital has been appointed as the independent financial adviser in accordance with the Code to advise the Independent Directors in respect of the Offer.

1.5 Purpose of this Circular

Notwithstanding that the Offer was declared unconditional in all respects before the date of this Circular, the Directors wish to provide Shareholders with relevant information pertaining to the Offer, and to set out the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter as reproduced in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether or not to accept the Offer.

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[1] As stated in the Offer Unconditional Announcement, the "**maximum potential issued share capital of the Company**" referred to in the Offer Unconditional Announcement means the total number of Shares (excluding Shares held in treasury) which would be in issue had all outstanding Company Options been validly exercised as at the date of such declaration. All references to the maximum potential issued share capital of the Company shall be to 241,465,000 Shares (excluding Shares held in treasury) based on the latest information available to the Offeror. Percentages are rounded to the nearest two (2) decimal places.

[2] As stated in the Offer Unconditional Announcement, this is based on the total number of Shares of 235,010,000 Shares (excluding Shares held in treasury) which was obtained from publicly available information. Percentages are rounded to the nearest two (2) decimal places.

If you are in any doubt about the Offer or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax advisor or other professional adviser immediately.

2. THE OFFER

2.1 Terms of the Offer

The principal terms and conditions of the Offer are set out in paragraph 2 of the Offer Document, extracts of which are set out in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"2. **THE OFFER***

2.1 Offer Shares

The Offer is extended, on the same terms and conditions, to:

(a) all the Shares, other than treasury Shares and those Shares already owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror; and

*(b) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options (the "**Company Options**") granted under the Keong Hong Employee Share Option Scheme (the "**Company Scheme**") prior to the close of the Offer.*

*For the purposes of the Offer, the expression the "**Offer Shares**" will include all such Shares.*

2.2 Offer Price

For each Offer Share: S$0.384 in cash (the "Offer Price").

2.3 No Encumbrances

*The Offer Shares will be acquired (a) fully paid-up; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (the "**Encumbrances**"); and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).* ***In the event that any dividends, rights, other distributions or return of capital is declared, made or paid on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividends, rights, distributions or return of capital.***

2.4 Conditional Offer

*The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with the Offeror holding more than 50% of the total number of Shares (excluding treasury Shares) as at the close of the Offer (the "**Acceptance Condition**").*

*Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the maximum potential issued share capital of the Company. For this purpose, the "**maximum potential issued share capital of the Company**" means the total number of Shares (excluding treasury Shares) which would be in issue had all outstanding Company Options been validly exercised as at the date of such declaration.*

Save for the Acceptance Condition, the Offer will be unconditional in all other respects.

2.5 No Options Offer

As at the Latest Practicable Date, based on the latest information available to the Offeror, there are 6,455,000 outstanding Company Options. Under the rules of the Company Scheme, the Company Options are not freely transferable by the holders thereof. In view of this restriction, the Offeror will not make an offer to acquire the Company Options in connection with the Offer (although, as stated above, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of the Company Options prior to the close of the Offer).

2.6 Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paidup; (b) free from Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).”

On the Offer Unconditional Date, the Financial Adviser announced, for and on behalf of the Offeror, *inter alia* that the Offeror has, as at 6.00 p.m. (Singapore time) on 17 February 2022, received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the maximum potential issued share capital of the Company .

Accordingly, based on the Offer Unconditional Announcement, the Offer has become unconditional as to acceptances and is declared unconditional in all respects on the Offer Unconditional Date.

2.2 Closing Date of the Offer

The closing date of the Offer is set out in paragraph 2.7 of the Offer Document, extracts of which are set out in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

> *"**2.7 Closing Date***
>
> *Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of this Offer Document.*
>
> ***Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 11 March 2022. Notice is hereby given that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date, save that such notice shall not be capable of being enforced in a competitive situation."***

Shareholders should note that as stated in the Offer Unconditional Announcement, the Offer will close at 5:30 p.m. (Singapore time) on the Closing Date (i.e., 11 March 2022), and the Offeror has given notice in the Offer Document that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date, save that such notice shall not be capable of being enforced in a competitive situation.

2.3 Details of the Offer

The further details of the Offer are set out in Appendix V to the Offer Document, extracts of which are set out in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

> "***APPENDIX V***
>
> ***DETAILS OF THE OFFER***
>
> ***1. DURATION OF THE OFFER***

1.1 Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of this Offer Document.

The Offer will close at 5.30 p.m. (Singapore time) on 11 March 2022 (the "Closing Date"). Notice is hereby given that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date, save that such notice shall not be capable of being enforced in a competitive situation.

1.2 Final day rule

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the date of posting of this Offer Document or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the prior approval of the SIC. The SIC will consider granting such permission in circumstances, including but not limited to, where a competing offer has been announced.

1.3 Revision

Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders, as the case may be. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders including those who had previously accepted the Offer.

2. SETTLEMENT FOR THE OFFER

Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms and the receipt by the Offeror from accepting Shareholders of valid acceptances, complete in all respects and in accordance with the instructions given in this Offer Document, the relevant Acceptance Forms and/or the terms and conditions for Electronic Acceptance (as the case may be) and in the case of a depositor, the receipt by the Offeror of confirmation satisfactory to it that the relevant number of Offer Shares are standing to the credit of the "Free Balance" of the depositor's Securities Account at the relevant time(s), remittances for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholder (or, in the case of a Shareholder holding share certificate(s) which is not deposited with CDP, his designated agent (if any)) by means of:

*(a) in the case of an accepting Shareholder who has subscribed to CDP's Direct Crediting Services ("**DCS**"), credited directly into such Shareholder's designated bank account for S$ via CDP's DCS (or in such other manner as*

such accepting Shareholder may have agreed with CDP for the payment of any cash distribution). In the case of an accepting Shareholder who has not subscribed to CDP's DCS, any monies to be paid to such Shareholder shall be credited to his Cash Ledger and be subject to the same terms and conditions as Cash Distributions under the CDP Operation of Securities Account with the Depository Terms and Conditions (Cash Ledger and Cash Distribution are as defined therein); or

(b) in the case of an accepting Shareholder holding share certificate(s) which are not deposited with CDP, a S$ crossed cheque drawn on a bank operating in Singapore and sent by ordinary post to his address stated in his FAT or if none is stated, to his address as indicated in the register of members of the Company, at the risk of the accepting Shareholder,

on the payment date as soon as practicable but in any event:

(i) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) business days of that date; or

(ii) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) business days of the date of such receipt.

3. ANNOUNCEMENTS

3.1 Timing and Contents

*Pursuant to Rule 28.1 of the Code, by 8.00 a.m. (Singapore time) on the dealing day (the "**Relevant Day**") immediately after the day on which the Offer is due to expire, or becomes or is declared to be unconditional as to acceptances, or is revised or extended (if applicable), the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):*

(a) in respect of which valid acceptances of the Offer have been received;

(b) held by the Offeror and any person acting in concert with the Offeror before the Offer Period; and

(c) acquired or agreed to be acquired by the Offeror and any person acting in concert with the Offeror during the Offer Period,

and will specify the percentages of the total number of Shares represented by such numbers.

3.2 Valid Acceptances for Offer Shares

Under Note 5 to Rule 28.1 of the Code, purchases made through the SGX-ST by the Offeror and persons acting in concert with the Offeror with no pre-agreement or *collusion between the parties to such transactions or their agents, may be counted towards satisfying the Acceptance Condition. All other purchases by the Offeror and persons acting in concert with the Offeror (i.e. off market purchases) may only be counted when fully completed and settled.*

3.3 Suspension

Under Rule 28.2 of the Code, if the Offeror is unable, within the time limit, to comply with paragraph 3.1 above, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.

3.4 Announcements

In this Offer Document, references to the making of any announcement or the giving of notice by the Offeror include the release of an announcement by NCF or advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone or facsimile or through SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

In computing the number of Offer Shares represented by acceptances, the Offeror will at the time of making an announcement take into account acceptances which are valid in all respects.

4. RIGHT OF WITHDRAWAL

4.1 Acceptances Irrevocable

Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

4.2 Right of Withdrawal of Shareholders

(a) If the Offer has become or been declared unconditional as to acceptances, but the Offeror fails to comply with any of the requirements of Rule 28.1 of the Code by 3.30 p.m. (Singapore time) on the Relevant Day, then immediately thereafter:

(i) any Shareholder holding Offer Shares which are deposited with CDP and accepting the Offer will be entitled to withdraw his acceptance by written notice to LJHB Capital (S) Pte. Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934; and

(ii) any Shareholder holding Offer Shares which are not deposited with CDP and accepting the Offer will be entitled to withdraw his acceptance by written notice to LJHB Capital (S) Pte. Ltd. c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

Such notice of withdrawal shall be effective only when actually received by the Offeror.

(b) Subject to Rule 22.9 of the Code, this right of withdrawal may be terminated not less than eight (8) days after the Relevant Day by the Offeror confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code.

(c) A Shareholder who has tendered acceptances under the Offer will be entitled to withdraw his acceptance after 14 days from the first closing date of the Offer, if the Offer has not by then become unconditional as to acceptances. Such entitlement to withdraw will be exercisable until the Offer becomes or is declared to be unconditional as to acceptances.

*(d) In a competitive situation, if one (1) offer becomes unconditional as to acceptances, then Shareholders who have tendered their acceptances for the competing offer (the "**Unsuccessful Offer**") can, if they wish, immediately withdraw their acceptances for the Unsuccessful Offer.*

(e) A Shareholder who has tendered acceptances under the Offer may withdraw his acceptances within eight (8) days of notification by the Offeror of any revision of the Acceptance Condition."

2.4 Procedures for acceptance of the Offer

The procedures for acceptance of the Offer are set out in paragraph 2.9 of the Offer Document and Appendix VI to the Offer Document.

3. IRREVOCABLE UNDERTAKING

The full text of the irrevocable undertaking from Shareholder(s) has been extracted from paragraph 3 of the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"3. IRREVOCABLE UNDERTAKING

3.1 Details of Irrevocable Undertaking

*Upon completion of the Acquisition, Mr. Leo will hold 27,731,180 Shares representing approximately 11.80% of the total number of Shares (the "**Remaining Shares**"). Mr. Leo has undertaken (the "**Irrevocable Undertaking**") to the Offeror to not accept the Offer in respect of the Remaining Shares.*

3.2 No other irrevocable undertakings

Save for the Irrevocable Undertaking, as at the Latest Practicable Date, neither the Offeror nor any persons acting in concert with the Offeror has received any irrevocable undertaking from any other person to accept or reject the Offer."

4. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

Information on the Offeror and its shareholders has been extracted from paragraph 4 of the Offer Document is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"4. **INFORMATION ON THE OFFEROR AND LJHB HOLDINGS***

4.1 Information on the Offeror

The Offeror is an investment holding company incorporated under the laws of Singapore on 23 July 2021. As at the Latest Practicable Date:

(a) the Offeror has an issued and paid-up share capital of S$1,000,000 consisting of 1,000,000 ordinary shares, which are held by Forevertrust. Forevertrust is a wholly-owned subsidiary of LJHB Holdings. The Offeror's ultimate shareholder is Ms. Liu Haiyan; and

(b) the board of directors of the Offeror are Ms. Liu Haiyan, Ms. Lin Junru and Mr. Chen Bin.

***APPENDIX I** to this Offer Document sets out certain additional information on the Offeror.*

4.2 Information on LJHB Holdings

LJHB Holdings is an investment holding company incorporated under the laws of Singapore on 14 February 2011. As at the Latest Practicable Date:

(a) LJHB Holdings has an issued and paid-up share capital of S$2,000,000 consisting of 2,000,000 ordinary shares, which are held by Ms. Liu Haiyan; and

(b) the board of directors of LJHB Holdings are Ms. Liu Haiyan, Mr. Liu Yongyan, Ms. Lin Junru and Mr. Chen Bin.

***APPENDIX II** to this Offer Document sets out certain additional information on LJHB Holdings."*

5. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY

The full text of the Offeror's rationale for the Offer and intentions for the Company has been extracted from paragraph 6 of the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

*"6. **RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY***

6.1 Rationale for the Offer

The Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code.

6.2 Offeror's intentions for the Company

It is currently the intention of the Offeror to ensure continuity in the operations of the Group and for Mr. Leo to continue leading the management team as the Executive Chairman and Chief Executive Officer of the Company. The Offeror also intends to undertake a review of the operations, management and financial position of the Company and to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company.

As announced by the Company on the Latest Practicable Date, the Company has entered into a memorandum of understanding with Continental Hope Singapore Industrial Development Pte. Ltd. in relation to its business cooperation in the hotel industry to share their respective strengths in the hotel industry and networks in the Maldives, Japan, Singapore, mainland China and other countries. Continental Hope Singapore Industrial Development Pte. Ltd. is indirectly wholly-owned by Ms. Liu Haiyan and is also a concert party of the Offeror.

Save as disclosed above, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group."

6. FINANCIAL EVALUATION OF THE OFFER

Paragraph 7 of the Offer Document sets out certain information on the financial evaluation of the Offer, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"7. **FINANCIAL EVALUATION OF THE OFFER***

The Offer Price represents the following premia over the historical traded prices of the Shares:

Description	***Benchmark price (S$)[(1)]***	***Premium over benchmark price (%)[(2)]***
Last transacted price per Share on the Last Trading Day	*0.370*	*3.8*

Lowest closing price of the Shares traded on the SGXST for the six (6)-month period prior to and including the Last Trading Day	*0.325*	*18.2*
Highest closing price of the Shares traded on the SGX-ST for the six (6)-month period prior to and including the Last Trading Day	*0.375*	*2.4*
VWAP of the Shares traded on the SGX-ST for the one (1)-month period prior to and including the Last Trading Day	*0.356*	*7.9*
VWAP of the Shares traded on the SGX-ST for the three (3)-month period prior to and including the Last Trading Day	*0.345*	*11.3*
VWAP of the Shares traded on the SGX-ST for the six (6)-month period prior to and including the Last Trading Day	*0.346*	*11.0*
VWAP of the Shares traded on the SGX-ST for the 12-month period prior to and including the Last Trading Day	*0.340*	*12.9*

Notes:

(1) The figures set out in the table above are based on data extracted from Thomson Reuters Eikon. The benchmark prices were rounded to the nearest (3) decimal places.

(2) Computed based on the benchmark prices which were rounded to the nearest three (3) decimal places. Premia over benchmark price were rounded to the nearest one (1) decimal place."

7. LISTING STATUS AND COMPULSORY ACQUISITION

Information in relation to the Offeror's intentions in relation to the listing status of the Company and the compulsory acquisition of the Company has been extracted from paragraph 8 of the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extracts below carefully.**

"8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing status

*Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of Shares is at all times held in public hands (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and persons acting in concert with* *the Offeror to above 90% of the total number of Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.*

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

8.2 Compulsory acquisition

*Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares as at the date of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price.*

Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of Shares, the Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

8.3 Offeror's intentions

It is the current intention of the Offeror to maintain the listing status of the Company and the Offeror does not intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. Additionally, in view of the Irrevocable Undertaking, the Offeror currently does not envisage any rights of compulsory acquisition to arise under Section 215(1) of the Companies Act. However, in the event that the Company does not meet the Free Float Requirement under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time."

8. CONFIRMATION OF FINANCIAL RESOURCES

Paragraph 11 of the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"11. **CONFIRMATION OF FINANCIAL RESOURCES***

NCF, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares on the basis of the Offer Price which, for the avoidance of doubt, excludes the consideration that would (but for the Irrevocable Undertaking) have been payable for the Remaining Shares."

9. DISCLOSURE OF INTERESTS

Paragraph 1 of Appendix IV to the Offer Document sets out certain information relating to disclosure of holdings, dealings and other arrangements, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"APPENDIX IV

ADDITIONAL GENERAL INFORMATION

1. DISCLOSURE OF INTERESTS IN COMPANY SECURITIES

1.1 Holdings in Company Securities

As at the Latest Practicable Date, based on the latest information available to the Offeror, the interests in Company Securities held by the Offeror, the Directors of the Offeror and persons acting in concert with the Offeror are set out below:

Name	*Direct Interest*		*Deemed Interest*		*Total Interest*	
	No. of Shares	*%(1)*	*No. of Shares*	*%(1)*	*No. of Shares*	*%(1)*
The Offeror	-	-	*111,525,620(2)*	*47.46*	*111,525,620*	*47.46*
Forevertrust	-	-	*111,525,620(3)*	*47.46*	*111,525,620*	*47.46*
LJHB Holdings	-	-	*111,525,620(3)*	*47.46*	*111,525,620*	*47.46*
Ms. Liu Haiyan	-	-	*111,525,620(3)*	*47.46*	*111,525,620*	*47.46*

Notes:

(1) *The percentage shareholding interest is based on the total number of Shares of 235,010,000 Shares as at the Latest Practicable Date. Percentages are rounded to the nearest two (2) decimal places.*

(2) *The Offeror is deemed to be interested in the 57,595,800 Shares and 9,166,600 Shares held through Citibank Nominees Singapore Pte. Ltd. and iFAST Financial Pte Ltd respectively. The Offeror is also deemed to be interested in the 44,763,220 Shares that will be acquired pursuant to the Acquisition.*

(3) *The Offeror is a wholly-owned subsidiary of Forevertrust, which is a wholly-owned subsidiary of LJHB Holdings. LJHB Holdings is in turn 100% owned by Ms. Liu Haiyan. Accordingly, Ms. Liu Haiyan, LJHB Holdings and Forevertrust are deemed interested in the Shares which the Offeror is deemed interested in.*

1.2 Dealings in Company Securities

Based on the latest information available to the Offeror, the details of dealings in Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date by the Offeror, the Directors of the Offeror and persons acting in concert with the Offeror are set out below:

Name	***Transaction Date***	***Transaction Type***	***No. of Shares***	***Transaction price per Share (S$)***
LJHB Holdings	*28 September 2021*	*Purchase*	*380,000*	*0.345*
	29 September 2021	*Purchase*	*377,700*	*0.345*
	30 September 2021	*Purchase*	*400*	*0.345*
	6 October 2021	*Purchase*	*980,200*	*0.345*
	8 October 2021	*Purchase*	*269,900*	*0.345*
	21 October 2021	*Purchase*	*250,900*	*0.350*
The Offeror	*30 November 2021*	*Purchase*	*139,900*	*0.340*
	30 November 2021	*Purchase*	*952,000*	*0.345*
	30 November 2021	*Purchase*	*50,000*	*0.335*
	1 December 2021	*Purchase*	*193,500*	*0.345*
	2 December 2021	*Purchase*	*499,900*	*0.350*
	3 December 2021	*Purchase*	*70,800*	*0.350*
	6 December 2021	*Purchase*	*916,900*	*0.350*
	9 December 2021	*Purchase*	*276,500*	*0.350*
	10 December 2021	*Purchase*	*8,500*	*0.350*
	16 December 2021	*Purchase*	*119,800*	*0.350*
	17 December 2021	*Purchase*	*231,000*	*0.350*
	20 December 2021	*Purchase*	*231,000*	*0.350*
	21 December 2021	*Purchase*	*231,000*	*0.350*
	22 December 2021	*Purchase*	*335,200*	*0.350*
	27 December 2021	*Purchase*	*22,900*	*0.350*
	29 December 2021	*Purchase*	*100,000*	*0.350*
	7 January 2022	*Purchase*	*812,600*	*0.360*
	7 January 2022	*Purchase*	*29,900*	*0.355*
LJHB Holdings	*17 January 2022*	*Sale*	*57,595,800*	*0.3762*

The Offeror	*17 January 2022*	*Purchase*	*57,595,800*	*0.3762*
	21 January 2022	*Purchase*	*44,763,220*	*0.384*
	24 January 2022	*Purchase*	*1,314,200*	*0.380*
	25 January 2022	*Purchase*	*2,631,000*	*0.380*

1.3 Undertakings to accept or reject the Offer

As at the Latest Practicable Date, save for the Irrevocable Undertaking, no person has given any undertaking to the Offeror or any persons acting in concert with the Offeror, to accept or reject the Offer.

1.4 Arrangements of the kind referred to in Note 7 on Rule 12 of the Code

As at the Latest Practicable Date, save for the Irrevocable Undertaking, neither the Offeror nor any persons acting in concert with the Offeror has entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares which may be an inducement to deal or refrain from dealing in the Shares.

1.5 No agreement in connection with or dependent on the Offer

As at the Latest Practicable Date, save for the Irrevocable Undertaking, there is no agreement, arrangement or understanding between (a) the Offeror or any persons acting in concert with the Offeror, and (b) any of the present or recent directors of the Company, or any of the present or recent Shareholders or any other persons that has any connection with or is conditional upon the outcome of the Offer.

1.6 Transfer of Offer Shares

As at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any of the Offer Shares acquired by the Offeror pursuant to the Offer will or may be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Shares to any of its related corporations (as defined in the Companies Act) or for the purpose of granting security in favour of financial institutions which have extended or which may extend credit facilities to it from time to time.

1.7 No payment or benefit to directors of the Company

As at the Latest Practicable Date, there is no agreement, arrangement or understanding for payment or other benefit being made or given to any director of the Company or to any director of any corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or as consideration for, or in connection with, his retirement from office or otherwise in connection with the Offer.

1.8 No security interest over or borrowing/lending of Company Securities

Save as disclosed in this Offer Document, as at the Latest Practicable Date, none of the Offeror or any persons acting in concert with the Offeror has (a) granted a security

> *interest over any Company Securities to another person, whether through a charge, pledge or otherwise, (b) borrowed from another person any Company Securities (excluding borrowed Company Securities which have been on-lent or sold), or (c) lent any Company Securities to another person."*

10. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Offeror Securities and the Company Securities as at the Latest Practicable Date are set out in **Appendix II** to this Circular.

11. ADVICE AND RECOMMENDATION IN RESPECT OF THE OFFER

11.1 General

W Capital has been appointed as the independent financial adviser in accordance with the Code to advise the Independent Directors in respect of the Offer.

Shareholders should read and consider carefully the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in their entirety before deciding whether or not to accept or reject the Offer. The advice of the IFA to the Independent Directors is set out in the IFA Letter which is reproduced in **Appendix I** to this Circular.

11.2 Advice of the IFA to the Independent Directors on the Offer

The following are extracts from section 10 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders should read and consider carefully the key considerations relied upon by the IFA, in arriving at its advice to the Independent Directors.**

> ***"10. OUR OPINION AND RECOMMENDATION TO THE INDEPENDENT DIRECTORS***
>
> *In arriving at our recommendation in respect of the Offer to the Independent Directors, we have taken into account a range of factors which we consider, based on available information as at the Latest Practicable Date, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.*
>
> *In determining the fairness of the Offer, we have considered, inter alia, the following pertinent factors:*
>
> *(a) Notwithstanding that the Offer Price represents: (i) a premium of approximately 3.8% over the VWAP of the Shares of S\$0.370 on 20 January 2021, being the Last Traded Day before the Offer Announcement Date; and a premium of approximately 7.9%, 11.1%, 11.0% and 12.7% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading*

Day respectively, the Offer Price represents a discount of 43.4% and 49.7% to the NAV per Share and RNAV per Share respectively and values the Group at a P/NAV and P/RNAV ratios of approximately 0.6 times and 0.5 times respectively; and

(b) Comparison with the Selected Comparable Companies:

(i) Comparison on the earning-based trading multiples with the Selected Comparable Companies would not be meaningful as the Group had negative trailing twelve months EBITDA and earnings during the relevant period;

(ii) The P/NAV ratio of the Group of approximately 0.6 times is within the range and is slightly above the mean and median P/NAV ratios of the Selected Comparable Companies; and

(iii) The P/RNAV ratio of the Group of 0.5 times is within the range and same as the mean and median P/NAV ratios of the Selected Comparable Companies.

*In view of the above, we are of the opinion that, on balance, the Offer is **NOT FAIR.***

In determining the reasonableness of the Offer, we have considered, inter alia, the following pertinent factors:

(a) Trading liquidity of the Shares during the 12-month period up to and including the Last Trading Day has been low with an average daily trading volume of between approximately 55,000 Shares and 285,600 Shares representing between 0.062% and 0.323% of the free float of the Company and the Offer provides an exit option for Shareholders who wish to realise their investments in the Shares at the Offer Price but face difficulties to do so due to the low trading activity;

(b) The Group's profitability had deteriorated from FY2018 to FY2019 and the Group recorded a net loss attributable to owners of the parent in FY2020 and FY2021. However, the Company had in its latest results announcement dated 29 November 2021, disclosed that the Group is cautiously optimistic on the overall prospects of building construction, property and hotel development and investment sectors in the near future as Singapore is set to ease further bother restrictions and the economy is poised for recovery;

(c) Notwithstanding that the Group has also recorded a net cash outflow from operating activities of S$28.0 million in FY2021, the Group reported an order book of approximately S$482 million as at 30 September 2021 (versus S$224 million as at 30 September 2020) which will provide a steady flow of activities through the financial year ending 30 September 2023;

(d) Comparison with Precedent Non-Privatisation Transactions:

(i) Notwithstanding the premium implied by the Offer Price of 3.8% over the last transacted market price of the Shares prior to the Offer Announcement

Date, the premium is below the mean and median of the corresponding premium of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 15.2% and 8.6% respectively;

(ii) Notwithstanding the premium implied by the Offer Price of 7.9% over the VWAPs for the 1-month period prior to the Offer Announcement Date, the premium is below the mean and median of the corresponding premium of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 15.4% and 12.1% respectively;

(iii) Notwithstanding the premium implied by the Offer Price of 11.1% over the VWAPs for the 3-month period prior to the Offer Announcement Date, the premium is below the mean and median of the corresponding premium of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 16.7% and 17.1% respectively;

(iv) The P/NAV of the Group of approximately 0.6 times is within the range of P/NAV of the Precedent Non-Privatisation Transactions but below the mean and median of the corresponding P/NAV (or P/RNAV) of the Precedent Non-Privatisation Transactions of 1.0 times and 0.9 times respectively;

(v) The P/RNAV of the Group of 0.5 times is within the range of P/NAV of the Precedent Non-Privatisation Transactions but below the mean and median of the corresponding P/NAV (or P/RNAV) of the Precedent Non-Privatisation Transactions of 1.0 times and 0.9 times respectively; and

(vi) Amongst the Precedent Non-Privatisation Transactions where the respective independent financial advisers had advised the independent directors to recommend to shareholders to "accept" the offer, the P/NAV or P/RNAV ratios (as the case may be) of all such Precedent Non-Privatisation Transactions are above the P/NAV and P/RNAV ratio implied by the Offer Price in relation to the Offer; and

(e) It is currently the intention of the Offeror to maintain the listing status of the Company on the Main Board of SGX-ST and the Offeror does not intend to exercise its right of compulsory acquisition that may arise under Section 215(1) of the Companies Act.

In view of the above, we are of the opinion that, on balance, the Offer is ***NOT REASONABLE.***

Having regard to the foregoing considerations set out in this IFA Letter and information available to us as at the Latest Practicable Date and subject to the qualifications made herein, we are of the opinion that the financial terms of the Offer are NOT FAIR AND NOT REASONABLE. On balance of the above factors, we advise the Independent Directors to recommend that Shareholders REJECT the Offer. If Shareholders wish to realise their investments in the Company, they can choose to sell their Shares in the open market if they obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions."

11.3 Independence of Directors

Mr. Leo, Mr. Er Ang Hooa, Mr. Chong Weng Hoe, Mr. Chong Wai Siak, Mr. Koh Tee Huck Kenneth and Mr. Fong Heng Boo are regarded as independent for the purposes of the Offer and are required to make a recommendation to Shareholders in respect of the Offer.

Mr. Xu, being a Non-Executive Non-Independent Director of the Company, is the Chief Executive Officer of LJHB Holdings and Forevertrust. The Offeror is a wholly-owned subsidiary of Forevertrust, which is in turn a wholly-owned subsidiary of LJHB Holdings. Accordingly, Mr. Xu is presumed to be a person acting in concert with the Offeror under the Code for the purposes of the Offer. As such, he would face a conflict of interests in relation to the Offer that would render it inappropriate for him to join the remainder of the Board in making a recommendation to the Shareholders in connection with the Offer.

The SIC had ruled that Mr. Xu will be exempted from making a recommendation to Shareholders in respect of the Offer.

Nonetheless, all the Directors (including, for the avoidance of doubt, Mr. Xu) are jointly and severally responsible for the accuracy of facts stated, opinions expressed and completeness of the information given by the Company to Shareholders on the Offer, including information contained in documents, announcements and/or advertisements issued by or on behalf of the Company in connection with the Offer.

11.4 Recommendation of the Independent Directors in respect of the Offer

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA to the Independent Directors as set out in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer. The advice of the IFA is set out in **Section 11.2** of this Circular and in the IFA Letter.

Accordingly, the Independent Directors recommend the Shareholders to **REJECT** the Offer.

Shareholders are advised to read the terms and conditions of the Offer as set out in the Offer Document carefully. Shareholders are also advised to read and consider carefully the recommendation of the Independent Directors and the IFA Letter set out in Appendix I to this Circular in their entirety before deciding whether to accept or reject the Offer. Shareholders should note that the IFA's advice to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

In rendering the above advice and making the above recommendation, the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, tax status or position, risk profiles or unique needs and constraints and circumstances of any individual Shareholder or group of Shareholders. As each Shareholder or group of Shareholders would have different investment objectives and profiles, the Independent Directors, as advised by the IFA, recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his/her investment objectives or portfolio, including his/her investment in the Company, should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

12. OVERSEAS SHAREHOLDERS

12.1 Availability of the Offer to Overseas Shareholders

The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdiction in which they are located. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.

Overseas Shareholders should refer to paragraph 10 of the Offer Document, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"**10. OVERSEAS PERSONS***

*The availability of the Offer to Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (each, an "**Overseas Person**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Person should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the Notification Letter, the Acceptance Forms and/or any related documents have not been reviewed by any regulatory authority in any overseas jurisdiction.* ***Where there are potential restrictions on sending this Offer Document, the Notification Letter, the Acceptance Forms and/or any related documents to any overseas jurisdictions, the Offeror, NCF, CDP and the Receiving Registrar each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document, the Notification Letter, the Acceptance Forms and/or any related documents have not been, or may not be, sent.***

*Copies of this Offer Document, the Notification Letter, the Acceptance Forms and/or any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, means, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the

Offer will not be capable of acceptance by any such use, means, instrumentality or facility.

Overseas Persons may, nonetheless, obtain copies of the Notification Letter, the Acceptance Forms and/or any related documents, during normal business hours and up to the Closing Date, from the Offeror through its receiving agent, (i) CDP (if he is a depositor) by submitting a request to CDP via phone (+65 6535 7511) or email services (asksgx@sgx.com); or (ii) the Receiving Registrar (if he is a scripholder), B.A.C.S. Private Limited at its office located at 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

Alternatively, an Overseas Person may write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Receiving Registrar (if he is a scripholder) at its office address listed above, to request for the Notification Letter, the Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at the Overseas Person's own risk.

It is the responsibility of any Overseas Person who wishes to (a) request for the Notification Letter, the Acceptance Forms and/or any related documents; or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Person shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including NCF) shall be fully indemnified and held harmless by such Overseas Person for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including NCF) may be required to pay. In (i) requesting for the Notification Letter, the Acceptance Forms and/or any related documents; and/or (ii) accepting the Offer, the Overseas Person represents and warrants to the Offeror and NCF that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. ***Any Overseas Person who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

The Offeror and NCF each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Persons) by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Person) to receive or see such announcement, notice or advertisement."

12.2 Copies of Circular

Where there are potential restrictions on sending the Notification and/or any related documents to any overseas jurisdictions, the Company reserves the right not to send the Notification and/or any related documents to such overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless (subject to compliance with applicable laws), download a copy of this Circular from the website of the SGX-ST at http://www.sgx.com and the website of the Company at http://www.keonghong.com.

13. ELECTRONIC DESPATCH OF THE CIRCULAR

In line with the public statements issued by the SIC dated 6 May 2020, 29 September 2020 and 29 June 2021 on the electronic despatch of take-over documents under the Code, **no printed copies of this Circular will be despatched to the Shareholders**.

Instead, this Circular will be despatched electronically to the Shareholders through publication on the websites of the SGX-ST and the Company. In connection with the electronic despatch of this Circular, the hardcopy notification with instructions on how the Shareholders can locate this Circular electronically (the "**Notification**") will be despatched by ordinary post to the Shareholders.

An electronic copy of this Circular is available on the website of the SGX-ST at http://www.sgx.com and on the website of the Company at http://www.keonghong.com. Shareholders will need an internet browser and PDF reader to view this Circular on the websites of the SGX-ST and/or the Company.

14. INFORMATION PERTAINING TO SRS INVESTORS

Paragraph 13.3 of the Offer Document sets out information pertaining to SRS Investors, extracts of which are reproduced below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"13.3 **Information Pertaining to SRS Investors***

SRS Investors will receive further information on how to accept the Offer from the SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice. SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks by the deadline stated in the letter from their respective SRS Agent Banks. SRS Investors who validly accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their SRS investment accounts."

15. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so not later than **5.30 p.m. on the Closing Date (i.e., 11 March 2022)**, and should take note of the procedures for acceptance of the Offer as set out in Appendix VI to the Offer Document, the FAA and/or the FAT.

The Shareholders should also note that the Offeror has given notice that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date, save that such notice shall not be capable of being enforced in a competitive situation.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror:

(a) by CDP (in respect of the FAA); or

(b) by the Share Registrar (in respect of the FAT),

as the case may be, not later than **5.30 p.m. on the Closing Date (i.e., 11 March 2022)**.

Shareholders who **do not wish to accept the Offer** need not take any further action in respect of the Offer Document, the FAA and/or the FAT.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Save for the recommendation of the Independent Directors to the Shareholders set out in **Section 11.4** of this Circular which is the sole responsibility of the Independent Directors, the Directors (including those who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offer, the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror and the IFA Letter (for which the IFA has taken responsibility)) are fair and accurate, and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular (other than those relating to the Offer, the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror and the IFA Letter (for which the IFA has taken responsibility)) misleading.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer Document and the IFA Letter), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately and correctly reflected or reproduced in this Circular in its proper form and context.

The Directors jointly and severally accept full responsibility accordingly.

17. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
KEONG HONG HOLDINGS LIMITED

Mr. Chong Weng Hoe
Lead Independent Director

W CAPITAL MARKETS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 201813207E)
65 Chulia Street
#43-01 OCBC Centre
Singapore 049513

25 February 2022

The Directors of Keong Hong Holdings Limited who are deemed independent in relation to the Offer

Mr Leo Ting Ping Ronald	Executive Chairman and Chief Executive Officer
Mr Er Ang Hooa	Executive Director
Mr Chong Weng Hoe	Lead Independent Director
Mr Chong Wai Siak	Non-Executive Independent Director
Mr Fong Heng Boo	Non-Executive Independent Director
Mr Koh Tee Huck Kenneth	Non-Executive Independent Director

Dear Sir,

MANDATORY CONDITIONAL CASH OFFER BY NOVUS CORPORATE FINANCE PTE. LTD. FOR AND ON BEHALF OF LJHB CAPITAL (S) PTE. LTD. ("OFFEROR") FOR THE OFFER SHARES

*Unless otherwise defined or the context otherwise requires, all capitalised terms defined in the circular dated 25 February 2022 ("**Circular**") issued by Keong Hong Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") shall have the same meanings herein.*

1. INTRODUCTION

On 21 January 2022 ("**Offer Announcement Date**"), Novus Corporate Finance Pte. Ltd. ("**NCF**"), for and on behalf of the Offeror, announced that the Offeror has on the Offer Announcement Date, entered into a sale and purchase agreement with Mr. Leo Ting Ping Ronald ("**Mr Leo**") in relation to the sale and purchase of an aggregate of 44,763,220 ordinary shares ("**Shares**") in the capital of the Company, representing approximately 19.05% of the total number of Shares of the Company, at a price of S$0.384 per Share ("**Acquisition**").

Prior to the Offer Announcement Date and excluding the Acquisition, the Offeror owns 62,817,200 Shares, representing approximately 26.73% of the total number of Shares. Upon completion of the Acquisition, the Offeror will own, control or has agreed to acquire an aggregate of 107,580,420 Shares, representing approximately 45.78% of the total number of Shares. In accordance with Rule 14 of The Singapore Code on Take-overs and Mergers ("**Code**"), the Offeror will make a mandatory conditional cash offer (the "**Offer**") for all the remaining Shares, other than treasury Shares and those Shares owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and the persons acting in concert with the Offeror.

On 11 February 2022, NCF had announced, for and on behalf of the Offeror, that the offer document and related documents dated 11 February 2022 issued by the Offeror ("**Offer Document**"), setting out, *inter-alia*, the terms and conditions of the Offer had been electronically despatched to Shareholders.

In connection with the Offer, W Capital Markets Pte. Ltd. ("**W Capital Markets**") has been appointed by the Company as the Independent Financial Adviser ("**IFA**") to advise the directors of the Company who are considered to be independent in respect of the Offer ("**Independent Directors**") and who will be making a recommendation to the Shareholders in relation to the Offer ("**Recommendation**"). This letter ("**IFA Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our views and assessment on the financial terms of the Offer and our opinion thereon, and forms part of the Circular to be despatched to Shareholders in relation to the Offer.

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors in relation to the Offer. We have confined our evaluation to the financial terms of the Offer and we are not required to evaluate or comment on the commercial risks and/or merits (if any) of the Offer or the future prospects of the Company, and we have not made such evaluations or comments. Such evaluations or comments, if any, remain the responsibility of the Directors and management ("**Management**") of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

We have not been instructed or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to any other proposals for transactions similar to or in lieu of the Offer. In this regard, we are not addressing the relative merits of the Offer as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future.

In the course of our evaluation of the financial terms of the Offer, we have held discussions with the Management and/or their professional advisers and have examined and relied to a considerable extent on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and/or the professional advisers of the Company, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have relied on the assurance of the Directors (including any who may have delegated detailed supervision of the preparation of the Circular) who jointly and severally accept full responsibility for the accuracy of the information given in the Circular (other than those relating to the Offer, the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror and the IFA Letter) and has confirmed that they have taken all reasonable care to ensure that the facts stated in the Circular are fair and accurate and that no material facts have been omitted from the Circular. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and exercised our judgment on the reasonable use of such information, and have found no reason to doubt the reliability of the information.

We have not made any independent appraisal of the assets and liabilities of the Group nor have we evaluated the solvency of the Group. As such, where applicable, we have relied on the disclosures and representations made by the Company on the values of the assets and liabilities and profitability of the Group and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

In this regard, we have been provided with, and has relied on, various valuation reports (the "**Valuation Reports**") prepared by independent valuers (the "**Independent Valuers**") which the Group has commissioned for the purpose of financing or for the purpose of financial reporting by the Group for financial year ended 30 September 2021, in relation to our financial assessment of the Offer in Section 9.2 of this IFA Letter, including the following:

(a) The valuation report dated 1 October 2021 in respect of the independent valuation of a factory comprising of a part single/part 5-storey ancillary office, production, workshop factory block with 2 mezzanine levels located at 9 Sungei Kadut Street 2, Singapore 729230 as at 30 September 2021 prepared by Century 99 Pte. Ltd. ("**Century 99**");

(b) The valuation report dated 21 January 2022 in respect of the independent valuation of a single storey detached factory with a 2-storey ancillary office located at 21 Fourth Chin Bee Road, Singapore 619706 as at 30 September 2021 prepared by RHT Valuation Pte. Ltd. ("**RHT**");

(c) The valuation report dated 21 January 2022 in respect of the independent valuation of a single-storey detached factory with a mezzanine ancillary office located at 20 Chin Bee Drive, Singapore 619866 as at 30 September 2021 prepared by RHT; and

(d) The valuation report dated 21 January 2022 in respect of the independent valuation of a 2-storey conservation building and two blocks of 16-storey commercial podium with an integrated multi-storey car park and ancillary facilities located at 86/88 East Coast Road, Singapore 428788/423371 as at 30 September 2021 prepared by RHT.

We are not experts in the evaluation or appraisal of the assets or liabilities concerned and we have placed sole reliance on these Valuation Reports for such asset appraisals and have not independently verified the contents thereof. By its very nature, valuation work will be subjective and dependent on the exercise of the Independent Valuers' judgement. In particular, we do not assume any responsibility to enquire about the basis of the valuations contained in the Valuation Reports.

Our views as set out in this IFA Letter are based upon the prevailing market, economic, industry and other conditions (if applicable) as well as information and representations provided to us by the Company and its representatives, as at 16 February 2022 (the "**Latest Practicable Date**" or "**LPD**"). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement relevant to their consideration of the Offer, which may be released or published by or on behalf of the Company or the Offeror after the Latest Practicable Date.

Our opinion is limited to the fairness and reasonableness, from a financial point of view of the Offer and our terms of reference do not require us to evaluate or comment on the commercial rationale for the Offer, and/or associated risk and merits. We have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing and our terms of reference do not require us to comment or express an opinion on the financial impact or potential impact on current or future financial performance or prospects or earnings potential of the Company and/or the Group arising from the Offer or otherwise (including without limitation any implications or uncertainties arising from the COVID-19 pandemic).

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situation, tax position, risk profile, tax status or positions or particular needs and constraints or other particular circumstances of any Shareholder and do not assume any responsibility for, nor hold ourselves out as advisers to, any person other than the Independent Directors. As each Shareholder would have different investment objectives and profiles, the Independent Directors may wish to advise any Shareholder who may require specific advice in relation to his specific investment portfolio to consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional advisers.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement, and do not provide any advice (financial or otherwise), in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and expressed no views, whether expressed or implied, on the contents of the Circular (other than this IFA Letter).

We have prepared this IFA Letter for the use by the Independent Directors in connection with their consideration of the Offer and their advice and recommendation to the Shareholders in respect thereof. The recommendations made to the Shareholders in relation to the Offer remain the responsibility of the Independent Directors.

Our opinion in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

3. THE OFFER

The following paragraphs have been extracted from Section 2 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.

*"**2. <u>THE OFFER</u>***

2.1 Offer Shares

The Offer is extended, on the same terms and conditions, to:

(a) all the Shares, other than treasury Shares and those Shares already owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror; and

*(b) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options (the "**<u>Company Options</u>**") granted under the Keong Hong Employee Share Option Scheme (the "**<u>Company Scheme</u>**") prior to the close of the Offer.*

*For the purposes of the Offer, the expression the "**<u>Offer Shares</u>**" will include all such Shares.*

2.2 Offer Price

For each Offer Share: S$0.384 in cash (the "<u>Offer Price</u>").

2.3 No Encumbrances

*The Offer Shares will be acquired (a) fully paid-up; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (the "**<u>Encumbrances</u>**"); and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).* ***In the event that any dividends, rights, other distributions or return of capital is declared, made or paid on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividends, rights, distributions or return of capital.***

2.4 Conditional Offer

*The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with the Offeror holding more than 50% of the total number of Shares (excluding treasury Shares) as at the close of the Offer (the "**Acceptance Condition**").*

*Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the maximum potential issued share capital of the Company. For this purpose, the "**maximum potential issued share capital of the Company**" means the total number of Shares (excluding treasury Shares) which would be in issue had all outstanding Company Options been validly exercised as at the date of such declaration.*

Save for the Acceptance Condition, the Offer will be unconditional in all other respects.

2.5 No Options offer

As at the Latest Practicable Date, based on the latest information available to the Offeror, there are 6,455,000 outstanding Company Options. Under the rules of the Company Scheme, the Company Options are not freely transferable by the holders thereof. In view of this restriction, the Offeror will not make an offer to acquire the Company Options in connection with the Offer (although, as stated above, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of the Company Options prior to the close of the Offer).

2.6 Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paidup; (b) free from Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

2.7 Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of this Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 11 March 2022. Notice is hereby given that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date, save that such notice shall not be capable of being enforced in a competitive situation.

2.8 Details of the Offer

***APPENDIX V** to this Offer Document sets out further details on (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer.*

2.9 Procedures for acceptance

***APPENDIX VI** to this Offer Document sets out the procedures for acceptance of the Offer."*

4. INFORMATION ON THE OFFEROR AND LJHB HOLDINGS

The following paragraphs have been extracted from Section 4 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.

"4. INFORMATION ON THE OFFEROR AND LJHB HOLDINGS

4.1 Information on the Offeror

The Offeror is an investment holding company incorporated under the laws of Singapore on 23 July 2021. As at the Latest Practicable Date:

(a) the Offeror has an issued and paid-up share capital of S$1,000,000 consisting of 1,000,000 ordinary shares, which are held by Forevertrust. Forevertrust is a wholly-owned subsidiary of LJHB Holdings. The Offeror's ultimate shareholder is Ms. Liu Haiyan; and

(b) the board of directors of the Offeror are Ms. Liu Haiyan, Ms. Lin Junru and Mr. Chen Bin.

***APPENDIX I** to this Offer Document sets out certain additional information on the Offeror.*

4.2 Information on LJHB Holdings

LJHB Holdings is an investment holding company incorporated under the laws of Singapore on 14 February 2011. As at the Latest Practicable Date:

(a) LJHB Holdings has an issued and paid-up share capital of S$2,000,000 consisting of 2,000,000 ordinary shares, which are held by Ms. Liu Haiyan; and

(b) the board of directors of LJHB Holdings are Ms. Liu Haiyan, Mr. Liu Yongyan, Ms. Lin Junru and Mr. Chen Bin.

***APPENDIX II** to this Offer Document sets out certain additional information on LJHB Holdings."*

5. INFORMATION ON THE COMPANY

The Company was incorporated under the laws of Singapore on 15 April 2008 and was listed on the Catalist of the SGX-ST on 16 December 2011. The Company was subsequently transferred to the Main Board of the SGX-ST on 2 August 2016.

The Company and its subsidiaries are primarily engaged in the businesses of building construction, property development, hotel development and investment, and overseas property investment.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S$22,514,415 comprising 235,010,000 Shares (excluding 7,555,000 Shares held by the Company in treasury). Based on the Offer Price of S$0.384 per Share and the total number of issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S$89.3 million. Additional information on the Company is set out in Appendix III to the Offer Document and Appendix II to the Circular.

6. IRREVOCABLE UNDERTAKING

The following paragraphs have been extracted from Section 3 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.

"3. IRREVOCABLE UNDERTAKING

3.1 Details of Irrevocable Undertaking

*Upon completion of the Acquisition, Mr. Leo will hold 27,731,180 Shares representing approximately 11.80% of the total number of Shares (the "**Remaining Shares**"). Mr. Leo has undertaken (the "**Irrevocable Undertaking**") to the Offeror to not accept the Offer in respect of the Remaining Shares.*

3.2 No other irrevocable undertakings

Save for the Irrevocable Undertaking, as at the Latest Practicable Date, neither the Offeror nor any persons acting in concert with the Offeror has received any irrevocable undertaking from any other person to accept or reject the Offer."

7. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intention in relation to the Company are set out in Section 6 of the Offer Document. Shareholders are advised to read the entire Offer Document including the relevant section, as extracted below, carefully.

The rationale for the Offer and the Offeror's intentions for the Company is reproduced below for your reference.

"6. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY

6.1 Rationale for the Offer

The Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code.

6.2 Offeror's intentions for the Company

It is currently the intention of the Offeror to ensure continuity in the operations of the Group and for Mr. Leo to continue leading the management team as the Executive Chairman and Chief Executive Officer of the Company. The Offeror also intends to undertake a review of the operations, management and financial position of the Company and to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company.

As announced by the Company on the Latest Practicable Date, the Company has entered into a memorandum of understanding with Continental Hope Singapore Industrial Development Pte. Ltd. in relation to its business cooperation in the hotel industry to share their respective strengths in the hotel industry and networks in the Maldives, Japan, Singapore, mainland China and other countries. Continental Hope

Singapore Industrial Development Pte. Ltd. is indirectly wholly-owned by Ms. Liu Haiyan and is also a concert party of the Offeror.

Save as disclosed above, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group."

8. LISTING STATUS, COMPULSORY ACQUISITION AND THE OFFEROR'S INTENTION

The full text of the listing status and compulsory acquisition in relation to the Company are set out in Section 8 of the Offer Document. Shareholders are advised to read the entire Offer Document including the relevant section, as extracted below, carefully.

The listing status and the compulsory acquisition of the Company, as well as the Offeror's intentions for the Company is reproduced below for your reference.

*"8. **LISTING STATUS AND COMPULSORY ACQUISITION***

8.1 Listing Status

*Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of Shares is at all times held in public hands (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and persons acting in concert with the Offeror to above 90% of the total number of Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.*

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

8.2 Compulsory Acquisition

*Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares as at the date of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price.*

Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total *number of Shares, the Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.*

8.3 Offeror's intentions

It is the current intention of the Offeror to maintain the listing status of the Company and the Offeror does not intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. Additionally, in view of the Irrevocable Undertaking, the Offeror currently does not envisage any rights of compulsory acquisition to arise under Section 215(1) of the Companies Act. However, in the event that the Company does not meet the Free Float Requirement under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time."

9. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In the course of our evaluation of the financial terms of the Offer, we have given due consideration to, *inter alia,* the following key factors which, in our opinion, have a significant bearing on our assessment:

(a) Historical financial performance and position of the Group;

(b) Analysis of the Group's net asset value ("**NAV**") per Share and revalued net asset value ("**RNAV**") per Share;

(c) Historical Share price performance and trading liquidity;

(d) Valuation ratios of selected listed companies broadly comparable to the Group;

(e) Precedent non-privatisation transactions in Singapore; and

(f) Other relevant considerations.

The following is a brief description of the valuation ratios used in our evaluation of the Offer Price:

Valuation Ratio	Description
Price-to-earnings ratio ("**P/E**")	The P/E, or earnings multiple, illustrates the ratio of a company's market capitalisation relative to its historical consolidated net profit attributable to shareholders. The P/E is an earnings-based valuation methodology. The P/E multiple is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation of intangible assets.
Enterprise value to EBITDA ratio ("**EV/EBITDA**")	EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents. EBITDA refers to the consolidated earnings before interest, taxes, depreciation and amortisation expenses, inclusive of the share of associates' and joint ventures' income. The EV/EBITDA ratio illustrates the ratio of the market value of an entity relative to its pre-tax operating cashflow, without regard to its capital structure and provides an indication of current market valuation relative to operating performance.

Valuation Ratio	Description
Price-to-NAV ratio ("**P/NAV**")	P/NAV illustrates the market value of an entity in relation to its NAV. P/NAV shows the extent to which the value of each share is backed by assets and represents an asset-based relative valuation methodology. This asset-based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The P/NAV approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The asset-based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders.
Price-to-RNAV ratio ("**P/RNAV**")	P/RNAV illustrates the extent that the value of each share is backed by assets, taking into account their market or realisable values which have been revalued. RNAV is typically used to revalue property-related assets that are held by property investors and developers, which may be carried in the accounts at either historical cost or on a revalued basis, depending on the relevant accounting standards adopted.

9.1 Historical financial performance and position of the Group

A summary of the audited consolidated income statement and consolidated statement of cash flows of the Group for the last three (3) financial years ("**FY**") ended 30 September 2018, 2019 and 2020 and the unaudited consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows of the Group for the latest financial year ended 30 September 2021 ("**FY2021**") are set out below.

The following summary financial information should be read in conjunction with the full text of the Company's annual reports for FY2018, FY2019 and FY2020 and the results announcements in respect of the relevant financial periods including the notes/commentaries thereto.

Consolidated Income Statement

(S$'000)	FY2018 Audited	FY2019 Audited	FY2020 Audited	FY2021 Unaudited
Revenue	159,813	162,560	82,942	85,344
Cost of sales	(122,764)	(126,324)	(52,161)	(81,427)
Gross profit	**37,049**	**36,236**	**30,781**	**3,917**
Other income	8,875	14,267	11,054	10,354
Other items of expense				
Administrative expenses	(15,739)	(16,175)	(22,379)	(19,749)
Reversal/(Loss) allowance on financial assets	(3)	(5,815)	351	1,056
Finance costs	(5,689)	(6,287)	(6,363)	(7,026)
Other expenses	(4,431)	(7,150)	(11,772)	(1,405)
Share of results of joint ventures, net of tax	4,433	15,984	6,880	1,162

(S$'000)	FY2018 Audited	FY2019 Audited	FY2020 Audited	FY2021 Unaudited
Share of results of associates, net of tax	3,031	(6,798)	(21,954)	(5,459)
Profit / (Loss) before tax	**27,526**	**24,262**	**(13,402)**	**(17,150)**
Income tax expense	(4,619)	(7,386)	(5,428)	(2,187)
Profit / (Loss) for the year	**22,907**	**16,876**	**(18,830)**	**(19,337)**
<u>*Other comprehensive income / (expense)*</u>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	275	109	343	(154)
Fair value gain on available-for-sale financial assets	6,541	-	-	-
Net fair value changes on available-for-sale financial assets reclassified to profit or loss	(224)	-	-	-
Share of other comprehensive income of joint venture	330	(222)	6	-
Items that may not be reclassified subsequently to profit or loss:				
Share of other comprehensive income of associate	1,125	-	-	-
Fair value loss on financial assets at fair value through other comprehensive income ("**FVOCI**")	-	(9,395)	(14,643)	(11,094)
Other comprehensive income / (expense) for the financial year, net of tax	8,047	(9,508)	(14,294)	(11,248)
Total comprehensive income / (expense) for the financial year	30,954	7,368	(33,124)	(30,585)
Profit / (Loss) attributable to:				
Owners of the parent	23,482	16,306	(18,043)	(16,928)
Non-controlling interests	575	570	(787)	(2,409)
	22,907	**16,876**	**(18,830)**	**(19,337)**
Total comprehensive income / (expense) attributable to:				
Owners of the parent	31,529	6,798	(32,337)	(28,176)
Non-controlling interests	(575)	570	(787)	(2,409)
	30,954	**7,368**	**(33,124)**	**(30,585)**

Source: Company's annual reports for FY2019 and FY2020 and the Company's unaudited financial results announcement for FY2021

<u>Review of operating results</u>

<u>FY2018 vs FY2019</u>

The Group recorded a revenue of S$162.6 million in FY2019, representing an increase of approximately S$2.7 million or 1.7% from S$159.8 million in FY2018. This was mainly due to higher revenue contribution from construction contracts of S$160.9 million from the construction of Seaside Residences condominium, National Skin Centre and Pullman Maldives Maamutaa Resort.

Cost of sales in FY2019 increased 2.9% from S$122.7 million in FY2018 to S$126.3 million in FY2019, resulting in the gross profit to decrease by 2.2% from S$37.0 million in FY2018 to S$36.2 million in FY2019.

Other income increased by approximately 60.8% or S$5.4 million from S$8.9 million in FY2018 to S$14.3 million in FY2019 due mainly to fair value gain on loan receivables and foreign exchange gain due to the strengthening of the US dollar and Japanese Yen, vis-à-vis the Singapore dollar.

Total expenses increased by S$7.8 million or 42.6% from S$18.4 million in FY2018 to S$26.2 million in FY2019. The increase is mainly due to (i) net loss allowance on its financial assets which consists of loss allowance for: (a) trade and other receivables of S$3.8 million; (b) long-term interests in associates of S$1.4 million; and (c) financial guarantee contracts of S$0.6 million, and (ii) share of results of associates amounting to a loss of S$6.8 million, and partially offset by share of profit of joint ventures.

Overall, the Group recorded a 11.9% decrease in net profit before tax of S$24.3 million as compared to S$27.5 million in FY2018 and a lower net profit for FY2019 of S$16.9 million, as compared to its FY2018 net profit of S$22.9 million. Despite the lower profit before tax in FY2019, the Group incurred higher income tax expense of S$7.4 million in FY2019, representing an increase of 59.9% from the income tax expense of S$4.6 million recognised in FY2018. The increase is mainly due to higher non-tax deductible expenses incurred during the year.

As a result of the above, the profit attributable to owners of the Company decreased by S$7.2 million from S$23.5 million in FY2018 to S$16.3 million in FY2019.

FY2019 vs FY2020

The Group recorded a revenue of S$82.9 million in FY2020, representing a decrease of S$79.6 million or 49.0% from S$162.6 million in FY2019. The decrease in revenue was mainly due to lower revenue from construction contracts of S$81.2 million as a result of the suspension of construction works due to the COVID-19 Circuit Breaker and safe management measures required to be implemented at worksites.

Cost of sales in FY2019 decreased 58.7% from S$126.3 million in FY2019 to S$52.2 million in FY2020 in-line with the significant decrease in revenue, resulting in the gross profit to decrease by S$5.5 million or 15.1% to S$30.8 million in FY2020.

Other income decreased by approximately 22.5% or S$3.2 million from S$14.3 million in FY2019 to S$11.1 million in FY2020 due mainly to the absence of foreign exchange gain of S$2.1 million and fair value gain of S$4.7 million on loan receivables recorded in FY2019. These were partly offset by government grants of approximately S$3.2 million.

Total expenses increased by S$30.0 million or 110.5% from S$26.2 million in FY2019 to S$55.2 million in FY2020. The increase is mainly due to (i) higher share of loss of associates for the hotel investments in the Maldives, whose tourism sector was seriously impacted by the COVID-19 pandemic, leading to operating and impairment loss in the associate, (ii) higher administrative expenses, and (iii) higher other expenses.

Overall, the Group recorded a net loss before tax of S$13.4 million and a net loss after tax of S$18.8 million in FY2020 mainly as a result of lower revenue and higher share of loss of associates. Following the Group's net loss, the Group incurred lower income tax expense of S$5.4 million in FY2020, representing decrease of 26.5% from the income tax expense of S$7.4 million recognised in FY2019. The Group's income tax expense consists mainly non-tax deductible expenses incurred during the year.

As a result of the above, the Group recognised a loss attributable to owners of the Company of S$18.0 million in FY2020.

FY2020 vs FY2021

The Group recorded a marginal increase in revenue of S$85.3 million in FY2021, representing an increase of S$2.4 million or 2.9% from S$82.9 million in FY2020 as construction works has yet to recover to pre COVID-19 level.

Cost of sales in FY2021 increased 56.1% from S$52.2 million in FY2020 to S$81.4 million in FY2021. The increase in cost of sales was due to rising cost of building materials arising from the COVID-19 disruption. Accordingly, the Group's gross profit decreased 87.3% from S$30.8 million in FY2020 to S$3.9 million in FY2021 in line with the higher cost of sales in FY2021.

Other income was lower by 6.3% from S$11.1 million in FY2020 to S$10.4 million in FY2021. The decrease was mainly due to (i) lower government grant income amounting to S$1.7 million, (ii) lower interest income of S$4.1 million and (iii) lower rental income recorded in FY2021. These were partly offset by a reversal of impairment loss of S$3.0 million in an associate during the year.

Total expenses decreased by S$23.8 million or 43.1% from S$55.2 million in FY2020 to S$31.4 million in FY2021. The decrease is mainly due to (i) lower net loss on its share of results of associates, net of tax of S$5.5 million in FY2021, (ii) lower other expenses of S$1.4 million in FY2021 as a result of lower impairment loss on investment in a joint venture and its non-current assets held for sale recorded in FY2021, and (iii) lower administrative expenses of S$19.8 million in FY2021 as a result of lower loss in fair value changes of S$3.5 million on financial assets recorded in FY2021.

Overall, the Group recorded a higher net loss before tax of S$17.2 million and a net after tax of S$19.3 million in FY2021 as compared its net loss before tax of S$13.4 million and net loss after tax of S$18.8 million in FY2020. Income tax expense decreased by 59.7% from S$5.4 million in FY2020 to S$2.2 million in FY2021 as lower taxable income was recorded in FY2021.

As a result of the above, the Group recognised a lower loss attributable to owners of the Company of S$16.9 million in FY2021 as compared to S$18.0 million in FY2020.

Consolidated Statement of Financial Position

(S$'000)	As at 30 September 2021 Unaudited
Non-current assets	
Property, plant and equipment	20,908
Right-of-use assets	6,353
Investment properties	21,382
Investments in subsidiaries	-
Investments in associates	31,417
Investments in joint ventures	32,275
Intangible assets	9
Financial assets at FVOCI	30,928
Financial assets at FVTPL	19,806
Non-trade receivables	36,814
Deferred tax assets	591
Total non-current assets	200,483
Current assets	
Inventories	1,172
Trade and other receivables	44,360
Contract assets	41,890

(S$'000)	As at 30 September 2021 Unaudited
Prepayments	992
Fixed deposits	2,243
Cash and bank balances	20,803
	111,460
Assets classified as held for sale	1,880
Total current assets	**113,340**
Total assets	**313,823**
Equity	
Share capital	25,048
Treasury shares	(3,303)
Share option reserve	2,041
Foreign currency translation reserve	683
Merger reserve	(4,794)
Fair value reserve	(25,559)
Other reserve	1,125
Retained earnings	164,059
Equity attributable to owners of the parent	159,300
Non-controlling interests	(794)
Total equity	158,506
Non-current liabilities	
Bank borrowings	9,801
Lease liabilities	5,423
Medium term notes	-
Provisions	512
Deferred tax liabilities	1
Total non-current liabilities	15,737
Current liabilities	
Contract liabilities	129
Trade and other payables	37,943
Bank borrowings	34,948
Lease liabilities	892
Medium term notes	47,955
Provisions	12,734
Deferred income	54
Current income tax payable	4,925
Total current liabillities	139,580
Total liabilities	155,317
Total equity and liabilities	**313,823**
Net asset value ("NAV") attributable to owners of the parent	**159,300,000**
Number of issued shares as at the Latest Practicable Date (excluding treasury shares)	235,010,000
NAV per Share (cents)	67.8

Source: Company's unaudited financial results announcement for FY2021

As at 30 September 2021:

(a) The total assets of the Group amounted to S$313.8 million comprising current assets of S$111.5 million and non-current assets of S$200.5 million, representing 63.9% and 36.1% of total assets respectively. Current assets as at 30 September 2021 comprised mainly (i) trade and other receivables of S$44.4 million, (ii) contract assets of S$41.9 million and (iii) cash and bank balances of S$20.8 million, representing 14.1%, 13.3% and 6.6% of total assets respectively. Non-current assets as at 30 September 2021 comprised mainly (i) investments in associates and joint ventures of S$63.7 million, (ii) financial assets of S$50.7m, (iii) non-trade receivables of S$36.8 million, (iv) investment properties of S$21.4 million; and (v) property, plant and equipment of S$20.9 million, representing 20.3%, 16.2%, 11.7%, 6.8% and 6.7% of total assets respectively.

(b) The total liabilities of the Group amounted to S$155.3 million comprising current liabilities of S$139.6 million and non-current liabilities of S$15.7 million, representing 89.9% and 10.1% of total liabilities respectively. Current liabilities as at 30 September 2021 comprised mainly (i) medium term notes of S$48.0 million, (ii) trade and other payables of S$37.9 million, and (iii) bank borrowings of S$34.9 million, representing 30.9%, 24.4%, and 22.5% of total liabilities respectively. Non-current liabilities as at 30 September 2021 comprised mainly (i) bank borrowings of S$9.8 million, and (ii) lease liabilities of S$5.4 million, representing 6.3% and 3.5% of total liabilities respectively.

Consolidated Statement of Cash Flows

(S$'000)	FY2018 Audited	FY2019 Audited	FY2020 Audited	FY2021 Unaudited
Net cash generated from operating activities	2,131	44,149	3,049	(28,084)
Net cash used in investing activities	(21,735)	(47,131)	(20,030)	62,312
Net cash used in financing activities	16,353	(14,854)	679	(52,259)
Net increase / (decrease) in cash and cash equivalents	(3,251)	(17,836)	(16,302)	(18,031)
Cash and cash equivalents at end of year	**73,399**	**55,792**	**40,000**	**21,814**

Sources: Company's annual reports for FY2019 and FY2020 and the Company's unaudited financial results announcement for FY2021

In respect of FY2018:

(a) The Group recorded net cash generated from operating activities of approximately S$2.1 million mainly due to (i) profit before income tax of S$24.7 million; (ii) adjustments for non-cash items of S$1.6 million (iii) changes in working capital items of S$11.9 million and (iv) income tax paid of S$9.1 million;

(b) The Group recorded net cash used in investing activities of S$21.7 million mainly due to (i) investments in joint ventures of S$27.5 million, (ii) provision of loans to third parties, joint ventures and associates of S$21.9 million and partially offset by repayment of loan from associate of S$19.5 million;

(c) The Group recorded net cash generated from financing activities of S$16.4 million mainly due to proceeds from bank borrowings of S$35.7 million. The cash generated was partially offset by (i) repayment of bank borrowings of S$9.4 million, (ii) payment of dividends of S$5.2 million and (iii) payment of interest of S$5.4 million; and

(d) Taking into account (i) the net decrease in cash and cash equivalents of S$3.3 million and (ii) the cash and bank balances at the beginning of FY2018 of approximately S$76.6 million, the Group's cash and cash equivalents amounted to approximately S$73.4 million as at 30 September 2018.

In respect of FY2019:

(a) The Group recorded net cash generated from operating activities of approximately S$44.1 million mainly due to (i) profit before income tax of S$22.3 million; (ii) adjustments for non-cash items of S$3.1 million (iii) changes in working capital items of S$26.5 million and (iv) income tax paid of S$9.7 million;

(b) The Group recorded net cash used in investing activities of S$47.1 million mainly due to (i) cash advances to associate of S$11.9 million; (ii) provision of loans to third parties, joint ventures and associates of S$38.2 million, (iii) purchase of property, plant and equipment, and partially offset by repayment of loan from associate of S$14.4 million;

(c) The Group recorded net cash used in financing activities of S$14.9 million mainly due to (i) repayment of non-trade amounts due to a director and non-controlling interest of subsidiary of S$3.0 million, (ii) repayment of bank borrowings of S$18.5 million, (iii) payment of dividends of S$5.3 million and (iv) payment of interest of S$6.0 million. The cash used in financing activities was partially offset by proceeds from bank borrowings of S$17.9 million; and

(d) Taking into account (i) the net decrease in cash and cash equivalents of S$17.8 million and (ii) the cash and bank balances at the beginning of FY2019 of approximately S$73.4 million, the Group's cash and cash equivalents amounted to approximately S$55.8 million as at 30 September 2018.

In respect of FY2020:

(a) The Group recorded net cash generated from operating activities of approximately S$3.0 million mainly due to (i) loss before income tax of S$13.4 million; (ii) adjustments for non-cash items of S$43.7 million (iii) changes in working capital items of S$22.6 million, (iv) income tax paid of S$4.7 million;

(b) The Group recorded net cash used in investing activities of S$20.0 million mainly due to provision of loans to third parties, associates and joint ventures of S$18.1 million;

(c) The Group recorded net cash generated from financing activities of S$0.7 million mainly due to proceeds from issuance of medium term notes and bank borrowings of S$13.9 million and S$16.7 million, respectively. The cash generated was partially offset by (i) repayment of bank borrowings of S$19.6 million, (ii) payment of dividends of S$3.5 million and (iii) payment of interest of S$5.8 million; and

(d) Taking into account (i) the net decrease in cash and cash equivalents of S$15.8 million and (ii) the cash and bank balances at the beginning of FY2020 of approximately S$55.8 million and (iii) the effect of exchange rate fluctuations on cash held of S$0.5 million, the Group's cash and cash equivalents amounted to approximately S$40.0 million as at 30 September 2020.

In respect of FY2021:

(a) The Group recorded net cash used in operating activities of approximately S$28.0 million mainly due to (i) loss before income tax of S$17.2 million; (ii) adjustments for non-cash items of S$22.5 million (iii) changes in working capital items of S$27.3 million, (iv) income tax paid of S$6.1 million;

(b) The Group recorded net cash generated from investing activities of S$62.3 million mainly due to repayment of loan from associate of S$61.4 million;

(c) The Group recorded net cash used in financing activities of S$52.3 million mainly due to (i) repayment of medium term notes of S$51.3 million, (ii) repayment of bank borrowings of S$13.4 million, and (iii) payment of interest of S$6.9 million. The cash used was partially offset by proceeds from bank borrowings of S$20.2 million; and

(d) Taking into account (i) the net decrease in cash and cash equivalents of S$18.2 million and (ii) the cash and bank balances at the beginning of FY2020 of approximately S$40.0 million and (iii) the effect of exchange rate fluctuations on cash held of approximately

S$0.2 million, the Group's cash and cash equivalents amounted to approximately S$21.8 million as at 30 September 2021.

9.2 Analysis of the Group's NAV per Share and RNAV per Share

Shareholders should note that the analysis based on the NAV/RNAV of the Group only provides an estimate of the value of the Group based on a hypothetical scenario involving the sale of all its assets in an orderly manner over a reasonable period of time and does not take into account or consideration other variables such as the hypothetical sale of assets in a non-orderly manner or over a short period of time, time value of money, market conditions, legal and professional fees, liquidation costs, contractual obligations, regulatory requirements and availability of potential buyers, all of which could theoretically lower the NAV or NTA that can be realised.

9.2.1 NAV of the Group

The Group's unaudited consolidated statement of financial position as at 30 September 2021 comprised the following:

(S$'000)	As at 30 September 2021 Unaudited	As a percentage of total assets (%)
Non-current assets		
Property, plant and equipment comprising:		
• Buildings held under PPE	20,340	
• Office equipment	27	
• Furniture and fittings	14	
• Motor vehicles	63	
• Plant and machinery	464	
	20,908	6.7
Investment Properties	21,382	6.8
Investments in associates and joint ventures	63,692	20.3
Financial assets at FVOCI comprising:		
• Singapore listed equity securities	2,145	
• Unquoted equity securities	28,783	
	30,928	9.9
Financial assets at FVTPL	19,806	6.3
Non-trade receivables	36,814	11.7
Other non-current assets (including deferred tax assets)	6,953	2.2
Current assets		
Trade and other receivables	44,360	14.1
Contract assets	41,890	13.4
Inventories and Prepayments	2,164	0.7
Fixed deposits	2,243	0.7
Cash and bank balances	20,803	6.6
	111,460	35.5
Assets classified as held for sale	1,880	0.6
Total assets	**313,823**	**100.0**
Total liabilities	**155,317**	

(S$'000)	As at 30 September 2021 Unaudited	As a percentage of total assets (%)
Total equity	**158,506**	
Non-controlling interests	(794)	
Equity attributable to owners of the parents	**159,300**	
NAV per Share (S$)(1)	0.678	
Offer Price (S$)	**0.384**	
P/NAV as implied by the Offer Price (times)	**0.566**	
(Discount) of the Offer Price to NAV per Share (%)	**(43.4)**	

Source: Company's unaudited financial results announcement for FY2021 and Management

Note:

(1) Based on the number of issued shares of the Company as at the Latest Practicable Date (excluding treasury shares). Per Share value is rounded to the nearest three (3) decimal places.

Based on the table above, the Offer Price represents a discount of approximately 43.4% to the latest reported NAV per Share of the Group as at 30 September 2021 and values the Group at a P/NAV ratio of approximately 0.6 times.

9.2.2 RNAV of the Group

In our evaluation of the financial terms of the Offer, we have also considered whether there are any assets which may be revalued at an amount that is materially different from their net book value as at 30 September 2021.

In this regard, it is noted that for the purpose of financing or financial reporting, the Group had commissioned the Independent Valuers to carry out independent market valuations of the Buildings held under PPE, properties held under its associates and joint ventures ("**Properties held in JV & Associates**"), Investment Properties and financial assets at FVOCI (collectively "**Appraised Assets**") as at 30 September 2021.

Revaluation surplus of the Buildings held under PPE

The aggregate net book value of the Buildings held under PPE is S$20.3 million as at 30 September 2021, representing 6.5% of the carrying amount of the total assets of the Group as at 30 September 2021. For financing or financial reporting purposes, the Group had commissioned independent valuations of the Buildings held under PPE as at 30 September 2021.

Based on the book value of the Buildings held under PPE as at 30 September 2021 and their market value or fair value (as the case may be) based on the respective valuation reports, we have computed the revaluation surplus of the Buildings held under PPE as set out below:

Buildings held under PPE	Valuer / Valuation methodologies	Book value as at 30 September 2021 (S$'000)	Market Value / Fair Value based on the Valuation Reports (S$'000)	Revaluation surplus / (deficit) (S$'000)
9 Sungei Kadut Street 2, Singapore	Century 99 / Comparison and income approach method	7,646	12,800(1)	5,154
21 Fourth Chin Bee Road, Singapore	RHT / Comparison method	6,631	14,500(2)	7,869

Buildings held under PPE	Valuer / Valuation methodologies	Book value as at 30 September 2021 (S$'000)	Market Value / Fair Value based on the Valuation Reports (S$'000)	Revaluation surplus / (deficit) (S$'000)
20 Chin Bee Drive, Singapore	RHT / Comparison method	6,346	8,700(2)	2,354
Total revaluation surplus				15,377
Less: Potential tax liabilities				-
Net revaluation surplus				**15,377**

Sources: Valuation Reports and Management

Notes:

(1) Century 99 has prepared the valuation report on the basis of "open market value", defined as the highest possible price at which an interest in a property might reasonably be expected to be sold taking into consideration certain assumptions as stated in its valuation report.

(2) RHT has prepared its respective valuation reports on the basis of "fair value", defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In assessing the revaluation surplus of the Buildings held under PPE, we have considered whether there are any potential tax liabilities on the revaluation surplus which may affect the NAV of the Group, assuming the Buildings held under PPE were to be sold at the valuation amount. In this regard, Management has confirmed that there would not be potential tax liabilities as any gains arising from the hypothetical sale of the Buildings held under PPE would be capital in nature and that the Company has no immediate plans to dispose of any of the Buildings held under PPE.

Revaluation surplus of the Properties held in JV & Associates

With regards to the Group's properties held in JV & Associates, the Group has engaged independent valuers to carry out an assessment of the valuation of the Properties held in JV & Associates as at 30 September 2021.

The revaluation surplus of the Properties held in JV & associates derived from the book value of the Properties held in JV & Associates as at 30 September 2021 and the market value or fair value (as the case may be) as appraised by the independent valuers are set out below:

Properties held in JV & associates	Book value as at 30 September 2021 (S$'000)	Valuation as at 30 September 2021 (S$'000)	Revaluation surplus / (deficit) (S$'000)
86/88 East Coast Road, Singapore	678,000	650,000(1)	(5,600)(2)
Pullman Maamutaa Resort located on Maamutaa Island, Gaafu Alifu Atoll, Maldives	119,563	133,733(3)	6,944(4)
Mercure Kooddoo Resort located on Kooddoo Island, Gaafu Alifu Atoll, Maldives	30,324	36,658(5)	3,104(4)
Total revaluation surplus			4,448
Less: Potential tax liabilities			(1,694)
Net revaluation surplus			**2,754**

Sources: Valuation Reports and Management

Notes:

(1) RHT has prepared the valuation report on the basis of "fair value", defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value of the property is determined by applying comparable sales method and the income capitalisation method.

(2) The Group has an effective interest of 20% in Katong Holdings Pte. Ltd. which holds the property. Accordingly, the revaluation deficit has been presented based on the amount attributable to the owners of the Company.

(3) Calculated based on the market valuation of USD98,500,000 as appraised by an independent valuer and converted to SGD at the exchange rate of S$1.3577:USD1.00 as at 30 September 2021.

(4) The Group has an effective interest of 49% in Pristine Islands Investment (Maldives) Pvt. Ltd. which holds the properties. Accordingly, the revaluation surplus has been presented based on the amount attributable to the owners of the Group.

(5) Calculated based on the market valuation of USD27,000,000 as appraised by an independent valuer and converted to SGD at the exchange rate of S$1.3577:USD1.00 as at 30 September 2021.

In assessing the revaluation surplus of the Properties held in JV & Associates, we have also considered whether there are any potential tax liabilities on the revaluation surplus which may affect the NAV of the Group, assuming the Properties held in JV & Associates were to be sold at the valuation amount. The potential tax liabilities arising from the above revaluation surplus amounts to approximately S$1.7 million. However, the aforesaid tax liabilities will not crystallise if no disposal takes place. As at the Latest Practicable Date, we understand that the Company has no immediate plans to dispose of the Properties held in JV & Associates and accordingly, the aforesaid tax liabilities are not likely to arise.

Revaluation surplus of the Investment Properties

As at 30 September 2021, the aggregate net book value of the Investment Properties is S$21.4 million, representing 6.8% of the carrying amount of the total assets of the Group as at 30 September 2021. The Group's Investment Properties, comprising office and retail shops in two commercial buildings in Osaka, Japan, were valued by an independent valuation firm at S$23.8 million (as reported in the Group's unaudited financial results for FY2021) as at 30 September 2021 and was determined by applying the income approach based on the estimation and projection of rental income over a period of 10 years based on the typical holding period of real estate investors and discounting the rental income with an internal rate of return to arrive at the market value.

We set out below the derivation of the net revaluation surplus arising from the valuation of Investment Properties as at 30 September 2021:

	Net book value as at 30 September 2021 (S$'000)	**Valuation as at 30 September 2021 (S$'000)**	**Revaluation surplus (S$'000)**
Investment Properties	21,382	23,792	2,410
Less: Potential tax liabilities			(531)
Net revaluation surplus			**1,879**

Source: Company's unaudited financial results announcement for FY2021 and Management

Similarly in our assessment on revaluation surplus of the Investment Properties, we have considered whether there are any potential tax liabilities which could arise on the disposal of Investment Properties which may affect the NAV of the Group. The potential tax liabilities arising from the above revaluation surplus amounts to approximately S$0.5 million. However, the aforesaid tax liabilities will not crystallise if no disposal takes place. As at the Latest Practicable Date, we understand that the Company has no immediate plans to dispose of its effective interests in the Investment Properties and accordingly, the aforesaid tax liabilities are not likely to arise.

Revaluation surplus of the financial assets at FVOCI

As at 30 September 2021, the financial assets at FVOCI, comprising Singapore listed equity securities and unquoted equity securities, amounted to S$30.9 million, representing 9.9% of the carrying amount of the total assets of the Group.

In this regard, we have computed the revaluation surplus of the SGX listed securities based on its quoted closing market price as at the Latest Practicable Date as set out below:

	Net book value as at 30 September 2021 (S$'000)	Market value / fair value (S$'000)	Revaluation surplus (S$'000)
Financial assets at FVOCI			
SGX listed securities	2,145[(1)]	2,295[(2)]	150
Unquoted securities	28,728[(3)]	28,728[(3)]	-
Total			150
Less: Potential tax liabilities			-
Net revaluation surplus			**150**

Sources: Bloomberg L.P. and Company's unaudited financial results announcement for FY2021

Notes:

(1) *Based on 15,000,000 shares held in a SGX listed company at quoted closing price of S$0.143 as at 30 September 2021.*

(2) *Based on 15,000,000 shares held in a SGX listed company at quoted closing price of S$0.153 as at the Latest Practicable Date.*

(3) *As reported in the Company's full year financial results for FY2021, the fair value of the Group's investments in unquoted equity shares as at 30 September 2021 were valued by an independent valuer.*

In addition, in assessing the revaluation surplus of the financial assets at FVOCI, we have considered whether there are any potential tax liabilities which could arise on the sale of its investments in listed securities. As at the Latest Practicable Date, the Management has confirmed that there would not be any potential tax liabilities in the event of a hypothetical sale of the SGX-listed securities and unquoted securities at the valuation amount as these securities are held for long-term capital appreciation and therefore any gains would be capital in nature.

In view of the market/fair valuation of the Appraised Assets, we have assessed the RNAV of the Group by adjusting for the potential revaluation surpluses attributable to the Appraised Assets. We have also considered potential tax liabilities which may arise from the disposal of the Appraised Assets which may affect the RNAV, as assessed by the Management, for the purpose of evaluating the Offer Price.

We set out below the summary of adjustments which are made to the unaudited NAV as at 30 September 2021 to determine the RNAV as at 30 September 2021.

Appraised Assets	Unaudited as at 30 September 2021 (S$'000)
NAV attributable to owners of the parent	159,300
Add: Net revaluation surplus of the Buildings held under PPE	15,377
Add: Net revaluation surplus of the Properties held in JV & Associates	2,754
Add: Net revaluation surplus of the Investment Properties	1,879
Add: Revaluation surplus of financial assets at FVOCI	150
Net revaluation surplus on Appraised Assets	**20,160**
RNAV of the Group	**179,460**

Appraised Assets	Unaudited as at 30 September 2021 (S$'000)
RNAV per Share (S$)[1]	**0.764**
P/RNAV as implied by the Offer Price (times)	**0.503**
(Discount) to RNAV as implied by the Offer Price (%)	**(49.7)**

Note:

(1) Based on 235,010,000 ordinary Shares (excluding treasury shares) as at the Latest Practicable Date. Per Share value is rounded to the nearest three (3) decimal places.

We note that the RNAV is approximately 12.7% higher compared to the unaudited NAV of the Group as at 30 September 2021 taking into account the net revaluation surplus on the Appraised Assets. The Offer Price represents a discount to RNAV as at 30 September 2021 of 49.7% compared to a discount to NAV as at 30 September 2021 of 43.4%.

Save for the above and as disclosed in the unaudited financial statements of the Group as at 30 September 2021, the announcements released by the Company on the SGXNET and the Circular, the Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief that:

(a) there are no material events that have or will likely have a material impact to the financial position of the Group since 30 September 2021;

(b) save for the revaluation surpluses attributable to the Appraised Assets, there are no material differences between the realisable value of the Group's assets and their respective book values as at 30 September 2021 which would have a material impact on the latest reported NAV of the Group;

(c) other than that already provided for or disclosed in the Group's financial statements as at 30 September 2021, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;

(d) there is no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;

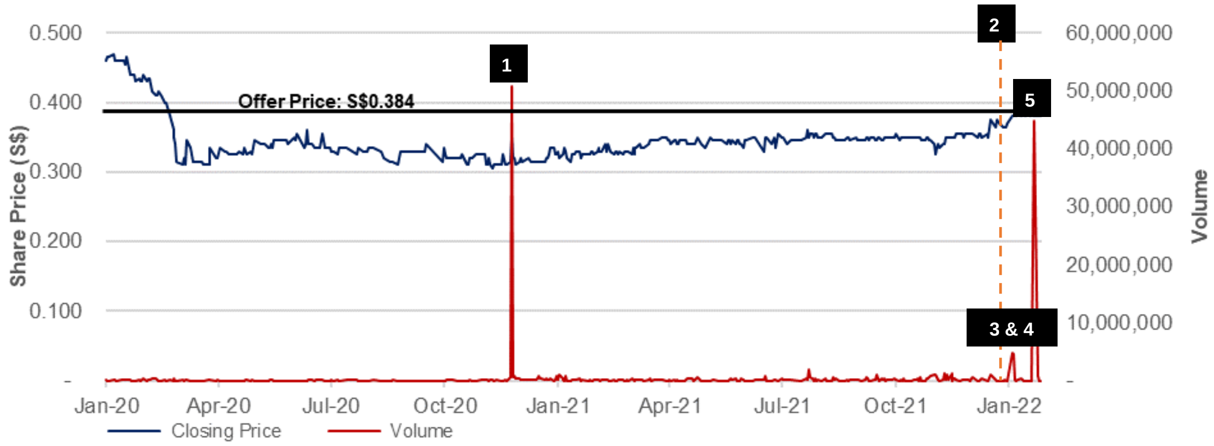
(e) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the SFRS and which have not been so disclosed and where such intangible assets would have a material impact on the overall financial position of the Group; and

(f) there are no material acquisitions and disposals of assets by the Group between 30 September 2021 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material changes in the nature of the Group's business.

9.3 Historical share price performance and trading liquidity

We have compared the Offer Price to the historical share price of the Shares for the 2-year period prior to the Offer Announcement Date and up to the last trading day prior to the date of the Offer Announcement, being 20 January 2022 ("**Last Trading Day**") and for the period from the Offer Announcement Date up to the Latest Practicable Date.

We set out below a chart showing the closing prices of the Shares and the number of Shares traded on a daily basis during the period commencing from 22 January 2020 and up to the Latest Practicable Date ("**Period Under Review**"):



Source: Bloomberg L.P.

(1) 15 December 2020: The Company announced the disposal of 49,352,100 Shares by the Group's Chairman and Chief Executive Officer, Mr. Leo to the Offeror through an off-market transaction which is at a price of S$0.384 per Share.

(2) 21 January 2022: The Offeror announced the Offer which was triggered pursuant to the sale and purchase agreement entered into between Mr. Leo and the Offeror, for the disposal of 44,763,220 Shares by Mr. Leo to the Offeror at a price of S$0.384 per Share.

(3) 24 January 2022: The Offeror announced the Open Market Purchases of 1,314,200 Shares at a price of S$0.380 per Share.

(4) 25 January 2022: The Offeror announced the Open Market Purchases of 2,631,000 Shares at a price of S$0.380 per Share.

(5) 11 February 2022: The Company announced that Mr. Leo has ceased to be the substantial shareholder of the Company following his disposal of 44,763,220 Shares to the Offeror.

In addition to the above share price / trading volume chart, we have tabulated below selected statistics on the share price and trading liquidity of the Shares for the Period Under Review and the period after the Offer Announcement Date up to the Latest Practicable Date:

Reference Period	**VWAP (S$)(1)**	**Premium/ (discount) of Offer Price to VWAP (%)(2)**	**Highest closing price (S$)(1)**	**Lowest closing price (S$)(1)**	**Average daily trading volume ('000)(2) (3)**	**Average daily trading volume as a percentage of free float (%)(1) (4)**
Period up to and including the Offer Announcement Date						
12-month	0.341	12.7	0.375	0.315	201.1	0.228%
6-month	0.346	11.0	0.375	0.325	265.2	0.300%
3-month	0.346	11.1	0.375	0.325	285.6	0.323%
1-month	0.356	7.9	0.375	0.350	184.7	0.209%
Last Trading Day prior to Offer Announcement Date	0.370(5)	3.8	0.370	0.370	55.0	0.062%
Periods after the Offer Announcement Date						
Period after the Offer Announcement Date to the Latest Practicable Date	0.380	1.0	0.385	0.380	3,705	4.192%
Latest Practicable Date	0.380(5)	1.1	0.380	0.380	55.9	0.063%

Source: Bloomberg L.P.

Notes:

(1) Rounded to the nearest three (3) decimal places.

(2) Rounded to the nearest one (1) decimal place.

(3) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days during that period.

(4) Based on the Company's annual report for FY2020, the number of Shares held in the hands of the public was approximately 88.39 million Shares being approximately 37.6% of the issued shares of the Company.

(5) Refers to the closing price of the Shares on the respective days.

Based on the above, we note the following:

(a) The Offer Price is at a premium of approximately 12.7%, 11.0%, 11.1% and 7.9% to the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively;

(b) The Offer Price is at a premium of approximately 3.8% to the closing price of the Shares on the Last Trading Day prior to the Offer Announcement Date;

(c) The Offer Price at S$0.384 is higher than the range of closing prices of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Trading Day prior to the Offer Announcement Date;

(d) The Offer Price is at a premium of approximately 1.0% to the VWAP of the Shares for the period after the Offer Announcement Date to the Latest Practicable Date. The daily closing prices of the Shares is almost the same as the Offer Price during this period; and

(e) The Offer Price is at a premium of approximately 1.1% to the closing price of the Shares on the Latest Practicable Date.

We note the following with regard to the trading liquidity of the Shares:

(a) Trading liquidity of the Shares during the 12-month period up to and including the Last Trading Day has been low with an average daily trading volume of between approximately 55,000 Shares and 285,600 Shares representing between 0.062% and 0.323% of the free float of the Company; and

(b) For the period after the Offer Announcement Date to the Latest Practicable Date, trading liquidity of the Shares increased to an average daily trading volume of approximately 3.71 million Shares, representing approximately 4.2% of the Company's free float, as compared to the average daily trading volume of approximately 201,118 Shares for the 12-month period up to and including the Last Trading Day.

Based on the above, it appears likely that the market price and the trading volume of the Shares have been supported by the Offer subsequent to the Offer Announcement Date. Shareholders should note that there is no assurance that the market price and trading volume of the Shares will be maintained at the level prevailing as at the Latest Practicable Date after the close of the Offer. **Shareholders are advised that the past trading performance of the Shares should not, in any way, be relied upon as an indication or promise of its future trading performance.**

9.4 Valuation ratios of selected listed companies broadly comparable to the Group

Based on the annual report of the Company for FY2020 and our discussion with Management, we note that the Group is primarily engaged in construction, property and/or hotel development and investment activities.

For the purpose of our evaluation of the financial terms of the Offer, we have considered comparing the valuation ratios of the Group, such as EV/EBITDA ratio, P/E ratio and P/NAV ratio, to those of the Selected Comparable Companies (as defined below).

In our selection of the comparable companies, we have made reference to selected companies listed on the SGX-ST which we consider to be broadly comparable to the principal business of the Group, that is, listed companies that are engaged in construction and property and hotel development and investment activities ("**Selected Comparable Companies**").

We wish to highlight that the Selected Comparable Companies are not exhaustive and we recognise that there is may not be any listed company or group which may be considered identical to the Group in terms of, *inter alia*, composition of business, business activities, size and scale of operations, risk profile, geographical spread of business, operating and financial leverage, accounting policies, track record, financial performance and future prospects, liquidity and market capitalisation. In addition, we wish to highlight that the list of Selected Comparable Companies is by no means exhaustive. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

The Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of the financial performance, the historical share price performance, the demand/supply conditions of the shares, the relative liquidity of the shares, the relative sentiments of the market for the shares, as well as the market capitalisation.

Company	Stock Exchange	Business Description (as extracted from Bloomberg)	Market Capitalisation as at the LPD (S$' million)
Lian Beng Group Ltd	Singapore	Lian Beng Group Limited provides building construction and civil engineering services for both the private and public sectors. The Group also sells, leases, and maintains construction machinery and equipment, and develops and invests in properties.	264.8
KSH Holdings Ltd	Singapore	KSH Holdings Limited constructs, develops, and manages various properties in Singapore, Malaysia, and the People's Republic of China.	197.2
Wee Hur Holdings Ltd	Singapore	Wee Hur Holdings Ltd provides building construction services and acts as the management or main contractor in construction projects for both private and public sectors. The Company's clients from the private sector include property owners and developers, and those from the public sector comprise government bodies and statutory boards.	180.2
Lum Chang Holdings Ltd	Singapore	Lum Chang Holdings Limited is an investment holding company whose subsidiaries provide services such as property development and management, building construction, and investment dealing. The Company also provides home and office improvement services via the Internet for home and office owners. Lum Chang owns and manages hotels and serviced residences.	165.7
Tiong Seng Holdings Ltd	Singapore	Tiong Seng Holdings Ltd. is a construction company. The Company's activities include building construction and civil engineering business is in Singapore. Tiong Seng's main focus of its property development business is to develop residential and commercial properties in various second- and third-tier cities in the PRC, such as Tianjin and Yangzhou.	59.6
Koh Brothers Group Ltd	Singapore	Koh Brothers Group Limited is an investment holding company whose subsidiaries are active in construction and real estate development. The Company also manufactures concrete products and building materials, manages hotels, and sells and rents construction equipment. Koh Brothers distributes, designs, and fabricates equipment products for the oil and gas industry.	68.9

Company	Stock Exchange	Business Description (as extracted from Bloomberg)	Market Capitalisation as at the LPD (S$' million)
Soilbuild Construction Group Ltd	Singapore	Soilbuild Construction Group Ltd is involved in in general building and construction. The Company is principally engaged in building works in Singapore in which they act as the main contractor. In addition, they are also engaged in architectural works in Singapore in which they act as a direct contractor, and project management services.	43.7
Sysma Holdings Ltd	Singapore	Sysma Holdings Ltd. is principally engaged in providing building construction services to the private sector in Singapore. The Company's current focus is on building high-end landed housing (especially Bungalows) and conducting A&A works on landed and other properties in Singapore.	34.3

Source: Bloomberg L.P.

The valuation ratios of the Selected Comparable Companies as at the Latest Practicable Date are set out below:

Companies	Last Financial Year End	EV/TTM EBITDA (times)	TTM P/E(1) (times)	P/NAV(1) (2) (times)
Lian Beng Group Ltd	May	30.6	11.4	0.3
KSH Holdings Ltd	March	105.8(3)	19.5	0.5
Wee Hur Holdings Ltd	December	n.m.(4)	n.m.(4)	0.4
Lum Chang Holdings Ltd	June	9.8	22.4(3)	0.6
Tiong Seng Holdings Ltd	December	n.m.(4)	n.m.(3)	0.2
Koh Brothers Group Ltd	December	12.8	10.0	0.2
Soilbuild Construction Group Ltd	December	69.2(3)	n.m.(4)	0.8
Sysma Holdings Ltd	July	2.1	12.9	0.6
High		105.8	22.4	0.8
Low		2.1	10.0	0.2
Mean		**13.8**	**15.2**	**0.5**
Median		**11.3**	**12.9**	**0.5**
Company as implied by Offer Price		**n.m.(4)**	**n.m.(4)**	**0.6 / 0.5(5)**

Source: Bloomberg L.P.

Notes:

(1) Based on the closing price as at the Latest Practicable Date.

(2) Based on the NAV as set out in the latest available published financial statements of the Selected Comparable Companies as at the Latest Practicable Date.

(3) Excluded as statistical outlier in the mean and median computations in relation to the EV/EBITDA and TTM P/E ratios.

(4) "n.m." denotes not meaningful.

(5) Based on RNAV per Share of the Company as set out in Section 9.2.2 of this IFA Letter.

Based on the above, we note that:

(a) Comparisons using the earnings-based valuation multiples will not be meaningful as the Group had negative EBITDA and earnings for the latest reported trailing twelve months period;

(b) The P/NAV of the Group (as implied by the Offer Price) of 0.6 times is within the range of P/NAV of the Selected Comparable Companies of between 0.2 times and 0.8 times, and above the mean and median P/NAV of 0.5 times; and

(c) The P/RNAV of the Group (as implied by the Offer Price) of 0.5 times is within the range of P/NAV of the Selected Comparable Companies of between 0.2 times and 0.8 times, and same as the mean and median P/NAV of 0.5 times.

9.5 Precedent non-privatisation transactions in Singapore

The Offeror has stated its intention to maintain the listing status of the Company on the SGX-ST and that it does not intend to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act.

In assessing the reasonableness of the Offer Price, we have also compared the valuation multiples implied by the Offer Price with those of selected recently completed takeover offers in cash for companies listed on the SGX-ST (excluding real estate investment trusts and business trusts) that were announced since January 2020 and completed as at the Latest Practicable Date, where the offeror has indicated similar intentions to maintain the listing status of the offeree company and these companies continued to be listed after the close of their respective offers ("**Precedent Non-Privatisation Transactions**").

In making the comparison herein, we wish to highlight that the companies in the Precedent Non-Privatisation Transactions are not exhaustive and there is no listed company or group which may be considered identical to the Group in terms of, *inter alia*, composition of business, business activities, size and scale of operations, risk profile, geographical spread of business, operating and financial leverage, accounting policies, track record, financial performance and future prospects, liquidity and market capitalisation. Likewise, they involve shares of companies which are quoted, listed and tradeable on the stock exchange. As the Company has, *inter-alia*, more than one segment of business and percentage of its revenue or earnings or EBITDA or assets deployed for its various business segments may differ from the companies whose transactions are reflected in the Precedent Non-Privatisation Transactions, the relative weightage as accorded by us may differ from that as assigned by investors or Shareholders, for the valuation of each of the different business segments. Accordingly, the analysis will be limited and purely for illustrative purpose only.

We wish to highlight that other than the criteria mentioned above, the premium or discount that an offeror pays in any particular Precedent Non-Privatisation Transaction varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, existence of intangibles and branding or "internal goodwill or intangible assets", the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence of competing bids for the target company and the existing and desired level of control in the target company.

The premium or discount of offer price and the valuation multiples of the Precedent Non-Privatisation Transactions are set out below.

Date of announce-ment	Target	Premium/(Discount) of Offer Price over/to[1] Last traded price (%)	1-month VWAP (%)	3-month VWAP (%)	Offer price to NAV[2] (times)	IFA's advice to the independent directors
13-Jan-20	Amcorp Global Limited (formerly known as Tee Land Limited)[3]	8.0	12.1	19.6	0.6[4]	Accept the offer
5-May-20	Darco Water Technologies Limited	30.8	33.3	30.6	0.4[5]	Reject the offer
1-Jun-20	Axington Inc.	43.4	40.1	41.3	1.3[7]	Accept the offer
7-Jul-20	Tee International Limited	12.7	12.7	25.2	1.0	Accept the offer
16-Nov-20	Blumont Group Ltd.	(80.0)[6]	(79.4)[6]	(80.6)[6]	1.1[8]	Reject the offer
17-Nov-20	Lum Chang Holdings Limited	8.6	8.6	8.7	0.5[9]	Reject the offer

Date of announce-ment	Target	Premium/(Discount) of Offer Price over/to[1] Last traded price (%)	1-month VWAP (%)	3-month VWAP (%)	Offer price to NAV[2] (times)	IFA's advice to the independent directors
20-Feb-21	Transit-Mixed Concrete Ltd.	75.0	85.9[6]	88.9[6]	0.9[10]	Reject the offer
15-Mar-21	Procurri Corporation Limited	23.7	24.4	17.1	2.1[11]	Accept the offer
26-Mar-21	Tianjin Zhong Xin Pharmaceutical Group Corporation Limited	(5.3)	(0.7)	5.3	0.8[12]	Reject the offer
22-Apr-21	JEP Holdings Ltd	0.0	0.7	1.3	1.4[13]	Accept the offer
14-Jun-21	Lian Beng Group Limited	6.4	7.1	1.6	0.3[14]	Reject the offer
22-Sep-21	Sembcorp Marine Ltd	(35.7)[15]	-[15]	-[15]	0.6[15]	Reject the offer
18-Nov-21	Viking Offshore and Marine Limited	(88.9)[6]	(87.6)[6]	(91.0)[6]	2.1[17]	Reject the offer
High		75.0	40.1	41.3	2.1	
Low		(35.7)	(0.7)	1.3	0.3	
Mean		15.2	15.4	16.7	1.0	
Median		8.6	12.1	17.1	0.9	
21-Jan-22	**Company (as implied by the Offer Price)**	**3.8**	**7.9**	**11.1**	**0.6[18]** **0.5[19]**	

Source: Bloomberg L.P. and circulars in relation to the Precedent Non-Privatisation Transactions

Notes:

(1) Market premia / (discounts) calculated relative to the last transaction prices and the 1-month, 3-month, 6-month and 12-month VWAPs of the respective target companies prior to the respective announcements.

(2) Based on the P/NTA or P/NAV per share (as the case may be), as published in the respective circulars in relation to the Precedent Non-Privatisation Transactions.

(3) The market premium was computed based on the share prices prior to the pre-conditional offer announcement of 13 January 2020.

(4) Based on the revalued NAV per Share of Amcorp Global Limited as at 30 November 2019.

(5) Based on the audited NTA per Share as at 31 December 2019.

(6) Excluded as statistical outlier.

(7) Based on the adjusted NAV per share of Axington Inc. as at 31 December 2019.

(8) Based on the revalued NAV per share of Blumont Group Ltd. as at 30 June 2020.

(9) Based on the revalued NAV per share of Lum Chang Holdings as at 30 June 2020.

(10) Based on the NAV per share of Transit-Mixed Concrete Ltd as at 31 August 2020.

(11) Based on the NAV per share of Procurri Corporation Limited as at 31 December 2020.

(12) Based on the NAV per share of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited as at 31 December 2020.

(13) Based on the NAV per share of JEP Holdings Ltd as at 31 December 2020.

(14) Based on the revalued NAV per share of Lian Beng Group Limited as at 30 November 2020.

(15) Discount to the last traded price is based on the discount of the offer price to the theoretical ex-rights price on the last trading date pursuant to a rights issue and potential compliance offer. Information on the discount to VWAPs was not included in the circular.

(16) Based on the estimated projected NAV per share of Sembcorp Marine Ltd as at 31 December 2021.

(17) Based on the NAV per share of Viking Offshore and Marine Limited as at 30 September 2021.

(18) Based on the unaudited NAV per share of the Company as at 30 September 2021.

(19) Based on the unaudited RNAV per share of the Company as at 30 September 2021.

Based on the above, we note the following:

(i) The premium of 3.8% implied by the Offer Price over the VWAP of the Shares for the Last Trading Day is within the range of the (discount) / premium for the Precedent Non-Privatisation Transactions (excluding statistical outliers) of between (35.7)% and 75.0%, but below the mean and median premia of 15.2% and 8.6% respectively;

(ii) The premium of 7.9% implied by the Offer Price over the VWAP of the Shares for the 1-month period prior to the Offer Announcement Date is within the range of the (discount) / premium for the Precedent Non-Privatisation Transactions (excluding statistical outliers) of between (0.7)% and 40.1%, but below the mean and median premia of 15.4% and 12.1% respectively;

(iii) The premium of 11.1% implied by the Offer Price over the VWAP of the Shares for the 3-month period prior to the Offer Announcement Date is within the range of the premium for the Precedent Non-Privatisation Transactions (excluding statistical outliers) of between 1.3% and 41.3%, but below the mean and median premia of 16.7% and 17.1% respectively;

(iv) The P/NAV as implied by the Offer Price of approximately 0.6 times is within the range of the P/NAV of the Precedent Non-Privatisation Transactions of 0.3 times and 2.1 times, but below the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 1.0 times and 0.9 times respectively;

(v) The P/RNAV as implied by the Offer Price of approximately 0.5 times is within the range of the P/NAV of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 0.3 times and 2.1 times, but below the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 1.0 times and 0.9 times respectively; and

(vi) Further, we note that amongst the Precedent Non-Privatisation Transactions where the respective independent financial advisers had advised the independent directors to recommend to shareholders to "accept" the offer, the P/NAV or P/RNAV ratios (as the case may be) of all such Precedent Non-Privatisation Transactions are above the P/RNAV ratio implied by the Offer Price in relation to the Offer and the offer premiums for such offers are generally higher.

9.6 Other Relevant Considerations

9.6.1 Outlook of the Group

The Company has made the following comments in relation to its business outlook in its unaudited results announcement for FY2021:

*"**<u>Overview</u>***

Singapore's economy grew by 7.1% on a year‑on‑year basis in the third quarter of 2021 and is expected to grow around 7.0% for full year 2021. The gradual recovery has also been extended to the construction sector, as the sector expanded by 66.3% on a year‑on‑year basis in the third quarter, following a 117.5% growth in the preceding quarter. However, it was noted that the construction sector's growth was largely due to low base effects when compared to the same period of 2020. The value‑added of the sector remained 21.1% below its pre‑COVID-19 level, during the third quarter of 2019, with activity at construction worksites weighed down by labour shortages.

2022 will continue to be a year filled with headwinds such as rising raw material prices, supply restrictions and labour shortages. Despite these challenges, the Group is cautiously optimistic on the overall prospects of building construction, property and hotel development and investment sectors in the coming months as Singapore is set to ease further border restrictions and the economy is poised for recovery.

<u>Building Construction</u>

The Group's current project pipeline consists of National Skin Centre, Punggol Regional Sports Centre, Sky Everton condominium, Wilshire Residences condominium, The Antares condominium and the Grand Hyatt Hotel Singapore. As at 30 September 2021, our construction order book stood at approximately S$482 million, providing us with a steady flow of activities through the financial year ending 30 September 2023.

The strict workplace safety rules such as worksite segregation and safe distancing measures imposed by the relevant authorities have resulted in lower productivity and efficiency and rising business costs, exacerbated by escalating prices of raw materials. Project delays and falling margins have been the inevitable consequences of such circumstances.

Property Development and Investment

Singapore's property market shows no sign of letting up with prices increasing across all classes of properties. Prices of residential properties increasing by 1.1% in the third quarter of 2021 as compared with 0.8% in the preceding quarter. Developers sold 3,550 private residential units in the third quarter of 2021 as compared to 2,966 units in the previous quarter and 3,517 units in the same period in 2020.

The Antares condominium has benefitted from the strong property market, achieving sales of more than 98% to date, whilst its completion has been pushed back to the third quarter of 2022.

The Group will be earnestly looking for new property development projects in the coming months.

Hotel Development and Investments

Our two hotels, The Holiday Inn Express Singapore Katong and Hotel Indigo Singapore Katong, have been adversely affected by the global pandemic. As Singapore gradually reopens borders, the introduction of Vaccinated Travel Lanes (VTLs) with 27 countries to date, offers hope for a faster recovery. We remain cautiously hopeful for an eventual upturn in tourist arrivals as more VTLs and other reciprocal travel schemes are established.

The Maldives has reopened its borders since July 2020 and has rebounded well from the pandemic. From January to October 2021, over one million tourists have arrived in Maldives as compared to 423,325 for the same period last year which marks a 139.3% increase in tourism arrivals. This has augured well for our Mercure Maldives Kooddoo Hotel and Pullman Maldives Maamutaa Resort, with both properties achieving a combined average occupancy rate of more than 60% since August 2021."

9.6.2 Alternative offers from third parties

As at the Latest Practicable Date, there is no publicly available evidence of any alternative take-over offer for the Shares from any third party. The Directors have confirmed that, as at the Latest Practicable Date, save for the Offer made by the Offeror, no alternative offer from third party has been received.

9.6.3 Offer declared unconditional in all respects

On 17 February 2022, NCF, for and on behalf of the Offeror, announced that the Offer has become unconditional as to acceptances and is declared unconditional in all respects.

9.6.4 Listing status and Compulsory Acquisition

The Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code following the Acquisition of the 44,763,220 Shares by the Offeror from Mr. Leo. It is the current intention of the Offeror to maintain the listing status of the Company on the Main Board of SGX-ST and the Offeror does not intend to exercise its right of compulsory acquisition that may arise under Section 215(1) of the Companies Act.

However, in the event that the Company does not meet the Free Float Requirement under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition under Section 215(1) of the Companies Act, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

9.6.5 Offeror's Intentions for the Group

As set out in Section 6.1 of the Offer Document, it is currently the intention of the Offeror to ensure continuity in the operations of the Group and for Mr. Leo to continue leading the management team as the Executive Chairman and Chief Executive Officer of the Company. The Offeror also intends to undertake a review of the operations, management and financial position of the Company and to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company.

Save for the above, the Offeror has no current intention to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group.

9.6.6 Going concern of the Group

We note that the independent auditor has highlighted in its FY2020 audited report that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. We have reproduced the Group's auditor's statement in italics below, for your information:

*"**Material Uncertainty Related to Going Concern***

We draw attention to Note 4 to the financial statements, which indicates that the Group incurred a net loss of $18,830,000 for the financial year ended 30 September 2020. As at 30 September 2020, the Group and the Company have cash and cash equivalents of $40,000,000 and $14,651,000 respectively.

As at 30 September 2020, the Group and the Company have obligations in the form of Medium Term Notes amounting to $98,952,000 referred to in Note 28 to the financial statements. Of these amounts, $51,019,000 for the Group and the Company fall due and are repayable within the next 12 months from the financial year-end.

The ability of the Group and the Company to continue as a going concern is dependent on the Group's ability to receive repayment of shareholders loans from its joint venture, adequacy of funds required to meet its debt obligations and working capital requirements and continued availability of adequate banking facilities for drawdown.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Note 4 - Going Concern

The Group incurred a net loss of $18,830,000 for the financial year ended 30 September 2020. As at 30 September 2020, the Group and the Company have cash and cash equivalents of $40,000,000 and $14,651,000 respectively.

*The Group's Series 2 Medium Term Note ("Series 2 Notes") of $85,000,000 was originally due for repayment in September 2021. In August 2020, the Group issued the Series 3 Medium Term Note ("**Series 3 Notes**") of $48,000,000 which will mature in August 2023 as disclosed in Note 28 to the financial statements. $33,750,000 of Series 2 Notes was exchanged with an equivalent amount of Series 3 Notes which will mature in August 2023 as disclosed in Note 28 to the financial statements. The remaining $51,250,000 of Series 2 Notes remained repayable in September 2021.*

The operating environment of the Group and the Company will continue to be challenging amidst the various safe management measures implemented by the government at construction sites and construction workers dormitories, disruption to the supply of foreign construction workers and supply chain for construction materials will inadvertently cause significant impact to the Group and the Company's financial performance for the next financial year.

*In order to generate sufficient funds to repay the $51,250,000 Series 2 Notes maturing in September 2021, the Group expects that one of its joint venture attaining temporary occupational permit (“**TOP**”) of its development property to trigger the drawdown of approximately 60% of the remaining selling prices for the development units sold and disbursements of the funds as repayment for shareholder loans within the next nine months from the financial year ended. This joint venture has sold more than 98% of its development and fully paid off all development loans to the banks and thus the Group expects to receive repayment for majority of the shareholders loan of $67 million extended from the Group to the joint venture after it obtains the TOP. In addition, the Group has also ramped up our construction output at various project sites to generate more revenue and the Group is actively bidding for new construction projects in the coming months.*

In assessing the appropriateness of the going concern assumptions of the Group and the Company, the Directors are however of the view that the use of going concern assumption to prepare the financial statements is appropriate based on the following factors:

i) The Directors are of the view that the repayment of shareholders loans by its joint venture will be received within the next nine months from the financial year ended 30 September 2020;

ii) The adequacy of funds required to meet its debt obligations and working capital requirements based on a 18-months projected cash flows for the Group from 1 October 2020.

iii) The Group has unutilised banking facilities amounting to $30,490,000 which is available for drawdown when necessary.

Notwithstanding the above, the Directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group’s and the Company’s ability to continue as going concerns, which is highly dependent on the Group’s and the Company’s ability to receive repayment of shareholders loans from its joint venture, adequacy of funds required to meet its debt obligations and working capital requirements and continued availability of adequate banking facilities for drawdown.

Should the Group and the Company be unable to discharge their liabilities in the normal course of business which may lead to the Group and the Company being unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.”

With regards to the Series 2 Notes, we note that the outstanding aggregate principal amount of S$51,250,000 including interest had fully repaid by the Company on 13 September 2021.

We further note that the Group has reported a net loss of S$19.3 million and a net current liabilities of S$26.3 million in its unaudited results announcement for FY2021. We have reproduced the Company’s commentary on the appropriateness of its going concern assumptions below:

Extracted from Note 2.3 of the Condensed Interim Consolidated Financial Statements for FY2021

“Notwithstanding the above, the appropriateness of the going concern assumptions of the Group is appropriate based on the following factors:

(a) Our project for the Antares condominium has achieved sales of more than 98% to date, with TOP expected to be in the 3rd quarter of 2022. With it, it is anticipated that the shareholders’ loan of S$36.8 million by its joint venture will be repaid.

(b) *The adequacy of funds, including receipt of projected dividend income of approximately S$35 million in the forthcoming year for completed development project and projected cash flows for ongoing projects, enabling the Group to meet its debt obligations and working capital requirements.*

(c) *Unutilised banking facilities that can be utilised for general working capital purposes."*

10. OUR OPINION AND RECOMMENDATION TO THE INDEPENDENT DIRECTORS

In arriving at our recommendation in respect of the Offer to the Independent Directors, we have taken into account a range of factors which we consider, based on available information as at the Latest Practicable Date, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

In determining the fairness of the Offer, we have considered, *inter alia*, the following pertinent factors:

(a) Notwithstanding that the Offer Price represents: (i) a premium of approximately 3.8% over the VWAP of the Shares of S$0.370 on 20 January 2021, being the Last Traded Day before the Offer Announcement Date; and a premium of approximately 7.9%, 11.1%, 11.0% and 12.7% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day respectively, the Offer Price represents a discount of 43.4% and 49.7% to the NAV per Share and RNAV per Share respectively and values the Group at a P/NAV and P/RNAV ratios of approximately 0.6 times and 0.5 times respectively; and

(b) Comparison with the Selected Comparable Companies:

   (i) Comparison on the earning-based trading multiples with the Selected Comparable Companies would not be meaningful as the Group had negative trailing twelve months EBITDA and earnings during the relevant period;

   (ii) The P/NAV ratio of the Group of approximately 0.6 times is within the range and is slightly above the mean and median P/NAV ratios of the Selected Comparable Companies; and

   (iii) The P/RNAV ratio of the Group of 0.5 times is within the range and same as the mean and median P/NAV ratios of the Selected Comparable Companies.

In view of the above, we are of the opinion that, on balance, the Offer is **NOT FAIR**.

In determining the reasonableness of the Offer, we have considered, *inter alia*, the following pertinent factors:

(a) Trading liquidity of the Shares during the 12-month period up to and including the Last Trading Day has been low with an average daily trading volume of between approximately 55,000 Shares and 285,600 Shares representing between 0.062% and 0.323% of the free float of the Company and the Offer provides an exit option for Shareholders who wish to realise their investments in the Shares at the Offer Price but face difficulties to do so due to the low trading activity;

(b) The Group's profitability had deteriorated from FY2018 to FY2019 and the Group recorded a net loss attributable to owners of the parent in FY2020 and FY2021. However, the Company had in its latest results announcement dated 29 November 2021, disclosed that the Group is cautiously optimistic on the overall prospects of building construction, property and hotel development and investment sectors in the near future as Singapore is set to ease further bother restrictions and the economy is poised for recovery;

(c) Notwithstanding that the Group has also recorded a net cash outflow from operating activities of S$28.0 million in FY2021, the Group reported an order book of approximately S$482 million as at 30 September 2021 (versus S$224 million as at 30 September 2020) which will provide a steady flow of activities through the financial year ending 30 September 2023;

(d) Comparison with Precedent Non-Privatisation Transactions:

(i) Notwithstanding the premium implied by the Offer Price of 3.8% over the last transacted market price of the Shares prior to the Offer Announcement Date, the premium is below the mean and median of the corresponding premium of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 15.2% and 8.6% respectively;

(ii) Notwithstanding the premium implied by the Offer Price of 7.9% over the VWAPs for the 1-month period prior to the Offer Announcement Date, the premium is below the mean and median of the corresponding premium of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 15.4% and 12.1% respectively;

(iii) Notwithstanding the premium implied by the Offer Price of 11.1% over the VWAPs for the 3-month period prior to the Offer Announcement Date, the premium is below the mean and median of the corresponding premium of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 16.7% and 17.1% respectively;

(iv) The P/NAV of the Group of approximately 0.6 times is within the range of P/NAV of the Precedent Non-Privatisation Transactions but below the mean and median of the corresponding P/NAV (or P/RNAV) of the Precedent Non-Privatisation Transactions of 1.0 times and 0.9 times respectively;

(v) The P/RNAV of the Group of 0.5 times is within the range of P/NAV of the Precedent Non-Privatisation Transactions but below the mean and median of the corresponding P/NAV (or P/RNAV) of the Precedent Non-Privatisation Transactions of 1.0 times and 0.9 times respectively; and

(vi) Amongst the Precedent Non-Privatisation Transactions where the respective independent financial advisers had advised the independent directors to recommend to shareholders to "accept" the offer, the P/NAV or P/RNAV ratios (as the case may be) of all such Precedent Non-Privatisation Transactions are above the P/NAV and P/RNAV ratio implied by the Offer Price in relation to the Offer; and

(e) It is currently the intention of the Offeror to maintain the listing status of the Company on the Main Board of SGX-ST and the Offeror does not intend to exercise its right of compulsory acquisition that may arise under Section 215(1) of the Companies Act.

In view of the above, we are of the opinion that, on balance, the Offer is **NOT REASONABLE**.

Having regard to the foregoing considerations set out in this IFA Letter and information available to us as at the Latest Practicable Date and subject to the qualifications made herein, we are of the opinion that the financial terms of the Offer are NOT FAIR AND NOT REASONABLE. On balance of the above factors, we advise the Independent Directors to recommend that Shareholders <u>REJECT</u> the Offer. If Shareholders wish to realise their investments in the Company, they can choose to sell their Shares in the open market if they obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

Our opinion is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Offer. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer shall remain the responsibility of the Independent Directors.

In rendering our opinion and providing our recommendation, we did not have regard to the specific objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder and we neither assume any responsibility for, nor hold ourselves as advisers to any person other than the Independent Directors. As different Shareholders would have different investment profiles and objectives, we recommend that any Shareholder who may require specific advice in relation to his/her investment portfolio or objectives should consult his/her stock broker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately and not to rely upon our opinion as the sole basis for deciding whether or not to accept the Offer.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Independent Directors, nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the purpose of the Offer.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,

For and on behalf of
W Capital Markets Pte. Ltd.

Foo Say Nam
Partner
Head of Advisory

Alicia Chang
Vice President
Corporate Finance

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Leo Ting Ping Ronald	115 Mimosa Crescent Singapore 808063	Executive Chairman and Chief Executive Officer
Mr. Er Ang Hooa	886A Woodlands Drive 50 #09-527 Treegrove@Woodlands Singapore 731886	Executive Director
Mr. Chong Weng Hoe	11 Thomson Heights Happy Estate Singapore 574840	Lead Independent Director
Mr. Chong Wai Siak	431 Bukit Timah Road #12-431 Jaya Towers Singapore 259738	Non-Executive Independent Director
Mr. Koh Tee Huck Kenneth	73 Greenwood Avenue Hillcrest Park Singapore 289279	Non-Executive Independent Director
Mr. Fong Heng Boo	Blk 33, Club Street #09-02, Emrald Garden Singapore 069415	Non-Executive Independent Director
Mr. Xu Quanqiang	9 Bedok Reservoir View #06-03 Aquarius By The Park Singapore 478930	Non-Executive Non-Independent Director

2. REGISTERED OFFICE

The registered office of the Company is at 9 Sungei Kadut Street 2, Singapore 729230.

3. HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated under the laws of Singapore on 15 April 2008 and was listed on the Catalist Board of the SGX-ST on 16 December 2011. The Company was subsequently transferred to the Main Board of the SGX-ST on 2 August 2016.

The principal activity of the Company is that of an investment holding company. The Group is engaged in the businesses of building construction, property development, hotel development and investment and overseas property investment.

4. SHARE CAPITAL

4.1 Issued Share Capital

The Company has one class of Shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$22,514,415 comprising 235,010,000 Shares (excluding 7,555,000 Shares held by the Company as treasury Shares). The issued Shares are listed and quoted on the Main Board of the SGX-ST.

As at the Latest Practicable Date, the Company has 7,555,000 Shares held by the Company as treasury Shares.

4.2 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the registered office of the Company at 9 Sungei Kadut Street 2, Singapore 729230 during normal business hours for the period during which the Offer remains open for acceptance. The relevant provisions in the Constitution in relation to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are reproduced in **Appendix V** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

4.3 Number of Shares issued since the end of the last financial year

No Shares have been issued by the Company since 30 September 2021, being the end of the last financial year up to the Latest Practicable Date.

4.4 Options and Convertible Instruments

As at the Latest Practicable Date, save for the 6,455,000 outstanding Company Options which are exercisable for up to a maximum of 6,455,000 Shares, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting Shares. Under the rules of the Company Scheme, the Company Options are not freely transferable by the holders thereof.

5. DISCLOSURE OF INTERESTS AND DEALINGS

5.1 Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

5.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.3 Interests of the Directors in Offeror Securities

None of the Directors has any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

5.4 Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.5 Interests of the Directors in Company Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in the Company Securities:

Interests of Directors in Shares

Name of Director	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)
Mr. Leo	5,231,180	2.23	22,500,000(2)	9.57	27,731,180	11.80
Mr. Er Ang Hooa	500,000	0.21	-	-	500,000	0.21

Notes:

(1) Calculated based on a total of 235,010,000 Shares (excluding 7,555,000 Shares held by the Company as treasury Shares) as at the Latest Practicable Date and rounded to the nearest two (2) decimal places. As at the Latest Practicable Date, the Company has 7,555,000 Shares held by the Company as treasury Shares.

(2) Mr. Leo has a deemed interest in the 5,000,000 Shares, 10,000,000 Shares and 7,500,000 Shares held in the name of BNP Paribas Nominees Singapore Pte. Ltd., Citibank Nominees Singapore Pte Ltd and DBS Nominees Pte Ltd, respectively.

Interests of Directors in Company Options

Name of Director	Date of grant	Exercised period	Grant price	Exercise price	No. of the Company Options	No. of Shares under the Company Options
Mr. Er Ang Hooa	1 October 2013	1 October 2015 to 30 September 2023	S$0.31	S$0.31	400,000	400,000
	8 January 2016	8 January 2018 to 7 January 2026	S$0.40	S$0.40	400,000	400,000
	2 April 2018	2 April 2020 to 1 April 2028	S$0.46	S$0.46	300,000	300,000

5.6 Dealings in Company Securities by the Directors

Save for the sale and purchase agreement entered into on 21 January 2022, between the Offeror and Mr. Leo in relation to the sale and purchase of an aggregate of 44,763,220 Shares, representing approximately 19.05% of the total number of Shares, at a price of S$0.384 per Share, none of the Directors has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.7 Interests of the IFA in Company Securities

As at the Latest Practicable Date, none of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

5.8 Dealings in Company Securities by the IFA

None of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in any Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.9 Directors' Intentions in respect of their Shares

As at the Latest Practicable Date, the Directors who hold or have a deemed interest in the Shares have indicated their intention in relation to accepting or rejecting the Offers in respect of such Offer Shares as follows:

(a) As at the Latest Practicable Date, Mr. Leo holds 27,731,180 Shares representing approximately 11.80% of the total number of Shares. Mr. Leo has informed the Company that he has undertaken to the Offeror to not accept the Offer in respect of the 27,731,180 Shares pursuant to the Irrevocable Undertaking (details of which are set out in paragraph 3 of the Offer Document, as reproduced in italics in **Section 3** of this Circular), as such he will reject the Offer in respect of the 27,731,180 Shares held by him.

(b) As at the Latest Practicable Date, Mr. Er Ang Hooa holds 500,000 Shares representing approximately 0.21% of the total number of Shares. Mr. Er Ang Hooa has informed the Company that he intends to tender 150,000 Shares held by him in acceptance of the Offer.

6. OTHER DISCLOSURES

6.1 Directors' service contracts

Mr. Leo had entered into a service contract dated 15 June 2020 (the "**Service Agreement**") with the Company for a period of three (3) years from 1 July 2020 to 30 June 2023. Pursuant to the Service Agreement, Mr. Leo is entitled to be paid (a) a monthly basic salary (inclusive of directors' fees) of S$60,000; (b) an annual wage supplement of minimum of 3 months' salary (which is subject to review and recommendation of the remuneration committee of the Company); (c) a performance bonus, details of which are set out in the table below; and (d) any other benefits and/or participation in scheme provided for in the Company's current human resource policies. Such salary, annual wage supplement, performance bonus and any other benefits in kind which Mr. Leo is entitled to, is subject to annual review by the Board and/or the remuneration committee of the Company.

Consolidated Profit Before Tax	Performance Bonus Percentage of Consolidated Profit Before Tax
Less than S$5 million	Nil
S$5 million to S$10 million	2%
Greater than S$10 million but not exceed S$20 million	2.5%
Greater than S$20 million but not exceed S$30 million	3.5%
Greater than S$30 million	4.5%

Note:

(1) "**Consolidated Net Profit Before Tax**" is defined as the Group's audited consolidated profit before tax, before payment of the performance bonus and excluding any gains earned from extraordinary and exceptional items.

Save as disclosed above, as at the Latest Practicable Date:

(a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and

(b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

6.2 Arrangements affecting Directors

As at the Latest Practicable Date,

(a) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;

(b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

(c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in any information on the Company which is publicly available (including, without limitation, the annual reports of the Company and the announcements released by the Company on SGXNET), neither the Company nor any of its subsidiaries has entered into material contracts (other than those entered into in the ordinary course of business) with persons who are Interested Persons during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

8. MATERIAL LITIGATION

As at the Latest Practicable Date:

(a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole; and

(b) the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

9. SUMMARY OF FINANCIAL INFORMATION

9.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for FY2018, FY2019 and FY2020, and the FY2021 Unaudited Financial Results is set out below.

	Unaudited FY2021 S$'000	**Audited FY2020 S$'000**	**Audited FY2019 S$'000**	**Audited FY2018 S$'000**
Revenue	85,344	82,942	162,560	159,813
(Loss)/Profit before income tax	(15,896)	(13,402)	24,262	27,526
(Loss)/Profit after income tax	(17,219)	(18,830)	16,876	22,907
(Loss)Profit attributable to				
- Owners of the Company	(15,489)	(18,043)	16,306	23,482
- Non-controlling interests	(1,730)	(787)	570	(575)
Net (Loss)Earnings per share (cents)				
- Basic	(7.2)	(7.68)	6.95	10.08
- Diluted	(7.2)	(7.68)	6.92	9.99
Net dividends per share (cents)	-	-	1.75	2.5

The above summary financial information is extracted from, and should be read together with, the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2018, FY2019 and FY2020, and the FY2021 Unaudited Financial Results and the accompanying notes as set out therein.

The audited consolidated financial statements of the Group for FY2020 (as set out in the annual report of the Company for FY2020) and the FY2021 Unaudited Financial Results are reproduced in **Appendix III** and **Appendix IV** to this Circular, respectively.

9.2 Consolidated Statements of Financial Position

A summary of the audited consolidated statement of financial position of the Group as at 30 September 2020 (being the date to which the Company's last published audited financial statements were made up) is set out below.

	As at 30 September 2020 S$'000
Non-current assets	219,058
Current assets	174,516
	393,574
Non-current liabilities	62,065
Current liabilities	142,429
	204,494
Net assets	**189,080**
Equity attributable to owners of the Company	
Share capital	25,048
Treasury shares	(3,303)
Share option reserve	2,030
Foreign currency translation reserve	837
Merger reserve	(4,794)
Fair value reserve	(14,465)
Other reserve	1,125
Retained earnings	180,987
	187,465

The above summary financial information is extracted from, and should be read together with, the audited consolidated financial statements of the Group for FY2020 and the accompanying notes as set out in the annual report of the Company for FY2020.

The audited consolidated financial statements of the Group for FY2020 (as set out in the annual report of the Company for FY2020) is reproduced in **Appendix III** to this Circular.

9.3 Significant Accounting Policies

The FY2021 Unaudited Financial Results which was announced by the Company on SGXNET on 29 November 2021 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). As disclosed in the FY2021 Unaudited Financial Results, the accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of the new and revised SFRS(I) and Interpretations of SFRS(I) ("**SFRS(I) INT**") as set out in Note 2.1 to the FY2021 Unaudited Financial Results.

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited consolidated financial statements of the Group for FY2020 (as set out in the annual report of the Company for FY2020) which is reproduced in **Appendix III** to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in audited consolidated financial statements of the Group for FY2020 (as set out in the annual report of the Company for FY2020) and in the FY2021 Unaudited Financial Results), there are no significant accounting policies or any matter from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the accounts.

9.4 Changes in Accounting Policies

The Group has applied the same accounting policies and methods of computation as presented in the audited consolidated financial statements of the Group for FY2020, except for the adoption of the new and revised SFRS(I) and SFRS(I) INT that are relevant to the operations of the Group and effective for annual periods beginning on or after 1 October 2020. As at the Latest Practicable Date, save as disclosed in this Circular and in publicly available information on the Group (including, without limitation, the announcements, financial statements and annual reports released by the Company on SGXNET), there are no changes in the accounting policies of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

9.5 Material Changes in Financial Position

Save as disclosed in this Circular and in publicly available information on the Company (including, without limitation, the announcement released by the Company on 29 November 2021 in respect of its FY2021 Unaudited Financial Results as reproduced in **Appendix IV** to this Circular and any other announcements released by the Company on SGXNET), as at the Latest Practicable Date, there has not been, within the knowledge of the Directors, any material change in the financial position of the Company since 30 September 2020, being the date of the last published audited financial statements of the Company.

9.6 Material Changes in Information

Save as disclosed in this Circular and save for the information in relation to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

10. GENERAL

10.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

10.2 Consents

(a) W Capital Markets Pte. Ltd., named as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto, and (ii) the IFA Letter as reproduced in **Appendix I** to this Circular containing its advice to the Independent Directors in respect of the Offer and all references thereto, in the form and context in which they appear in this Circular.

(b) BDO LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) the independent auditor's report in relation to the audited consolidated financial statements of the Group for FY2020 (as set out in the annual report of the Company for FY2020) as reproduced in **Appendix III** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

(c) RHT Real Estate Pte. Ltd., named as the Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) all references to its valuation report dated 21 January 2022, in the form and context in which they appear in this Circular (in particular, in the IFA Letter as reproduced in **Appendix I** to this Circular). For the avoidance of doubt, the valuation report issued by RHT Real Estate Pte. Ltd. was not given in connection with the Offer.

(d) Century 99 Pte. Ltd., named as the Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) all references to its valuation report dated 1 October 2021, in the form and context in which they appear in this Circular (in particular, in the IFA Letter as reproduced in **Appendix I** to this Circular). For the avoidance of doubt, the valuation report issued by Century 99 Pte. Ltd. was not given in connection with the Offer.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered address of the Company at 9 Sungei Kadut Street 2, Singapore 729230 during normal business hours[3] for the period during which the Offer remains open for acceptance:

(a) the Constitution of the Company;

(b) the IFA Letter as reproduced in **Appendix I** to this Circular;

(c) the letters of consent referred to in **Paragraph 10.2** in the **Appendix II** to this Circular;

(d) the annual reports of the Company for FY2018, FY2019 and FY2020, which include the audited consolidated financial statements of the Group for FY2018, FY2019 and FY2020; and

(e) the FY2021 Unaudited Financial Results as reproduced in **Appendix IV** to this Circular.

[3] Prior appointment is required in light of the COVID-19 situation.

The audited consolidated financial statements of the Group for FY2020 which are reproduced below have been extracted from the Company's annual report for FY2020, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in the Notes to the audited consolidated financial statements of the Group for FY2020 set out below shall have the same meanings given to them in the annual report of the Company for FY2020.

A copy of the annual report of the Company for FY2020 is available for inspection at the registered address of the Company at 9 Sungei Kadut Street 2, Singapore 729230 during normal business hours[4] for the period during which the Offer remains open for acceptance.

[4] Prior appointment is required in light of the COVID-19 situation.

DIRECTORS' STATEMENT

The Directors of Keong Hong Holdings Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2020, the statement of financial position of the Company as at 30 September 2020 and statement of changes in equity of the Company for the financial year ended 30 September 2020.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2020, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

2. Directors

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

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

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

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

Name of directors and companies in which interests are held	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Company:				
Keong Hong Holdings Limited				
(Number of ordinary shares)				
Leo Ting Ping Ronald	53,425,250	53,425,250	68,423,250	68,423,250
Er Ang Hooa	500,000	500,000	–	–
Tan Kah Ghee	14,000	14,000	–	–
Leo Zhen Wei Lionel	420,300	420,300	–	–
5.75% fixed rate Notes due 15 September 2021 pursuant to the Multicurrency Medium Term Note Programme established on 17 April 2015				
Lim Jun Xiong Steven	–	–	$500,000	$750,000
Chong Weng Hoe	–	–	$250,000	–
6.25% fixed rate Notes due 19 August 2023 pursuant to the Multicurrency Medium Term Note Programme established on 17 April 2015				
Leo Ting Ping Ronald	–	–	–	$2,000,000
Chong Weng Hoe	–	–	–	$250,000

By virtue of Section 7 of the Act, Mr Leo Ting Ping Ronald is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 October 2020 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 30 September 2020.

5. Share options

(a) Options to take up unissued shares

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

5. **Share options** (Continued)

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

Other information regarding the Scheme is set out below:

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

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

– The vesting of the options is conditional on the eligible participants completing another two years of service to the Group. Once they have vested, the options are exercisable over a period of 8 years.

– All options are settled by physical delivery of shares.

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

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

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

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	650,000	–	–	–	650,000	0.310	1.10.2015 to 30.9.2023
20/6/2014	630,000	–	–	–	630,000	0.310	1.10.2015 to 30.9.2023
1/12/2014	200,000	–	–	–	200,000	0.315	1.12.2016 to 30.11.2024
8/1/2016	1,650,000	–	–	–	1,650,000	0.400	8.1.2018 to 7.1.2026
3/4/2017	300,000	–	–	–	300,000	0.355	3.4.2019 to 2.4.2027
2/4/2018	2,725,000	–	–	(200,000)	2,525,000	0.460	2.4.2020 to 1.4.2028
16/4/2019	550,000	–	–	(50,000)	500,000	0.400	16.4.2021 to 15.4.2029
Total	6,705,000	–	–	(250,000)	6,455,000		

There were no options granted to executive directors, key executive officers and employees during the financial year (2019: nil).

DIRECTORS' STATEMENT

5. **Share options** (Continued)

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

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

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

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

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

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

6. **Audit committee**

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

Lim Jun Xiong Steven (Chairman)
Chong Weng Hoe
Chong Wai Siak
Leo Zhen Wei Lionel

The Audit Committee has met 4 times during the financial year ended 30 September 2020. The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act, and the Code of Corporate Governance, including the following:

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

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

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

6. **Audit committee** (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

6. **Audit committee** (Continued)

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

7. **Independent auditors**

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

On behalf of the Board of Directors

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

Singapore
23 December 2020

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 58 to 148, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2020;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the statement of changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 4 to the financial statements, which indicates that the Group incurred a net loss of $18,830,000 for the financial year ended 30 September 2020. As at 30 September 2020, the Group and the Company have cash and cash equivalents of $40,000,000 and $14,651,000 respectively.

As at 30 September 2020, the Group and the Company have obligations in the form of Medium Term Notes amounting to $98,952,000 referred to in Note 28 to the financial statements. Of these amounts, $51,019,000 for the Group and the Company fall due and are repayable within the next 12 months from the financial year-end.

The ability of the Group and the Company to continue as a going concern is dependent on the Group's ability to receive repayment of shareholders loans from its joint venture, adequacy of funds required to meet its debt obligations and working capital requirements and continued availability of adequate banking facilities for drawdown.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Key Audit Matters (Continued)

KEY AUDIT MATTERS	AUDIT RESPONSE
1 Accounting for construction contracts	
Revenue from construction contracts amounted to $81,191,000 and it represented 98% of the total revenue of the Group for the financial year ended 30 September 2020. The Group's core businesses are those of general and building contractors. Revenue from construction contracts are recognised by applying the cost-based input method that reflects the over-time transfer of control to its customers. The amount of revenue recognised is dependent on the stage of completion of the construction contracts, which is measured based on the proportion of contract costs incurred to date over the estimated total contract costs for each construction contract. The Group's accounting policy on revenue recognition from construction contracts is set out in Note 2.16 to the financial statements. Significant judgement is required to estimate the total construction contract costs that will affect the measure of progress and revenue and profit margins recognised from construction contracts. In addition, there was an increase in the level of estimation uncertainty and judgement in determining the total estimated construction contract costs for ongoing contracts as at 30 September 2020 arising from the disruption to the supply chain for construction materials, supply of foreign construction workers and volatile economic conditions brought on by the Covid-19 pandemic. Accordingly, we have identified this area as a key audit matter. Refer to Notes 3.2(i), 17 and 31 of the accompanying financial statements.	We performed the following audit procedures, amongst others: • Traced variation orders included in total contract sums to surveyor/architect's certification; • Assessed the Group's internal controls over the recording of revenue and costs for construction contracts; • Traced the estimated cost to complete for significant contracts on a sample basis by substantiating costs that have been committed to sub-contractor quotations and contracts entered; • Reviewed the revisions made to budgeted project costs by project quantity surveyors and management due to impact of Covid-19 pandemic and assessed the reasonableness of such revisions; • Tested the costs incurred for all projects on a sample basis by checking that the costs were properly allocated to their respective contracts and that these costs were directly attributable costs supported by suppliers invoices or other supporting documents; • Reviewed management's identification of loss making construction contracts and assessed the reasonableness of the provision for onerous contracts determined by management; • Checked the arithmetical accuracy of the revenue recognised based on the input method computations; • Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Key Audit Matters (Continued)

<table>
<tr><th>KEY AUDIT MATTERS</th><th>AUDIT RESPONSE</th></tr>
<tr><td colspan="2">2 Impairment assessment of investments in associates</td></tr>
<tr><td>The Group's investments in associates comprise of investments in equity interests and amounts due from the associates. The associates of the Group are mainly in the business of hospitality operations and construction services.

During the financial year, arising from indicators of impairment in the associates, the management carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements.

The recoverability of the interest in these associates are dependent on the profitability from its hospitality operations and construction services.

Management has determined the recoverable amounts using the value-in-use method by estimating the present value of future cash flows of the associates and impairment loss of $11,603,000 was recognised for the current financial year.

Additionally, the Group applied the general approach to measure the expected credit losses on the amounts due from associates. As at 30 September 2020, management considered the changes in credit risk of the associates and determined the loss allowance based on 12-month expected credit loss ("ECL").

A loss allowance of $691,000 was recognised during the financial year.

We focused on this area as a key audit matter due to significant management judgements and estimates involved in determining the present value of future cash flows from the associates. In addition, there was an increase in the level of estimation uncertainty in determining the profitability of the associate's hospitality operations and construction services as at 30 September 2020 arising from the volatility in economic conditions brought on by the Covid-19 pandemic.

Refer to Notes 3.2(ii), 9, 14 and 42.1 of the accompanying financial statements.</td><td>We performed the following audit procedures, amongst others:

• Evaluated management's assessment of whether the credit risk of the amounts due from associates have increased significantly;

• Reviewed the adequacy of ECL allowance at end of the financial year, including assessing whether management's approach is consistent with SFRS(I) 9 requirements;

• Discussed with management and evaluated the reasonableness of the key assumptions made by management in preparing the discounted cash flows taking into consideration the current economic and business environment which are affected by Covid-19 pandemic, including performing analytical procedures and comparing the revenue growth rates against historical performance and industry outlook, as appropriate;

• Assessed the reasonableness of the key assumptions and estimates used in the future cash flows, including the revenue growth rates, discount rates and terminal growth rates used;

• Engaged our internal valuation specialist to independently develop expectations on the discount rates and terminal growth rates applied;

• Carried out stress tests on revenue growth rates, discount rates and terminal growth rates applied by management to determine the impact on the carrying amount of the investments in associates; and

• Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.</td></tr>
</table>

Other Information

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
23 December 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current assets					
Property, plant and equipment	5	**25,488**	27,355	**–**	173
Right-of-use assets	6	**7,415**	–	**123**	–
Investment properties	7	**23,366**	23,709	**–**	–
Investments in subsidiaries	8	**–**	–	**32,297**	31,886
Investments in associates	9	**30,204**	57,463	**7,123**	5,610
Investments in joint ventures	10	**31,656**	23,982	**–**	–
Intangible assets	11	**211**	237	**–**	–
Financial assets at FVOCI	12	**42,171**	56,814	**2,895**	4,425
Financial asset at FVTPL	13	**23,392**	30,092	**–**	–
Non-trade receivables	14	**34,562**	97,372	**–**	–
Deferred tax assets	30	**593**	493	**–**	–
Total non-current assets		**219,058**	317,517	**42,438**	42,094
Current assets					
Inventories	16	**1,242**	1,421	**–**	–
Trade and other receivables	14	**115,000**	52,826	**68,437**	71,747
Contract assets	17	**17,001**	22,424	**–**	–
Finance lease receivables	15	**–**	636	**–**	–
Prepayments		**741**	830	**12**	3
Fixed deposits	18	**2,243**	10,842	**621**	3,648
Cash and bank balances	18	**38,289**	45,479	**14,030**	1,407
Total current assets		**174,516**	134,458	**83,100**	76,805
Total assets		**393,574**	451,975	**125,538**	118,899

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 30 SEPTEMBER 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Equity					
Share capital	19	**25,048**	25,048	**25,048**	25,048
Treasury shares	20	**(3,303)**	(3,303)	**(3,303)**	(3,303)
Share option reserve	21	**2,030**	1,747	**2,030**	1,747
Foreign currency translation reserve	22	**837**	494	**–**	–
Merger reserve	23	**(4,794)**	(4,794)	**–**	–
Fair value reserve	24	**(14,465)**	178	**(3,930)**	(2,400)
Other reserve		**1,125**	1,119	**–**	–
Retained earnings		**180,987**	202,555	**2,851**	8,801
Equity attributable to owners of the parent		**187,465**	223,044	**22,696**	29,893
Non-controlling interests		**1,615**	2,300	**–**	–
Total equity		**189,080**	225,344	**22,696**	29,893
Non-current liabilities					
Bank borrowings	26	**7,399**	7,699	**–**	–
Lease liabilities[1]	27	**6,220**	397	**79**	99
Medium term notes	28	**47,933**	84,537	**47,933**	84,537
Provisions	29	**512**	506	**–**	–
Deferred tax liabilities	30	**1**	69	**–**	–
Total non-current liabilities		**62,065**	93,208	**48,012**	84,636
Current liabilities					
Contract liabilities	17	**378**	287	**–**	–
Trade and other payables	25	**46,846**	90,647	**3,791**	4,351
Bank borrowings	26	**29,847**	32,447	**–**	–
Lease liabilities[1]	27	**984**	118	**20**	19
Medium term notes	28	**51,019**	–	**51,019**	–
Provisions	29	**4,539**	2,022	**–**	–
Current income tax payable		**8,816**	7,902	**–**	–
Total current liabilities		**142,429**	133,423	**54,830**	4,370
Total liabilities		**204,494**	226,631	**102,842**	89,006
Total equity and liabilities		**393,574**	451,975	**125,538**	118,899

[1] Previously presented as finance lease payables

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 $'000	2019 $'000
Revenue	31	**82,942**	162,560
Cost of sales		**(52,161)**	(126,324)
Gross profit		**30,781**	36,236
Other item of income			
Other income	32	**11,054**	14,267
Other items of expense			
Administrative expenses		**(22,379)**	(16,175)
Reversal/(Loss) allowance on financial assets			
– trade and other receivables		**260**	(3,790)
– contract assets		**(35)**	–
– long-term interests		**(691)**	(1,382)
– financial guarantee contracts		**817**	(643)
Finance costs	33	**(6,363)**	(6,287)
Other expenses		**(11,772)**	(7,150)
Share of results of joint ventures, net of tax		**6,880**	15,984
Share of results of associates, net of tax		**(21,954)**	(6,798)
(Loss)/Profit before income tax	34	**(13,402)**	24,262
Income tax expense	35	**(5,428)**	(7,386)
(Loss)/Profit for the financial year		**(18,830)**	16,876
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**343**	109
Share of other comprehensive income of joint venture		**6**	(222)
Income tax relating to items that may be subsequently reclassified		**–**	–
Items that may not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets at FVOCI		**(14,643)**	(9,395)
Income tax relating to items that may not be subsequent reclassified		**–**	–
Other comprehensive income for the financial year, net of tax		**(14,294)**	(9,508)
Total comprehensive income for the financial year		**(33,124)**	7,368
(Loss)/Profit attributable to:			
Owners of the parent		**(18,043)**	16,306
Non-controlling interests		**(787)**	570
		(18,830)	16,876
Total comprehensive income attributable to:			
Owners of the parent		**(32,337)**	6,798
Non-controlling interests		**(787)**	570
		(33,124)	7,368
(Loss)/Earnings per share (cents)			
– Basic	36	**(7.68)**	6.95
– Diluted	36	**(7.68)**	6.92

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	Share capital $'000	Treasury shares $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Fair value reserve $'000	Other reserve[1] $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
		← Attributable to owners of the Company →										
Group												
Balance at 1 October 2019		25,048	(3,303)	1,747	494	(4,794)	178	1,119	202,555	223,044	2,300	225,344
Loss for the financial year		–	–	–	–	–	–	–	(18,043)	(18,043)	(787)	(18,830)
Other comprehensive income for the financial year:												
Exchange differences on translating foreign operations		–	–	–	343	–	–	–	–	343	–	343
Fair value loss on financial assets at FVOCI	24	–	–	–	–	–	(14,643)	–	–	(14,643)	–	(14,643)
Share of other comprehensive income of joint venture		–	–	–	–	–	–	6	–	6	–	6
Total comprehensive income for the financial year		–	–	–	343	–	(14,643)	6	(18,043)	(32,337)	(787)	(33,124)
Transactions with owners, recognised directly in equity												
Dividends	37	–	–	–	–	–	–	–	(3,525)	(3,525)	–	(3,525)
Non-controlling interests share of fair value adjustments on acquisition of subsidiary		–	–	–	–	–	–	–	–	–	102	102
Amortisation of fair value for share options granted to employees	21	–	–	283	–	–	–	–	–	283	–	283
		–	–	283	–	–	–	–	(3,525)	(3,242)	102	(3,140)
Balance at 30 September 2020		**25,048**	**(3,303)**	**2,030**	**837**	**(4,794)**	**(14,465)**	**1,125**	**180,987**	**187,465**	**1,615**	**189,080**

[1] This relates to the share of associate's and joint venture's hedging reserve and transactions between owners of an associate.

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	Attributable to owners of the Company										
		Share capital $'000	Treasury shares $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Fair value reserve $'000	Other reserve[1] $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Group												
Balance at 1 October 2018		25,048	(3,303)	1,311	385	(4,794)	9,573	1,341	191,525	221,086	1,524	222,610
Profit for the financial year		–	–	–	–	–	–	–	16,306	16,306	570	16,876
Other comprehensive income for the financial year:												
Exchange differences on translating foreign operations		–	–	–	109	–	–	–	–	109	–	109
Fair value loss on financial assets at FVOCI	24	–	–	–	–	–	(9,395)	–	–	(9,395)	–	(9,395)
Share of other comprehensive income of joint venture		–	–	–	–	–	–	(222)	–	(222)	–	(222)
Total comprehensive income for the financial year		–	–	–	109	–	(9,395)	(222)	16,306	6,798	570	7,368
Transactions with owners, recognised directly in equity												
Dividends	37	–	–	–	–	–	–	–	(5,276)	(5,276)	–	(5,276)
Issuance of treasury shares	20	–	–	180	–	–	–	–	–	180	–	180
Non-controlling interests share of fair value adjustments on acquisition of subsidiary		–	–	–	–	–	–	–	–	–	206	206
Amortisation of fair value for share options granted to employees	21	–	–	256	–	–	–	–	–	256	–	256
		–	–	436	–	–	–	–	(5,276)	(4,840)	206	(4,634)
Balance at 30 September 2019		25,048	(3,303)	1,747	494	(4,794)	178	1,119	202,555	223,044	2,300	225,344

[1] This relates to the share of associate's and joint venture's hedging reserve and transactions between owners of an associate.

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	Share capital $'000	Treasury shares $'000	Share option reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Company							
Balance at 1 October 2019		25,048	(3,303)	1,747	(2,400)	8,801	29,893
Loss for the financial year		–	–	–	–	(2,425)	(2,425)
Other comprehensive income for the financial year:							
Fair value loss on financial assets at FVOCI	24	–	–	–	(1,530)	–	(1,530)
Total comprehensive income for the financial year		–	–	–	(1,530)	(2,425)	(3,955)
Contribution by and distribution to owners of the parent:							
Dividends	37	–	–	–	–	(3,525)	(3,525)
Amortisation of fair value for share options granted to employees	21	–	–	283	–	–	283
Total transactions with owners of the parent		–	–	283	–	(3,525)	(3,242)
Balance at 30 September 2020		**25,048**	**(3,303)**	**2,030**	**(3,930)**	**2,851**	**22,696**

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	Share capital $'000	Treasury shares $'000	Share option reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Company							
Balance at 1 October 2018		25,048	(3,303)	1,311	(1,650)	5,666	27,072
Profit for the financial year		–	–	–	–	8,411	8,411
Other comprehensive income for the financial year:							
Fair value loss on financial assets at FVOCI	24	–	–	–	(750)	–	(750)
Total comprehensive income for the financial year		–	–	–	(750)	8,411	7,661
Contribution by and distribution to owners of the parent:							
Dividends	37	–	–	–	–	(5,276)	(5,276)
Issuance of treasury shares	20	–	–	180	–	–	180
Amortisation of fair value for share options granted to employees	21	–	–	256	–	–	256
Total transactions with owners of the parent		–	–	436	–	(5,276)	(4,840)
Balance at 30 September 2019		25,048	(3,303)	1,747	(2,400)	8,801	29,893

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 $'000	2019 $'000
Operating activities			
(Loss)/Profit before income tax		**(13,402)**	24,262
Adjustments for:			
Loss allowance/(Reversal of loss allowance) on financial assets			
– Trade and other receivables		**(260)**	3,790
– Contract assets		**35**	–
– Long-term interests		**691**	1,382
– Financial guarantee contracts		**(817)**	643
Impairment loss on investment in an associate		**11,603**	7,150
Impairment loss on investment in a joint venture		**138**	–
Impairment loss on intangible assets		**31**	–
Waiver of interest receivables from third party		**–**	918
Fair value changes on financial asset at FVTPL		**7,660**	(4,667)
Amortisation of intangible assets		**17**	37
Depreciation of investment properties		**640**	619
Depreciation of property, plant and equipment		**3,629**	4,121
Depreciation of right-of-use assets		**1,200**	–
Gain on disposal of plant and equipment		**(119)**	(124)
Allowance/(Reversal of allowance) for inventory obsolescence		**138**	(4)
Interest income		**(5,690)**	(5,504)
Interest expense		**6,363**	6,287
Increase/(Decrease) in provisions			
– Provision for onerous contract		**2,717**	–
– Provision for warranty		**(200)**	–
– Provision for restoration costs		**–**	253
Dividend income from financial assets at FVOCI		**(8)**	(510)
Amortisation of fair value for share options granted to employees		**283**	256
Loss/(Gain) on unrealised foreign exchange		**603**	(2,127)
Share of results of joint ventures		**(6,880)**	(15,984)
Share of results of associates		**21,954**	6,798
Operating cash flows before working capital changes		**30,326**	27,596
Working capital changes:			
Inventories		**41**	348
Trade and other receivables		**7,376**	34,661
Prepayments		**105**	102
Contract assets		**5,358**	3,081
Contract liabilities		**(22)**	287
Trade and other payables		**(35,456)**	(12,203)
Cash generated from operations		**7,728**	53,872
Income tax paid		**(4,679)**	(9,723)
Net cash from operating activities		**3,049**	44,149

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 $'000	2019 $'000
Investing activities			
Investments in joint ventures		**(330)**	(1,175)
Investment in an associate		**(1,513)**	–
Cash advances to associate		**(50)**	(11,869)
Loan to third parties		**(1,231)**	(2,560)
Loan to associates		**(12,623)**	(31,136)
Loan to joint ventures		**(2,748)**	(4,550)
Purchase of property, plant and equipment		**(2,760)**	(11,865)
Purchase of investment properties		**(23)**	(37)
Purchase of intangible assets		**(22)**	–
Purchase of right-of-use assets		**(17)**	–
Proceeds from finance lease receivables		**636**	135
Proceeds from disposal of property, plant and equipment		**160**	233
Repayment of loan from associate		**292**	14,447
Interest received		**191**	736
Dividend income from financial assets at FVOCI		**8**	510
Net cash used in investing activities		**(20,030)**	(47,131)
Financing activities			
Repayment of non-trade amounts due to a director and non-controlling interest of subsidiary		**–**	(2,987)
Fixed deposit pledged with financial institutions		**(3)**	(2)
Proceeds from issuance of medium term notes	A	**13,904**	–
Proceeds from bank borrowings		**16,723**	17,922
Repayment of lease liabilities	A	**(957)**	(156)
Repayment of bank borrowings		**(19,623)**	(18,486)
Exercise of share options		**–**	180
Dividends paid		**(3,525)**	(5,276)
Interest paid		**(5,840)**	(6,048)
Net cash from/(used in) financing activities		**679**	(14,852)
Net change in cash and cash equivalents		**(16,302)**	(17,835)
Cash and cash equivalents at beginning of financial year		**55,792**	73,399
Effect of foreign exchange rate changes on cash and cash equivalents		**510**	228
Cash and cash equivalents at end of financial year	18	**40,000**	55,792

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

The accompanying notes form an integral part of these financial statements

Note A: Reconciliation of liabilities arising from financing activities

				Non-cash changes			
	2019 $'000	**Effect of adopting SFRS(I) 16 $'000**	**Cash flows $'000**	**Additions of right-of-use assets under finance leases $'000**	**Modification adjustment on issuance of medium term notes $'000**	**Accretion of interest $'000**	**2020 $'000**
Medium term notes	84,537	–	13,904	–	274	237	**98,952**
Lease liabilities	515	7,611	(957)	35	–	–	**7,204**
	85,052	7,611	12,947	35	274	237	**106,156**

			Non-cash changes		
	2018 $'000	**Cash flows $'000**	**Additions of property, plant and equipment under finance leases $'000**	**Accretion of interest $'000**	**2019 $'000**
Medium term notes	84,306	–	–	231	84,537
Lease liabilities	446	(156)	225	–	515
	84,752	(156)	225	231	85,052

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

1. GENERAL CORPORATE INFORMATION

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

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

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

The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

The statement of financial position of Company as at 30 September 2020 and the consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of changes in equity of the Company for the financial year ended 30 September 2020 were authorised for issue in accordance with a Directors' resolution dated 23 December 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below and on a going concern basis as referred to in Note 4 to the financial statements.

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

The preparation of financial statements in conformity with SFRS(I)s requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's 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 differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing 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 period of revision and future years if the revision affects both current and future financial years.

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

Changes in accounting policies

New standards, amendments and interpretations effective from 1 October 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group and the Company are not expected to impact the Group and the Company as they are either not relevant to the Group's and the Company's business activities or require accounting which is consistent with the Group's and the Company's current accounting policies, except as detailed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 October 2019 (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease,* SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be depreciated and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group and the Company adopted SFRS(I) 16 using modified retrospective method of adoption with the date of initial application of 1 October 2019. The Group and the Company elected to measure right-of-use assets at an amount equal to the lease liabilities as at date of initial application. The Group and the Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17, SFRS(I) INT 4, SFRS(I) INT 1-15 and SFRS(I) INT 1-27 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 October 2019.

In applying the modified retrospective approach, the Group and the Company have taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

As a lessee, the Group and the Company previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group and the Company recognise right-of-use assets and lease liabilities for all leases.

On adoption of SFRS(I) 16, the Group and the Company recognised right-of-use assets and lease liabilities in relation to land, equipment, warehouse and dormitories, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 October 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 October 2019 was 3.3%.

The right-of-use assets were measured at an amount equal to the lease liabilities.

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease payables at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 30 September 2019. Consequently, certain motor vehicles are reclassified and presented under right-of-use assets (Note 6) at the date of initial application.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 October 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

The effect of adopting SFRS(I) 16 as at 1 October 2019 was increasing/(decreasing) the line items of the statements of financial position as follows:

	Group $'000	Company $'000
Assets		
Property, plant and equipment (Note 5)	(952)	(173)
Right-of-use assets (Note 6)	8,563	173
Liabilities		
Lease liabilities (Note 27)	7,611	–

The aggregate lease liabilities recognised in the statements of financial position as at 1 October 2019 and the Group's operating lease commitments as at 30 September 2019 can be reconciled as follows:

	Group $'000
Operating lease commitments as at 30 September 2019 (Note 39.1)	8,442
Add:	
– Effect of extension options exercised	301
– Effect of extension options reasonably certain to be exercised	414
	9,157
Effect of discounting using the incremental borrowing rate as at date of initial application	(1,546)
Finance lease payables recognised at 30 September 2019	515
Lease liabilities as at 1 October 2019	8,126

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

SFRS(I)s issued but not yet effective

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

		Effective date (annual periods beginning on or after)
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
SFRS(I) 1-1 (Amendments)	: Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 3 (Amendments)	: Reference to the Conceptual Framework	1 January 2022
SFRS(I) 4 (Amendments)	: Extension of the Temporary Exemption from Applying SFRS(I) 9	1 January 2023
SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 (Amendments)	: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 (Amendments)	: Interest Rate Benchmark Reform – Phase 2	1 January 2021
SFRS(I) 16 (Amendment)	: Covid-19-Related Rent Concessions	1 June 2020
SFRS(I) 17	: Insurance Contracts	1 January 2023
SFRS(I) 17 (Amendments)	: Various amendments	1 January 2023
SFRS(I) 1-16 (Amendments)	: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 1-37 (Amendments)	: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Various amendments	: References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Various amendments	: Annual improvements to SFRS(I)s 2018-2020	1 January 2022

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

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

2.2 Basis of consolidation

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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

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

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

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

2.3 Business combinations

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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

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

Acquisition under common control

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

2.4 Property, plant and equipment

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

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

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

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

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

	Years
Building	10 – 42
Office equipment	2 – 3
Furniture and fittings	3 – 5
Motor vehicles	5
Plant and machinery	3 – 5

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the reporting period.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

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

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

2.5 Leases

Group as lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of “Other income”.

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Group and Company as lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group and Company. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on their remaining balance of the liability for each period.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group’s and Company’s incremental borrowing rate on commencement of the lease is used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (Continued)

Group and Company as lessee (Continued)

Initial measurement (Continued)

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group and Company if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group and Company is contractually required to dismantle, remove or restore the leased asset.

The Group and Company present the right-of-use assets and lease liabilities separately from other assets and other liabilities in the statements of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. The right-of-use assets are depreciated over the useful life as follows:

	Years
Land	6 – 16
Equipment	4
Motor vehicles	5 – 7
Warehouse	2 – 3
Dormitories	3

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.11 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (Continued)

Group and Company as lessee (Continued)

Subsequent measurement (Continued)

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group and Company revise their estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group and Company renegotiate the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional asses being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group and Company have elected to account for the entire contract as a lease. The Group and Company do not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

Accounting policy for leases prior to 1 October 2019

Group and Company as lessee

Finance leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (Continued)

Accounting policy for leases prior to 1 October 2019 (Continued)

Group and Company as lessee (Continued)

Operating leases

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

2.6 Investment properties

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

	Years
Freehold land	Not depreciated
Commercial buildings	27 and 28

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

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

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

2.7 Subsidiaries

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

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

2.8 Associates and joint ventures

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Associates and joint ventures (Continued)

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

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

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

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

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

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

2.9 Intangible assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

Computer software

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

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

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

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

Transferable club memberships

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

Customer contracts and related customer relationships

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

2.10 Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets excluding goodwill

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

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

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

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

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

2.12 Financial instruments

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

Financial assets

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

Amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

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

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

The Group's and the Company's financial assets measured at amortised cost comprise trade and other receivables (excluding goods and services tax receivable and advance payments), contract assets, finance lease receivables and cash and bank balances.

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

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

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

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

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

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

Derecognition of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

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

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

Financial liabilities

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

Trade and other payables

Trade and other payables (excluding goods and services tax payable, deferred revenue and deferred government grant income) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

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

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

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

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

Derecognition of financial liabilities

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

2.13 Inventories

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

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

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

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

2.14 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Share-based payments

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

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

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

2.16 Revenue recognition

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

Contract revenue

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (Continued)

Other sources of revenue

Interest income is recognised using the effective interest rate method.

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

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

2.17 Provisions

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

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

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

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

2.18 Borrowing costs

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

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

2.19 Retirement benefit costs

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

2.20 Employee leave entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Grants

Grants from government are recognised as a receivable at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivables are recognised as income over the periods necessary to match them with the related costs which they intended to compensate on a systematic basis. Government grants relating to expense are shown separately as other income. Grants which are receivables in relation to expenses to be incurred in a subsequent financial period, are included as government grant receivables and deferred government grants, classified as current assets and current liabilities in the statement of financial position.

2.22 Income tax

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

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

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

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

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

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

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

2.23 Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Foreign currency transactions and translation

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

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

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

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

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

2.25 Segment reporting

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) Determine the lease term

The Group leases warehouse and dormitories from non-related parties. Included in the lease arrangement, there are extension options held and exercisable by the Group. In determining the lease term, management considers the likelihood of exercising the extension option. Management considers all facts and circumstances that create an economic incentive to extend the lease.

Management has included potential cash outflows of the Group of $414,000 in the measurement of lease liabilities, as it is reasonably certain that the extension options will be exercised. The assessment on lease terms is reviewed at the end of each reporting period if there is a significant change in the Group's intentions, business plan or other circumstances unforeseen since it was first estimated.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

3.2 Key sources of estimation uncertainty

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

(i) Construction contracts

The Group has significant ongoing construction contracts as at 30 September 2020 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

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

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

If the remaining estimated contract costs increase by 3% from management's estimates, the Group's profit or loss before income tax will decrease or increase by approximately $561,000 (2019: $662,000).

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

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

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

The Company's carrying amount of investments in subsidiaries as at 30 September 2020 was $32,297,000 (2019: $31,886,000) (Note 8). The Company's carrying amount of investments in associates as at 30 September 2020 was $7,123,000 (2019: $5,610,000) (Note 9). The Group's carrying amounts of investments in associates and joint ventures as at 30 September 2020 were $30,204,000 (2019: $57,463,000) and $31,656,000 (2019: $23,982,000) respectively (Notes 9 and 10).

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

3.2 Key sources of estimation uncertainty (Continued)

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: (Continued)

(iii) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting and disclosures purposes. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. For unquoted equity shares, the Group determines the fair value with reference to SFRS(I) 13 *Fair Value Measurement* to establish the appropriate valuation techniques and inputs to the model. Changes in assumptions on the inputs to the model could affect the reported fair value of the financial instruments. Information about the valuation techniques and inputs used in determining the fair values is included in Notes 12, 13 and 42.5 to the financial statements. The carrying amount of the Group's assets measured at fair value as at 30 September 2020 is included in Note 12 and 13 to the financial statements.

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

Trade receivables, retention sum and contract assets

Expected credit loss model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook. At each reporting period, historical default rates are updated and change in the industry future outlook is reassessed. The Group also evaluates expected credit loss on credit-impaired receivables separately at each reporting period. The carrying amount of the Group's trade receivables, retention sum and contract assets as at 30 September 2020 was $43,149,000 (2019: $60,414,000). The Group's credit risk exposure is set out in Note 42.1 to the financial statements.

Non-trade receivables from subsidiaries, associates and joint ventures

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

The carrying amount of the Company's non-trade receivables from subsidiaries and associates as at 30 September 2020 were $60,468,000 (2019: $59,485,000) (Note 8 and Note 14) and $56,000 (2019: $Nil) (Note 9 and Note 14) respectively. The carrying amount of the Group's non-trade receivables from associates and joint ventures as at 30 September 2020 were $99,068,000 (2019: $81,898,000) (Note 9 and Note 14) and $102,089,000 (2019: $97,374,000) (Note 10 and Note 14).

(v) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the Group's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average incremental borrowing rate applied to the Group's lease liabilities as at 30 September 2020 was 3.3%. The carrying amount of the Group's lease liabilities as at 30 September 2020 was $7,204,000 (Note 27). If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by $40,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

4. GOING CONCERN

The Group incurred a net loss of $18,830,000 for the financial year ended 30 September 2020. As at 30 September 2020, the Group and the Company have cash and cash equivalents of $40,000,000 and $14,651,000 respectively.

The Group's Series 2 Medium Term Note ("Series 2 Notes") of $85,000,000 was originally due for repayment in September 2021. In August 2020, the Group issued the Series 3 Medium Term Note ("Series 3 Notes") of $48,000,000 which will mature in August 2023 as disclosed in Note 28 to the financial statements. $33,750,000 of Series 2 Notes was exchanged with an equivalent amount of Series 3 Notes which will mature in August 2023 as disclosed in Note 28 to the financial statements. The remaining $51,250,000 of Series 2 Notes remained repayable in September 2021.

The operating environment of the Group and the Company will continue to be challenging amidst the various safe management measures implemented by the government at construction sites and construction workers dormitories, disruption to the supply of foreign construction workers and supply chain for construction materials will inadvertently cause significant impact to the Group and the Company's financial performance for the next financial year.

In order to generate sufficient funds to repay the $51,250,000 Series 2 Notes maturing in September 2021, the Group expects that one of its joint venture attaining temporary occupational permit ("TOP") of its development property to trigger the drawdown of approximately 60% of the remaining selling prices for the development units sold and disbursements of the funds as repayment for shareholder loans within the next nine months from the financial year ended. This joint venture has sold more than 98% of its development and fully paid off all development loans to the banks and thus the Group expects to receive repayment for majority of the shareholders loan of $67 million extended from the Group to the joint venture after it obtains the TOP. In addition, the Group has also ramped up our construction output at various project sites to generate more revenue and the Group is actively bidding for new construction projects in the coming months.

In assessing the appropriateness of the going concern assumptions of the Group and the Company, the Directors are however of the view that the use of going concern assumption to prepare the financial statements is appropriate based on the following factors:

i) The Directors are of the view that the repayment of shareholders loans by its joint venture will be received within the next nine months from the financial year ended 30 September 2020;

ii) The adequacy of funds required to meet its debt obligations and working capital requirements based on a 18-months projected cash flows for the Group from 1 October 2020.

iii) The Group has unutilised banking facilities amounting to $30,490,000 which is available for drawdown when necessary.

Notwithstanding the above, the Directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, which is highly dependent on the Group's and the Company's ability to receive repayment of shareholders loans from its joint venture, adequacy of funds required to meet its debt obligations and working capital requirements and continued availability of adequate banking facilities for drawdown.

Should the Group and the Company be unable to discharge their liabilities in the normal course of business which may lead to the Group and the Company being unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

5. PROPERTY, PLANT AND EQUIPMENT

	Building $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Plant and machinery $'000	Construction in progress $'000	Total $'000
Group							
Cost							
Balance at 1 October 2019	34,326	1,273	749	2,815	17,557	–	56,720
Adoption of SFRS(I) 16	–	–	–	(1,761)	–	–	(1,761)
Balance at 1 October 2019 (restated)	34,326	1,273	749	1,054	17,557	–	54,959
Additions	–	41	13	–	5	2,701	2,760
Disposals	–	–	–	(57)	(81)	–	(138)
Reclassification from right-of-use assets (Note 6)	–	–	–	8	–	–	8
Currency realignments	–	–	–	–	(20)	–	(20)
Balance at 30 September 2020	**34,326**	**1,314**	**762**	**1,005**	**17,461**	**2,701**	**57,569**
Accumulated depreciation							
Balance at 1 October 2019	9,242	1,112	628	1,476	16,907	–	29,365
Adoption of SFRS(I) 16	–	–	–	(809)	–	–	(809)
Balance at 1 October 2019 (restated)	9,242	1,112	628	667	16,907	–	28,556
Depreciation	2,930	149	111	179	260	–	3,629
Disposals	–	–	–	(43)	(54)	–	(97)
Reclassification from right-of-use assets (Note 6)	–	–	–	8	–	–	8
Currency realignments	–	–	–	–	(15)	–	(15)
Balance at 30 September 2020	**12,172**	**1,261**	**739**	**811**	**17,098**	**–**	**32,081**
Net carrying amount							
Balance at 30 September 2020	**22,154**	**53**	**23**	**194**	**363**	**2,701**	**25,488**

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

* Less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 30 September 2020, the Group's building with carrying amounts of $22,154,000 (2019: $25,084,000) have been pledged with banks facilities (Note 26).

As at 30 September 2020, motor vehicles with net carrying amounts of $538,000 (2019: $728,000) and $124,000 (2019: $173,000) were registered in the name of the Directors and staff who are holding the motor vehicles in trust for the Group and Company respectively.

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

	2020 $'000	2019 $'000
Additions of property, plant and equipment	**2,760**	12,090
Finance lease	**–**	(225)
Cash payments to acquire property, plant and equipment	**2,760**	11,865

Included within additions for the year ended 30 September 2019 are motor vehicles of $225,000 that were acquired under finance lease. The carrying amount of motor vehicles acquired under finance leases amounted to $952,000 were secured over the lease liabilities of $515,000 as at 30 September 2019 (Note 27). These assets have been reclassified to right-of-use assets as at 1 October 2019.

	Motor vehicles $'000
Company	
Cost	
Balance at 1 October 2019	248
Adoption of SFRS(I) 16	(248)
Balance at 1 October 2019 (restated) and 30 September 2020	–
Accumulated depreciation	
Balance at 1 October 2019	75
Adoption of SFRS(I) 16	(75)
Balance at 1 October 2019 (restated) and 30 September 2020	–
Net carrying amount	
Balance at 30 September 2020	–
Cost	
Balance at 1 October 2018 and 30 September 2019	248
Accumulated depreciation	
Balance at 1 October 2018	25
Depreciation	50
Balance at 30 September 2019	75
Net carrying amount	
Balance at 30 September 2019	173

6. RIGHT-OF-USE ASSETS

	Land $'000	Equipment $'000	Motor vehicles $'000	Warehouse $'000	Dormitories $'000	Total $'000
Group						
Cost						
Balance at 1 October 2019						
– Reclassified from property, plant and equipment (Note 5)	–	–	952	–	–	952
– Adoption of SFRS(I) 16 (Note 2.1)	6,189	515	–	205	702	7,611
	6,189	515	952	205	702	8,563
Additions	–	–	52	–	–	52
Reclassification to property, plant and equipment (Note 5)	–	–	(8)	–	–	(8)
Balance at 30 September 2020	**6,189**	**515**	**996**	**205**	**702**	**8,607**
Depreciation charge	(479)	(119)	(263)	(91)	(248)	(1,200)
Reclassification to property, plant and equipment (Note 5)	–	–	8	–	–	8
Balance at 30 September 2020	**5,710**	**396**	**741**	**114**	**454**	**7,415**

Restrictions

Included in the above, motor vehicles with a carrying amount of $741,000, is secured over the lease liabilities of $427,000 as at 30 September 2020 (Note 27). The motor vehicles will be returned to lessor in the event of default by the Group.

	Motor vehicle $'000
Company	
Cost	
Balance at 1 October 2019	
– Reclassified from property, plant and equipment (Note 5)	173
	173
Depreciation charge	(50)
Balance at 30 September 2020	123

Restrictions

Included in the above, motor vehicles with a carrying amount of $123,000, is secured over the lease liabilities of $99,000 as at 30 September 2020 (Note 27). The motor vehicles will be returned to lessor in the event of default by the Company.

For the purpose of statement of cash flows, the Group's additions to right-of-use assets were financed as follows:

	2020 $'000
Additions of right-of-use assets	52
Acquired under finance lease agreements	(35)
Cash payments to acquire right-of-use assets	17

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

7. INVESTMENT PROPERTIES

	Freehold land $'000	Commercial buildings $'000	Total $'000
Group			
Cost			
Balance at 1 October 2019	8,232	17,194	25,426
Additions	–	23	23
Currency realignments	97	203	300
Balance at 30 September 2020	**8,329**	**17,420**	**25,749**
Accumulated depreciation			
Balance at 1 October 2019	–	1,717	1,717
Depreciation	–	640	640
Currency realignments	–	26	26
Balance at 30 September 2020	**–**	**2,383**	**2,383**
Net carrying amount			
Balance at 30 September 2020	**8,329**	**15,037**	**23,366**
Group			
Cost			
Balance at 1 October 2018	7,730	16,111	23,841
Additions	–	37	37
Currency realignments	502	1,046	1,548
Balance at 30 September 2019	8,232	17,194	25,426
Accumulated depreciation			
Balance at 1 October 2018	–	1,014	1,014
Depreciation	–	619	619
Currency realignments	–	84	84
Balance at 30 September 2019	–	1,717	1,717
Net carrying amount			
Balance at 30 September 2019	8,232	15,477	23,709

The following amounts are recognised in profit or loss:

	Group	
	2020 $'000	2019 $'000
Rental income from investment properties	**1,751**	1,703
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	**410**	417

7. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's investment properties as at 30 September 2020 and 30 September 2019 are set out below:

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

As at 30 September 2020, the carrying amount of the investment properties of $23,366,000 (equivalent to JPY1,804,434,000) (2019: $23,709,000 equivalent to JPY1,852,552,000) has been pledged for the term loan facility as set out in Note 26 to the financial statements.

The fair value of the Group's investment properties were valued at $25,678,000 as at 30 September 2020 (2019: $25,391,000) by an independent professional valuation firm having appropriate recognised professional qualifications and recent experience in the location and category of the investment properties held by the Group.

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

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	**2019**
	$'000	**$'000**
Unquoted equity shares, at cost	**28,817**	28,817
Amounts due from subsidiaries		
– interest bearing	**3,509**	3,382
– interest free	**977**	693
Allowance for impairment loss	**(1,006)**	(1,006)
	32,297	31,886

Movements in the allowance for impairment loss are as follows:

	Company	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**1,006**	2,706
Reversal of impairment loss during the financial year	**–**	(1,700)
Balance at end of financial year	**1,006**	1,006

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

The non-trade amounts due from subsidiaries are interest free except for an amount of $3,509,000 (2019: $3,382,000) which bears effective interest rate of 3.5% (2019: 3.5%). The amounts due from subsidiaries are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership Interest held by the Group 2020 %	2019 %	Proportion of ownership interest held by the non-controlling interests 2020 %	2019 %
Held by the Company					
Keong Hong Construction Pte Ltd[1] ("KHC") (Singapore)	General and building contractors	**100**	100	**–**	–
KH Capital Pte Ltd[1] (Singapore)	Investment holdings and trading of building construction materials	**100**	100	**–**	–
K.H. Land Pte Ltd[1] ("KHL") (Singapore)	Investment holding, real estate development and building construction	**100**	100	**–**	–
Grandwood Holdings Pte Ltd[1] (Singapore)	Investment holding	**100**	100	**–**	–
Hansin Timber Specialist and Trading Pte. Ltd.[1] (Singapore)	Timber and wooden flooring in residential apartment and commercial properties under construction	**60**	60	**40**	40
Held by K.H. Land Pte Ltd					
KHA Resorts & Hotels Construction Pvt Ltd[2] (Cayman Islands)	Hotel building contractors	**100**	100	**–**	–
KHA Resorts & Hotels Construction (Maldives) Pvt Ltd[2][3] ("KHAM") (Republic of Maldives)	Hotel building contractors	**100**	100	**–**	–
Held by Grandwood Holdings Pte. Ltd.					
Grandwood (Japan) Pte Ltd[1] (Singapore)	Investment holding	**100**	100	**–**	–

(1) Audited by BDO LLP, Singapore
(2) Audited by Ernst & Young, Maldives
(3) Proportion of ownership interest of 5% (2019: 5%) held by KHC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

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

	HTST	
	2020 $'000	**2019 $'000**
Revenue	**3,171**	11,914
(Loss)/Profit before tax	**(2,281)**	1,215
Income tax	**313**	211
(Loss)/Profit after tax	**(1,968)**	1,426
(Loss)/Profit allocated to NCI	**(787)**	570
Other comprehensive income allocated to NCI	**–**	–
Total comprehensive income allocated to NCI	**(787)**	570
Dividends paid to NCI	**–**	–
Cash flows from/(used in) operating activities	**2,095**	(832)
Cash flows used in investing activities	**(19)**	(144)
Cash flows (used in)/from financing activities	**(613)**	513
Net cash inflow/(outflow)	**1,463**	(463)

	HTST	
	2020 $'000	**2019 $'000**
Assets		
Current assets	**9,756**	12,445
Non-current assets	**3,676**	2,870
Liabilities		
Current liabilities	**(8,559)**	(8,720)
Non-current liabilities	**(338)**	(92)
Net assets	**4,535**	6,503
Accumulated non-controlling interests	**1,814**	2,601
Less: fair value adjustments*	**(199)**	(301)
Adjusted accumulated non-controlling interests	**1,615**	2,300

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

9. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 **$'000**	**2019** **$'000**	**2020** **$'000**	**2019** **$'000**
Unquoted equity shares, at cost	**12,143**	12,143	**5,610**	5,610
Share of reserves of associates, net of dividend received and tax	**(37,533)**	(7,580)	**–**	–
Amounts due from associates				
– interest bearing	**82,634**	69,956	**–**	1,000
– interest free	**1,554**	1,426	**–**	–
Less: loss allowance on amounts due from associates	**(2,990)**	(2,299)	**–**	(1,000)
	81,198	69,083	**–**	–
Add: capitalisation of amount due from associate	**1,513**	–	**1,513**	–
Less: allowance for impairment loss	**(18,753)**	(7,150)	**–**	–
Less: elimination of unrealised profit	**(8,934)**	(9,181)	**–**	–
Currency realignment	**570**	148	**–**	–
Carrying amount	**30,204**	57,463	**7,123**	5,610

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

	Group		Company	
	2020 **$'000**	**2019** **$'000**	**2020** **$'000**	**2019** **$'000**
Balance at beginning of financial year	**2,299**	917	**1,000**	–
Loss allowance recognised during the financial year				
– non-credit impaired	**1,691**	1,382	**–**	1,000
Reversal of loss allowance during the financial year	**(1,000)**	–	**(1,000)**	–
Balance at end of financial year	**2,990**	2,299	**–**	1,000

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

Pursuant to agreement dated 15 July 2020, the Group and the Company increased the investment in an associate by $1,513,000 by capitalising the non-trade amount due from the associate as additional ordinary shares. The Group and the Company have increased their shareholdings in associate from 30.6% to 31.1% following the capitalisation of the non-trade amount due from the associate.

The non-trade amounts due from associates are unsecured and non-interest bearing except for an amount of $82,634,000 (2019: $69,956,000) which bears effective interest rate of 6.00% (2019: 5.96%).

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

The financial performance of Pristine Islands Investment Pte. Ltd. and its subsidiary ("PIIPL Group") has yet to reach the performance level expected by the Group as the development and construction of the second resort was completed in second half of 2019 and only commenced operations in end of September 2019. The resort needs time to stabilise and ramp up the business activity which has been significantly affected by the Covid-19 pandemic beginning from first half of 2020. The Group thus carried out a review on the recoverable amount its investments in PIIPL Group as at 30 September 2020. The assessment resulted in the recognition of an impairment loss of $11,603,000 (2019: $7,150,000). The recoverable amount of the investment amounted to $21,436,000 (2019: $41,876,000) has been determined based on value in use.

9. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2020 %	2019 %
Average revenue growth rate	**19.0**	16.0
Terminal growth rate	**2.0**	2.0
Discount rate	**18.3**	18.1

Name of company (Country of incorporation and principal place of business)	Effective equity interest held by the Group 2020 %	2019 %	Principal activities
Held by the Company			
Nuform System Asia Pte. Ltd. ("NSAPL")(1)(4) (Singapore)	**31.1**	30.6	Trading and renting of construction and civil engineering machinery and equipment
Held by Nuform System Asia Pte. Ltd.			
Nuformsystem (M) Sdn. Bhd.(4)(5) (Malaysia)	**31.1**	30.6	Trading and renting of formwork equipment
Held by Keong Hong Construction Pte Ltd			
Punggol Residences Pte Ltd ("PRPL")(3) (Singapore)	**20**	20	Property development
Pristine Islands Investment Pte Ltd ("PIIPL")(1) (Singapore)	**49**	49	Investment holdings
Held by KH Capital Pte Ltd			
Sembawang Residences Pte Ltd ("SRPL")(3) (Singapore)	**20**	20	Property development
Held by Pristine Islands Investment Pte Ltd			
Pristine Islands Investment (Maldives) Pvt Ltd ("PIIMPL")(2)(4)(6) (Republic of Maldives)	**49**	49	Own, operate and management of airport, hotel and resort

(1) Audited by BDO LLP, Singapore
(2) Proportion of ownership interest of 0.1% (2019: 0.1%) held by KHC
(3) Equity accounted based on the management financial statements
(4) Equity accounted based on the management financial statements aligned to the Group's financial year
(5) Audited by BDO PLT, Malaysia
(6) Audited by Ernst & Young, Maldives

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

9. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised statements of financial position

	PIIPL Group $'000	SRPL $'000	NSAPL Group $'000	Total $'000
30 September 2020				
Current assets	**17,261**	**17,140**	**12,398**	**46,799**
Non-current assets	**187,298**	**–**	**47,978**	**235,276**
Current liabilities	**(43,905)**	**(12,971)**	**(25,788)**	**(82,664)**
Non-current liabilities	**(226,111)**	**–**	**(10,352)**	**(236,463)**
Net (liabilities)/assets	**(65,457)**	**4,169**	**24,236**	**(37,052)**
30 September 2019				
Current assets	22,901	63,069	6,918	92,888
Non-current assets	184,945	–	49,590	234,535
Current liabilities	(93,592)	(19,012)	(22,019)	(134,623)
Non-current liabilities	(136,450)	–	(13,607)	(150,057)
Net (liabilities)/assets	(22,196)	44,057	20,882	42,743

Summarised statements of comprehensive income

	PIIPL Group $'000	SRPL $'000	NSAPL Group $'000	Total $'000
30 September 2020				
Revenue	**13,944**	**–**	**17,915**	**31,859**
(Loss)/Profit before tax	**(44,047)**	**111**	**(588)**	**(44,524)**
Income tax	**–**	**–**	**(411)**	**(411)**
(Loss)/Profit after tax, representing total comprehensive income	**(44,047)**	**111**	**(999)**	**(44,935)**
30 September 2019				
Revenue	11,625	14,978	12,582	39,185
(Loss)/Profit before tax	(12,978)	2,485	(2,083)	(12,576)
Income tax	120	(463)	(877)	(1,220)
(Loss)/Profit after tax, representing total comprehensive income	(12,858)	2,022	(2,960)	(13,796)

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

Aggregate information of associates that are not individually material

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

	2020 $'000	2019 $'000
The Group's share of profit before income tax	*	8
The Group's share of profit after income tax	*	8
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	*	8
Aggregate carrying amount of the Group's interest in these associates	**386**	386

* Less than $1,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

9. INVESTMENTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material (Continued)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant associates for the financial year ended 30 September 2020 and 30 September 2019, are as follows:

	PIIPL Group $'000	SRPL $'000	NASPL Group $'000	Total $'000
30 September 2020				
Proportion of Group ownership	**49%**	**20%**	**31.1%**	
Net (liabilities)/assets of the associates	**(65,457)**	**4,169**	**24,236**	**(37,052)**
Interest in associates	**(32,074)**	**834**	**7,547**	**(23,693)**
Carrying value of Group's interest in associates	**(32,074)**	**834**	**7,547**	**(23,693)**
Amount due from associates	**81,198**	**–**	**–**	**81,198**
Less: allowance for impairment loss	**(18,753)**	**–**	**–**	**(18,753)**
Less: elimination of unrealised profit	**(8,934)**	**–**	**–**	**(8,934)**
Total carrying value of significant associates	**21,437**	**834**	**7,547**	**29,818**
Add:				
Carrying amount of individually immaterial associate, in aggregate				**386**
Carrying amount of Group's interest in associates				**30,204**

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

10. INVESTMENTS IN JOINT VENTURES

	Group 2020 $'000	2019 $'000
Unquoted equity investment, at cost	**3,520**	3,190
Amount due from joint venture – interest free	**648**	–
Share of reserves of joint ventures, net of dividend received and tax	**34,763**	24,568
Less: allowance for impairment loss	**(138)**	–
Less: elimination of unrealised profit	**(7,104)**	(3,738)
Currency realignment	**(33)**	(38)
	31,656	23,982

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

10. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

The details of the joint ventures are as follows:

Name of company (Country of incorporation and principal place of business)	Effective equity interest held by the Group 2020 %	2019 %	Principal activities
Held by Keong Hong Construction Pte Ltd			
Oasis Development Pte. Ltd. ("ODPL")[3] (Singapore)	–	20	Property development
K&H Innovative Systems Pte. Ltd. ("K&H")[1] (Singapore)	50	50	Manufacturing of prefabricated bathroom unit
Hyundai-Keong Hong JV Limited Partnership ("Hyundai-KH")[3] (Singapore)	30	–	Development of a sport & recreation centre
Held by K&H Innovative Systems Pte Ltd			
KHL Capital Holdings Pte. Ltd. ("KHLPL")[1] (Singapore)	60	60	Investment holding company and production of pre-cast concrete components
Held by KHL Capital Holdings Pte. Ltd.			
KHL Capital Holdings Sdn. Bhd. ("KHLSB")[4][7] (Malaysia)	60	60	Manufacturing, export and import of precast concrete, cement or artificial stone activities used in construction
Held by K.H. Land Pte Ltd			
Keong Hong-MK Development Co., Ltd ("KH-MK")[2] (Vietnam)	49	49	Development of real estate
Held by KH Capital Pte Ltd			
East Vue Pte Ltd ("EVPL")[5] (Singapore)	20	20	Property developer of a parcel of land at Siglap Road
FSKH Development Pte Ltd ("FSKH")[3][6] (Singapore)	35	35	Property developer of a parcel of land at Mattar Road

(1) Audited by BDO LLP, Singapore
(2) Equity accounted based on the management financial statements
(3) Equity accounted based on the management financial statements aligned to the Group's financial year
(4) Audited by BDO PLT, Malaysia
(5) Audited by KPMG, Singapore
(6) Audited by Ernst & Young, Singapore
(7) Insignificant subsidiary of KHLPL

10. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

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

Incorporation of equity interest in a joint ventures

Hyundai-Keong Hong JV Limited Partnership

On 10 February 2020, the Group incorporated a joint venture in the legal form of partnership namely, Hyundai-Keong Hong JV Limited Partnership for the development of a sport and recreation centre ("project"). The Group has injected cash of $330,000 as working capital, which represents 30% of equity interest.

KHL Capital Holdings Pte. Ltd

In the prior financial year, the Group's joint venture, K&H Innovative Systems Pte. Ltd. subscribed for 3 ordinary shares of KHL Capital Holdings Pte. Ltd. representing 60% of the issued share capital at KHL Capital Holdings Pte. Ltd. at a cash consideration of $3.

Divestment of interest in a joint venture

Oasis Development Pte. Ltd.

On 25 February 2020, the Group divested its 20% equity interest in Oasis Development Pte. Ltd. to an existing joint venture partner for a cash consideration of $1. Following the divestment, Oasis Development Pte. Ltd. has ceased to be a joint venture company of the Group.

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

Summarised statements of financial position

	FSKH $'000	EVPL $'000	Total $'000
30 September 2020			
Current assets	**267,838**	**623,053**	**890,891**
Current liabilities	**(7,994)**	**(400,978)**	**(408,972)**
Non-current liabilities	**(266,964)**	**(37,100)**	**(304,064)**
Net assets	**(7,120)**	**184,975**	**177,855**
30 September 2019			
Current assets	260,937	614,633	875,570
Current liabilities	(4,469)	(75,759)	(80,228)
Non-current liabilities	(257,779)	(406,038)	(663,817)
Net assets	(1,311)	132,836	131,525

The above amounts of assets and liabilities include the following:

	FSKH $'000	EVPL $'000
30 September 2020		
Cash and cash equivalents	**8,777**	**84,924**
Current liabilities (excluding trade and other payables and provisions)	**429**	**(342,265)**
Non-current liabilities (excluding trade and other payables and provisions)	**(266,964)**	**(37,100)**
30 September 2019		
Cash and cash equivalents	3,156	100,179
Current liabilities (excluding trade and other payables and provisions)	(241)	(26,500)
Non-current liabilities (excluding trade and other payables and provisions)	(257,779)	(406,038)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

10. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised statements of comprehensive income

	FSKH $'000	EVPL $'000	Total $'000
30 September 2020			
Revenue	**7,822**	**321,092**	**328,914**
Income tax expenses	**–**	**10,600**	**10,600**
(Loss)/Profit after tax	**(5,809)**	**52,107**	**46,298**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income	**(5,809)**	**52,107**	**46,298**
30 September 2019			
Revenue	–	475,799	475,799
Income tax expenses	–	14,428	14,428
(Loss)/Profit after tax	(4,265)	84,751	80,486
Other comprehensive income	–	(1,110)	(1,110)
Total comprehensive income	(4,265)	83,641	79,376

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

Aggregate information of joint ventures that are not individually material

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

	Group	
	2020 $'000	2019 $'000
The Group's share of (loss)/profit before tax	**(370)**	75
The Group's share of (loss)/profit after tax	**(370)**	75
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**(370)**	75
Aggregate carrying amount of the Group's interest in these joint ventures	**1,765**	1,153

10. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant joint ventures for the financial year ended 30 September 2020 and 2019, are as follows:

	FSKH $'000	EVPL $'000	Total $'000
30 September 2020			
Proportion of Group ownership	**35%**	**20%**	
Net assets of the joint venture	**(7,120)**	**184,975**	**177,855**
Interest in joint venture	**–**	**36,995**	**36,995**
Less: elimination of unrealised profit	**–**	**(7,104)**	**(7,104)**
Total carrying value of significant joint ventures	**–**	**29,891**	**29,891**
Add:			
Carrying value of individually immaterial joint ventures, in aggregate			**1,765**
Carrying value of Group's interest in joint ventures			**31,656**
30 September 2019			
Proportion of Group ownership	35%	20%	
Net assets of the joint venture	(1,311)	132,836	131,525
Interest in joint venture	–	26,567	26,567
Less: elimination of unrealised profit	–	(3,738)	(3,738)
Total carrying value of significant joint ventures	–	22,829	22,829
Add:			
Carrying value of individually immaterial joint ventures, in aggregate			1,153
Carrying value of Group's interest in joint ventures			23,982

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

11. INTANGIBLE ASSETS

	Computer software $'000	Transferable club membership $'000	Contractual customers relationship $'000	Goodwill $'000	Total $'000
Group					
Cost					
Balance at 1 October 2019	213	222	309	1,611	2,355
Additions	22	–	–	–	22
Balance at 30 September 2020	**235**	**222**	**309**	**1,611**	**2,377**
Accumulated amortisation					
Balance at 1 October 2019	110	–	–	–	110
Amortisation for the financial year	17	–	–	–	17
Balance at 30 September 2020	**127**	**–**	**–**	**–**	**127**
Impairment					
Balance at 1 October 2019	88	–	309	1,611	2,008
Impairment for the financial year	–	31	–	–	31
Balance at 30 September 2020	**88**	**31**	**309**	**1,611**	**2,039**
Net carrying amount					
Balance at 30 September 2020	**20**	**191**	**–**	**–**	**211**
Remaining useful life	1 – 2 years	–	–	N.A.	N.A.

	Computer software $'000	Transferable club membership $'000	Contractual customers relationship $'000	Goodwill $'000	Total $'000
Group					
Cost					
Balance at 1 October 2018 and 30 September 2019	213	222	309	1,611	2,355
Accumulated amortisation					
Balance at 1 October 2018	73	–	–	–	73
Amortisation for the financial year	37	–	–	–	37
Balance at 30 September 2019	110	–	–	–	110
Impairment					
Balance at 1 October 2018 and 30 September 2019	88	–	309	1,611	2,008
Net carrying amount					
Balance at 30 September 2019	15	222	–	–	237
Remaining useful life	1 – 2 years	–	–	N.A.	N.A.

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

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

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

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Quoted equity shares[(1)]	**2,895**	4,425	**2,895**	4,425
Unquoted equity shares[(2)]	**39,276**	52,389	**–**	–
	42,171	56,814	**2,895**	4,425

Movements in financial assets at FVOCI were as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of financial year	**56,814**	66,209	**4,425**	5,175
Fair value changes recognised in other comprehensive income (Note 24)	**(14,643)**	(9,395)	**(1,530)**	(750)
Balance at end of financial year	**42,171**	56,814	**2,895**	4,425

The Group intends to hold these investments for long-term for appreciation in value as well as strategic investments purposes.

(1) The equity shares are listed on the catalist board of the Singapore Exchange Securities Trading Limited. The fair value of the investments in quoted equity shares were based on the quoted closing market prices on the last market day of the financial year. The investments classified as a Level 1 fair value hierarchy.

(2) These are equity share investments in MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd. The fair value of the Group's investments in unquoted equity shares were valued by an independent valuer. The investments are classified as Level 3 fair value hierarchy.

The financial assets at FVOCI is denominated in Singapore dollar.

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

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**30,092**	22,865
Additions	**960**	2,560
Fair value changes (Note 32 and 34)	**(7,660)**	4,667
Balance at end of financial year	**23,392**	30,092

During the financial year, the Group has made additional loans of $960,000 (2019: $2,560,000) to third party. The fair value of loans to third party is determined based discounted cash flow method, taking into consideration the discount rate and estimated duration required for the investee to repay. It is classified under Level 3 of fair value hierarchy.

The financial assets at FVTPL is denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Non-current assets				
Non-trade receivables				
– joint ventures	**34,562**	97,372	**–**	–
Current assets				
Trade receivables				
– third parties	**2,365**	5,016	**–**	–
– subsidiary	**–**	–	**12,396**	16,337
– associates	**4,297**	2,437	**–**	–
– joint ventures	**2,700**	2,382	**–**	–
Loss allowance on trade receivables from third parties	**(690)**	(526)	**–**	–
	8,672	9,309	**12,396**	16,337
Retention sum				
– third parties	**3,413**	5,848	**–**	–
– associates	**3,096**	12,384	**–**	–
– joint ventures	**11,736**	11,237	**–**	–
Loss allowance on retention sum from third parties	**(769)**	(788)	**–**	–
Security deposits	**1,408**	1,299	**–**	–
Non-trade receivables				
– third parties	**2,393**	2,053	**3**	–
– subsidiaries	**–**	–	**56,120**	55,622
– joint ventures	**66,879**	2	**–**	–
– associates	**21,328**	16,697	**3,070**	3,557
Loss allowance				
– third parties	**(1,447)**	(1,463)	**–**	–
– subsidiaries	**–**	–	**(138)**	(212)
– associates	**(3,458)**	(3,882)	**(3,014)**	(3,557)
Goods and services tax receivable	**33**	130	**–**	–
Advance payments	**719**	–	**–**	–
Government grant receivables	**997**	–	**–**	–
	115,000	52,826	**68,437**	71,747
Total	**149,562**	150,198	**68,437**	71,747

Trade receivables from third parties, associates and joint ventures are unsecured, non-interest bearing and generally on 30 to 60 days (2019: 30 to 60 days) credit terms.

Trade amount due from subsidiary is unsecured, non-interest bearing and repayable on demand. Non-trade amounts due from subsidiaries are unsecured and bear an effective interest rate from a range of 2.98% to 3.88% (2019: 2.98% to 3.88%)

Non-trade receivables from third parties are unsecured, non-interest bearing and generally on 30 to 60 days (2019: 30 to 60 days) credit terms.

Non-trade amounts due from joint ventures are unsecured, repayable on demand and non-interest bearing except an amount of $66,691,000 (2019: $Nil) which bears interest rate of 1.86% (2019: Nil%).

Non-trade amounts due from associates are unsecured, non-interest bearing and repayable on demand except for an amount of $2,958,000 (2019: $3,321,000) which bears interest rate of 6% (2019: 6%).

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Non-current non-trade amount due from a joint venture is unsecured and bear interest rate of 2.00% (2019: 2.42%) per annum. The fair value of the receivable is $33,118,000 (2019: $95,543,000).

Advance payments are related to advance payment to subcontractors announced by Building and Construction Authority to provide one-off advance payment on ex-gratia basis for the public sector construction contracts affected by the extended circuit breaker period.

The government grant receivables and deferred government grant income are related to Jobs Support Scheme ("JSS") announced by the Singapore Government to provide wage support to employers to help them retain their local employees during this period of economic uncertainty. In determining the timing of recognition of the JSS grant income, the management assessed that the Group is impacted from April 2020 onwards following the circuit-breaker measure, and hence JSS grant income is recognised in the consolidated statement of comprehensive income from the month of April 2020 onwards.

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

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**526**	526
Loss allowance made during the financial year		
– credit impaired	**18**	–
– non-credit impaired	**146**	–
Balance at end of financial year	**690**	526

At 30 September 2020, retention sum held by customers for contract work amounted to $18,245,000 (2019: $29,469,000). Retention sum is due for settlement after more than 12 months. They have been classified as current asset because they are expected to be realised in the normal operating cycle of the Group.

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

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**788**	763
Currency realignment	**(19)**	25
Balance at end of financial year	**769**	788

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

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**1,463**	1,451
Currency realignment	**(16)**	12
Balance at end of financial year	**1,447**	1,463

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Individual analysis of impaired non-trade receivables:

	Group	
	2020 $'000	2019 $'000
Amount past due of more than 6 months and no response to repayment demands	**1,447**	1,463

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

	Company	
	2020 $'000	2019 $'000
Balance at beginning of financial	**212**	141
Loss allowance recognised in the financial year		
– non-credit impaired	**–**	71
Reversal of loss allowance made in prior year	**(74)**	–
Balance at end of financial year	**138**	212

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance at beginning of financial year	**3,882**	411	**3,557**	331
Loss allowance recognised in the financial year				
– non-credit impaired	**175**	3,471	**56**	3,226
Reversal of loss allowance made in prior year				
– non-credit impaired	**(599)**	–	**(599)**	–
Balance at end of financial year	**3,458**	3,882	**3,014**	3,557

Pursuant to agreement dated 15 July 2020, the Group and the Company have capitalised a non-trade amount due from the associate to investment in associate (Note 9). Following the capitalisation of the non-trade amount due from the associate, a reversal of loss allowance of $599,000 (2019: $Nil) was recognised in profit or loss.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Singapore dollar	**126,494**	126,358	**68,437**	71,747
United States dollar	**23,028**	23,796	**–**	–
Japanese yen	**5**	10	**–**	–
Maldives rufiyaa	**35**	34	**–**	–
	149,562	150,198	**68,437**	71,747

15. FINANCE LEASE RECEIVABLES

	Group	
	2020 **$'000**	**2019** **$'000**
Minimum lease payments	–	651
Unearned future income	–	(15)
Present value of minimum lease payments	–	636

In 2015, the Group leased three units of its machineries to non-related party under finance lease. The lease agreement commenced from 1 September 2015 to 31 August 2020. Repayment is to be made by the lessee via 59 monthly lease payment of $13,000 and final payment of $508,000 which is repayable on 31 August 2020. Upon the expiry of lease term, the machineries are sold to the lessee. The interest rate inherent in the leases are fixed at the contract date for all of the lease term. The average interest rate contracted is approximately 2.9% (2019: 2.9%) per annum.

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

The finance lease receivables were denominated in Singapore dollar.

16. INVENTORIES

	Group	
	2020 **$'000**	**2019** **$'000**
Consumable materials – timber and plywood	**1,242**	1,421

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to approximately $1,951,000 (2019: $5,403,000).

The Group carried out a review of the realisable value of its inventories and the review led to an allowance for inventories obsolescence of approximately $138,000 (2019: the reversal of an allowance for inventories obsolescence of approximately $4,000) recognised in profit or loss. The allowance for inventory obsolescence is included in "cost of sales" line item in profit or loss.

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2020 **$'000**	**2019** **$'000**
Contract assets	**17,001**	22,424
Contract liabilities	**378**	287

During the financial year, the Group has recognised a loss allowance on receivables arising from contracts with customers amounting to $35,000 (2019: $Nil).

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

17. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

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

	Group	
	2020	**2019**
	$'000	**$'000**
Contract assets reclassified to receivables	**(20,735)**	(25,446)
Excess of revenue recognised over cash	**15,347**	22,424

b) Remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 30 September 2020 is $234,310,000 (2019: $210,755,000). This amount has not included the following:

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

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

	2021	**2022**	**2023**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at 30 September 2020				
Construction contracts	116,113	106,246	11,951	234,310

	2020	**2021**	**2022**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at 30 September 2019				
Construction contracts	175,354	31,366	4,035	210,755

18. CASH AND BANK BALANCES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Fixed deposits	**2,243**	10,842	**621**	3,648
Cash at bank balances	**38,289**	45,479	**14,030**	1,407
	40,532	56,321	**14,651**	5,055
Fixed deposits pledged (Note 26)	**(532)**	(529)	**–**	–
Cash and cash equivalents per consolidated statement of cash flows	**40,000**	55,792	**14,651**	5,055

Fixed deposits will mature within 1 to 12 (2019: 1 to 12 months) months from the financial year-end and the effective interest rate on the fixed deposits ranges from between 0.15% to 2.75% (2019: 0.15% to 3.25%) per annum.

18. CASH AND BANK BALANCES (CONTINUED)

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

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Ringgit Malaysia	**786**	763	**–**	–
Singapore dollar	**27,642**	28,229	**14,651**	5,055
United States dollar	**8,174**	23,665	**–**	–
Maldives rufiyaa	**479**	3,187	**–**	–
Japanese yen	**3,451**	475	**–**	–
Vietnam Dong	**–**	2	**–**	–
	40,532	56,321	**14,651**	5,055

19. SHARE CAPITAL

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully-paid	**242,565**	242,565	**25,048**	25,048

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

20. TREASURY SHARES

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares ('000)		$'000	$'000
At beginning of financial year	**7,555**	8,055	**3,303**	3,303
Treasury shares reissued pursuant to equity compensation plans:				
– for cash on exercise of employee share options	**–**	(500)	**–**	–
At end of financial year	**7,555**	7,555	**3,303**	3,303

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

In prior financial year, 500,000 treasury shares were reissued pursuant to the equity-settled share option scheme at a weighted average exercise price of $Nil.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

21. SHARE OPTION RESERVE

Equity-settled share option scheme

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

Pursuant to the Scheme,

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

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

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

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

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

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

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

21. SHARE OPTION RESERVE (CONTINUED)

Equity-settled share option scheme (Continued)

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

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	650,000	–	–	–	650,000	0.310	1.10.2015 to 30.9.2023
20/6/2014	630,000	–	–	–	630,000	0.310	1.10.2015 to 30.9.2023
1/12/2014	200,000	–	–	–	200,000	0.315	1.12.2016 to 30.11.2024
8/1/2016	1,650,000	–	–	–	1,650,000	0.400	8.1.2018 to 7.1.2026
3/4/2017	300,000	–	–	–	300,000	0.355	3.4.2019 to 2.4.2027
2/4/2018	2,725,000	–	–	(200,000)	2,525,000	0.460	2.4.2020 to 1.4.2028
16/4/2019	550,000	–	–	(50,000)	500,000	0.400	16.4.2021 to 15.4.2029
Total	6,705,000	–	–	(250,000)	6,455,000		

During the financial year, no (2019: 500,000) options were exercised for the equity-settled share option scheme and 250,000 (2019: 375,000) options were forfeited due to resignation of certain employees. The options outstanding at end of the reporting period have remaining contractual life of 3 to 8.5 years (2019: 4 to 9.5 years).

The weighted average share price at the date the options were exercised in prior financial year is $Nil.

Out of the total equity-settled share option schemes of 6,455,000 (2019: 6,705,000) options, 5,955,000 (2019: 3,430,000) options are exercisable as at 30 September 2020.

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

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

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

The Group recognised share based payment expenses and a corresponding share option reserve of $283,000 (2019: $256,000) for the financial year ended 30 September 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

22. FOREIGN CURRENCY TRANSLATION RESERVE

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

23. MERGER RESERVE

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

24. FAIR VALUE RESERVE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of financial year	**178**	9,573	**(2,400)**	(1,650)
Fair value changes recognised in other comprehensive income	**(14,643)**	(9,395)	**(1,530)**	(750)
At end of financial year	**(14,465)**	178	**(3,930)**	(2,400)

Fair value reserve represent the cumulative fair value changes, net of tax, of financial asset until it is disposed of.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade payables				
– third parties	**3,583**	5,265	**–**	–
– accrued subcontractor expenses	**33,344**	72,582	**–**	–
	36,927	77,847	**–**	–
Non-trade payables				
– third parties	**116**	275	**–**	32
– due to a director and non-controlling interest of subsidiary	**2,225**	2,225	**–**	–
Deferred revenue	**189**	75	**–**	–
Rental deposits	**852**	829	**–**	–
Accrued operating expenses	**2,761**	4,541	**869**	580
Corporate guarantee liability	**2,922**	3,739	**2,922**	3,739
Deferred government grant income	**666**	–	**–**	
Goods and services tax payable	**188**	1,116	**–**	–
	46,846	90,647	**3,791**	4,351

Trade and non-trade payables to third parties are unsecured, non-interest bearing and generally on 30 to 60 (2019: 30 to 90) days credit terms.

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

Deferred revenue refers to the Group's share of the unrealised profit arising from the building and construction services rendered to joint venture. The deferred revenue will be amortised over the phases of occupation of the constructed building or upon the temporary occupation permit granted for the buildings for joint venture, and taken against the share of results of and joint venture company in the Group's profit or loss.

25. TRADE AND OTHER PAYABLES (CONTINUED)

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

Deferred government grant income is in respect of JSS, details of which are disclosed in Note 14 to the financial statements.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**35,907**	77,483	**3,791**	4,351
United States dollar	**313**	2,769	**–**	–
Japanese yen	**10,626**	10,327	**–**	–
Malaysian ringgit	**–**	47	**–**	–
Chinese yuan	**–**	21	**–**	–
	46,846	90,647	**3,791**	4,351

26. BANK BORROWINGS

	Group	
	2020	**2019**
	$'000	**$'000**
Non-current liabilities		
Secured		
– Term loan VI	**7,199**	7,699
– Term loan VIII	**200**	–
	7,399	7,699
Current liabilities		
Secured		
– Term loan I		
(which is subject to an unconditional callable clause)		
Portion of term loan due for repayment within one financial year	**386**	381
Portion of term loan due for repayment after one financial year	**3,529**	3,871
– Term loan II		
(which is subject to an unconditional callable clause)		
Portion of term loan due for repayment within one financial year	**386**	381
Portion of term loan due for repayment after one financial year	**5,244**	5,567
– Term loan III		
(which is subject to an unconditional callable clause)		
Portion of term loan due for repayment within one financial year	**57**	42
Portion of term loan due for repayment after one financial year	**540**	598
– Term loan IV	**–**	2,561
– Term loan V	**12,507**	5,015
– Term loan VI	**1,035**	679
– Term loan VII	**1,001**	–
– Term loan VIII	**50**	–
– Term loan IX	**1,000**	–
– Revolving credit	**3,860**	12,032
– Trust receipts	**252**	1,320
	29,847	32,447
Total bank borrowings	**37,246**	40,146

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

26. BANK BORROWINGS (CONTINUED)

	2020 $'000	2019 $'000
Singapore dollar	**27,701**	29,889
United States dollar	**–**	57
Japanese yen	**9,545**	10,200
	37,246	40,146

The Group has seven types of loans:

a) Term loan I

The Group entered into a banking facility amounting to $5,932,000 on 15 February 2016 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounted to $3,915,000 (2019: $4,252,000). Repayment is to be made via 84 monthly instalments comprising of monthly principal of $34,000 and last principal of $3,134,000 which commencing on 31 March 2016 and will continue until 28 February 2023. The interest on the loan is charged at 1.35% (2019: 1.38%) at base rate plus 1.3% per annum. The loan is secured by:

(i) a charge over the Group's investment property (Note 7); and

(ii) the corporate guarantee provided by the Company.

b) Term loan II

The Group entered into a banking facility amounting to $6,330,000 on 20 September 2017 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounted to $5,630,000 (2019: $5,948,000). Repayment is to be made via 84 monthly instalments comprising of monthly principal of $34,000 and last principal amount of $3,828,000 which commenced on 31 October 2017 and will continue until 30 September 2024. The interest on the loan is charged at 1.28% (2019: 1.28%) at base rate plus 1.2% per annum.

The loan is secured by:

(i) a charge over the Group's investment property (Note 7); and

(ii) the corporate guarantee provided by the Company.

c) Term loan III

The Group entered into banking facilities amounting to $791,000 on 19 August 2016 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounted to $597,000 (2019:$640,000). Repayments commenced on 7 July 2016 and will continue until 7 February 2031 and 7 October 2029 respectively. The loan carries an interest at bank prevailing enterprise financing rate "EFR" minus 3.6% for 1st year, EFR minus 3.3% for 2nd year, at EFR rate for the subsequent years, payable over 150 and 133 monthly instalments. The loans are secured by:

(i) a mortgage over the Group's property, plant and equipment (Note 5); and

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

26. BANK BORROWINGS (CONTINUED)

d) Term loan IV

The Group entered into a banking facility amounting to $10,000,000 on 15 June 2017 which can be drawn down based on the Group's financing requirements. As at 30 September 2019, the outstanding borrowings amounted to $2,561,000 comprising of four drawn down by the Company of $1,000,000, $3,000,000, $3,000,000, and $3,000,000 on 1 February 2018, 8 February 2018, 16 May 2018 and 4 June 2018. The borrowings was fully repaid on 6 February 2020. The loan carries an interest at 1.35% plus the bank cost of borrowings. The loan is secured by a charge over the Group's property, plant and equipment (Note 5).

e) Term loan V

The Group entered into a banking facility amount to $18,500,000 on 28 March 2018, which was revised to $17,000,000 on 9 July 2018. The facility is a specific advance facility meant for financing of one of the Group's building construction project, which the limit is subject to a step up/down schedule. On 21 January 2019, the Group drawn down a principal amount of $5,000,000. As at the end of the reporting period, the outstanding borrowing amounted to $12,507,000 (2019: $5,015,000) and is repayable on demand. The loan carries an interest at 1.88% (2019: 1.25%) plus the bank cost of borrowings. The loan is secured by:

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

(ii) the corporate guarantee provided by the Company.

f) Term loan VI

The Group entered into a banking facility amounting to $8,600,000 on 5 November 2018, which is to finance the purchase of two properties. As at the end of the reporting period, the total outstanding borrowing amounts to $7,984,000, comprising of both current and non-current loan amount of $985,000 (2019: $679,000) and $6,999,000 (2019: $7,699,000) respectively. The loan carries an interest at 3.32% for the first and second year of the loan, 2.95% for the third year of loan and 6.25% thereafter plus the bank cost of borrowings. The loan is secured by a first legal mortgage over the two buildings under Group's property, plant and equipment (Note 5).

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

The Group entered into an additional banking facility amounting to $3,000,000 on 9 April 2020, which can be drawn down based on the Group's financing requirements. On 1 September 2020, the Group drawn down a principal amount of $250,000. As at the end of reporting period, the outstanding borrowings amounted to $250,000, comprising of both current and non-current loan amount of $50,000 (2019: $Nil) and $200,000 (2019: $Nil) respectively. The loan is secured by a corporate guarantee provided by the Company.

The term loan is repayable over 60 monthly instalments comprising of the principal amount of $250,000 and monthly interest, which is calculated based on the interest rate set out in the banking facility letter dated on 9 April 2020. The monthly repayment of $4,000 will commence on 31 October 2020 and will continue until 30 September 2025.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

26. BANK BORROWINGS (CONTINUED)

g) Term loan VII

The Group entered into a banking facility amounting to $8,700,000 on 17 April 2019. The facility is a specific advance facility meant for financing of one of the Group's building construction project, which the limit is subject to a step up/down schedule. As at the end of the reporting period, the outstanding borrowing amounted to $1,001,000 and repayable by 1 December 2020. The loan carries an interest at 1.25% plus the bank cost of borrowings. The loan is secured by:

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

(ii) the corporate guarantee provided by the Company.

h) Term loan VIII

The Group entered into a banking facility amount to $2,000,000 on 9 April 2020. The facility is a temporary bridging loan under the Enterprise Financing Scheme for working capital requirements. As at the end of the reporting period, the outstanding borrowing amounts to $250,000, comprising of the principal amount drawn down by the Group on 1 September 2020. The loan carries an interest at 2.75% per annum. The loan is secured by the corporate guarantee provided by the Company.

The term loan is repayable over 60 monthly instalments comprising of the principal amount of $250,000 and monthly interest, which is calculated based on the interest rate set out in the banking facility letter dated on 9 April 2020. The monthly repayment of $4,000 will commence on 31 October 2020 and will continue until 30 September 2025.

i) Term loan IX

The Group entered into banking facilities amounting to $1,000,000 on 25 September 2020 which can be drawn down based on the Group's financing requirements. The facility is a specific advance facility meant for financing of the properties which are the office premises of the Group. As at the end of the reporting period, the outstanding borrowings amounted to $1,000,000 and is repayable on demand. The loan carries an interest at bank prevailing enterprise financing rate "EFR" minus 2.5% thereafter plus the bank cost of borrowings, payable over 60 monthly instalments. The loans are secured by:

(i) a mortgage over the Group's property, plant and equipment (Note 5); and

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

j) Revolving credits are repayable or rollover within 3 months (2019: 3 months) from the financial year end and the interest are revised to the market rates on the rollover date. These revolving credits are secured by:

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

(ii) the corporate guarantee provided by the Company.

k) Trust receipts amounted to $253,000 (2019: $1,320,000) are unsecured but repayable on demand to the bank with a maximum tenor of up to 120 days. It bear interest of 1.7% to 1.9% over the bank prevailing prime rate of 2.25% per annum.

26. BANK BORROWINGS (CONTINUED)

l) The Group entered into an overdraft facility amounting to $300,000 on 19 August 2016 which can be drawn down based on the Group's financing requirements. There was no outstanding bank overdraft as at 30 September 2020 and 30 September 2019. The bank overdraft is repayable on demand to the bank with a maximum tenor of up to 1 year. It bears interest of 4.25% over the bank prevailing prime rate of 1.25% per annum. The overdraft facility is secured by:

(i) deposits pledged with financial institution (Note 18); and

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

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

The Group is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet the requirements. Further details of the Group's management of liquidity risk are set out in Note 42.3 to the financial statements.

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

Undrawn Commitments

As at 30 September 2020, the Group has undrawn committed banking facilities of $30.5 million (2019: $56.0 million) in respect of which all conditions precedent had been met.

27. LEASE LIABILITIES

	Land $'000	Equipment $'000	Motor Vehicles $'000	Warehouse $'000	Dormitories $'000	Total $'000
Group						
Balance at 1 October 2019						
– Finance lease payables under SFRS(I) 1-17	–	–	515	–	–	515
– Adoption of SFRS(I) 16 (Note 2.1)	6,189	515	–	205	702	7,611
	6,189	515	515	205	702	8,126
Additions	–	–	35	–	–	35
Interest expense (Note 33)	193	14	25	4	15	251
– Principal portion	(393)	(113)	(123)	(87)	(241)	(957)
– Interest portion	(193)	(14)	(25)	(4)	(15)	(251)
Balance at 30 September 2020	**5,796**	**402**	**427**	**118**	**461**	**7,204**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

27. LEASE LIABILITIES (CONTINUED)

	2020 $'000
Company	
Balance at 1 October 2019	
– Finance lease payables under SFRS(I) 1-17	**118**
	118
Interest expense	**6**
– Principal portion	**(19)**
– Interest portion	**(6)**
Balance at 30 September 2020	**99**

The maturity analysis of lease liabilities of the Group and the Company at the end of the reporting period are as follows:

	2020 $'000	2019 $'000
Group		
Contractual undiscounted cash flows		
– Not later than one financial year	**1,203**	141
– After one financial year but within five financial years	**3,172**	412
– More than five financial years	**4,187**	24
	8,562	577
Less: Future interest expense	**(1,358)**	(62)
Present value of lease liabilities	**7,204**	515
Presented in statements of financial position		
– Non-current	**6,220**	397
– Current	**984**	118
	7,204	515
Company		
Contractual undiscounted cash flows		
– Not later than one financial year	**25**	25
– After one financial year but within five financial years	**85**	110
	110	135
Less: Future interest expense	**(11)**	(17)
Present value of lease liabilities	**99**	118
Presented in statements of financial position		
– Non-current	**79**	99
– Current	**20**	19
	99	118

The Group leases land, equipment, dormitories and warehouse in Singapore. As at 30 September 2020, the average incremental borrowing rate applied in the lease were 3.3%.

As at 30 September 2020, the Group and the Company leased certain motor vehicles under finance lease and the average discount rate implicit in finance lease was 3.73% and 2.68% respectively.

Interest rates are fixed at the contract date. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

27. LEASE LIABILITIES (CONTINUED)

The Group's and the Company's lease liabilities of $427,000 and $99,000 respectively were secured over motor vehicles (Note 6).

The lease liabilities are denominated in Singapore dollar.

28. MEDIUM TERM NOTES

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**84,537**	84,306
Issued during the financial year	**47,654**	–
Repurchase during the financial year	**(33,750)**	–
Unwinding of discount on medium term notes	**237**	231
Modification adjustments on issuance of MTN 3	**274**	–
Balance at end of financial year	**98,952**	84,537
Presented in statements of financial position		
– Non-current	**47,933**	84,537
– Current	**51,019**	–
	98,952	84,537

On 15 September 2017, $85,000,000 were issued from the MTN programme under Series 002 (the "MTN 2") and the MTN 2 carried fixed interest of 5.75% per annum with interest payable semi-annually. The MTN 2 will mature on 15 September 2021. The MTN 2 are unsecured.

On 19 August 2020, $48,000,000 were issued from the MTN programme under Series 003 (the "MTN 3"). The MTN 3 comprises:

(i) $33,750,000 in aggregate principal amount of New Notes issued as part of the Exchange Consideration for MTN 2; and

(ii) $14,250,000 in aggregate principal amount of additional New Notes issued pursuant to the Additional New issue.

The MTN 3 carried fixed interest of 6.25% per annum with interest payable semi-annually. The MTN 3 will mature on 19 August 2023. The MTN 3 are unsecured.

The MTN 2 and MTN 3 are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Prior to the maturity of the MTN 2 and MTN 3, the Company may redeem the MTN 2 and MTN 3 based on the stipulated redemption price on the occurrence of the early redemption condition stated in the pricing supplement. Early redemption conditions for the MTN 2 and MTN 3 are:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

28. MEDIUM TERM NOTES (CONTINUED)

The MTN 2 and MTN 3 contained certain covenants that the Group will ensure that:

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

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

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

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

Management estimated the fair value of these Notes as at 30 September 2020 to be approximately $98,520,000 (2019: $83,143,000). The fair value is based on the bid price extracted from SGX-ST as at the end of the reporting period. The Notes are classified as Level 1 fair value hierarchy.

The medium term notes are denominated in Singapore dollar.

29. PROVISIONS

	Provision for onerous contracts *Current liabilities* $'000	Provision for warranty and defects *Current liabilities* $'000	Provision for restoration costs *Non-current liabilities* $'000	Total $'000
Group				
30 September 2020				
Balance at beginning of financial year	**–**	**2,022**	**506**	**2,528**
Provision made	**2,717**	**–**	**–**	**2,717**
Provision reversed	**–**	**(200)**	**–**	**(200)**
Unwinding of discount on provisions	**–**	**–**	**6**	**6**
Balance at end of financial year	**2,717**	**1,822**	**512**	**5,051**
30 September 2019				
Balance at beginning of financial year	–	2,022	246	2,268
Provision made	–	–	253	253
Unwinding of discount on provisions	–	–	7	7
Balance at end of financial year	–	2,022	506	2,528

Provision for warranty is recognised based on the claims experienced in the past and the level of repairs and experienced for similar projects. A reversal of provision for warranty is made due to expiration of warranty period for completed project. The Group has undertaken to perform the necessary repairs should the work carried out by the Group fail to perform satisfactorily.

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

At the end of the reporting period, the Group recognised $2,717,000 (2019: $Nil) provision for the unavoidable costs of fulfilling certain construction contract with customers, that were in excess of the economic benefits expected to be received under the contract. The provision for the onerous contract is expected to be utilised at the end of the contract term.

30. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2020	**2019**
	$'000	**$'000**
Deferred tax assets	**593**	493
Deferred tax liabilities	**(1)**	(69)

Movements in deferred tax assets are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**493**	381
Credited to profit or loss	**102**	109
Foreign currency translation differences	**(2)**	3
Balance at end of financial year	**593**	493

Movements in deferred tax liabilities are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	**(69)**	(126)
Credited to profit or loss	**68**	57
Balance at end of financial year	**(1)**	(69)

Deferred tax assets are attributable to the following temporary differences:

	Group	
	2020	**2019**
	$'000	**$'000**
Unutilised tax losses	**81**	81
Accelerated tax depreciation	**512**	412
	593	493

Deferred tax liabilities are attributable to the following temporary differences:

	Group	
	2020	**2019**
	$'000	**$'000**
Accelerated tax depreciation	**(1)**	(69)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

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

	Group		
	Unutilised tax losses $'000	Accelerated tax depreciation $'000	Total $'000
2020			
Balance at beginning of financial year	**81**	**343**	**424**
Credited to profit or loss	**–**	**170**	**170**
Foreign currency translation differences	**–**	**(2)**	**(2)**
Balance at end of financial year	**81**	**511**	**592**
2019			
Balance at beginning of financial year	81	174	255
Credited to profit or loss	–	166	166
Foreign currency translation differences	–	3	3
Balance at end of financial year	81	343	424

31. REVENUE

	Group	
	2020 $'000	2019 $'000
Construction contracts – over time	**81,191**	160,857
Rental income from investment property	**1,751**	1,703
	82,942	162,560

NOTES TO THE FINANCIAL STATEMENTS

32. OTHER INCOME

	Group	
	2020	**2019**
	$'000	**$'000**
Gain on disposal of plant and equipment	**119**	124
Fair value changes on financial asset FVTPL	**–**	4,667
Interest income		
– banks	**176**	445
– finance lease receivables	**15**	21
– loan due from joint ventures	**1,781**	2,055
– loan due from associates	**3,717**	2,983
Late charges charged to subcontractors	**13**	68
Rental income from warehouse	**1,525**	760
Sales of scrap steel	**68**	109
Management fee	**300**	300
Dividend income from financial assets at FVOCI	**8**	510
Foreign exchange gain, net	**–**	2,127
Government grant		
– job support scheme	**1,027**	–
– foreign worker levy rebate	**1,149**	–
– COVID safe firm based support	**142**	–
– construction restart booster	**803**	–
– others	**30**	73
Others	**181**	25
	11,054	14,267

33. FINANCE COSTS

	Group	
	2020	**2019**
	$'000	**$'000**
Interest expenses:		
– medium term notes	**5,037**	4,888
– term loans	**652**	383
– revolving credit	**129**	706
– trust receipt	**51**	45
– lease liabilities	**251**	27
– unwinding of discount on provision for restoration cost	**6**	7
– unwinding of discount on medium term notes	**237**	231
	6,363	6,287

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

34. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Group	
	2020	**2019**
	$'000	**$'000**
Cost of sales		
Construction costs	**28,931**	87,735
Employee benefit expenses	**12,151**	13,755
Depreciation of property, plant and equipment	**263**	452
Depreciation of investment properties	**640**	619
Allowance/(Reversal of allowance) for inventory obsolescence	**138**	(4)
Operating lease expenses	**–**	378
Administrative and other expenses		
Waiver of interest receivables from third party	**–**	918
Audit fees		
– Auditors of the Company	**133**	143
– Other auditors	**10**	15
Non-audit fees		
– Auditors of the Company	**78**	30
– Other auditors	**–**	4
Amortisation of intangible assets	**17**	37
Depreciation of property, plant and equipment	**3,366**	3,669
Depreciation of right-of-use assets	**1,200**	–
Employee benefit expenses	**5,390**	7,211
Operating lease expenses	**–**	410
Fair value changes on financial asset FVTPL	**7,660**	–
Impairment loss on investment in an associate	**11,603**	7,150
Impairment loss on investment in joint venture	**138**	–
Impairment on intangible assets	**31**	–
Foreign exchange loss, net	**603**	–
Professional fees	**869**	1,251

The (loss)/profit before income tax also includes:

	Group	
	2020	**2019**
	$'000	**$'000**
Employee benefit expenses:		
Salaries, wages, bonuses and other staff benefits	**16,576**	20,012
Contributions to defined contribution plans	**682**	698
Share option expenses	**283**	256
	17,541	20,966

Included in the employee benefit expenses were Directors' remuneration as shown in Note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

35. INCOME TAX EXPENSE

	Group 2020 $'000	Group 2019 $'000
Current income tax		
– current financial year	**5,645**	7,025
– (over)/under provision in prior financial years	**(47)**	527
	5,598	7,552
Deferred income tax		
– current financial year	**(112)**	(150)
– over provision in prior financial years	**(58)**	(16)
	(170)	(166)
Total income tax expense recognised in profit or loss	**5,428**	7,386

The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% (2019: 17%) to profit before income tax as a result of the following differences:

	Group 2020 $'000	Group 2019 $'000
(Loss)/Profit before income tax	**(13,402)**	24,262
Add/(Less): Share of result of joint ventures	**(6,880)**	(15,984)
Share of result of associates	**21,954**	6,798
	1,672	15,076
Income tax calculated at applicable income tax rate of 17% (2019: 17%)	**284**	2,563
Effect of different tax rate in other country	**(11)**	(141)
Tax effect of income not subject to income tax	**(449)**	(1,199)
Tax effect of expenses not deductible for income tax purposes	**5,766**	5,897
Tax effect of tax exemption	**(34)**	(17)
(Over)/Under provision in prior financial years' current income tax	**(47)**	527
Overprovision in prior financial years' deferred income tax	**(58)**	(16)
Unrecognised deferred tax assets	**12**	192
Utilisation of previously not recognised deferred tax assets	**–**	(451)
Others	**(35)**	31
	5,428	7,386

Unrecognised deferred tax assets

	Group 2020 $'000	Group 2019 $'000
Balance at beginning of financial year	**258**	665
Reassessment of unrecognised deferred tax assets in prior financial years	**(231)**	(148)
Amount not recognised during the financial year	**12**	192
Utilisation of deferred tax assets not recognised previously	**–**	(451)
Balance at end of financial year	**39**	258

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

35. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to:

	Group	
	2020	**2019**
	$'000	**$'000**
Unutilised tax losses	**40**	258
Others	**(1)**	–
	39	258

As at 30 September 2020, the Group has unutilised tax losses amounting to approximately $235,000 (2019: $1,518,000) available for set-off against future taxable profits subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

		Group	
Year incurred	**Year of expiry**	**2020**	**2019**
		$'000	**$'000**
2015	2020	**–**	307
2016	2021	**–**	–
2017	2022	**–**	–
2018	2023	**14**	14
2019	2024	**43**	43
		57	364

Deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits in KHA Resorts & Hotels Construction (Maldives) Pvt Ltd to realise these future benefits. Accordingly, the deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.22 to the financial statements.

36. (LOSS)/EARNINGS PER SHARE

36.1 Basic (loss)/earnings per share

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

	2020	**2019**
	$'000	**$'000**
The calculation of basic (loss)/earnings per share is based on the following data:		
(Loss)/Profit attributable to owners of the parent	**(18,043)**	16,306
Weighted average number of ordinary shares outstanding for basic earnings per share (excluding treasury shares)	**235,010**	234,554
Basic (loss)/earnings per share (cents)	**(7.68)**	6.95

36. (LOSS)/EARNINGS PER SHARE (CONTINUED)

36.2 Diluted (loss)/earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

For share options, the weighted average number of shares in issue has been adjusted as if all 1,238,000 dilutive share options were exercised in the previous financial year. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

During the financial year ended 30 September 2020, the share options as mentioned above were not included in the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. As the Group has no dilutive potential ordinary shares, the diluted loss per share is equivalent to basic loss per share for the financial year.

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

	2020 $'000	2019 $'000
(Loss)/Profit attributable to owners of the parent ($)	**(18,043)**	16,306
Weighted average number of ordinary shares outstanding for basic earnings per share (excluding treasury shares)	**235,010**	234,554
Effect of share options in issue	**–**	1,238
Weighted average number of ordinary shares at 30 September	**235,010**	235,792
Diluted (loss)/earnings per share (cents)	**(7.68)**	6.92

37. DIVIDENDS

	Group and Company	
	2020 $'000	2019 $'000
Interim tax-exempt dividend paid of Nil (2019: 0.25) cents per ordinary share in respect of the current financial year	**–**	586
Final tax-exempt dividend paid of 1.50 (2019: 2.00) cents per ordinary share in respect of the previous financial year	**3,525**	4,690
	3,525	5,276

The Company did not recommend any dividend in respect of the financial year ended 30 September 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company entered into the following transactions with their related parties during the financial year at rates and terms agreed between the parties:

	Group	
	2020	**2019**
	$'000	**$'000**
Joint ventures		
Contract revenue from joint ventures	**55,917**	86,775
Loan to joint ventures	**2,748**	4,550
Interest charged to joint ventures	**1,781**	2,055
Payment on behalf of joint ventures	**277**	62

	Group	
	2020	**2019**
	$'000	**$'000**
Associates		
Contract revenue from associates	**8,581**	47,309
Loan to associates	**12,623**	31,136
Cash advances to associates	**50**	11,869
Rental charged by associates	**–**	104
Payment on behalf by associates	**5**	3,118
Payment made on behalf of associates	**606**	5,431
Management fee charged to associates	**300**	300
Interest charge to associates	**3,717**	2,983

	Company	
	2020	**2019**
	$'000	**$'000**
Subsidiary		
Dividend income	**–**	16,337

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Directors' interest in medium term note		
– Leo Ting Ping, Ronald	**2,000**	–
– Lim Jun Xiong Steven	**750**	500
– Chong Weng Hoe	**250**	250
Interest expense		
– Lim Jun Xiong Steven	**29**	29
– Chong Weng Hoe	**14**	14

As at 30 September 2020, the outstanding balances in respect of the above related party transactions are disclosed in Note 9, 10 and 14 to the financial statements.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

	Group	
	2020	**2019**
	$'000	**$'000**
Directors of the Company		
– Short-term benefits	**1,445**	2,484
– Post-employment benefits	**30**	33
– Directors' fees	**174**	178
Other key management personnel		
– Short-term benefits	**478**	317
– Post-employment benefits	**22**	20
– Share option expenses	**–**	17
	2,149	3,049

39. COMMITMENTS

39.1 Operating lease commitments

Group as a lessee

As at 30 September 2019, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group
	2019
	$'000
Not later than one financial year	846
Later than one financial year but not later than five financial years	2,742
After five financial years	4,854
	8,442

The operating lease commitments as at 30 September 2019 were based on existing rental rates as at the end of the reporting period. The operating lease agreements provided for periodic revision of such rates in the future. The Group leased land, warehouse, dormitories and office equipment under non-cancellable operating lease agreements. These leases had varying terms, escalation rights a tenure range from 1 to 16 financial years with options to renew.

Group as a lessor

In respect of the investment properties disclosed in Note 7 to the financial statements, the Group lease out its investment properties and warehouse to third parties and an associate under non-cancellable operating leases. These leases have a tenure range from 1 to 4 financial years with options to renew.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

39. COMMITMENTS (CONTINUED)

39.1 Operating lease commitments (Continued)

Group as a lessor (Continued)

Future minimum rentals receivables under non-cancellable operating leases as at the reporting date are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Not later than one financial year	**1,952**	2,227
Later than one financial year but not later than five financial years	**3,604**	3,944
	5,556	6,171

40. FINANCIAL GUARANTEES

As at 30 September 2020, the Company has issued corporate guarantees amounting to $233,104,000 (2019: $217,780,000) to banks for banking facilities of certain subsidiaries and associate.

The maximum amount of the Company could be forced to settle under the guarantees obligation if the full guaranteed amount is claimed by the counterparties to the guarantees, is $233,104,000 (2019: $217,780,000). The earliest period that the guarantees could be called is within 1 year from reporting date. As at 30 September 2020, the Group and the Company have accounted for a corporate guarantee liability of $2,922,000 (2019: $3,739,000) (Note 25).

The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiaries as the Company's directors have assessed that the likelihood of the subsidiaries defaulting on repayment of its banking facilities are remote. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

As at the end of the financial year, the Company had also given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

41. SEGMENT INFORMATION

For management reporting purposes, the Group is organised into four main operating divisions as follows:

- The construction segment is in the business of general building contractors.
- The property development segment is in the business of developing properties with other partners. The Group has investments in associates or joint ventures and available-for-sale financial assets which are special purpose entities set up for the purpose of property development. The returns from this segment is included in the "Share of results from associates or joint ventures".
- The investment property segment is in the business of leasing office and retail shops in two commercial buildings acquired in Osaka Japan.
- Investment holding segment is related to Group-level corporate services and investments in quoted and unquoted equity shares.

41. SEGMENT INFORMATION (CONTINUED)

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations.

Inter-segment pricing, if any, is determined on an arm's length basis.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

In presenting geographical information, segment revenue is based on the billing location of customers.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

	Buildings and construction $'000	Property development $'000	Investment property $'000	Investment holding $'000	Elimination $'000	Total $'000
Group						
2020						
Revenue						
External revenue	81,191	–	1,751	–		82,942
Inter-segment sales	–	191	–	–	(191)	–
	81,191	191	1,751	–	(191)	82,942
Loss from operations						
Share of results from joint ventures, net of tax	–	6,880	–	–	–	6,880
Share of results from associates, net of tax	–	(21,954)	–	–	–	(21,954)
Interest income	5,367	–	–	323	–	5,690
Interest expenses	(954)	–	(129)	(5,280)	–	(6,363)
Depreciation and amortisation	(4,796)	–	(640)	(50)	–	(5,486)
Income tax expense	(5,424)	–	–	(4)	–	(5,428)
Reportable segment profit/(loss) before income tax	11,429	(13,519)	488	(11,800)	–	(13,402)
Net profit/(loss) for the financial year after tax	6,005	(13,519)	488	(11,804)	–	(18,830)
Other information:						
Capital expenditure	2,834	–	23	–	–	2,857
Investments in joint ventures	–	31,656	–	–	–	31,656
Investments in associates	–	30,204	–	–	–	30,204
Segment assets	341,054	–	27,213	25,307	–	393,574
Segment liabilities	91,151	–	10,499	102,844	–	204,494

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

41. SEGMENT INFORMATION (CONTINUED)

	Buildings and construction $'000	Property development $'000	Investment property $'000	Investment holding $'000	Elimination $'000	Total $'000
Group						
2019						
Revenue						
External revenue	160,857	–	1,703	–	–	162,560
Inter-segment sales	–	264	–	–	(264)	–
	160,857	264	1,703	–	(264)	162,560
Profit from operations						
Share of results from joint ventures, net of tax	–	15,984	–	–	–	15,984
Share of results from associates, net of tax	–	(6,798)	–	–	–	(6,798)
Interest income	5,120	–	–	384	–	5,504
Interest expenses	(1,026)	–	(135)	(5,126)	–	(6,287)
Depreciation and amortisation	(4,108)	–	(619)	(50)	–	(4,777)
Income tax expense	(7,332)	–	–	(54)	–	(7,386)
Reportable segment profit/(loss) before income tax	27,218	265	1,102	(4,323)	–	24,262
Net profit/(loss) for the financial year after tax	19,886	265	1,102	(4,377)	–	16,876
Other information:						
Capital expenditure	12,090	–	37	–	–	12,127
Investments in joint ventures	–	23,982	–	–	–	23,982
Investments in associates	–	57,463	–	–	–	57,463
Segment assets	407,954	–	27,292	16,729	–	451,975
Segment liabilities	126,449	–	11,162	89,020	–	226,631

Geographical segment information:

	Group	
	2020 $'000	2020 $'000
Revenue		
Singapore	**77,145**	116,381
Maldives	**4,046**	44,476
Japan	**1,751**	1,703
Total revenue	**82,942**	162,560

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

	Group	
	2020 $'000	2019 $'000
Non-current assets		
Singapore	**94,624**	108,423
Maldives	**351**	615
Japan	**23,365**	23,708
Total non-current assets	**118,340**	132,746

Non-current assets consist of property, plant and equipment, intangible assets, investment properties, investments in associates and investments in joint ventures.

41. SEGMENT INFORMATION (CONTINUED)

Major customers

During the financial year, the Group's revenue attributable to 2 (2019: 3) customers represent approximately 73% (2019: 93%) of total revenue. Revenue from certain customers (named alphabetically A to C of the Group's construction segment amount to approximately $60,792,000 (2019: $152,038,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	2020		2019	
	$'000	%	$'000	%
Customer A	**44,390**	**54**	87,409	54
Customer B	**16,402**	**19**	44,476	27
Customer C	**–**	**–**	20,153	12
	60,792	**73**	152,038	93

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

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

42.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's major classes of financial assets are trade and other receivables, contract assets, finance lease receivables and cash and bank balances. The Group has adopted a policy of only bidding for contracts from developers with good financial standings. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collaterals.

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

	Company	
	2020 $'000	2019 $'000
Committed corporate guarantees provided to banks for subsidiaries' and associate's banking facilities as at the end of reporting period	**233,104**	217,780

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except as follows:

a) At the end of the reporting period, the Group has outstanding trade receivables from 3 (2019: 1) customers which represent 70% (2019: 15%) of total trade receivables balance.

b) At the end of the reporting period, the retention sum from 2 (2019: 5) customers represent 91% (2019: 93%) of total retention sum receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

42.1 Credit risk (Continued)

The Group defines counterparties as having similar characteristics if they are related entities. Ongoing evaluation is performed on the financial condition of accounts receivable.

For the current and previous financial year, the Company has significant credit exposure arising from a subsidiary trade receivable which represents the entire total trade receivable as at the end of each reporting period.

Trade receivables and contract assets

Expected credit loss model is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the model to adjust historical credit loss experience with industry future outlook. At each reporting period, historical default rates are updated and change in the industry future outlook is reassessed. The Group and the Company also evaluate expected credit loss on credit-impaired receivables separately at each reporting period.

The expected credit loss computed is derived from historical data and credit assessment includes forward-looking information which management view is representative of the customers' credit situation at the reporting date.

The following table provides information about the exposure to credit loss for trade receivables as at the end of reporting period

	Group		
	Gross carrying amount $'000	Loss allowance $'000	Carrying amount $'000
2020			
Trade receivables			
Not past due	**2,716**	**–**	**2,716**
Past due but not impaired			
– less than 1 month	**1,133**	**–**	**1,133**
– 1 to 3 months	**9**	**–**	**9**
– 3 to 6 months	**134**	**(18)**	**116**
– over 6 months	**5,370**	**(672)**	**4,698**
Contract assets			
Not past due	**17,036**	**(35)**	**17,001**
	26,398	**(725)**	**25,673**
2019			
Trade receivables			
Not past due	4,757	–	4,757
Past due but not impaired			
– less than 1 month	193	–	193
– 1 to 3 months	571	–	571
– 3 to 6 months	246	–	246
– over 6 months	4,068	(526)	3,542
Contract assets			
Not past due	22,424	–	22,424
	32,259	(526)	31,733

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

42.1 Credit risk (Continued)

Trade receivables and contract assets (Continued)

	Company		
	Gross carrying amount $'000	**Loss allowance $'000**	**Carrying amount $'000**
2020			
Trade receivables			
Past due but not impaired			
– over 6 months	**12,396**	**–**	**12,396**
2019			
Trade receivables			
Not past due	16,337	–	16,337

Given the adverse change in the business environment taking into consideration the effect of Covid-19 pandemic, a loss allowance of $725,000 is related to trade receivables and contract assets was recognised for trade receivables and contract assets due from private agencies.

Management believes that no impairment allowance is necessary for the remaining trade receivables and contract assets as these are well known institutions and government agencies, with good collection track record and no recent history of default, hence the expected credit loss is not material.

Retention sum

The Group has assessed expected credit loss allowance for remaining retention sum based on 12-month expected credit loss model.

The Group's impaired retention sum as at 30 September 2020 amounted to $769,000 (2019: $788,000). The impaired retention sum related to customers who had indicated that they were not likely to repay the outstanding balances due to economic circumstances or who have defaulted in payment terms. Management is of the view that loss allowance on remaining retention sum is insignificant.

Non-trade amounts due from third parties

The Group has assessed expected credit loss for non-trade amounts due from third parties based on 12-month expected credit loss model which reflects the low credit risk of the exposure. The management is of the view that loss allowance on non-trade amounts due from third parties is insignificant.

Non-trade amounts due from joint ventures

In determining the recoverability of receivable from the joint ventures, the Group considers the financial strength and performance of the joint ventures. The management is of the view that loss allowance on non-trade amounts due from joint ventures is insignificant.

Non-trade amounts due from associates

For non-trade amounts due from associates, the Group and the Company have taken into account the financial strength and financial performance of the associates. The Group and the Company monitor and assess at each reporting date for any indicator of significant increase in credit risk on the amounts due from associates, by considering their financial performance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

42.1 Credit risk (Continued)

Non-trade amounts due from associates (Continued)

At the end of the reporting period, the Group and the Company have assessed the associates' financial performance to meet the contractual cash flow obligations and have recognised expected credit loss allowance of $2,990,000 and $Nil (2019: 2,299,000 and $1,000,000) for long-term interests classified under investments in associates respectively (Note 9) and $3,458,000 and $3,014,000 (2019: $3,882,000 and $3,557,000) for non-trade amounts due from associates (Note 14).

Non-trade amounts due from subsidiaries

For non-trade amounts due from subsidiaries and the amounts due from subsidiaries which formed part of the Company's net investment in subsidiaries, the Board of Directors has taken into account information that available internally about these subsidiaries' past, current and expected operating performance and cash flow position. The Board of Directors monitors and assesses at each reporting date of any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their financial performance and results. At the end of the reporting period, the Company has assessed its subsidiaries financial performance to meet the contractual cash flow obligations and has recognised expected credit loss allowance of $138,000 (2019: $212,000) for non-trade amounts due from subsidiaries (Note 14).

Cash and bank balances

The cash and bank balances are held with bank and financial institution counterparties, which are rated A3 to Aa1 for long-term deposit and P2 to P1 for short term deposit, based on Moody's rating. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and bank balances has been measured on the 12- month expected credit loss model. At the reporting date, the Group and the Company did not expect any material credit losses from non-performance by the counterparties.

42.2 Market risk

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

(i) Equity prices

The Group is exposed to equity price risks arising from equity investments classified as financial assets at FVOCI. Equity investments carried at FVOCI are held for strategic reasons rather than trading purpose. The Group does not actively trade equity investments.

Further details of these equity investments can be found in Note 12 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of quoted equity investments carried at FVOCI, if the prices for equity securities listed on the Catalist Board of the Singapore Exchange Securities Trading Limited had been 29% (2019: 18%) higher or lower with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

– The Group's net profit for the financial years ended 30 September 2020 and 30 September 2019 would have been unaffected as the equity investments are classified as financial assets at FVOCI and no investments were disposed of or impaired; and

– The Group's fair value reserves would decrease or increase by $834,000 (2019: $778,000).

The equity price sensitivity analysis for unquoted equity investments carried at FVOCI is disclosed in Note 42.5.

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

42.2 Market risk (Continued)

(ii) Foreign exchange risk management

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

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

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

	Assets		Liabilities	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	**17,418**	25,863	**–**	57
Ringgit Malaysia	**786**	763	**–**	–
Maldives rufiyaa	**525**	520	**–**	47
Chinese yuan	**–**	–	**–**	21

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

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

The Company is not exposed to any foreign exchange risk.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% (2019: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group. The 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact to the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

42.2 Market risk (Continued)

(ii) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis (Continued)

If the relevant foreign currency strengthen or weakens by 5% against the functional currency of each group entity, profit or loss will increase/(decrease) by:

	Profit or loss	
	2020	**2019**
	$'000	**$'000**
Group		
United States dollar		
Strengthens against functional currencies*	**871**	1,290
Weakens against functional currencies*	**(871)**	(1,290)
Ringgit Malaysia		
Strengthens against functional currencies#	**39**	38
Weakens against functional currencies#	**(39)**	(38)
Maldives rufiyaa		
Strengthens against functional currencies	**26**	24
Weakens against functional currencies	**(26)**	(24)

* Primary Singapore dollar and Japanese yen
\# Primary Singapore dollar

(iii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to variable rate bank borrowings with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

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

	Weighted average effective interest rate		Group	
	2020	**2019**	**2020**	**2019**
	%	**%**	**$'000**	**$'000**
Within 6 months	1.96	3.18	18,812	16,652
After 6 months but within 12 months	1.59	2.21	912	744
After one year but within five financial years	2.09	2.25	13,228	17,578
After five financial years	5.92	6.27	4,294	5,172
Total			37,246	40,146

The Company is not exposed to significant interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

42.2 Market risk (Continued)

(iii) Interest rate risk (Continued)

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the financial year ended 30 September 2020 would decrease/increase by $237,000 (2019: decrease/increase by $36,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Company's profit or loss and equity are not significantly affected by the changes in interest rates as the Company has no significant variable interest bearing financial instruments.

42.3 Liquidity risk

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

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

The following tables detail the Group's and the Company's remaining contractual maturity for financial instruments. The tables has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to pay. The tables includes both interest and principal cash flows.

Contractual maturity analysis

	Within one financial year $'000	After one financial year but within five financial years $'000	After five financial years $'000	Total $'000
Group				
30 September 2020				
Financial liabilities				
Trade and other payables (excluding goods and services tax payable, deferred revenue and deferred government grant income)	**45,803**	**–**	**–**	**45,803**
Bank borrowings	**27,102**	**10,331**	**350**	**37,783**
Lease liabilities	**1,203**	**3,172**	**4,187**	**8,562**
Medium term notes	**57,074**	**53,683**	**–**	**110,757**
30 September 2019				
Financial liabilities				
Trade and other payables (excluding goods and services tax payable and deferred revenue)	89,456	–	–	89,456
Bank borrowings	30,287	10,125	479	40,891
Finance lease payables	141	412	24	577
Medium term notes	4,888	89,684	–	94,572

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

42.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year $'000	After one financial year but within five financial years $'000	After five financial years $'000	Total $'000
Company				
30 September 2020				
Financial liabilities				
Trade and other payables	**3,791**	**–**	**–**	**3,791**
Lease liabilities	**25**	**85**	**–**	**110**
Medium term notes	**57,074**	**53,683**	**–**	**110,757**
Financial guarantee contracts	**230,621**	**–**	**–**	**230,621**
30 September 2019				
Financial liabilities				
Trade and other payables	4,351	–	–	4,351
Finance lease payables	25	110	–	135
Medium term notes	4,888	89,684	–	94,572
Financial guarantee contracts	214,041	–	–	214,041

42.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and maintains an optimal capital structure so as to maximise shareholder's value. The Group and the Company are subject to and complied with externally imposed capital requirements for the financial years ended 30 September 2020 and 30 September 2019, as disclosed in Note 28 to the financial statements.

The Group and the Company constantly review the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's and the Company's overall strategy remain unchanged during the financial years ended 30 September 2020 and 30 September 2019.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total capital. The Group and the Company include within net debt, trade and other payables, bank borrowings, medium term notes and lease liabilities less cash and bank balances. Total equity consists of total share capital, other reserves plus retained earnings. Total capital consists of net debt plus total equity.

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade and other payables	**46,846**	90,647	**3,791**	4,351
Bank borrowings	**37,246**	40,146	**–**	–
Lease liabilities	**7,204**	515	**99**	118
Medium term notes	**98,952**	84,537	**98,952**	84,537
Less: Cash and cash equivalents	**(40,000)**	(55,792)	**(14,651)**	(5,055)
Net debt	**150,248**	160,053	**88,191**	83,951
Total equity	**187,465**	223,044	**22,696**	29,893
Total capital	**337,713**	383,097	**110,887**	113,844
Gearing ratio (%)	**44.5**	41.8	**79.5**	73.7

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

42.5 Fair value

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

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
30 September 2020				
Financial assets				
Financial assets, at FVTOCI				
– Quoted equity shares	**2,895**	**–**	**–**	**2,895**
– Unquoted equity shares	**–**	**–**	**39,276**	**39,276**
Financial assets, at FVTPL	**–**	**–**	**23,392**	**23,392**
30 September 2019				
Financial assets				
Financial assets, at FVTOCI				
– Quoted equity shares	4,425	–	–	4,425
– Unquoted equity shares	–	–	52,389	52,389
Financial assets, at FVTPL	–	–	30,092	30,092
Company				
30 September 2020				
Financial assets				
Financial assets, at FVOCI				
– Quoted equity shares	2,895	–	–	2,895
30 September 2019				
Financial assets				
Financial assets, at FVOCI				
– Quoted equity shares	4,425	–	–	4,425

There were no transfers between levels of the fair value hierarchy during the financial year.

The fair value of financial assets, at FVOCI is determined based on the quoted bid prices in an active market at the statements of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

42.5 Fair value (Continued)

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

Financial assets at FVOCI

Investment 1

Unquoted equity shares amounting to $205,000 (2019: $205,000) have been valued as cost approach based on the nature and the carrying amount of the assets and liabilities of the investee. The investee's net assets comprise mainly bank balances and other payables where the carrying values approximates their fair values and this valuation is at level 3 of the fair value hierarchy.

Investment 2

Description	Fair value as at 30 September 2020 $'000	Fair value as at 30 September 2019 $'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unquoted equity shares	**39,071**	52,184	Level 3	Cost approach – the valuation model is based on the nature and the carrying amount of the assets and liabilities of the investee.	The fair values of investment properties with reference to the valuation report performed by independent professional valuer that are not developed by the Group.	An increase in the carrying amount of the investment properties would result in an increase in the fair value.

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

42.5 Fair value (Continued)

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

Financial assets at FVTPL

Description	Fair value as at 30 September 2020 $'000	Fair value as at 30 September 2019 $'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	2020	2019	Relationship of unobservable inputs to fair value
Loans to third party	**23,392**	30,092	Level 3	The fair value of loans to third party is determined based on discounted cash flow method, taking into consideration the estimated duration required for the investee to repay and discount rate.	Discount rates	**8.4%**	5.3%	An increase and discount rates used would result in a decrease in the fair value.
					Estimated duration	**6 years**	5 years	An increase in the estimated duration expected for the investee to repay the loans would result in a decrease in the fair value.

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

The carrying amounts of the Group's and Company's current financial assets and current financial liabilities approximate their fair values as at the end of the reporting periods due to the relatively short period of maturity of these financial instruments. The management considers that the fair values of Group's and Company's non-current financial assets and financial liabilities were not materially different from their carrying amounts at the end of the reporting years except as disclosed in Notes 14 and 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

42.6 Categories of financial instruments

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets at FVOCI	**42,171**	56,814	**2,895**	4,425
Financial assets at FVTPL	**23,392**	30,092	**–**	–
Financial assets at amortised cost	**206,343**	229,449	**83,088**	76,802
Financial liabilities				
Financial liabilities, at amortised cost	**189,205**	214,654	**102,842**	89,006

43. IMPACT OF COVID-19 OUTBREAK ON THE GROUP'S OPERATIONS

The Covid-19 pandemic has affected almost every country in the world, and resulted in borders closure, shutdown in production and business activities, movement controls and other measures imposed by various governments.

The Group's significant operations are in Singapore and with investments in Maldives and Japan. As at the of end of financial year, Singapore, Maldives and Japan have implemented various approaches to resume economic activities safely in the respective countries.

The Group has been adopting precautionary and control measures to mitigate the impact of the Covid-19 pandemic to the Group's operations, including but not limited to various safety measures such as swab test for construction workers, temperature screening, safe distancing measures and work segregation implemented at offices, hotels and various construction sites.

In measuring its assets and liabilities as at the end of reporting period, management has considered the market conditions, including the impact of Covid-19, as at that date and assessed the recoverable amounts of its investments in Singapore, Maldives and Japan. Further details on the recoverable amounts of such investments are set out in above notes to the financial statements. As the Covid-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the Covid-19 disruptions on its operating and financial performance for the financial year ending 30 September 2021.

APPENDIX IV - FY2021 UNAUDITED FINANCIAL RESULTS

KEONG HONG HOLDINGS LIMITED

(Incorporated in Singapore on 15 April 2008)
(Company Registration Number: 200807303W)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS AND FULL YEAR ENDED 30 SEPTEMBER 2021

TABLE OF CONTENTS

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		The Group			
		6 months ended 30/09/2021	6 months ended 30/09/2020	Full year ended 30/09/2021	Full year ended 30/09/2020
	Note	S$'000	S$'000	S$'000	S$'000
Revenue	4	57,244	21,338	85,344	82,942
Cost of sales		(59,927)	(7,110)	(81,427)	(52,161)
Gross Profit		(2,683)	14,228	3,917	30,781
Other items of income					
Other income		5,591	4,011	10,354	11,054
Other items of expense					
Administrative expenses		(10,810)	(15,254)	(19,749)	(22,379)
Reversal/(Loss) allowance on financial assets					
- trade and other receivables		43	218	263	260
- contracts assets		(513)	(35)	(513)	(35)
- long-term interests		-	(691)	-	(691)
- Financial guarantee contracts		1,306	817	1,306	817
Finance costs		(3,497)	(3,206)	(7,026)	(6,363)
Other expenses		(1,405)	(11,772)	(1,405)	(11,772)
Share of results of joint ventures, net of tax		(1,458)	2,120	1,162	6,880
Share of results of associates, net of tax		(2,470)	(15,851)	(5,459)	(21,954)
Loss before income tax	6	(15,896)	(25,415)	(17,150)	(13,402)
Income tax expense	7	(1,323)	(3,001)	(2,187)	(5,428)
Loss for the period		(17,219)	(28,416)	(19,337)	(18,830)
Other comprehensive income:					
Items that may be reclassified subsequently to profit and loss:					
Exchange difference on translating foreign operations		(697)	726	(154)	343
Share of other comprehensive income of joint venture		-	6	-	6
Items that may not be reclassified subsequently to profit and loss:					
Fair value loss on financial assets at FVOCI		(10,539)	(14,418)	(11,094)	(14,643)
Other comprehensive income for the period, net of tax		(11,236)	(13,686)	(11,248)	(14,294)
Total comprehensive income for the period		(28,455)	(42,102)	(30,585)	(33,124)
Loss attributable to:					
Owners of the parent		(15,489)	(28,070)	(16,928)	(18,043)
Non-controlling interests		(1,730)	(346)	(2,409)	(787)
		(17,219)	(28,416)	(19,337)	(18,830)
Total comprehensive income attributable to:					
Owners of the parent		(26,725)	(41,756)	(28,176)	(32,337)
Non-controlling interests		(1,730)	(346)	(2,409)	(787)
		(28,455)	(42,102)	(30,585)	(33,124)
Loss per share attributable to owners of the parent (cents)					
• Basic	9	(6.59)	(11.94)	(7.20)	(7.68)
• Diluted	9	(6.59)	(11.94)	(7.20)	(7.68)

B. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group		The Company	
		30/09/2021	30/09/2020	30/09/2021	30/09/2020
	Note	S$'000	S$'000	S$'000	S$'000
Non-current assets					
Property, plant and equipment	13	20,908	25,488	-	-
Right-of-use assets		6,353	7,415	74	123
Investment properties	14	21,382	23,366	-	-
Investments in subsidiaries		-	-	29,057	32,297
Investments in associates		31,417	30,204	7,123	7,123
Investments in joint ventures		32,275	31,656	-	-
Intangible assets	12	9	211	-	-
Financial assets at FVOCI	11	30,928	42,171	2,145	2,895
Financial assets at FVTPL		19,806	23,392	-	-
Non-trade receivables		36,814	34,562	-	-
Deferred tax assets		591	593	-	-
Total non-current assets		200,483	219,058	38,399	42,438
Current assets					
Inventories		1,172	1,242	-	-
Trade and other receivables		44,360	115,000	22,284	68,437
Contract assets		41,890	17,001	-	-
Prepayments		992	741	13	12
Fixed deposits		2,243	2,243	623	621
Cash and bank balances		20,803	38,289	2,252	14,030
		111,460	174,516	25,172	83,100
Assets classified as held for sale		1,880	-	-	-
Total current assets		113,340	174,516	25,172	83,100
Total assets		313,823	393,574	63,571	125,538
Equity					
Share capital	16	25,048	25,048	25,048	25,048
Treasury shares		(3,303)	(3,303)	(3,303)	(3,303)
Share option reserve		2,041	2,030	2,041	2,030
Foreign currency translation reserve		683	837	-	-
Merger reserve		(4,794)	(4,794)	-	-
Fair value reserve		(25,559)	(14,465)	(4,680)	(3,930)
Other reserve		1,125	1,125	-	-
Retained earnings		164,059	180,987	(5,872)	2,851
Equity attributable to owners of the parent		159,300	187,465	13,234	22,696
Non-controlling interests		(794)	1,615	-	-
Total equity		158,506	189,080	13,234	22,696
Non-current liabilities					
Bank borrowings	15	9,801	7,399	-	-
Lease liabilities		5,423	6,220	58	79
Medium term notes	15	-	47,933	-	47,933
Provisions		512	512	-	-
Deferred tax liabilities		1	1	-	-
Total non-current liabilities		15,737	62,065	58	48,012

B. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

		The Group		The Company	
		30/09/2021	30/09/2020	30/09/2021	30/09/2020
	Note	S$'000	S$'000	S$'000	S$'000
Current liabilities					
Contract liabilities		129	378	-	-
Trade and other payables		37,943	46,846	2,303	3,791
Bank borrowings	15	34,948	29,847	-	-
Lease liabilities		892	984	21	20
Medium term notes	15	47,955	51,019	47,955	51,019
Provisions		12,734	4,539	-	-
Deferred income		54	-	-	-
Current income tax payable		4,925	8,816	-	-
Total current liabilities		139,580	142,429	50,279	54,830
Total liabilities		155,317	204,494	50,337	102,842
Total equity and liabilities		313,823	393,574	63,571	125,538

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The Group	Share capital S$'000	Treasury shares S$'000	Share option reserve S$'000	Foreign currency translation reserve S$'000	Merger reserve S$'000	Fair value reserve S$'000	Other reserve S$'000	Retained earnings S$'000	Equity attributable to owners of the parent S$'000	Non-controlling interests S$'000	Total S$'000
Balance at 1 October 2020	25,048	(3,303)	2,030	837	(4,794)	(14,465)	1,125	180,987	187,465	1,615	189,080
Loss for the financial year	-	-	-	-	-	-	-	(16,928)	(16,928)	(2,409)	(19,337)
Other comprehensive income for the financial year:											
Exchange differences on translating foreign operations	-	-	-	(154)	-	-	-	-	(154)	-	(154)
Fair value loss on financial assets at FVOCI	-	-	-	-	-	(11,094)	-	-	(11,094)	-	(11,094)
Share of other comprehensive income of joint venture	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	(154)	-	(11,094)	-	(16,928)	(28,176)	(2,409)	(30,585)
Transactions with owners, recognised directly in equity											
Dividends	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interests share of fair value adjustments on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-
Amortisation of fair value for share options granted to employees	-	-	11	-	-	-	-	-	11	-	11
Total transactions with owners of the parent	-	-	11	-	-	-	-	-	11	-	11
Balance at 30 September 2021	25,048	(3,303)	2,041	683	(4,794)	(25,559)	1,125	164,059	159,300	(794)	158,506

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

The Group	**Share capital S$'000**	**Treasury shares S$'000**	**Share option reserve S$'000**	**Foreign currency translation reserve S$'000**	**Merger reserve S$'000**	**Fair value reserve S$'000**	**Other reserve S$'000**	**Retained earnings S$'000**	**Equity attributable to owners of the parent S$'000**	**Non-controlling interests S$'000**	**Total S$'000**
Balance at 1 October 2019	25,048	(3,303)	1,747	494	(4,794)	178	1,119	202,555	223,044	2,300	225,344
Loss for the financial year	-	-	-	-	-	-	-	(18,043)	(18,043)	(787)	(18,830)
Other comprehensive income for the financial year:											
Exchange differences on translating foreign operations	-	-	343	-	-	-	-	-	343	-	343
Fair value loss on financial assets at FVOCI	-	-	-	-	-	(14,643)	-	-	(14,643)	-	(14,643)
Share of other comprehensive income of joint venture	-	-	-	-	-	-	6	-	6	-	6
Total comprehensive income for the financial year	-	-	343	-	-	(14,643)	6	(18,043)	(32,337)	(787)	(33,124)
Transactions with owners, recognised directly in equity											
Dividends	-	-	-	-	-	-	-	(3,525)	(3,525)	-	(3,525)
Non-controlling interests share of fair value adjustments on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	102	102
Amortisation of fair value for share options granted to employees	-	-	-	283	-	-	-	-	283	-	283
Total transactions with owners of the parent	-	-	-	283	-	-	-	(3,525)	(3,242)	102	(3,140)
Balance at 30 September 2020	25,048	(3,303)	2,030	837	(4,794)	(14,465)	1,125	180,987	187,465	1,615	189,080

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

The Company	Share Capital S$'000	Treasury shares S$'000	Share option reserve S$'000	Fair value reserve S$'000	Retained earnings S$'000	Total S$'000
Balance at 1 October 2020	25,048	(3,303)	2,030	(3,930)	2,851	22,696
Loss for the financial year	-	-	-	-	(8,723)	(8,723)
Other comprehensive income for the financial year:						
Fair value loss on financial assets at FVOCl	-	-	-	(750)	-	(750)
Total comprehensive income for the financial year	-	-	-	(750)	(8,723)	(9,473)
Contribution by and distribution to owners of the parent:						
Dividends	-	-	-	-	-	-
Amortisation of fair value for share options granted to employees	-	-	11	-	-	11
Total transactions with owners of the parent	-	-	11	-	-	11
Balance at 30 September 2021	25,048	(3,303)	2,041	(4,680)	(5,872)	13,234

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

The Company	Share Capital S$'000	Treasury shares S$'000	Share option reserve S$'000	Fair value reserve S$'000	Retained earnings S$'000	Total S$'000
Balance at 1 October 2019	25,048	(3,303)	1,747	(2,400)	8,801	29,893
Loss for the financial year	-	-	-	-	(2,425)	(2,425)
Other comprehensive income for the financial year:						
Fair value loss on financial assets at FVOCI	-	-	-	(1,530)	-	(1,530)
Total comprehensive income for the financial year	-	-	-	(1,530)	(2,425)	(3,955)
Contribution by and distribution to owners of the parent:						
Dividends	-	-	-	-	(3,525)	(3,525)
Amortisation of fair value for share options granted to employees	-	-	283	-	-	283
Total transactions with owners of the parent	-	-	283	-	(3,525)	(3,242)
Balance at 30 September 2020	25,048	(3,303)	2,030	(3,930)	2,851	22,696

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

		The Group	
		Full year ended 30/09/2021	Full year ended 30/09/2020
	Note	S$'000	S$'000
Operating activities			
Loss before income tax		(17,150)	(13,402)
Adjustments for:			
Loss allowance/(Reversal of loss allowance) on financial assets			
- Trade and other receivables		(263)	(260)
- Contract assets		513	35
- Long-term interests		-	691
- Financial guarantee contracts		(1,306)	(817)
(Reversal)/ Impairment loss on investment in an associate		(2,956)	11,603
Impairment loss on investment in a joint venture		1,076	138
Impairment loss on intangible assets		-	31
Impairment loss on non-current assets held for sale		329	-
Fair value changes on financial asset at FVTPL		3,586	7,660
Amortisation of intangible assets		11	17
Depreciation of investment properties		627	640
Depreciation of property, plant equipment		3,501	3,629
Depreciation of right-of-use assets		1,209	1,200
Gain on disposal of plant and equipment		(21)	(119)
Loss on disposal of club membership	12	191	-
Allowance/(Reversal of allowance) for inventory obsolescence		321	138
Interest income		(4,072)	(5,690)
Interest expense		7,026	6,363
Increase/(Decrease) in provisions			
- Provision for onerous contract		6,563	2,717
- Provision for warranty		500	(200)
- Provision for restoration costs		-	-
- Provision for foreseeable loss		-	-
Dividend income from financial assets at FVOCI		-	(8)
Amortisation of fair value for share options granted to employees		11	283
Loss/(Gain) on unreaslised foreign exchange		1,321	603
Share of results of joint ventures		(1,162)	(6,880)
Share of results of associates		5,459	21,954
Operating cash flows before working capital changes		5,314	30,326
Working capital changes			
Inventories		(251)	41
Trade and other receivables		3,154	7,376
Prepayments		(273)	105
Contract assets		(25,919)	5,358
Contract liabilities		315	(22)
Provisions		2,189	-
Trade and other payables		(6,547)	(35,456)
Cash (used in)/ generated from operations		(22,018)	7,728
Income tax paid		(6,066)	(4,679)
Net cash (used in)/ from operating activities		(28,084)	3,049

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	The Group Full year ended 30/09/2021 S$'000	 Full year ended 30/09/2020 S$'000
Investing activities			
Investments in joint ventures		-	(330)
Investment in an associate		-	(1,513)
Cash advances to associate		(470)	(50)
Loan to third parties		-	(1,231)
Loan to associates		(1,626)	(12,623)
Loan to joint ventures		(2,895)	(2,748)
Purchase of property, plant and equipment	13	(1,152)	(2,760)
Purchase of investment properties		(31)	(23)
Purchase of intangible assets		-	(22)
Purchase of right-of-use assets		(147)	(17)
Proceeds from finance lease receivables		-	636
Proceeds from disposal of property, plant and equipment		39	160
Repayment of loan from joint ventures		656	-
Repayment of loan from associate		61,428	292
Repayment of loan from third parties		261	-
Interest received		6,099	191
Dividend income from financial assets at FVOCI		150	8
Net cash generated from/(used in) investing activities		62,312	(20,030)
Financing activities			
Fixed deposit pledge with financial institutions		(3)	(3)
Proceeds from issuance of medium term notes		-	13,904
Proceeds from bank borrowings		20,190	16,723
Proceeds from finance lease		100	-
Repayment of lease liabilities		(989)	(957)
Repayment of bank borrowings		(13,386)	(19,623)
Repayment of medium term notes		(51,250)	-
Dividends paid		-	(3,525)
Interest paid		(6,921)	(5,840)
Net cash (used in)/generated from financing activities		(52,259)	679
Net change in cash and cash equivalents		(18,031)	(16,302)
Cash and cash equivalents at beginning of financial year		40,000	55,792
Effect of foreign exchange rate changes on cash and cash equivalents		(155)	510
Cash and cash equivalents at end of financial year		21,814	40,000

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Keong Hong Holdings Limited (the "Company") is a public limited company, incorporated and domiciled in Singapore. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). These condensed interim consolidated financial statements as at and for the six months and full year ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the "Group").

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

The principal activities of the significant subsidiaries are those relating to investment holding, real estate development and building construction.

2. BASIS OF PREPARATION

The condensed interim financial statements for the six months and full year ended 30 September 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 September 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore Dollar which is the Company's functional currency, and all values presented are rounded to the nearest thousand ($'000) except where otherwise stated.

2.1. New and amended standards adopted by the Group

The Group has adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations of SFRS(I) ("SFRS(I) INT") that are effective for annual periods beginning on or after 1 October 2020, where applicable. The adoption of these new and revised SFRS(I) or SFRS(I) INT does not have any material impact to the Group's financial statements.

2.2. Use of judgements and estimates

The preparation of financial statements in conformity with SFRS(I)s requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's 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 differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing 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 period of revision and future years if the revision affects both current and future financial years.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2020.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes

(i) Determine the lease term

The Group has several lease contracts that included extension and/or termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend and/or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the option.

The assessment on lease terms is reviewed at the end of each reporting period if there is a significant change in the Group's intentions, business plan or other circumstances unforeseen since it was first estimated.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are included in the following notes:

(i) Construction contracts

The Group has significant ongoing construction contracts as at 30 September 2021 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

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

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

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

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

(iii) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting and disclosures purposes. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. The Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. For unquoted equity shares, the Group determines the fair value with reference to SFRS(I) 13 Fair Value Measurement to establish the appropriate valuation techniques and inputs to the model. Changes in assumptions on the inputs to the model could affect the reported fair value of the financial instruments.

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

Trade receivables, retention sum and contract assets

Expected credit loss model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook. At each reporting period, historical default rates are updated and change in the industry future outlook is reassessed. The Group also evaluates expected credit loss on credit-impaired receivables separately at each reporting period.

Non-trade receivables from subsidiaries, associates and joint ventures

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

(v) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the Group's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

2.3. Going Concern

The Group incurred a net loss of S$19.3 million for the financial year ended 30 September 2021 and reported a net current liabilities of S$26.3 million as at 30 September 2021.

Notwithstanding the above, the appropriateness of the going concern assumptions of the Group is appropriate based on the following factors:

(a) Our project for the Antares condominium has achieved sales of more than 98% to date, with TOP expected to be in the 3rd quarter of 2022. With it, it is anticipated that the shareholders' loan of S$36.8 million by its joint venture will be repaid.

(b) The adequacy of funds, including receipt of projected dividend income of approximately S$35 million in the forthcoming year for completed development project and projected cash flows for ongoing projects, enabling the Group to meet its debt obligations and working capital requirements.

(c) Unutilised banking facilities that can be utilised for general working capital purposes.

3. SEASONAL OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial year.

4. SEGMENT AND REVENUE INFORMATION

The Group is onganised into four main operating divisions as follows
a) Buildings and Construction – general building contractors
b) Property development – developing properties with other partners
c) Investment property – leasing office and retail shops in two commercial buildings acquired in Osaka Japan
d) Investment holding – investment in quoted and unquoted equity shares

These operating segments are reported in a manner consistent with internal reporting provided to management who are responsible for allocating resources and assessing performance of the operating segments.

4.1. Reportable segments

	The Group 6 months ended 30 September 2021					
	Buildings and Construction	Property development	Investment Property	Investment Holding	Elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External revenue	56,488	-	756	-	-	57,244
Inter-segment sales	-	81	-	-	(81)	-
	56,488	81	756	-	(81)	57,244
Loss from operations						
Share of results from joint ventures, net of tax	-	(1,458)	-	-	-	(1,458)
Share of results from associates, net of tax	-	(2,470)	-	-	-	(2,470)
Interest income	1,741	-	-	137	-	1,878
Interest expenses	(452)	-	(56)	(2,989)	-	(3,497)
Depreciation and Amortisation	(2,447)	-	(307)	(25)	-	(2,779)
Income tax expense	(1,323)	-	-	-	-	(1,323)
Reportable segment profit/ (loss) before income tax	(15,893)	(90)	618	(531)	-	(15,896)
Net profit/(loss) for the period after tax	(17,216)	(90)	618	(531)	-	(17,219)
Other information						
Capital expenditure	413	-	23	-	-	436
Investment in joint ventures	-	32,275	-	-	-	32,275
Investment in associates	-	31,417	-	-	-	31,417
Segment assets	275,644	-	25,102	13,077	-	313,823
Segment liabilities	95,838	-	9,141	50,338	-	155,317

4.1. Reportable segments (continued)

	Buildings and Construction	Property development	Investment Property	Investment Holding	Elimination	Total
	The Group					
	6 months ended 30 September 2020					
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue						
External revenue	20,462	-	876	-	-	21,338
Inter-segment sales	-	41	-	-	(41)	-
	20,462	41	876	-	(41)	21,338
Loss from operations						
Share of results from joint ventures, net of tax	-	2,120	-	-	-	2,120
Share of results from associates, net of tax	-	(15,851)	-	-	-	(15,851)
Interest income	2,402	-	-	96	-	2,498
Interest expenses	(431)	-	(64)	(2,711)	-	(3,206)
Depreciation and Amortisation	(2,514)	-	(326)	(25)	-	(2,865)
Income tax expense	(2,999)	-	-	(2)	-	(3,001)
Reportable segment loss before income tax	(5,054)	(11,305)	(131)	(8,925)	-	(25,415)
Net loss for the period after tax	(8,053)	(11,305)	(131)	(8,927)	-	(28,416)
Other information						
Capital expenditure	2,822	-	-	-	-	2,822
Investment in joint ventures	-	31,656	-	-	-	31,656
Investment in associates	-	30,204	-	-	-	30,204
Segment assets	341,054	-	27,213	25,307	-	393,574
Segment liabilities	91,151	-	10,499	102,844	-	204,494

4.1. Reportable segments (continued)

	Buildings and Construction	Property development	Investment Property	Investment Holding	Elimination	Total
	The Group 12 months ended 30 September 2021					
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue						
External revenue	83,803	-	1,541	-	-	85,344
Inter-segment sales	-	216	-	-	(216)	-
	83,803	216	1,541	-	(216)	85,344
Loss from operations						
Share of results from joint ventures, net of tax	-	1,162	-	-	-	1,162
Share of results from associates, net of tax	-	(5,459)	-	-	-	(5,459)
Interest income	3,844	-	-	228	-	4,072
Interest expenses	(853)	-	(117)	(6,056)	-	(7,026)
Depreciation and Amortisation	(4,671)	-	(627)	(50)	-	(5,348)
Income tax expense	(2,179)	-	-	(8)	-	(2,187)
Reportable segment profit/ (loss) before income tax	(13,319)	254	(597)	(3,488)	-	(17,150)
Net loss profit/(loss) for the period after tax	(15,498)	254	(597)	(3,496)		(19,337)
Other information						
Capital expenditure	1,299	-	31	-	-	1,330
Investment in joint ventures	-	32,275	-	-	-	32,275
Investment in associates	-	31,417	-	-	-	31,417
Segment assets	275,644	-	25,102	13,077	-	313,823
Segment liabilities	95,838	-	9,141	50,338	-	155,317

4.1. Reportable segments (continued)

	The Group					
	12 months ended 30 September 2020					
	Buildings and Construction	**Property development**	**Investment Property**	**Investment Holding**	**Elimination**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue						
External revenue	81,191	-	1,751	-	-	82,942
Inter-segment sales	-	191	-	-	(191)	-
	81,191	191	1,751	-	(191)	82,942
Loss from operations						
Share of results from joint ventures, net of tax	-	6,880	-	-	-	6,880
Share of results from associates, net of tax	-	(21,954)	-	-	-	(21,954)
Interest income	5,367	-	-	323	-	5,690
Interest expenses	(954)	-	(129)	(5,280)	-	(6.363)
Depreciation and Amortisation	(4,796)	-	(640)	(50)	-	(5,486)
Income tax expense	(5,424)	-	-	(4)	-	(5,428)
Reportable segment profit/ (loss) before income tax	11,429	(13,519)	488	(11,800)	-	(13,402)
Net profit/(loss) for the period after tax	6,005	(13,519)	488	(11,804)	-	(18,830)
Other information						
Capital expenditure	2,834	-	23	-	-	2,857
Investment in joint ventures	-	31,656	-	-	-	31,656
Investment in associates	-	30,204	-	-	-	30,204
Segment assets	341,054	-	27,213	25,307	-	393,574
Segment liabilities	91,151	-	10,499	102,844	-	204,494

4.2. Disaggregation of revenue

	The Group 6 months ended 30 September 2021				
	Buildings and Construction	Property development	Investment Property	Investment Holding	Total
	$'000	$'000	$'000	$'000	$'000
Type of goods or services					
Construction	56,488	-	-	-	56,488
Rental	-	-	756	-	756
Total revenue	56,488	-	756	-	57,244
Timing of revenue recognition					
At a point in time	-	-	-	-	-
Over time	56,488	-	756	-	57,244
Total revenue	56,488	-	756	-	57,244
Geographical information					
Singapore	56,037	-	-	-	56,037
Maldives	451	-	-	-	451
Japan	-	-	756	-	756
Total revenue	56,488	-	756	-	57,244

	The Group 6 months ended 30 September 2020				
	Buildings and Construction	Property development	Investment Property	Investment Holding	Total
	$'000	$'000	$'000	$'000	$'000
Type of goods or services					
Construction	20,462	-	-	-	20,462
Rental	-	-	876	-	876
Total revenue	20,462	-	876	-	21,338
Timing of revenue recognition					
At a point in time	-	-	-	-	-
Over time	20,462	-	876	-	21,338
Total revenue	20,462	-	876	-	21,338
Geographical information					
Singapore	19,534	-	-	-	19,534
Maldives	928	-	-	-	928
Japan	-	-	876	-	876
Total revenue	20,462	-	876	-	21,338

4.2. Disaggregation of revenue (continued)

	The Group 12 months ended 30 September 2021				
	Buildings and Construction	Property development	Investment Property	Investment Holding	Total
	$'000	$'000	$'000	$'000	$'000
Type of goods or services					
Construction	83,803	-	-	-	83,803
Rental	-	-	1,541	-	1,541
Total revenue	83,803	-	1,541	-	85,344
Timing of revenue recognition					
At a point in time	-	-	-	-	-
Over time	83,803	-	1,541	-	85,344
Total revenue	83,803	-	1,541	-	85,344
Geographical information					
Singapore	82,729	-	-	-	82,729
Maldives	1,074	-	-	-	1,074
Japan	-	-	1,541	-	1,541
Total revenue	83,803	-	1,541	-	85,344

	The Group 12 months ended 30 September 2020				
	Buildings and Construction	Property development	Investment Property	Investment Holding	Total
	$'000	$'000	$'000	$'000	$'000
Type of goods or services					
Construction	81,191	-	-	-	81,191
Rental	-	-	1,751	-	1,751
Total revenue	81,191	-	1,751	-	82,942
Timing of revenue recognition					
At a point in time	-	-	-	-	-
Over time	81,191	-	1,751	-	82,942
Total revenue	81,191	-	1,751	-	82,942
Geographical information					
Singapore	77,145	-	-	-	77,145
Maldives	4,046	-	-	-	4,046
Japan	-	-	1,751	-	1,751
Total revenue	81,191	-	1,751	-	82,942

A breakdown of sales

	The Group		
	Financial year ended 30 September 2021	**Financial year ended 30 September 2020**	**Increase/ (Decrease)**
	S$'000	**S$'000**	**%**
Sales reported for the first half year	28,100	61,604	(54.4)
Operating profit/(loss) after tax before deducting non-controlling interests reported for first half year	(2,118)	9,586	n.m.
Sales reported for the first second year	57,244	21,338	>100.0
Operating profit/(loss) after tax before deducting non-controlling interests reported for second half year	(17,219)	(28,416)	(39.4)

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 March 2021 and 30 September 2021.

		The Group		The Company	
		30/09/2021	**30/09/2020**	**30/09/2021**	**30/09/2020**
	Note	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Financial assets					
Financial assets at FVOCI	10	30,928	42,171	2,145	2,895
Financial assets at FVTPL		19,806	23,392	-	-
Cash and bank balances and trade and other receivables (Amortised costs)		144,970	206,343	25,159	83,088
Financial liabilities					
Trade and other payables and Borrowings (Amortised costs)		136,258	189,205	50,337	102,842

6. PROFIT BEFORE TAXATION

6.1. Significant items

	The Group			
	6 months ended 30 September 2021	**6 months ended 30 September 2020**	**12 months ended 30 September 2021**	**12 months ended 30 September 2020**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Income				
Gain on disposal of plant and equipment	21	113	21	119
Government grant	497	3,153	1,698	3,180
Interest income				
- banks	72	33	103	177
- finance lease receivables	-	6	-	15
- loan due from joint ventures	421	712	1,024	1,781
- loan due from associates	935	1,747	2,945	3,717
Rental income from warehouse	510	745	1,020	1,525
Reversal of impairment loss on investment in associate	2,956	-	2,956	-
Expenses				
Allowance of inventory obsolescence	5	7	11	17
Amortisation of intangible assets	321	138	321	138
Depreciation of property, plant and equipment	1,859	1,777	3,501	3,629
Depreciation of right-of-use asset	608	755	1,209	1,200
Depreciation of investment properties	307	326	627	640
Fair value changes on financial asset FVTPL	3,586	7,660	3,586	7,660
Foreign exchange loss, net	(1,202)	3,279	1,321	603
Impairment loss on investment in associate	-	11,603	-	11,603
Impairment loss on investment in joint venture	-	138	-	138
Impairment loss on club membership	-	31	-	31
Provision for onerous contract	6,563	2,717	6,563	2,717

6.2. Related party transactions

In addition to the related party transactions disclosed elsewhere in the financial statements, the Group entered into the following transactions with their related parties.

	The Group	
	FY2021	FY2020
	S$'000	S$'000
Joint ventures		
Contract revenue from joint ventures	26,144	55,917
Loan to joint ventures	2,895	2,748
Interest charged to joint ventures	1,024	1,781
Payment on behalf of joint ventures	479	277
Associates		
Contract revenue from associates	-	8,581
Loan to associates	1,626	12,623
Cash advances to associates	470	50
Payment made on behalf of associates	389	601
Management fee charged to associates	300	300
Interest charged to associates	2,945	3,717

7. TAXATION

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit and loss are:

	6 months ended 30 September 2021	6 months ended 30 September 2020	12 months ended 30 September 2021	12 months ended 30 September 2020
	S$'000	S$'000	S$'000	S$'000
Current income tax expense	1,323	3,001	2,187	5,598
Deferred income tax expense relating to origination and reversal of temporary differences	-	-	-	(170)
	1,323	3,001	2,187	5,428

8. DIVIDENDS

	The Group	
	FY2021	FY2020
	S$'000	S$'000
Ordinary dividends paid		
Final exempt dividend	-	-
Interim exempt dividend	-	-
	-	**-**

9. LOSS PER ORDINARY SHARES

Loss per share is calculated by dividing the net loss attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the financial year.

	The Group			
	6 months ended 30/09/2021	**6 months ended 30/09/2020**	**Full year ended 30/09/2021**	**Full year ended 30/09/2020**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Loss attributable to owners of the parent	(15,489)	(28,070)	(16,928)	(18,043)
Weighted average number of ordinary shares (excluding treasury shares) (in thousands)	235,010	235,010	235,010	235,010
Basic and diluted loss per share (cents)	(6.59)	(11.94)	(7.2)	(7.68)
Diluted loss per share[1] (cents)	(6.59)	(11.94)	(7.2)	(7.68)

[1] No adjustment was made to the weighted average number of ordinary shares calculation for the diluted loss per share as the Company was in a loss making position for the current period reported on and the corresponding period of the preceding year, the effects of all dilutive share options have been anti-dilutive.

10. NET ASSET VALUE

	Group		Company	
	As at 30 September 2021	**As at 30 September 2020**	**As at 30 September 2021**	**As at 30 September 2020**
Net asset value per ordinary share (excluding treasury shares)(cents)	67.8	79.8	5.6	9.7
Number of issued shares excluding treasury shares	235,010,000	235,010,000	235,010,000	235,010,000

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income comprise the following

	The Group	
	30 September 2021	**30 September 2020**
	S$'000	**S$'000**
Singapore listed equity securities [1]	2,145	2,895
Unquoted equity securities [2]	28,783	39,276
	30,928	**42,171**

(1) The Singapore listed equity securities are listed on the catalist board of the Singapore Exchange Securities Trading Limited. The fair value of the investments in quoted equity securities were based on the quoted closing market prices on the last market day of the financial year. The investments classified as Level 1 fair value hierarchy.

(2) These are unquoted equity share investments in MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd. The fair value of the Group's investments in unquoted equity shares were valued by an independent valuer. The investments are classified as Level 3 fair value hierarchy.

11.1. Fair value measurement

The Group classifies financial assets at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices within Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (i.e. derived from prices)
- Level 3 : inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

The following table presented the assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	S$'000	**S$'000**	**S$'000**	**S$'000**
Group – 30 September 2021				
Financial assets, at FVOCI				
- Singapore listed equity securities	2,145	-	-	2,145
- Unquoted equity securities	-	-	28,783	28,783
Group – 30 September 2020				
Financial assets, at FVOCI				
- Singapore listed equity securities	2,895	-	-	2,895
- Unquoted equity securities	-	-	39,276	39,276

12. INTANGIBLE ASSETS

During the six months and full year ended 30 September 2021, the Group disposed the transferrable club membership with carrying value amounting S$191,000.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired assets amounting to S$339,000 (FY 2020: S$2.8 million) and disposed of assets amounting to S$33,000 (FY2020: S$138,000).

During FY2021, the Group acquired assets amounting to S$1.2 million (FY2020: S$2.8 million) and disposed of assets amounting to S$33,000 (FY2020: S$138,000)

14. INVESTMENT PROPERTIES

The Group's investment properties consist of commercial properties. They are held for long-term rental yields and/or capital appreciation and mainly leased to third parties for rental income.

	The Group	
	30 September 2021	30 September 2020
	S$'000	S$'000
Cost		
Beginning of financial year	25,749	25,426
Additions	31	23
Currency realignment	(1,550)	300
Balance at end of financial year	24,230	25,749
Accumulated depreciation		
Beginning of financial year	2,383	1,717
Depreciation	627	640
Currency realignment	(162)	26
Balance at end of financial year	2,848	2,383
Net book value		
Balance at 30 September	21,382	23,366
At valuation	23,792	25,678

14.1. Valuation

The Group's investment properties were valued by an independent professional valuation firm having appropriate recognised professional qualifications and recent experience in the location and category of the investment properties held by the Group.

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

15. BORROWINGS

	The Group	
	30 September 2021	30 September 2020
	S$'000	S$'000
Amount repayable in one year or less, or on demand		
Secured	34,948	29,847
Unsecured	47,955	51,019
Amount repayable after one year		
Secured	9,801	7,399
Unsecured	-	47,933

BORROWINGS (continued)

The secured borrowings of the Group are secured by:

a) charge over the investment property;
b) charge over property, plant and equipment;
c) charge over receivables of construction contracts;
d) deposits pledge with financial institutions; and
e) corporate guarantee provided by the Company

The unsecured borrowings of the Group relate to the Medium Term Notes Series 003 ("MTN 3") that carried a fixed interest of 6.25% per annum with interest payable semi-annually. The MTN 3 will mature on 19 August 2023.

The MTN 3 contained certain financial covenants that the Group will ensure compliance. The Group has reclassified the MTN 3 from non-current liabilities to current liabilities in FY2021 as there is a technical breach in one of the financial covenants. The Group is currently in the midst of rectifying the breach.

Notwithstanding the above, taking into consideration of the availability of cash resources and banking facilities, the Group is confident to meet the financial obligations of the MTN 3 both in terms of the interest and principal payment when it falls due.

16. SHARE CAPITAL

	The Group and the Company			
	30 September 2021		30 September 2020	
	Number of shares	Amount	Number of shares	Amount
	'000	S$'000	'000	S$'000
Issued and fully-paid (excluding treasury shares)				
At the beginning and end of interim period	235,010	21,745	235,010	21,745

As at 30 September 2021 and 30 September 2020, the Company held 7,555,000 treasury shares representing 3.11% of the total number of issued shares of 242,565,000. The Company did not sale, transfer, cancel and/or use any treasury shares in the full year ended 30 September 2021.

There were 6,455,000 convertible options issued under the Employee Share Option Scheme, which are convertible to 6,455,000 shares as at 30 September 2021 and 30 September 2020.

The Company's subsidiaries do not hold any shares in the Company as at 30 September 2021 and 30 September 2020.

17. SUBSEQUENT EVENTS

There are no known significant subsequent events which have led to adjustments to this set of interim financial statements.

OTHER INFORMATION REQUIRED BY LISTING RULE

APPENDIX 7.2

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The condensed consolidated statement of financial position of Keong Hong Holdings Limited and its subsidiaries as at 30 September 2021 and the related consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period and full year then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

REVIEW OF FINANCIAL PERFORMANCE

Revenue

Group's revenue increased marginally by 2.9% from S$82.9 million in FY2020 to S$85.3 million in FY2021, as productivity has yet to recover to pre COVID-19 level.

Cost of sales

Cost of sales, on the other hand, had risen by 56.1% from S$52.2 million in FY2020 to S$81.4 million in FY2021. The substantial increase was due to the impact caused by COVID-19 disruption, resulting in spike in cost of building materials and labour.

Gross profit and Gross profit margin

In tandem with the increase in cost of sales, gross profit margin decreased from 37.1% in FY2020 to 4.6% in FY2021 and gross profit decreased by 87.3% from S$30.8 million in FY2020 to S$3.9 million in FY2021.

Other income

Group's other income were lower by 6.3%, from S$11.1 million in FY2020 to S$10.4 million in FY2021. The decrease was mainly due to lower government grant income, interest income and rental income recorded in FY2021. Government grant income decrease from S$3.2 million in FY2020 to of S$1.7 million in FY2021 as Government support for COVID-19 tapered off in the current period reported. Interest income decreased by S$1.6 million to S$4.1 million in FY2021 mainly attributable to payment of loans from joint venture and associate during FY2021. Rental income decreased by S$500,000 in FY2021 as we occupied the warehouse previously tenant to third party in FY2020 for our own use. The decrease, was however, offset by a reversal of impairment loss of S$3.0 million in an associate in FY2021.

Administrative expenses

Administrative expenses were lower by 11.8% at S$19.8 million in FY2021 as compared to S$22.4 million in FY2020 mainly attributable to lower loss in fair value changes of S$3.5 million (FY2020: $7.7 million) on financial assets recorded in the current year. The decrease was partially offset by the increase in staff cost and net foreign exchange loss in FY2021.

Allowance on financial assets

In FY2021, the Group recorded a net reversal of allowance of S$1.1 million on its financial assets as compared to a net reversal of S$351,000 in FY2020. The reversal was mainly due to reversal of expected credit loss on its trade and other receivables of S$263,000 and reversal of impairment loss on financial guarantee contracts of S$1.3 million in FY2021.

Finance costs

With the issuance of S$48 million notes from the Group's Medium Term Notes programme Series 003 on 19 August 2020 that carried a higher interest rate, Group's finance costs increased by 10.4% to S$7.0 million in FY2021 as compared to S$6.4 million in FY2020.

Other expenses
In FY2021, the Group recorded an aggregate of S$1.2 million impairment loss on investment in a joint venture and its non-current assets held for sale as compared to the S$11.8 million impairment loss on investment in an associate, a joint venture and intangible asset recorded in FY2020, a decrease of 88.1%.

Share of results of joint ventures and associates
The results of our joint ventures were also impacted by COVID-19 disruption as it is also construction related, with our share of profit decreased by 83.1% from S$6.9 million in FY2020 to S$1.2 million in FY2021.

With the improvement in performance of its hospitality business in Maldives, the Group recorded a lower net loss on its share of results of associates, net of tax by 75.1% from S$22.0 million in FY2020 to S$5.5 million in FY2021.

Income tax expense
Income tax expense decreased by 59.7% from S$5.4 million in FY2020 to S$2.2 million in FY2021 as lower taxable income was recorded in the current financial reported on as compared to the corresponding period of the preceding year.

Loss for the year
Consequence to the above, the Group recorded a net loss of S$19.3 million in FY2021, as compared to a loss of S$18.8 million in FY2020, a 2.7% increase.

REVIEW OF FINANCIAL POSITION

Non-current assets
Non-current assets decrease by S$18.6 million from S$219.1 million in FY2020 to S$200.5 million in FY2021. The decrease was mainly due to the following: -

a) lower carrying value of the Group's property, plant and equipment, and right-of-use assets resulting from depreciation of SS4.7 million (FY2020: S$4.8 million);
b) reclassification of certain property, plant and equipment as assets held for sale;
c) fair value loss of S$11.2 million on financial assets at FVOCI; and
d) fair value loss of S$3.6 million on financial assets at FVTPL

Current assets
In the year under review, Group's current assets was lower at S$113.3 million mainly attributed to lower trade and other receivables as the Group received partial repayment of loan from an associates as well as lower cash and bank balances as at 30 September 2021.

Non-current liabilities
Group's non-current liabilities decrease by 74.7% to S$15.7 million as a result of the re-classification of the Group's Medium Term Notes Series 003 ("MTN 3") to current liabilities in FY2021 due to a breach in one of the financial covenant.

Current Liabilities
The Group repaid its Medium Term Notes Series 002 ("MTN 2") and associated interest costs amounting S$51.3 million during the year. Group's trade and other payables decrease to S$37.9 million (FY2020: S$46.8 million) for the period report on due to repayment during the year. The decrease was partially offset by the increase in bank borrowings, provisions and reclassification of non-current liabilities to current liabilities during the year. Consequent to it, current liabilities decreased from S$142.4 million in FY2020 to S$139.6 million in FY2021.

REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

As at 30 September 2021, Group's net cash position amounted to S$21.8 million as compared to S$40.0 million as at 30 September 2020, a net decrease of S$18.0 million in cash and cash equivalents.

Despite the loss in the current year, Group's operating cash flows before working capital changes remained positive. However, the Group recorded net cash used in operating activities of S$28.0 million in FY2021 as compared to net cash generated from operating activities of S$3 million in FY2020. These was mainly attributable to the spike in construction costs and the increase in its contract assets.

Arising from the receipt of loan repayment from various parties as well as interest received, the Group generated net cash of S$62.3 million in investing activities during the year as compared to net cash used of S$20.0 million in FY2020.

Net cash used in financing activities of S$52.3 million in FY2021 was mainly attributed to the repayment of the Group's Medium Term Notes Series 002 as well as repayment of bank borrowings and interest. Whereas, in FY2020, the Group generated net cash from financing activities of S$679,000 attributed to the issuance of MTN 3.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement was previously disclosed to shareholders.

4. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Overview

Singapore's economy grew by 7.1% on a year-on-year basis in the third quarter of 2021 and is expected to grow around 7.0% for full year 2021[1]. The gradual recovery has also been extended to the construction sector, as the sector expanded by 66.3% on a year-on-year basis in the third quarter, following a 117.5% growth in the preceding quarter. However, it was noted that the construction sector's growth was largely due to low base effects when compared to the same period of 2020. The value-added of the sector remained 21.1% below its pre-COVID-19 level, during the third quarter of 2019, with activity at construction worksites weighed down by labour shortages.

2022 will continue to be a year filled with headwinds such as rising raw material prices, supply restrictions and labour shortages. Despite these challenges, the Group is cautiously optimistic on the overall prospects of building construction, property and hotel development and investment sectors in the coming months as Singapore is set to ease further border restrictions and the economy is poised for recovery.

Building Construction

The Group's current project pipeline consists of National Skin Centre, Punggol Regional Sports Centre, Sky Everton condominium, Wilshire Residences condominium, The Antares condominium and the Grand Hyatt Hotel Singapore. As at 30 September 2021, our construction order book stood at approximately S$482 million, providing us with a steady flow of activities through the financial year ending 30 September 2023.

The strict workplace safety rules such as worksite segregation and safe distancing measures imposed by the relevant authorities have resulted in lower productivity and efficiency and rising business costs, exacerbated by escalating prices of raw materials. Project delays and falling margins have been the inevitable consequences of such circumstances.

Property Development and Investment

Singapore's property market shows no sign of letting up with prices increasing across all classes of properties. Prices of residential properties increasing by 1.1% in the third quarter of 2021 as compared with 0.8% in the preceding quarter. Developers sold 3,550 private residential units in the third quarter of 2021 as compared to 2,966 units in the previous quarter and 3,517 units in the same period in 2020[2].

The Antares condominium has benefitted from the strong property market, achieving sales of more than 98% to date, whilst its completion has been pushed back to the third quarter of 2022.

The Group will be earnestly looking for new property development projects in the coming months.

Hotel Development and Investments

Our two hotels, The Holiday Inn Express Singapore Katong and Hotel Indigo Singapore Katong, have been adversely affected by the global pandemic. As Singapore gradually reopens borders, the introduction of Vaccinated Travel Lanes (VTLs) with 27 countries to date, offers hope for a faster recovery. We remain cautiously hopeful for an eventual upturn in tourist arrivals as more VTLs and other reciprocal travel schemes are established.

The Maldives has reopened its borders since July 2020 and has rebounded well from the pandemic. From January to October 2021, over one million tourists have arrived in Maldives as compared to 423,325 for the same period last year which marks a 139.3% increase in tourism arrivals[3]. This has augured well for our Mercure Maldives Kooddoo Hotel and Pullman Maldives Maamutaa Resort, with both properties achieving a combined average occupancy rate of more than 60% since August 2021.

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[1] Ministry of Trade and Industry, " MTI Forecasts GDP Growth of around 7.0 Per Cent in 2021 and 3.0 to 5.0 Per Cent in 2022", 24 November 2021.

[2] Urban Redevelopment Authority, "Release of 3rd quarter 2021 real estate statistics", 22 October 2021.

[3] Ministry of Tourism, Republic of Maldives, https://www.tourism.gov.mv/en/downloads/reports

5. Dividend information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on? No.

Name of Dividend	Final
Dividend type	Cash
Dividend per share	0 cents
Tax rate	Tax exempt

No dividend has been declared or recommended for the financial year ended 30 September 2021 due to the financial performance of the Group and the Board of Directors are of the view that conserving its cash resources is critical in order to sustain the business operations as we are still adversely impacted by the impact of the pandemic.

5b. Corresponding Period for the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

Name of Dividend	Final
Dividend type	Cash
Dividend per share	0 cents
Tax rate	Tax exempt

5c. Date Payable

Not applicable

5d. Books Closure Date

Not applicable

6. Interested person transactions

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

7. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7 under Rule 720 (1).

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720 (1).

8. Review of performance of the Group, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

The Buildings and Construction segment reported a loss in FY2021 as compared to a profit in FY2020 for reasons disclosed in Para 2.

The investment property segment reported a loss in FY2021 as a result of depreciation of Japanese Yen vis-à-vis Singapore Dollar.

With recovery in the tourism sector, the investment holding segment reported a lower loss of S$3.5 million in FY2021 as compared to a loss of S$11.8 million in FY2020. The lower loss was a result of improvement of financial performance of the resorts as well as partial reversal of impairment loss previously provided in FY2020.

9. Disclosure of person occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the Mainboard Rules, Keong Hong Holdings Limited confirms that there are no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Leo Ting Ping Ronald
Executive Chairman and Chief Executive Officer
29 November 2021

The provisions in the Constitution of the Company relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution of the Company, a copy of which is available for inspection at the registered address of the Company at 9 Sungei Kadut Street 2, Singapore 729230 during normal business hours[5] for the period during which the Offer remains open for acceptance.

(A) RIGHTS IN RESPECT OF CAPITAL

*"**SHARES***

6. The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. 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. *Power to repurchase shares*

7. Subject to the Act and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to article 53, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued 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 provided always that:- *Issue of shares*

(a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of article 53(1) with such adaptations as are necessary shall apply; and

[5] Prior appointment is required in light of the COVID-19 situation.

(b) any other issue of shares, the aggregate of which would exceed the limits referred to in article 53(2), shall be subject to the approval of the Company in General Meeting.

8. (1) The Company has power to issue different classes of shares. *Issue of different classes of shares*

(2) The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution. *Shares of a class other than ordinary shares*

(3) The Company may issue shares for which no consideration is payable to the Company. *Issue of shares for no Consideration*

(4) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings, and preference shareholders shall also have the right to vote at any General 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 General Meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear. *Preference shares*

(5) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued. *Issue of further preference capital*

9. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. *Treasury shares*

10. If, at any time the share capital is divided into different classes, subject to the provisions of the Act, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be 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 the Act shall with such adaptations as are necessary apply. To every such separate General Meeting the provisions of this Constitution relating to General Meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the *Variation of rights* *class and any holder of shares of the class present in person or by proxy 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 months of the General Meeting shall be as valid and effectual as a Special Resolution carried at the General Meeting.*

11. 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 this Constitution as is in force at the time of such issue, be deemed to be varied by the issue of further shares ranking equally therewith. *Issue of further shares with special rights*

12. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. *Power to pay commission and brokerage*

13. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital (except treasury shares) as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision. *Power to charge interest on capital*

14. 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 this Constitution 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 or its nominee (as the case may be)) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share. *Exclusion of equities*

15. Except as herein provided no person shall exercise any rights or privileges of a Member until he is registered in the Register of Members or (as the case may be) the Depository Register as a Member and shall have paid all calls and other moneys due for the time being on every share held by him. *Exercise of Member's rights*

16. When two or more persons are registered as the holders of any *Joint holders* *share they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the provisions following:-*

(a) The Company shall not be bound to register more than three persons as the holders of any share except in the case of executors or administrators (or trustees) of the estate of a deceased Member.

(b) For the purposes of a quorum joint-holders of any share shall be treated as one Member.

(c) Only one certificate shall be issued in respect of any share.

(d) Only the person whose name stands first in the Register of Members as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company. Any notice served on any one of the joint-holders shall be deemed to have been duly served on all of them.

(e) The joint-holders of any share shall be liable severally as well as jointly in respect of calls and any other payments which ought to be made in respect of such share.

(f) Any one of the joint-holders of any share may give effectual receipts for any dividend, return of capital or other sum of money payable to such joint-holders in respect of such share.

(g) On the death of any one of the joint-holders of any share the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they think necessary to call for.

(h) If more than one of such joint-holders are present in person or proxy at any General Meeting only that one of the joint-holders or his attorney or proxy, whose name stands first in the Register of Members or (as the case may be) the Depository Register amongst those so present in person or proxy shall be entitled to vote in respect of any of the shares so held.

SHARE CERTIFICATES

17. Every certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates, whether the shares are fully or partly paid up, and the amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class. *Certificates*

18. Every person whose name is entered as a Member in the Register *Entitlement to* *of Members shall be entitled within ten market days (or such other period as may be approved by the Stock Exchange) of the closing date of any application for shares or, as the case may be, the date of lodgement of a registrable transfer or on a transmission of shares to one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. If a Member shall require several certificates each for a part of the shares so allotted or transferred or included in the transmission or if a Member transfers part only of the shares comprised in a certificate or 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 Member shall pay prior to the issue of the certificates or certificate a fee not exceeding S$2 for each such new certificate as the Directors may determine.* *Certificates*

19. *Subject to the provisions of the Act, if any certificate shall be defaced, worn out, destroyed, lost or stolen, a new certificate may be issued in lieu thereof on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S$2 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such new certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.* *New certificates may be issued*

TRANSFER OF SHARES

20. *Subject to the provisions of this Constitution, all transfers of shares shall be effected by written instrument of transfer in the form as approved by the Stock Exchange or in any other form acceptable to the Directors.* *Form of transfer of Shares*

21. *The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall remain the holder of the share concerned until the name of the transferee is entered in the Register of Members in respect thereof.* *Execution of transfer of Shares*

22. *No shares shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs.* *Person under disability*

Directors' power to decline to register

23. There shall be no restriction on the transfer of fully paid up shares (except as required by law, the listing rules of the Stock Exchange or the rules and/or byelaws governing the Stock 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. Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within ten market days beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Act.

Notice of refusal

24. If the Directors refuse to register a transfer of any share, they shall within ten market days after the date on which the transfer was lodged with the Company, send to the transferor and the transferee notice of refusal as required by the Act.

Terms of registration of Transfers

25. The Directors may decline to register any instrument of transfer unless:-

(a) such fee not exceeding S$2 as the Directors may from time to time require, is paid to the Company in respect thereof;

(b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

(c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(d) the instrument of transfer is in respect of only one class of shares.

All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.

Suspension of registration

26. The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine provided always that such registration shall not be suspended for more than thirty days in any year. The Company shall give prior *notice of such closure as may be required to the Stock Exchange, stating the period and the purpose or purposes of such closure.*

27. Nothing in this Constitution shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person. *Renunciation of allotment*

TRANSMISSION OF SHARES

28. (1) In the case of the death of a Member whose name is entered in the Register of Members, the survivor or survivors where the deceased was a joint-holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares. *Survivor, executors or administrators entitled to shares of a deceased Member*

(2) In the case of the death of a Member who is a Depositor, the survivor or survivors where the deceased was a joint-holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased Member, shall be the only persons recognised by the Company as having any title to his interest in the shares. *Survivor, executors or administrators entitled to shares of a deceased Depositor*

(3) Nothing in this article shall release the estate of a deceased holder from any liability in respect of any share solely or jointly held by him. *Estate of deceased Holder*

29. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a Member whose name is entered in the Register of Members, and any guardian of an infant becoming entitled to the legal title in a share and whose name is entered in the Register of Members, and any person as properly has the management of the estate of a Member whose name is entered in the Register of Members and who is mentally disordered and incapable of managing himself or his affairs may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or transfer the share to some other person, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by a Member. *Transmission of shares*

30. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing in a form approved by the Directors signed by him stating that he so elects. If he shall elect to transfer the share to another person he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this *Requirements regarding transmission of shares*

Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the event upon which transmission took place had not occurred and the notice or transfer were a transfer signed by the person from whom the title by transmission is derived.

31. A person becoming entitled to a share by transmission shall be entitled to receive and give a discharge for the same dividends and be entitled to the other advantages to which he would be entitled if he were the Member in respect of the share, except that he shall not, before being registered as a Member in the Register of Members or before his name shall have been entered in the Depository Register in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to General Meetings. — *Rights of persons entitled to a share by transmission*

32. The Directors may at any time give notice requiring any person entitled to a share by transmission to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days the Directors may thereafter withhold payment of all dividends, or other moneys payable in respect of the share until the requirements of the notice have been complied with. — *Person entitled may be required to register or transfer share*

33. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee not exceeding S$2 as the Directors may from time to time require or prescribe. — *Fee for registration of probate, etc*

CALLS ON SHARES

34. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. — *Amounts and periods*

35. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by instalments. — *When made*

36. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom it is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per cent per annum as the Directors may determine, but the — *Interest on overdue calls*

Directors shall be at liberty to waive payment of such interest wholly or in part.

37. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date shall for the purposes of this Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified. *On allotment*

38. The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment. *Directors may Differentiate between holders*

39. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made, and upon the moneys so received or so much thereof as from time to time exceed the amount of the call then made upon the shares concerned, the Company may pay interest at such rate not exceeding eight per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits. *Payment in advance of calls*

40. The Directors may apply all dividends which may be declared in respect of any shares in payment of any calls made or instalments payable and which may remain unpaid in respect of the same shares. *Lien on dividends to pay call*

LIEN AND FORFEITURE

41. The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) registered in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amount as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. *Company’s lien*

42. For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit but no sale shall be made until such time as the moneys owing to the Company are presently payable and until a notice in writing stating the amount due and demanding payment and giving notice of intention to sell in default shall have been served in such manner *Notice to pay the amount due, and sale on non-compliance therewith* *as the Directors shall think fit on such Member or the person (if any) entitled to effect a transmission of the shares and who shall have produced to the Company satisfactory evidence of such capacity and default in payment shall have been made by him or them for fourteen days after such notice. Provided always that if a Member shall have died or become mentally disordered and incapable of managing himself or his affairs or bankrupt and no person shall have given to the Company satisfactory proof of his right to effect a transmission of the shares held by such Member the Directors may exercise such power of sale without serving any such notice.*

43. Upon any sale being made by the Directors of any shares to satisfy the lien of the Company thereon the proceeds shall be applied first in the payment of the costs of such sale, next in satisfaction of the debt, obligation, engagement or liability of the Member to the Company and the residue (if any) shall be paid to the Member or as he shall direct or to his executors, administrators or assigns. *Application of sale proceeds*

44. A statutory declaration in writing that the declarant is a Director and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository or its nominee (as the case may be)) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute good title to the share and the share shall be registered in the name of the person to whom the share is sold, reallotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, reallotment or disposal of the share. *Title to shares forfeited or surrendered or sold to satisfy a lien*

45. In the event of a forfeiture of shares or a sale of shares to satisfy the Company's lien thereon the Member or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited or sold. *Certificate of shares to be delivered to the Company*

46. If a Member fails to pay any call or any part thereof on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so *If call or instalment not paid, notice may be given* *much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment.*

47. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of nonpayment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited. *Form of notice*

48. If the requirements of such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter before all payments required by the notice have been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder. *If notice not complied with shares may be forfeited*

49. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorize some person to transfer or effect the transfer of a forfeited or surrendered share to any such person as aforesaid. *Sale of shares forfeited*

50. A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at eight per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part. *Rights and liabilities of Members whose shares have been forfeited or surrendered*

51. The provisions of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time as if the same had been payable by virtue of a call duly made and notified. *Forfeiture applies to non-payment of call due at fixed time*

ALTERATION OF CAPITAL

52. Without prejudice to any special rights previously conferred on the *Rights and* *holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special, limited or conditional rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution or, if required by the Act, by Special Resolution determine (or, in the absence of any such determination, but subject to the Act, as the Directors may determine) and subject to the provisions of the Act, the Company may issue preference shares which are, or at the option of the Company are, liable to be redeemed.* *privileges of new shares*

53. (1) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as far as the circumstances admit, to the number of the existing shares to which they are entitled. In offering such new shares in the first instance to all the then holders of any class of shares the offer shall be made by notice specifying the number of shares offered and limiting the time within which the offer if not accepted will be deemed to be declined and after the expiration of that 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 and the Directors may as they think most beneficial to the Company dispose of any such new shares which by reason of the proportion borne by them to the shares held by holders entitled to any such offer or by reason of any other difficulty in apportioning the same cannot, in the opinion of the Directors, be conveniently offered under this article. *Issue of new shares to Members*

(2) Notwithstanding article 53(1), 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:- *General authority for Directors to issue new shares and make or grant Instruments*

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

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

(b) (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:-

(i) the aggregate number of shares 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) shall be subject to such limits and manner of calculation as may be prescribed by the Stock Exchange;

(ii) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange for the time being in force (unless such compliance is waived by the Stock
Exchange) and this Constitution; and

(iii) (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).

54. Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Act and this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

New shares otherwise subject to provisions of the Act and this Constitution

55. (1) The Company may by Ordinary Resolution:-

Power to consolidate, subdivide and redenominate shares

(a) consolidate and divide all or any of its shares;

(b) subdivide its shares or any of them (subject nevertheless to the provisions of the Act and this Constitution) 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

(c) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.

(2) *The Company may by Special Resolution, subject to and in accordance with the Act, convert one class of shares into another class of shares.* *Power to convert shares*

56. *The Company may by Special Resolution reduce its share capital, or any other undistributable reserve in any manner and subject to any incident authorized and consent 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 this Constitution and the Act, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.* *Power to reduce capital*

CONVERSION OF SHARES INTO STOCK

57. *The Company may by Ordinary Resolution convert any paid-up shares into stock, and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.* *Conversion of shares into stock and reconversion*

58. *The holders of stock may transfer the same or any part thereof in the same manner and subject to the same articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum number of stock units transferable and restrict or forbid the transfer of fractions of that minimum.* *Transfer of stock*

59. *The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.* *Rights of stockholders*

60. *The provisions of this Constitution which are applicable to paid-up shares shall, so far as circumstances will admit, apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".”* *Shares/stock*

(B) RIGHTS IN RESPECT OF DIVIDENDS

*“**DIVIDENDS***

137. *The Company may Ordinary Resolution declare dividends, but no* *Declaration of*

dividend shall exceed the amount recommended by the Directors. Unless otherwise provided under the Act, no dividend may be paid to the Company in respect of treasury shares. *ordinary dividend*

138. *The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.* *Interim dividend*

139. *No dividend shall be paid otherwise than out of profits.* *Dividend only out of profits*

140. *Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-* *Application and apportionment of dividends*

(a) *all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*

(b) *all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.*

For the purposes of this article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

141. (1) *Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:-* *Scrip dividend scheme*

(a) *the basis of any such allotment shall be determined by the Directors;*

(b) *the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and* *the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this article;*

(c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and

(d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of article 152, the Directors may (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

(2) (a) The ordinary shares allotted pursuant to the provisions of paragraph (1) of this article shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.

(b) The Directors may do all acts and things considered necessary or expedient to give effect to the provisions of paragraph (1) of this article, with full power to make such

provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned).

(3) The Directors may on any occasion when they resolve as provided in paragraph (1) of this article determine that rights of election under that paragraph shall not be made available to Members who are registered in the Register of Members or (as the case may be) the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this article shall be read and construed subject to such determination. *Record date*

(4) The Directors may on any occasion when they resolve as provided in paragraph (1) of this article further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared. *Eligibility*

(5) Notwithstanding the foregoing provisions of this article, if at any time after the Directors' resolution to apply the provisions of paragraph (1) of this article in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their own discretion and without assigning any reason therefore, cancel the proposed application of paragraph (1) of this article. *Disapplication*

142. The Directors may retain any dividends or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists. *Dividend may be retained*

143. Any General Meeting declaring a dividend may direct payment of such dividend wholly or partly by the distribution of specific assets *Payment of dividend in*

	and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors. No valuation, adjustment or arrangement so made shall be questioned by any Member.	*specie*
144.	*Any dividend, interest or other moneys payable in cash on or in respect of shares may be paid by cheque or warrant order sent through the post directed to the registered address of the holder or in the case of joint holders, to the registered address of that one of the joint holders who is first named in the Register of Members or (as the case may be) the Depository Register or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be payable to the order of the person to whom it is sent.*	*Payment by post*
145.	*Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby, and the Company shall not be responsible for the loss of any cheque or warrant which shall be sent by post duly addressed to the person for whom it is intended.*	*Company not responsible for loss*
146.	*No unpaid dividend shall bear interest against the Company.*	*No interest*
147.	*A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.*	*No dividend before registration*
148.	*The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member or which any person under that article is entitled to transfer, until such person shall become a Member in respect thereof or shall duly transfer the same.*	*Power to retain Dividends pending transmission*
149.	*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 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*	*Unclaimed dividends*

pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable.

150. A payment by the Company to the Depository of any dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment. *Payment to Depository good discharge*

RESERVES

151. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits which they may think it not prudent to divide. *Power to carry profit to reserve*

CAPITALISATION OF PROFITS AND RESERVES

152. (1) The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to article 53(2) :- *Power to capitalize profits*

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:-

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 53(2)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and/or

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:-

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 53(2)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

Power to give effect to bonus issues and capitalisations

(2) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under article 152(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

Power to issue free shares and/or to capitalise reserves for share-based incentive plans and Directors' remuneration

(3) In addition and without prejudice to the powers provided for by articles 152(1) and 152(2), the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or noncumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:-

(a) be held by or for the benefit of participants of any share

incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit; or

(b) be held by or for the benefit of non-executive Directors as part of their remuneration under article 91 and/or article 92(2) approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing."

(C) RIGHTS IN RESPECT OF VOTING

"GENERAL MEETINGS

Annual General Meeting

61. (1) Save as otherwise permitted under the Act, an Annual General Meeting shall be held once in every year, at such time (within a period of not more than 15 months after the holding of the last preceding Annual General Meeting) and place in Singapore as may be determined by the Directors.

Extraordinary General Meeting

(2) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings and shall be held at such time and place in Singapore as may be determined by the Directors.

Calling Extraordinary General Meetings

62. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened by such requisition or, in default, may be convened by such requisitionists, in accordance with the provisions of the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

Notice of General Meetings

63. (1) Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by at least twenty one days' notice in writing and any Annual General Meeting and any other Extraordinary General Meeting by at least fourteen days' notice in writing. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in the manner hereinafter mentioned to such persons as are under the *provisions herein contained and the Act entitled to receive such notices from the Company; Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-*

(a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the Members having a right to vote at that meeting.

Provided also that the accidental omission to give notice to, or the nonreceipt by any person entitled thereto, shall not invalidate the proceedings at any General Meeting.

At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange.

(2) Notice of every General Meeting shall be given to:- *Persons entitled to receive notice*

(a) every Member;

(b) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the General Meeting; and

(c) the Auditor for the time being of the Company.

64. (1) Every notice calling a General Meeting shall specify the place in Singapore and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member. *Contents of notice*

(2) In the case of an Annual General Meeting, the notice shall also specify the meeting as such. *Notice of Annual General Meeting*

(3) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of the business; and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect. *Nature of special business to be specified*

65. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:- *Routine business*

(a) declaring dividends;

(b) considering and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached to the financial statements;

(c) appointing or re-appointing the Auditor and fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed; and

(d) appointing or re-appointing Directors in place of those retiring by rotation or otherwise and fixing the remuneration of the Directors.

66. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. *Special business*

PROCEEDINGS AT GENERAL MEETINGS

67. No business shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, two Members present in person or by proxy shall form a quorum. *Quorum*

68. If within half an hour from the time appointed for the General Meeting (or such longer interval as the Chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place in Singapore, or to such other day and at such other time and place in Singapore as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Members present in person or by proxy shall be deemed to be a quorum. *Adjournment if quorum not present*

69. The Chairman, if any, of the Directors shall preside as Chairman at every General Meeting. If there be no such Chairman or if at any General Meeting he be not present within fifteen minutes after the time appointed for holding the meeting or be unwilling to act, the Members present shall choose some Director to be Chairman of the meeting or, if no Director be present or if all the Directors present decline to take the chair, one of their number present to be Chairman. *Chairman*

Adjournment

70. The Chairman may, with the consent of any General Meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned sine die, the time and place in Singapore for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or sine die, notice of the adjourned meeting shall be given as in the case of the original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.

Mandatory polling

71. (1) If required by the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by the Stock Exchange).

Method of voting where mandatory polling not required

(2) Subject to article 71(1), at any General Meeting a resolution put to the vote at the General Meeting shall be decided on a show of hands unless a poll be (before or on the declaration of the result of the show of hands) demanded:-

(a) by the Chairman of the General Meeting; or

(b) by at least two Members present in person or by proxy and entitled to vote thereat; or

(c) by any Member or Members present in person or by proxy and representing not less than five per cent of the total voting rights of all the Members having the right to vote at the General Meeting; or

(d) by a Member or Members present in person or by proxy, holding shares conferring a right to vote at the General Meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent of the total sum paid up on all the shares conferring that right.

A demand for a poll made pursuant to this article 71(2) shall not prevent the continuance of the General Meeting for the transaction of any business, other than the question on which the poll has been demanded. Unless a poll is demanded (and the demand is not withdrawn) or is required pursuant to article 71(1), a declaration by the Chairman of the General Meeting that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in *favour of or against the resolution. A demand for a poll made pursuant to this article 71(2) may be withdrawn.*

72. Where a poll is taken, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the General Meeting. The Chairman may (and, if required by the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange or if so requested by the meeting, shall) appoint scrutineers and may adjourn the meeting to some time and place in Singapore fixed by him for the purpose of declaring the result of the poll.

Votes counted in error

73. If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same General Meeting or at any adjournment thereof and not in any case unless it shall in the opinion of the Chairman be of sufficient magnitude.

Chairman's casting vote

74. In the case of an equality of votes, whether on a poll or on a show of hands, the Chairman of the meeting at which the poll or show of hands takes place shall be entitled to a casting vote.

Time for taking a poll

75. A poll on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the General Meeting) and place in Singapore as the Chairman may direct. No notice need be given of a poll not taken immediately.

End of General Meeting

76. After the Chairman of any meeting shall have declared the General Meeting to be over and shall have left the chair no business or question shall under any pretext whatsoever be brought forward or discussed.

VOTE OF MEMBERS

Voting rights of members

77. (1) 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 9, each Member entitled to vote may vote in person or by proxy. Every Member who is present in person or by proxy shall:-

(a) on a poll, have one vote for every share which he holds or represents; and

(b) on a show of hands, have one vote, provided that:-

(i) in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only

one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and

(ii) in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.

For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting.

(2) Save as otherwise provided in the Act:- *Appointment of proxies*

(a) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and

(b) a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

(3) In any case where a Member is a Depositor, the Company shall be entitled and bound:- *Shares entered in Depository Register*

(a) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting; and

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by that Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that

Depositor.

(c) *Subject to this Constitution, the Act and the listing rules of the Stock Exchange, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.* *Voting in Absentia*

(4) *The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regards to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.* *Notes and instructions*

78. *Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any General Meeting or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation would exercise if it were an individual Member and such corporation shall for the purpose of this Constitution (but subject to the Act) be deemed to be present in person at any such General Meeting if a person so authorised is present thereat.* *Corporations acting by representatives*

79. *Where there are joint holders of any share any one of such persons may vote and be reckoned in a quorum at any General Meeting either personally or by proxy as if he were solely entitled thereto and if more than one of such joint holders be so present at any General Meeting that one of such persons so present whose name stands first in the Register of Members or (as the case may be) the Depository Register 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.* *Voting rights or joint holders*

80. *Subject to the provisions of this Constitution every Member shall be entitled to be present and to vote at any General Meeting either personally or by proxy and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.* *Rights to vote*

81. *No objection shall be raised to the qualification of any voter except at the General Meeting or adjourned General Meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.* *Objections*

82. On a poll votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. *Votes on a poll*

83. (1) An instrument appointing a proxy shall be in writing and:- *Execution of proxies*

(a) in the case of an individual shall be:-

(i) signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post; or

(ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation shall be:-

(i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument of proxy is delivered personally or sent by post; or

(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of articles 83(1)(a)(ii) and 83(1)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor (which shall, for purposes of this paragraph include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to article 85, failing which the instrument may be treated as invalid.

(2) The Directors may, in their absolute discretion:- *Directors may approve method and manner, and designate procedure, for electronic communications*

(a) approve the method and manner for an instrument appointing a proxy to be authorised; and

(b) designate the procedure for authenticating an instrument appointing a proxy, as contemplated in articles 83(1)(a)(ii) and 83(1)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member

(whether of a class or otherwise), article 83(1)(a)(i) and/or (as the case may be) article 83(1)(b)(i) shall apply.

84. A proxy need not be a Member. *A proxy need not be Member*

85. (1) An instrument appointing a proxy or the power of attorney or other authority, if any:- *Deposit of proxies*

(a) if sent personally or by post, must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the General Meeting; or

(b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting,

and in either case not less than 72 hours before the time appointed for the holding of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) to which it is to be used and in default shall not be treated as valid. The deposit of an instrument appointing a proxy does not preclude the Member concerned from attending and voting in person at the General Meeting, as well as for any adjournment of the General Meeting to which it relates. In such an event, the appointment of the proxy or proxies is deemed to be revoked by the Member concerned at the point when the Member attends the General Meeting.

(2) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in article 85(1)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), article 85(1)(a) shall apply. *Directors may specify means for electronic communications*

86. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the General Meeting. *Rights of proxies*

87. An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve. An instrument appointing a proxy shall, unless the contrary is stated therein be valid as well for any adjournment of the General Meeting as for the General Meeting to which it relates and need not be witnessed. *Form of proxies*

88. A vote given in accordance with the terms of an instrument of proxy *Intervening* *(which for the purposes of this Constitution shall also include a power of attorney) shall be valid notwithstanding the previous death or mental disorder of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used."*

death or mental disorder of principal not to revoke proxy