

# KEONG HONG HOLDINGS LIMITED

## Unaudited Financial Statement For The Three Months Ended 31 December 2018

### PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Three months ended		
	31/12/2018	31/12/2017	+(-)
	Unaudited	Unaudited	
	S\$'000	S\$'000	%
Revenue	33,214	40,821	(18.6)
Cost of sales	(30,371)	(33,283)	(8.7)
Gross profit	2,843	7,538	(62.3)
Other income	1,630	1,118	45.8
Administration expenses	(3,241)	(4,666)	(30.5)
Finance costs	(1,561)	(1,290)	21.0
Share of results of joint venture, net of tax	4,423	-	n.m.
Share of results of associate, net of tax	101	(332)	n.m.
<b>Profit before income tax</b>	<b>4,195</b>	<b>2,368</b>	<b>77.2</b>
Income tax expense	(109)	(335)	(67.5)
<b>Profit after tax for the financial year</b>	<b>4,086</b>	<b>2,033</b>	<b>101.0</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating of foreign operations	87	(17)	n.m.
Share of other comprehensive income of joint venture	(182)	-	n.m.
Other comprehensive income for the financial year, net of tax	(95)	(17)	458.8
<b>Total comprehensive income for the financial year</b>	<b>3,991</b>	<b>2,016</b>	<b>98.0</b>
<b>Profit attributable to:</b>			
Owners of the parent	3,955	1,756	125.2
Non-controlling interests	131	277	(52.7)
	<b>4,086</b>	<b>2,033</b>	<b>101.0</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	3,860	1,739	122.0
Non-controlling interests	131	277	(52.7)
	<b>3,991</b>	<b>2,016</b>	<b>98.0</b>

n.m. denotes not meaningful

**1(a)(ii) Profit for the financial year is stated after charging/ (crediting):**

	<b>Group</b>		
	<b>Three months ended</b>		
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>+(-)</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>%</b>
	<b>S\$'000</b>	<b>S\$'000</b>	
Amortisation of intangible asset	10	4	150.0
Depreciation of investment properties	152	148	2.7
Depreciation of property, plant and equipment	954	1,226	(22.2)
Operating lease expenses	197	188	4.8
Professional fees	135	410	(67.1)
Share option expense	65	72	(9.7)
Foreign exchange (gain) / loss – Net	(66)	485	(113.6)
Gain on disposal of plant and equipment	-	(29)	(100.0)
Interest income	(1,280)	(972)	31.7

*n.m. denotes not meaningful*

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b>As at</b>		<b>As at</b>	
	<b>31/12/2018</b>	<b>30/09/2018</b>	<b>31/12/2018</b>	<b>30/09/2018</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	18,738	19,485	211	223
Investment properties	23,379	22,827	-	-
Investments in subsidiaries	-	-	30,038	30,038
Investment in associates	48,635	48,534	5,610	5,610
Investments in joint ventures	14,360	8,946	-	-
Intangible assets	264	274	-	-
Available-for-sale financial assets	57,993	57,993	5,175	5,175
Finance lease receivables	601	637	-	-
Other receivables	125,915	122,847	1,000	1,000
Deferred tax assets	370	396	-	-
<b>Total non-current assets</b>	<b>290,255</b>	<b>281,939</b>	<b>42,034</b>	<b>42,046</b>
<b>Current assets</b>				
Inventories	1,860	1,765	-	-
Trade and other receivables	92,062	95,253	52,959	52,643
Due from contract customers	27,529	25,468	-	-
Finance lease receivables	136	134	-	-
Current income tax recoverable	313	314	-	-
Prepayments	1,091	909	22	3
Fixed deposits pledged	527	526	-	-
Cash and cash equivalents	67,033	73,400	20,935	21,012
<b>Total currents assets</b>	<b>190,551</b>	<b>197,769</b>	<b>73,916</b>	<b>73,658</b>
<b>Total assets</b>	<b>480,806</b>	<b>479,708</b>	<b>115,950</b>	<b>115,704</b>
<b>Equity</b>				
Share capital	25,048	25,048	25,048	25,048
Treasury shares	(3,303)	(3,303)	(3,303)	(3,303)
Other reserves	4,001	4,031	1,376	1,311
Retained earnings	196,172	192,217	6,421	7,585
Non-controlling interests	1,716	1,533	-	-
<b>Total equity</b>	<b>223,634</b>	<b>219,526</b>	<b>29,542</b>	<b>30,641</b>
<b>Non-current liabilities</b>				
Other payables	501	490	-	-
Finance lease payables	360	314	114	118
Medium term notes	84,364	84,306	84,364	84,306
Provision for reinstatement	248	246	-	-
Deferred tax liabilities	126	126	-	-
<b>Total non-current liabilities</b>	<b>85,599</b>	<b>85,482</b>	<b>84,478</b>	<b>84,424</b>
<b>Current liabilities</b>				
Trade and other payables	127,899	130,222	1,908	617
Bank borrowings	39,825	40,710	-	-
Finance lease payables	120	132	18	18
Current income tax payable	3,729	3,636	4	4
<b>Total current liabilities</b>	<b>171,573</b>	<b>174,700</b>	<b>1,930</b>	<b>639</b>
<b>Total liabilities</b>	<b>257,172</b>	<b>260,182</b>	<b>86,408</b>	<b>85,063</b>
<b>Total equity and liabilities</b>	<b>480,806</b>	<b>479,708</b>	<b>115,950</b>	<b>115,704</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

<b>As at 31/12/2018 Unaudited</b>		<b>As at 30/09/2018 Audited</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
39,825	-	40,710	-

**Amount repayable after one year**

<b>As at 31/12/2018 Unaudited</b>		<b>As at 30/09/2018 Audited</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
-	84,364	-	84,306

Details of collateral:

The Group's secured borrowings are secured by corporate guarantee, properties and project proceeds in respect of the Company's construction projects.

The unsecured borrowing relates to net proceeds of S\$84.1 million from the issuance of S\$85.0 million 4-year Fixed Rate Notes ("**Series 2 Series 2 Term Notes**") on 15 September 2017 under Keong Hong Holdings Limited S\$150 million Multicurrency Medium Term Note Programme. The Series 2 Term Notes bear fixed interest of 5.75 per cent per annum payable semi-annually in arrear and will mature on 15 September 2021.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>Group</b>	
	<b>Three Months ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Operating activities</b>		
Profit before income tax	4,195	2,368
Adjustments for:		
Amortisation of intangible assets	10	4
Depreciation of investment properties	152	148
Depreciation of property, plant and equipment	954	1,226
Gain on disposal of plant and equipment	-	(29)
Share option expense	65	72
Interest income	(1,280)	(972)
Interest expenses	1,561	1,290
(Gain)/ Loss on unrealised foreign exchange	(66)	485
Share of results of joint venture, net of tax	(4,423)	-
Share of result of associates, net of tax	(101)	332
<b>Operating cash flows before movements in working capital</b>	<b>1,067</b>	<b>4,924</b>
Working Capital Changes:		
Inventories	(96)	173
Trade and other receivables	(1,591)	1,996
Due from contract customers	(2,020)	13,230
Prepayments	(192)	160
Trade and other payables	(3,660)	(6,459)
<b>Cash generated from / (used in) operations</b>	<b>(6,492)</b>	<b>14,024</b>
Income tax (paid ) / refunded	(31)	(78)
<b>Net cash (used in) / generated from operating activities</b>	<b>(6,523)</b>	<b>13,946</b>
<b>Investing activities</b>		
Investment in joint ventures	(1,175)	-
Purchase of plant and equipment	(164)	(55)
Purchase of intangible assets	-	(8)
Proceeds from finance lease receivables	33	33
Proceeds from disposal of plant and equipment	-	11
Loan to associates	-	(2,760)
Loan to joint ventures	-	(6,658)
Loan to third party	(2,560)	-
Repayment of loan from joint ventures	-	1,200
Repayment of loan from associates	5,400	-
Interest received	230	155
Dividend received	-	2,000
<b>Net cash generated from investing activities</b>	<b>1,764</b>	<b>(6,082)</b>

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

	Group	
	Three Months ended	
	31/12/2018	31/12/2017
	Unaudited	Unaudited
	S\$'000	S\$'000
<b>Financing activities</b>		
Fixed deposit pledged with financial institutions	-	(525)
Proceeds from loans & borrowings	939	-
Repayments of loans & borrowings	(1,840)	(2,106)
Proceed from finance lease payable	45	-
Repayments of finance lease payables	(55)	(44)
Interest paid	(252)	(87)
<b>Net cash used in financing activities</b>	<b>(1,163)</b>	<b>(2,762)</b>
Net change in cash and cash equivalents	(5,922)	5,102
Cash and cash equivalents at the beginning of the financial	73,397	77,325
Exchange difference on cash and cash equivalents	(442)	339
<b>Cash and cash equivalents at end of the financial period</b>	<b>67,033</b>	<b>82,766</b>

Cash and cash equivalents comprised of:

	12/31/2018	31/12/2017
	Unaudited	Unaudited
	S\$'000	S\$'000
Fixed deposits, cash and bank balances	67,560	83,605
Fixed deposits pledged	(527)	(525)
	<u>67,033</u>	<u>83,080</u>
Bank overdrafts	-	(314)
	<u><b>67,033</b></u>	<u><b>82,766</b></u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share capital S\$'000	Treasury shares S\$'000	Foreign currency translation accounts S\$'000	Share option reserve S\$'000	Merger reserve S\$'000	Available-for-sale 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
<b>Group (Unaudited)</b>											
Balance at 1 October 2018	25,048	(3,303)	385	1,311	(4,794)	5,788	1,341	192,217	217,993	1,533	219,526
Profit for the financial period	-	-	-	-	-	-	-	3,955	3,955	131	4,086
Other comprehensive income for the financial period:											
Exchange differences on translating foreign operations	-	-	87	-	-	-	-	-	87	-	87
Share of other comprehensive income of joint venture	-	-	-	-	-	-	(182)	-	(182)	-	(182)
Total comprehensive income for the period	-	-	87	-	-	-	(182)	3,955	3,860	131	3,991
Contribution by and distribution to owners of the parents:											
Issued of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interests share of fair value adjustments on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	52	52
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Share option expense	-	-	-	65	-	-	-	-	65	-	65
Total transactions with owners of the parent	-	-	-	65	-	-	-	-	65	52	117
Balance at 31 December 2018	25,048	(3,303)	472	1,376	(4,794)	5,788	1,159	196,172	221,918	1,716	223,634

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share capital S\$'000	Treasury shares S\$'000	Foreign currency translation accounts S\$'000	Share option reserve S\$'000	Merger reserve S\$'000	Available-for-sale 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
<b>Group (Unaudited)</b>											
Balance at 1 October 2017	25,061	(3,657)	529	639	(4,794)	(529)	(114)	176,762	193,897	2,617	196,514
Profit for the financial period	-	-	-	-	-	-	-	1,756	1,756	277	2,033
Other comprehensive income for the financial period:											
Exchange differences on translating foreign operations	-	-	(17)	-	-	-	-	-	(17)	-	(17)
Fair value changes	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(17)	-	-	-	-	1,756	1,739	277	2,016
Contribution by and distribution to owners of the parents:											
Issued of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Share option expense	-	-	-	72	-	-	-	-	72	-	72
Total transactions with owners of the parent	-	-	-	72	-	-	-	-	72	-	72
Balance at 31 December 2017	25,061	(3,657)	512	711	(4,794)	(529)	(114)	178,518	195,708	2,894	198,602



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Share capital S\$'000	Treasury Shares S\$'000	Share option reserve S\$'000	Available-for-sale reserve S\$'000	Retained earnings S\$'000	Total S\$'000
<b>Company (Unaudited)</b>						
Balance at 1 October 2018	25,048	(3,303)	1,311	-	7,585	30,641
Total comprehensive income for the financial period	-	-	-	-	(1,164)	(1,164)
Share option expense	-	-	65	-	-	65
Balance at 31 December 2018	<b>25,048</b>	<b>(3,303)</b>	<b>1,376</b>	-	<b>6,421</b>	<b>29,542</b>
<b>Company (Unaudited)</b>						
Balance at 1 October 2017	25,061	(3,657)	639	(226)	4,830	26,647
Total comprehensive income for the financial period	-	-	-	-	(1,519)	(1,519)
Share option expense	-	-	72	-	-	72
Balance at 31 December 2017	<b>25,061</b>	<b>(3,657)</b>	<b>711</b>	<b>(226)</b>	<b>3,311</b>	<b>25,200</b>

- 1(d)(ii) **Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares of the issuer, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of shares	Share capital (\$)
As at 1 October 2018	234,510,000	25,048,000
Movement	-	-
As at 31 December 2018	234,510,000	25,048,000

As at 31 December 2018, there were 6,780,000 outstanding options issued under Employee Share Option Scheme (the "ESOS") (31 December 2017: 6,255,000), which are convertible into 6,780,000 (31 December 2017: 6,255,000) shares. The total number of issued shares excluding treasury shares of the Company was 234,510,000 and 232,385,000 as at 31 December 2018 and 31 December 2017 respectively. Save for the options, the Company did not have any outstanding convertibles as at 31 December 2018 and 31 December 2017.

As at 31 December 2018, the Company held 8,055,000 treasury shares (31 December 2017: 10,180,000 treasury shares) representing 3.32% (31 December 2017: 4.20%) of the total number of issued shares (including treasury shares) of 242,565,000 shares (31 December 2017: 242,565,000 shares). The Company does not have any subsidiary holdings as at the periods ended 31 December 2018 and 31 December 2017.

- 1(d)(iii) **To show the number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	31/12/2018 Unaudited	30/09/2018 Audited
Total number of issued shares	242,565,000	242,565,000
Treasury shares	(8,055,000)	(8,055,000)
Total number of issued shares, excluding treasury shares	234,510,000	234,510,000

- 1(d)(iv) **A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

	Number of Treasury Shares
As at 1 October 2018	8,055,000
Sales, transfers, disposals and/or cancellation	-
As at 31 December 2018	8,055,000

**2. Whether the figures have been audited, or reviewed and in accordance with which standard**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in note (5) below, the financial results for the current financial year reported on have been presented using the same accounting policies and methods of computation as in the Company's most recently audited financial statement as set out in the annual report for the financial year ended 30 September 2018.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted Singapore Financial Reporting Standard (International) ("SFRS(I)") 1 October 2018 and issued its first set of financial information prepared under SFRS(I) from the first quarter ended 31 December 2018. In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Group has also concurrently applied SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments*.

With regards to SFRS(I) 15 *Revenue from Contracts with Customers*, before 1 October 2018, the Group recognises construction contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The output method is used to determine the stage of completion, where the value of work performed is certified by the architects or quantity surveyors to the total contract sum. Upon the adoption of SFRS(I)15, the Group will continue to recognise contract revenue over time by measuring the progress towards complete satisfaction of performance obligations. Under the new standard, the methods of measuring progress include output methods or input methods. The Group has determined that the cost-based input method reflects the over-time transfer of control to customers.

There is no material impact on the financial statements in adopting SFRS(I) and applying specific transition requirement under SFRS(I) 1.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**  
**(a) Based on the weighted average number of ordinary shares on issue; and**  
**(b) On a fully diluted basis (detailing any adjustments made to the earnings).**

	Group	
	Three Months ended	
	31/12/2018 Unaudited	31/12/2017 Unaudited
Profit attributable to owners of the parent (S\$'000)	3,955	1,756
(i) Earnings per share ("EPS") - Basic (Singapore cents) <sup>(1)</sup>	1.69	0.76
Weighted average number of ordinary shares <sup>(3)</sup>	234,510,000	232,385,000
(ii) Earnings per share ("EPS") – Diluted (Singapore cents) <sup>(2)</sup>	1.68	0.75
Weighted average number of ordinary shares <sup>(3)</sup>	235,990,702	234,506,155

Notes:

- (1) The calculation for the basic EPS for the relevant financial periods is based on the weighted average number of ordinary shares of the Company during the relevant financial periods.
- (2) The calculation for the diluted EPS is based on the weighted average number of ordinary shares of the Company after adjusting for lapsed Options and dilution assuming the Options are fully exercised into ordinary shares of the Company.
- (3) The figure was computed taking into account the shares bought back by the Company during the relevant financial period.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	31/12/2018 Unaudited	30/09/2018 Audited	31/12/2018 Unaudited	30/09/2018 Audited
Net asset value per ordinary share (Singapore cents)	94.63	92.96	12.60	13.07
Number of issued shares excluding treasury shares at the end of the financial year	234,510,000	234,510,000	234,510,000	234,510,000

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **Review of the performance**

#### **Revenue**

For the 3 months ended 31 December 2018 (“1Q2019”), revenue decreased by 18.6% to S\$33.2 million as compared to S\$40.8 million in the corresponding period ended 31 December 2017 (“1Q2018”). The decrease was due to lower recognition of revenue from construction projects as some of the projects, such as Parc Life and Raffles Hospital Extension had largely been completed in previous financial year. The decrease in revenue was partially offset by higher revenue recognition from construction of Seaside Residences, National Skin Centre and Pullman Maamutaa Maldives.

#### **Gross Profit & Gross Profit Margin**

In tandem with the decrease in revenue, gross profit and gross profit margin for 1Q2019 was S\$2.8 million and 8.6% respectively as compared to S\$7.5 million and 18.5% in 1Q2018.

#### **Other Income**

Other income increased by 45.8% or S\$0.5 million from S\$1.1 million in 1Q2018 to S\$1.6 million in 1Q2019. The increase was mainly due to interest income of \$0.3 million from associates and joint ventures, foreign exchange gain of \$0.1 million, and management fee of S\$0.1 million from associates.

#### **Administration Expenses**

Administration expenses decreased by 30.5% or S\$1.4 million to S\$3.2 million in 1Q2019 as a result of lower legal & professional fees of S\$0.4 million, lower depreciation expense of S\$0.3 million, absence of foreign exchange loss of S\$0.5 million and lower bank charges of \$0.2 million.

#### **Finance Costs**

Finance costs increased by 21.0% or S\$0.3 million from S\$1.3 million in 1Q2018 to S\$1.6 million in 1Q2019 due mainly to higher interest paid for borrowings.

#### **Profit before Income Tax**

For 1Q2019, the Group's profit before tax increased by 77.2% to S\$4.2 million in 1Q2019 as compared to S\$2.4 million in 1Q2018. The increase was mainly attributable to share of gain of S\$4.4 million from joint venture company.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.
- (Cont'd)

### **Review of Financial Position**

#### **Non-Current Assets**

Plant and equipment decreased from S\$19.5 million as at 30 September 2018 to S\$18.7 million as at 31 December 2018 due to depreciation expenses. Investment properties increased from S\$22.8 million as at 30 September 2018 to S\$23.4 million as at 31 December 2018 due to unrealized foreign currency gain on translation of foreign operation and offset by depreciation expenses.

#### **Current Assets**

In tandem with lower turnover, trade and other receivables decreased by S\$3.2 million from S\$95.3 million as at 30 September 2018 to S\$92.1 million as at 31 December 2018.

The increase in amount due from contract customer of S\$2.1 million was due to higher unbilled revenue for work done in 1Q2019.

#### **Current Liabilities**

As at 31 December 2018, current liabilities decreased by S\$3.1 million to S\$171.6 million compared to S\$174.7 million as of 30 September 2018. During the financial period under review, trade and other payables and bank borrowings decreased by S\$2.3 million and S\$0.9 million respectively.

The working capital of the Group decreased by S\$4.1 million from S\$23.1 million as at 30 September 2018 to S\$19.0 million as at 31 December 2018.

#### **Non-Current Liabilities**

Non-current liabilities increased slightly by S\$0.1 million from S\$85.5 million as at 30 September 2018 to S\$85.6 million as at 31 December 2018 due to interest accrued for medium term notes.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**
- (Cont'd)

#### **Review of Cash Flow Statement**

For 1Q2019, the Group generated a positive operating cash flow of S\$1.1 million before movements in the working capital. After taking into consideration of changes in the working capital, mainly an increase of S\$1.6 million in trade and other receivables, an increase of S\$2.0 million in amount due from contract customers and a decrease of S\$3.7 million in trade and other payables, the Group achieved a net cash outflow of S\$6.5 million from operations.

Net cash generated from investing activities of S\$1.8 million in 1Q2019 was due mainly to loan repayment of S\$5.4 million from associate which was partially offset by loan extended to third party of S\$2.5 million and investment in joint venture of S\$1.2 million.

Net cash used in financing activities of S\$1.2 million in 1Q2019 was mainly due to net repayment of bank borrowings and interest payment of S\$0.9 million and S\$0.3 million respectively.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable as no forecast or prospect statement has been previously disclosed to shareholders.

10. **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.**

#### **Building Construction**

Building and Construction Authority (BCA) has projected the total construction demand in 2019 to range between \$27.0 billion and \$32.0 billion, which is comparable to the \$30.5 billion awarded in 2018. Public construction demand is set to make up about 60 per cent of projected demand for the year, and the private sector's construction demand is expected to remain steady, supported by projects including the redevelopment of past en-bloc sales sites and new industrial developments.<sup>1</sup>

To ensure Keong Hong remains competitive, we have taken steps to invest in technology and innovation as well as adopting advanced construction methods such as Prefabricated Prefinished Volumetric Construction ("PPVC") and Prefabricated Bathroom Units ("PBU").

As at 31 December 2018, the Group's construction order book stood at approximately \$332.0 million.

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<sup>1</sup> Building and Construction Authority, "Singapore's total construction demand to remain strong this year", 14 January 2019.

10. **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. (Cont'd)**

**Property Development and Investment**

Seaside Residences has attained sales of more than 87% to-date.

Despite market challenges such as the July 6, 2018 cooling measures, more curbs on shoebox units being built in certain locations, rising interest rates and rising trade tensions between the US and China, private home sales demand has been encouraging as about 40 per cent of developer sales were transacted in the last five months of 2018.

We plan to launch the 265-unit Mattar Road condominium project in the first half of the year.

**Hotel Development and Investment**

The performance of our two hotel investments in Singapore improved in 2018 in terms of occupancy and average room rates. This is in tandem with the growth in tourist arrivals and improved hotel performance in Singapore.

Mercure Maldives Kooddoo Hotel registered good achievements in 2018 and we are working closely with Accor to ramp up the hotel's performance in the coming years.

11. **Dividend**

**(a) Current Financial Period Reported On**

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date.**

Not applicable.

12. **If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable.

13. **If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a general mandate for IPT. There was no IPT in 1Q2019.



**14. Negative confirmation pursuant to Rule 705(5) of the SGX-ST Listing Manual**

To the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Company and the Group for first quarter and three months ended 31 December 2018 presented in this announcement, to be false or misleading in any material aspect.

**15. Confirmation pursuant to Rule 720 (1) of the SGX-ST Listing Manual.**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720 (1) of the SGX-ST Listing Manual.

**By Order of the Board**

Leo Ting Ping Ronald  
Executive Chairman and Chief Executive Officer  
30 January 2019