KEONG HONG HOLDINGS LIMITED
强枫控股有限公司

AGILITY, ADAPTABILITY FOR SUSTAINABILITY

ANNUAL REPORT 2016

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YEAR IN REVIEW

SEPTEMBER 2015

Keong Hong moved into its new corporate headquarters at 9 Sungei Kadut Street 2, enabling the Group to consolidate and strengthen its operations to bring about a leaner, more effective structure.

OCTOBER 2015

Replicating its property development model in Singapore, the Group took a 15% stake in a joint venture residential development in Nha Be, Ho Chi Minh City, Vietnam.

JANUARY 2016

The Group acquired a land parcel for residential condominium development at Siglap Road through a joint tender.

FEBRUARY 2016

The Group completed its first acquisition overseas – a commercial property in Honmachi, Osaka, Japan.

JUNE 2016

The Group's joint venture mixed-use development project at the former Joo Chiat Police Station – Katong Square, Hotel Indigo Singapore Katong and Holiday Inn Express Singapore Katong opened for business.

JULY 2016

Group CFO has been conferred the Best CFO Award at Singapore Corporate Awards for listed companies with less than S$300 million in market capitalisation.

AUGUST 2016

The Group achieved another corporate milestone with the successful transfer of its listing from Catalist to the Mainboard of the Singapore Exchange Securities Trading Limited.

SkyPark Residences obtained its Temporary Occupation Permit ("TOP").

AGILITY

Astute to opportunities, we will be agile and quick to seize upon them, turning them into avenues for future growth.

CHAIRMAN'S MESSAGE

"Going forward, we anticipate more opportunities in construction demand for commercial, industrial, institutional and healthcare projects and will focus on those sectors."

DEAR SHAREHOLDERS,

In the current challenging economic conditions, most sectors of the Singapore economy were negatively impacted. Singapore's economy grew by 1.1% on a year-on-year basis in the third quarter of 2016, slower than the 2.0% growth in the previous quarter.[1] The construction sector was one of those which struggled to gain momentum, moderating to 1.6% growth in the third quarter of 2016 from 2.0% in the previous quarter. Keong Hong Holdings Limited ("Keong Hong" or "the Group") was able to weather this difficult period, with a focus on keeping our operations lean and a corporate mindset that embraces changes and readily adapts to new challenges.

FINANCIAL HIGHLIGHTS

For the financial year ended 30 September 2016 ("FY2016"), we registered revenue of S$248.0 million which was a 12.0% decrease from revenue of S$282.0 million in the financial year ended 30 September 2015 ("FY2015"). The decreased revenue stemmed from lower revenue recognition during the financial review period from some of our construction projects which had largely been completed in FY2015 as well as the fact that two new projects were at the initial revenue recognition stage. Nevertheless, gross profit margin improved to 15.6% from 10.6% in FY2015. The Group turned in lower net income of S$33.1 million mainly due to lower gain from joint ventures and associates in FY2016 as compared to FY2015.

On our statement of financial position, we recorded cash and cash equivalents of S$58.6 million as at the end of the financial year ended 30 September 2016. We generated net cash of S$27.3 million from operating activities, while our net asset value per share stood at 59.5 cents per share as at 30 September 2016.

REWARDING OUR SHAREHOLDERS

The Board is recommending a one-tier tax-exempt final dividend of 3.0 Singapore cents per share as an acknowledgment of the support given by our shareholders. If approved at the forthcoming Annual General Meeting, the dividend will be paid in February 2017, bringing the full-year dividend payout to 3.5 Singapore cents per share. This represents a dividend payout ratio of 23.1%.

ADAPTING TO BUSINESS CONDITIONS

The building and construction industry has been hard hit by the prevailing economic downturn. According to statistics released by Ministry of Trade and Industry,[2] the slowdown in the construction sector was "on the back of a drop in private sector construction activities". The Building and Construction Authority ("BCA") had also forecast earlier this year, that construction demand from the

1 Ministry of Trade and Industry, "MTI forecasts GDP to grow by '1.0 to 1.5 per cent' in 2016 and '1.0 to 3.0 per cent' in 2017." https://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2016/PR_3Q16.pdf

2 Ministry of Trade and Industry, "Economic Survey of Singapore Third Quarter 2016." https://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2016/FullReport_3Q16.pdf

3 Building and Construction Authority, "BCA estimates $27 billion to $34 billion worth of construction contracts to be awarded this year." https://www.bca.gov.sg/Newsroom/others/BCA_Media_Release_Prospects_150116.pdf

private sector would soften given the increased supply of completed housing projects and offices in addition to the weak economic conditions and property market, with the property cooling measures still firmly in place. Nevertheless, demand for public sector construction, largely due to an increase in civil engineering demand would continue.[3] As such, going forward, we anticipate more opportunities in construction demand for commercial, industrial, institutional and healthcare projects and will focus on those sectors. We have successfully been awarded one such project, namely, the construction of a 20-storey medical building extension to Raffles Hospital in Victoria Street/North Bridge Road. The project is on track for completion next year. Further afield, our expansion and development of the Kooddoo Airport in Maldives is another example of our successful undertaking of such infrastructure projects. As at the end of FY2016, the Group's construction order book stands at approximately S$351.0 million, of which around 60% are non-residential projects, providing the Group with a sustainable flow of activities through the end of financial year 2018.

CHAIRMAN'S MESSAGE

> **"Over time, we hope to eventually grow the contribution from hotel and property investments to form a more substantial portion of our financial results."**

BEYOND BUILDING AND CONSTRUCTION

We recognised the limited upside on our growth should we remain only in building and construction. Hence, our foray into other related and synergistic areas, chief among them, property development. On this front, we continued to build up our portfolio of local residential projects undertaken on a joint venture basis with established property players. Through a joint venture with FCL Topaz Pte. Ltd. and Sekisui House Ltd, we successfully bid for a land parcel at Siglap for residential condominium development. We expect to launch the 843-unit project in the first half of 2017. Our other residential development projects are progressing well. *SkyPark Residences*, in which we have a 20% stake, received its Temporary Occupation Permit ("TOP") in August 2016 while *The Amore* at Edgedale Plains in Punggol Central, in which we took a 15% stake, has received its TOP in November 2016. Our executive condominium project at Sembawang Crescent, *Parc Life*, was launched in April this year and has encouragingly registered sales of 22.0% to date.

We have also expanded our footprint cautiously but steadily in hotel development and investment, as part of our strategy for sustainable growth. With tourism a key sector in places like Maldives, where two of our resort developments are situated, the long-term outlook for our investments look promising. Visitor arrivals in Maldives for the first quarter of 2016 showed an increase of 4.3% as compared to the same period in 2015.[4] The overall outlook for the tourist sector there is good.[5] Our resorts, the soon-to-be-completed Mercure Maldives Kooddoo Resort and the Pullman Maldives Maamutaa Resort, will be well placed to capitalise on this growth in tourism. There are strong long-term expansion prospects in Singapore's tourism industry as well, due to our attractions, lifestyle and dining landscape as well as the continuing investment in the development of infrastructure and attractions by government and private sectors, which are set to enhance Singapore's standing as a tourism hub.[6] In Singapore, our two hotel investments, *The Holiday Inn Express Singapore Katong* and *Hotel Indigo Singapore Katong*, opened in May and June respectively.

We continue to seek overseas residential or commercial investment opportunities and other related and synergistic strategic investments. Aside from the Maldives, we are actively sourcing for opportunities in Japan, Australia, Vietnam, Malaysia and Indonesia. We completed the purchase of the commercial property situated in Honmachi, Osaka, Japan, on 29 February 2016 and are receiving recurring rental income from this investment. Our residential

4 Although the rest of the indicators such as average occupancy rate and total bed nights depicted a decreasing trend, the long-term outlook is positive: Hotelier Maldives, "Tourism sector overview: Q1-2016 Maldives and Asia Pacific." http://www.hoteliermaldives.com/tourism-sector-maldives-asia/

5 JLL: Hotel Intelligence Maldives. Maldives Hotel and Tourism Report/November 2014 (February 2015 update). http://www.ap.jll.com/asia-pacific/en-gb/Research/JLL-Hotel-Intelligence-Maldives-(Feb-15-Update).pdf

6 Horwarth HTL, Special Market Reports Issue 55: SINGAPORE. http://horwathhtl.com/files/2016/01/MR55_Singapore1.pdf

development in Nha Be, Ho Chi Minh City, Vietnam, in which we hold a 15% stake, replicating our property development model in Singapore, is in progress. Fast growing markets, such as Vietnam, with a young and upwardly mobile population coupled with more mature and stable economies, such as Australia and Japan, will give the Group a balanced portfolio from which to further widen our investments. Over time, we hope to eventually grow the contribution from hotel and property investments to form a more substantial portion of our financial results.

CHAIRMAN'S MESSAGE

INVESTING IN THE FUTURE

Given the challenging conditions, it is of vital importance to ensure that our organisation is optimising its resources and maximising its potential. Heeding the government's call for innovation and improved productivity and to overcome the pressures of high business and operational costs, limited labour supply and industry competition, we have continued to invest in automation, training and development. We participated in training conducted by the BCA and Real Estate Developers' Association of Singapore (REDAS) and other professional bodies to ensure we were up-to-date in industry knowledge and skills.

We continued to invest in developing future generation of workers in our industry and towards this end, have awarded several scholarships and bursaries. Among them was a sponsorship of a Master's Degree in Construction Project Management in England for one of our engineers in Maldives. Our sponsorship is in line with our human resource programme of developing and retaining promising employees in our organisation. We also sponsored a scholarship under the Built Environment Undergraduate Scholarship Scheme administered by the BCA. The scholarship, awarded to promising individuals for the pursuit of an undergraduate course in built environment tenable at one of the local universities, is part of the built environment industry's efforts to encourage young people of high calibre to pursue a career in this field.

TRANSFER TO THE MAINBOARD

One important corporate development that bears highlighting is our transfer from the Catalist to the Mainboard of the Singapore Exchange Securities Trading Limited on 2 August 2016, marking an important milestone for the Group. This comes less than five years after our Initial Public Offering on the Catalist Board. Our new status as a Mainboard-listed entity will afford us the opportunity to expand our core businesses capitalising on a broader base of investors and customers. It is certainly a testament to our sound financial standing and growth potential.

BEING AGILE FOR SUSTAINABILITY

The Ministry of Trade and Industry has revised the GDP forecast for 2016 downwards to 1.0% to 1.5% from 1.0% to 2.0% as had been earlier indicated, due to the macroeconomic forces at play.[7] With the uncertainties associated with Brexit weighing down on consumer and investor confidence in UK and the Eurozone economies, slowing China growth, and weakening domestic economy, the construction sector, among others, is expected to soften. We will, therefore, exercise prudence in our investments and keep a vigilant watch over our costs, ensuring that we maintain a lean and nimble organisation, able to adapt to new business conditions while seizing opportunities

7 Ministry of Trade and Industry, "MTI forecasts GDP to grow by '1.0 to 1.5 per cent' in 2016 and '1.0 to 3.0 per cent' in 2017." https://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2016/PR_3Q16.pdf

"We are bracing ourselves for a difficult year ahead, with multiple headwinds and muted market outlook. Nevertheless, we are not disheartened as the key to success is in seeing and taking opportunities which others may be slow to recognise."

as and when they arise. We are bracing ourselves for a difficult year ahead, with multiple headwinds and muted market outlook. Nevertheless, we are not disheartened as the key to success is in seeing and taking opportunities which others may be slow to recognise.

APPRECIATION AND ACKNOWLEDGEMENTS

Needless to say, it was through the collective efforts of our staff and management that we were able to deliver on our corporate achievements during the course of the year. On behalf of the Board of Directors, I would like to commend and thank them for their tireless contributions. Our appreciation also goes out to our shareholders, customers, suppliers, business partners and associates for their unwavering loyalty and support during the year. Thanks are also due to my fellow Board members for their advice, support and guidance during the financial year. Last but not least, special mention has to be made of the achievement of our Chief Financial Officer, Tan Kah Ghee, on garnering the accolade of Best Chief Financial Officer in the Singapore Corporate Awards 2016 in the category of listed companies with less than S$300 million market capitalisation, a fitting recognition of his and his team's hard work.

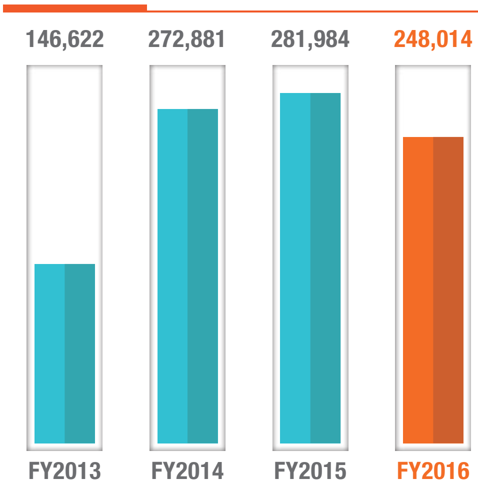
Despite the challenges that the coming financial year will probably bring, we remain confident in our ability to overcome them and continue on our carefully chartered course for growth and sustainability.

LEO TING PING RONALD
Chairman and Chief Executive Officer

ADAPTABILITY

The dynamics of the business, economic and external environment makes it imperative that we adapt to change quickly and decisively.

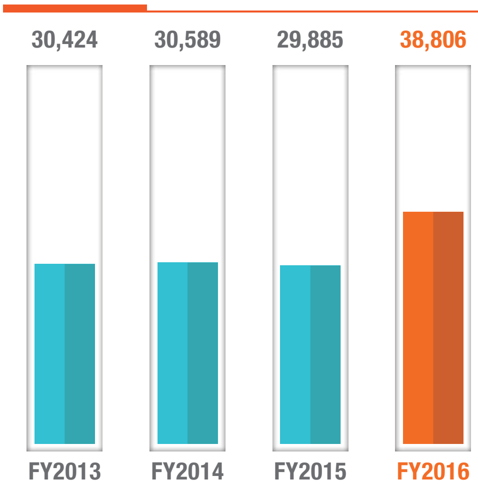
FINANCIAL HIGHLIGHTS



REVENUE (S$'000)

The Group registered revenue of S$248.0 million which was a 12.0% decrease from revenue of S$282.0 million in FY2015.

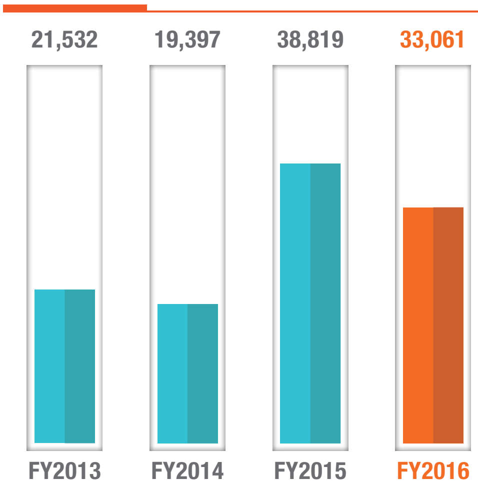
Decline in revenue was mainly due to lower revenue recognition from new projects which were at initial revenue recognition stage and projects which had largely been completed in the last financial year.



GROSS PROFIT (S$'000)

Gross profit improved by 29.9% to S$38.8 million while gross profit margin rose 5.0 percentage points to 15.6% in FY2016.

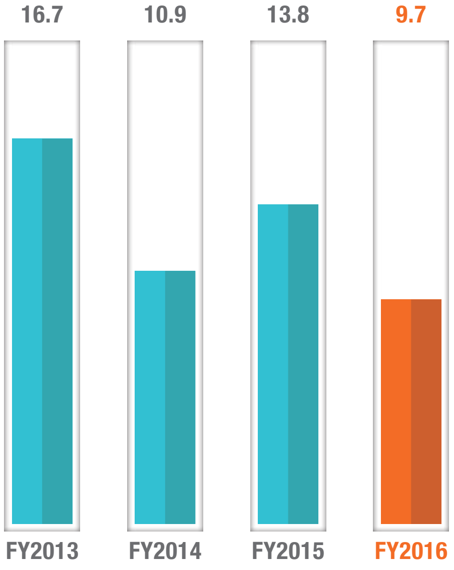
Higher gross profit was driven by better gross profit margin for certain construction projects that are in advanced stage. Retention sum received in 1Q2016 from completed projects also helped to improve the margin.



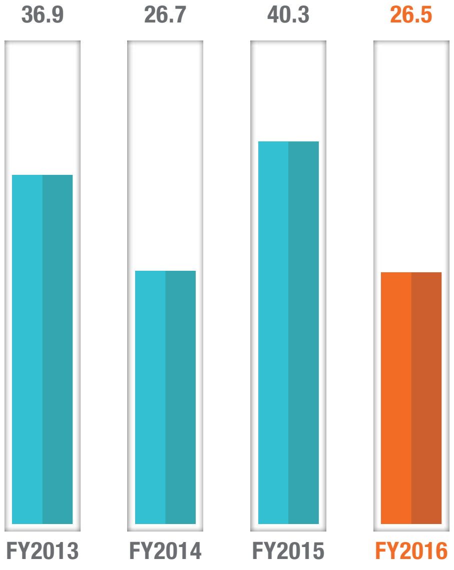
NET PROFIT AFTER TAX (S$'000)

The Group turned in net profit of S$33.1 million, a 14.8% decrease as compared to S$38.8 million in FY2015 on the back of lower gain from joint ventures and associates in FY2016 as compared to FY2015.

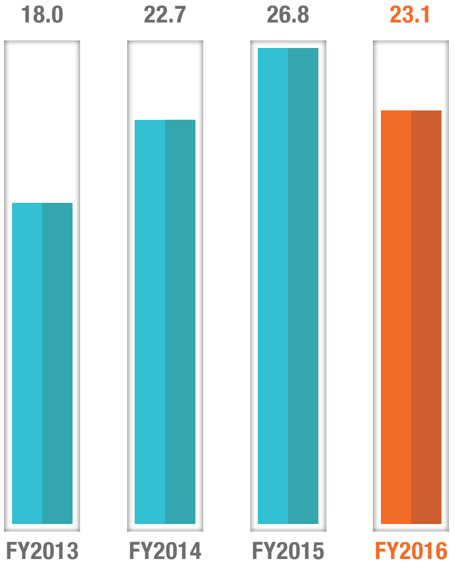
RETURN ON ASSETS (PER CENT)



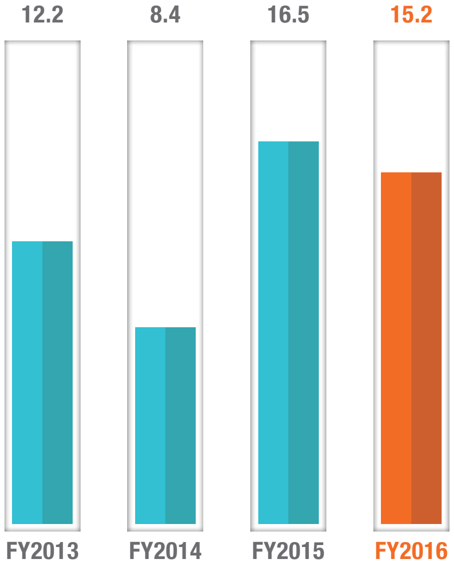
RETURN ON EQUITY (PER CENT)



DIVIDEND PAYOUT RATIO (PER CENT)



BASIC EPS (SINGAPORE CENTS)



FINANCIAL & OPERATIONS REVIEW

Singapore is anticipated to record slower economic growth in 2016 as compared to 2015 with growth forecasted to be between 1.0% to 1.5%. The construction sector registered marginally lower growth on a year-on-year basis in the third quarter of 2016, from 2.0% in the previous quarter to 1.6%. The slowdown was attributed to a decline in private sector construction activities[1]. Against a very muted construction landscape and sluggish property market, we have registered a decrease in revenue and earnings for the financial year ended 30 September 2016 ("FY2016").

Revenue fell by 12.0% to S$248.0 million as compared to the 12 months ended 30 September 2015 ("FY2015") due to lower recognition of revenue from construction projects in this reporting period as two of the projects, namely *Alexandra Central Phase 2 and SkyPark Residences*, had largely been completed in the financial year ended 30 September 2015 ("FY2015"). In addition, two new projects, Raffles Hospital Extension and *Parc Life*, were at initial revenue recognition stage. Gross profit, nevertheless, improved by 29.9% with corresponding gross profit margin improvement from 10.6% to 15.6%. This was attributed to higher gross profit margin for certain projects and retention sums received from completed projects.

Net profit for FY2016 was S$33.1 million, a decrease of 14.8% over the corresponding period last year. The decrease was mainly due to lower gain from the share of results of joint ventures and associates in FY2016 as compared to FY2015.

Our statement of financial position is healthy with cash and cash equivalents of S$58.6 million and total assets at S$341.2 million as against total liabilities of S$204.9 million. Our net asset value per share stands at 59.5 cents with basic earnings per share of 15.2 cents.

BUILDING AND CONSTRUCTION – COMPLETED AND ONGOING PROJECTS

We have kept to our development timelines for the various building and construction projects. Notably, *SkyPark Residences* was completed two and half months ahead of schedule. The 738-unit private condominium at Gateway Drive, *J Gateway*, received Temporary Occupation Permit ("TOP") on 21 November 2016. *The Amore* at Edgedale Plains, a 378-unit executive condominium received TOP on 28 November 2016 too.

Aside from residential projects, we are undertaking several commercial and institutional projects as we had earlier identified these sectors as having good potential growth, amidst the slow residential property market with limited projects in the near horizon.

The extension works to Raffles Hospital at North Bridge Road, which involves the construction of a 20-storey medical building with two basements, is constructed using Top Down methodology as the complex hospital project is located in a very tight site adjacent to the MRT line underground. It is on schedule for completion in the fourth quarter of the financial year ending 30 September 2017 ("FY2017").

1. Ministry of Trade and Industry, "MTI forecasts GDP to grow by '1.0 to 1.5 per cent' in 2016 and '1.0 to 3.0 per cent' in 2017." https://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Third-Quarter-2016/PR_3Q16.pdf

In Maldives, where we are undertaking the expansion and development of the Kooddoo domestic airport in Gaafu Alifu Atoll, the infrastructure work for the extension of the airport's existing runway is scheduled for completion at the end of December 2016. The airport terminal building is being renovated with a new VIP lounge annexed to the departure hall as part of our effort to enhance tourists' holiday experience.

PROPERTY DEVELOPMENT AND INVESTMENTS

Our foray into property development in 2012, partnering reputable property developers and owners to jointly undertake residential projects, has bolstered our construction pipeline, being the main contractor in all our joint venture residential projects. Two of the recently completed residential projects, *SkyPark Residences* and *The Amore*, and *Parc Life* which is still in progress, were secured under such joint venture agreements.

Our 20% joint venture in a 9-block, 506-unit executive condominium in Sembawang, *SkyPark Residences*, obtained its TOP on 10 August 2016 with 99.8% of the units sold.

The 17-storey, 378-unit executive condominium project, *The Amore* at Edgedale Plains, in which we have a 15% interest, obtained its TOP on 28 November 2016. 99.7% of the units have been sold.

Parc Life, our 660-unit executive condominium project at Sembawang Crescent in which we hold a 20% stake, has achieved sales to date of 22.0% since its launch in April this year. With structural topping out expected at the end of January 2017 and architectural works 40% completed, the project is targeted for completion in the second quarter of the financial year ending 30 September 2018 ("FY2018").

On 19 January 2016, we were awarded a land parcel at Siglap Road through our wholly-owned subsidiary which had successfully bid for the land together with well-established players in the property market, FCL Topaz Pte. Ltd. and Sekisui House Ltd. The 99-year leasehold land with a site area of 19,309.6 square meters, is slated for condominium development.

FINANCIAL & OPERATIONS REVIEW

We are the main contractor for the development. We expect to launch the 843-unit project in the first half of 2017. It is currently in the design consultancy stage.

Outside of Singapore, our various property development projects and related investments are making progress. We have replicated the model of property development overseas with our first residential development in Nha Be, Ho Chi Minh City, Vietnam. It is currently at planning stage.

Further afield, we completed the purchase by our wholly-owned subsidiary of a commercial building in Honmachi, Osaka, Japan in February 2016. The tenanted property is already providing a recurring and steady rental income stream for our Group.

Aside from Vietnam and Japan, we are actively exploring other investment opportunities in Australia, Malaysia and Indonesia, for further growth and expansion of our Group. We remain open to the type of investments our overseas ventures may take, depending on the existing opportunities, synergies to be leveraged, return on investments to be realised and prevailing regulatory environment.

HOTEL DEVELOPMENT AND INVESTMENTS

On the hospitality side, our two hotel investments in Singapore, *Holiday Inn Express Singapore Katong and Hotel Indigo Singapore Katong*, managed by InterContinental Hotels Group, were opened in May and June 2016 respectively. The hotels, in particular, *Hotel Indigo Singapore Katong*, have garnered positive reviews in the media as well as on travel sites.

In Maldives, the *Mercure Maldives Kooddoo Resort*, is anticipated to be completed in January 2017. The *Pullman Maldives Maamutaa Resort*, meanwhile, has commenced the construction of back of house and villa mockups, with completion date expected in the financial year ending 30 September 2018.

We are exploring hotel investment opportunities in other countries such as Malaysia, Indonesia and Australia.

We aim to boost our property and hotel investment portfolio such that the contribution from these will form half of our net income in three to five years, to smooth out the cyclical nature of the building and construction business.

STAYING LEAN, EFFICIENT AND PRODUCTIVE

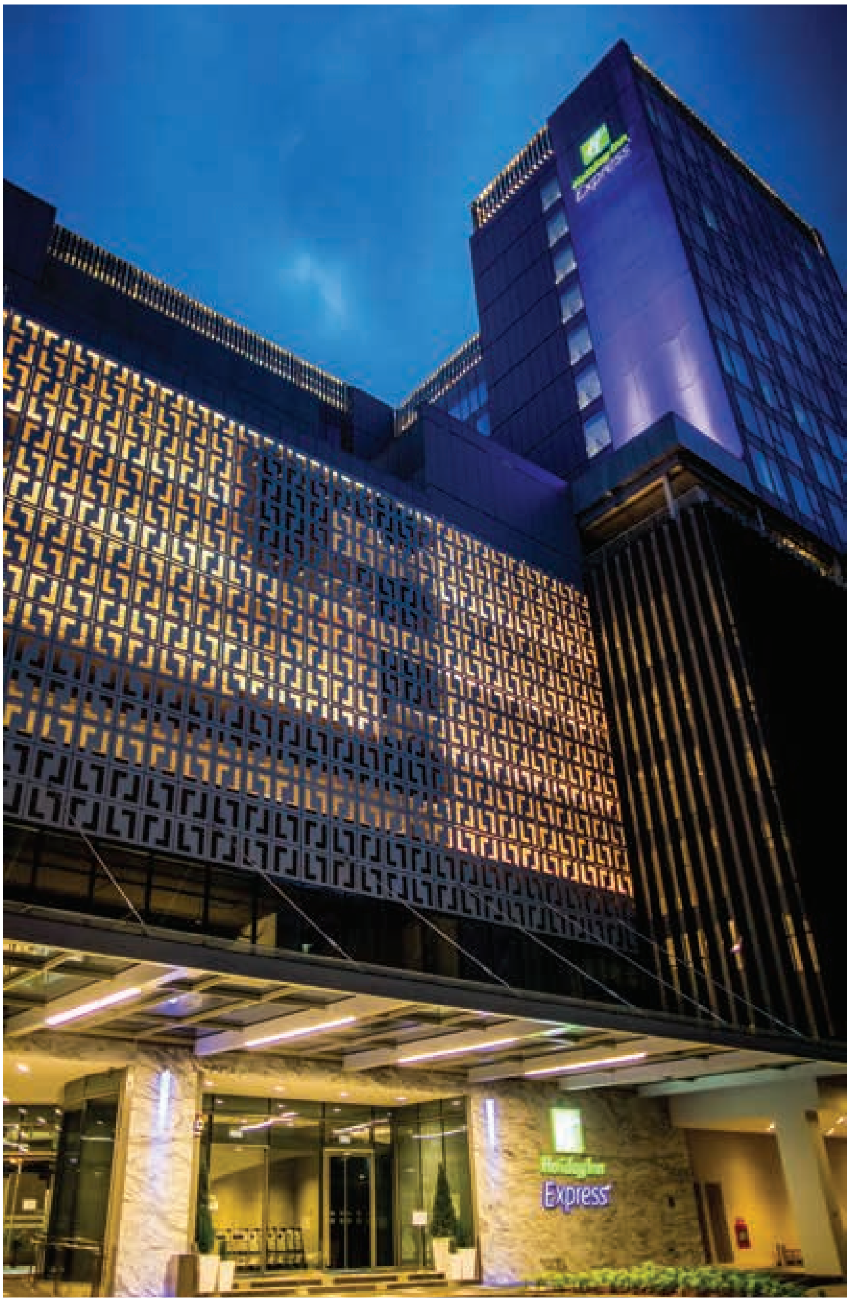
The government has indicated that the property cooling measures will remain in place for now in light of the prevailing global outlook, external environment and domestic situation.[2] Hence, in the next year, we anticipate that the challenges that have dogged our industry will continue, with the added pressure of being in an economic downturn. It is vital that we continue to invest in mechanisation and automation and above all, our manpower, to ensure that we continually improve competencies, efficiencies and productivity. Manpower training and skills development as well as mechanisation and automation will ensure that we are able to operate with a lean, talented workforce which will be able to withstand and come through strongly the gathering headwinds of an uncertain year ahead.

Embracing the government's current focus for construction productivity, we sponsored two of our staff for the Building and Construction Authority ("BCA") Specialist Diploma course in Building Information Technology in FY2016. We have also sponsored one of our Maldivian employees in her studies for a Master's Degree in Construction Project Management.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Our support of institutions of higher learning continued in FY2016 as education has always been a focal point of our corporate social responsibility programme. Firmly believing that education is the key to ensuring we have a pipeline of talented individuals not only for our sector but for the economy in general, we contributed to and collaborated with institutes of higher education, granting scholarships, bursaries and other types of financial support to deserving students in relevant fields of study. Cash donations were made to various institutions of learning such as the Singapore University for Technology and Design and Montfort School's Centennial Fund.

2 The Straits Times, "Property cooling measures to remain for now." http://www.straitstimes.com/singapore/housing/cooling-measures-to-remain-for-now



Aside from educational contributions, we have also donated to various charitable and other organisations such as the Singapore Association for Mental Health, the Singapore Children's Society and Caritas Singapore. We also sponsored a scholarship under the BCA-Industry Built Environment Undergraduate Scholarship Scheme for a promising and deserving individual to pursue full-time undergraduate studies for a Bachelor of Engineering (Civil) at the National University of Singapore.

LOOKING AHEAD

The BCA forecasted that construction demand will be sustained between S$26 billion and S$35 billion in 2017 and 2018 and between S$26 billion to S$37 billion on 2019 and 2020. Public sector construction demand is anticipated to hover between S$16 billion and S$20 billion from 2017 to 2020.[3] The general consensus among economists and businesses is that Singapore's economy is likely to experience slow growth in the next year.[4] The global economic outlook is also mired in uncertainty with the effects of Brexit, China's slowing growth, low oil prices and the result of the US political elections, among the key developments to reverberate globally and have an impact on economic outcomes.

Our construction order book stands at approximately S$351.0 million as at 30 September 2016, which will provide us with a sustainable flow of activities through FY2018. Nonetheless, with the lackluster property market and weaker construction demand, coupled with keen competition, the building up of our order book has slowed down. We reckon it will be a challenging year with headwinds in FY2017.

We are, nevertheless, confident that with a focus on streamlining operations, enhancing productivity, exercising financial prudence and keeping a keen eye on potential opportunities, the Group will be able to weather the anticipated challenges, emerging stronger, with renewed vigour and even greater resilience for future growth.

3 Building and Construction Authority, "BCA Estimates $27 billion to $34 billion worth of construction contracts to be awarded this year. https://www.bca.gov.sg/Newsroom/others/BCA_Media_Release_Prospects_150116.pdf

4 MAS Survey of Professional Forecasters: September 2016". http://www.mas.gov.sg/~/media/MAS/News%20and%20Publications/Surveys/Survey%20of%20Professional%20Forecasters/2016/Survey%20Writeup%20Sep2016%20Web.pdf

SUSTAINABILITY

We will look to continue our growth into the future, empowered by a mindset that embraces change and a spirit of agility and adaptability.

BOARD OF DIRECTORS

Chairman and
Chief Executive Officer

MR LEO TING PING RONALD was appointed to our Board on 15 April 2008 and was re-elected on 28 January 2016. As Chairman and Chief Executive Officer, he oversees the day-to-day operations and the Group's strategic direction and corporate business expansion.

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

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

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

Executive Director

MR ER ANG HOOA joined our Group in 1996. He was appointed to our Board on 26 September 2011 and was re-elected on 29 January 2015. He has been the project director of our wholly-owned subsidiary, KH Construction since June 2010. He is responsible for all operational activities relating to construction projects undertaken by our Group.

Prior to being a project director, he was the general manager from 2005 to 2010, assistant general manager from 2001 to 2004 and senior project manager from 1996 to 2000 of KH Construction.

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

Lead Independent Director

Chairman
Audit Committee

Member
Remuneration Committee,
Nominating Committee

MR LIM JUN XIONG STEVEN was appointed to our Board on 22 November 2011 and was re-elected on 27 January 2014.

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

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

Independent Director

Chairman
Nominating Committee

Member
Audit Committee,
Remuneration Committee

MR CHONG WENG HOE was appointed to our Board on 22 November 2011 and was re-elected on 28 January 2016.

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

Mr Chong has over 15 years of experience in financial management, marketing and customer support and project management. He is also a director of several companies, both locally and overseas. He currently sits on the board of HC Surgical Specialists Limited and Regal International Group Limited.

Mr Chong graduated with a Bachelor of Engineering (Electrical) from the National University of Singapore in 1989 and obtained a Master of Business Administration (Accountancy) from the Nanyang Technological University of Singapore in 1997. He is a member of the Singapore National Council for International Electrotechnical Commission and is a member of the Singapore Accreditation Council (Marketing Committee). He was also a member of the task force for the Singapore-Thailand Enhanced Economic Relationship (STEER). In 2014, Mr Chong gained membership and became Singapore's representative in the IECEE Policy and Strategic Committee. In 2015, Mr Chong is elected President of the Exco Committee, NTU MBA Alumni, Nanyang Business School, Nanyang Technological University (NTU).

BOARD OF DIRECTORS

Independent Director

Chairman
Remuneration Committee

Member
Audit Committee, Nominating Committee

MR WONG MENG YENG was appointed to our Board on 22 November 2011 and was re-elected on 29 January 2015.

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

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

Non-Executive and Non-Independent Director

Member
Audit Committee, Nominating Committee

MR LEO ZHEN WEI LIONEL was appointed to our Board on 10 June 2014 and was re-elected on 29 January 2015.

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

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

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

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

KEY MANAGEMENT

Chief Financial Officer

MR TAN KAH GHEE joined our Group in October 2012 and his responsibilities include overseeing all financial, accounting and corporate secretarial matters in the Group.

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

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

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

General Manager (Operations)

MR CHAN SIEW KAY joined our Group in May 2016. As the General Manager (Operations), he is responsible for the management of projects and project staff of Keong Hong Construction Pte. Ltd.

Mr Chan is an engineer with over 28 years of project management and development experience in the industry. Prior to joining our Group, Mr Chan was managing director at Baumatec International Pte Ltd, which specialises in providing project management, facilities management and engineering services, fire safety, security and WSH consultancy and international distribution of building products. His previous appointments also included general manager at SingEx Venues Pte Ltd, where he was responsible for overseeing the improvement works to the Singapore Exhibition and Convention Centre, general manager at APM Property Management Pte Ltd, development manager at Lend Lease Retail Pte Ltd, vice president of project development and management department at CapitaLand Retail Limited and director/general manager at EW Reinforcement Pty Ltd in Sydney, Australia.

Mr Chan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Civil) in 1988.

KEY MANAGEMENT

Head of Contracts

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

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

Senior Manager
(Business Development)

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS
LEO TING PING RONALD (Chairman and CEO)
ER ANG HOOA
LIM JUN XIONG STEVEN
CHONG WENG HOE
WONG MENG YENG
LEO ZHEN WEI LIONEL

AUDIT COMMITTEE
LIM JUN XIONG STEVEN (Chairman)
CHONG WENG HOE
WONG MENG YENG
LEO ZHEN WEI LIONEL

REMUNERATION COMMITTEE
WONG MENG YENG (Chairman)
LIM JUN XIONG STEVEN
CHONG WENG HOE

NOMINATING COMMITTEE
CHONG WENG HOE (Chairman)
LIM JUN XIONG STEVEN
WONG MENG YENG
LEO ZHEN WEI LIONEL

JOINT COMPANY SECRETARIES
LO SWEE OI
LIM GUEK HONG

REGISTERED OFFICE
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Singapore 729230
Tel: (65) 6564 1479
Fax: (65) 6566 2784
Website: www.keonghong.com
Investor Relations: ir@keonghong.com

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

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

Partner-in-charge: Leong Hon Mun Peter
(Appointed since the financial year ended
30 September 2016)

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

CORPORATE GOVERNANCE REPORT

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

This report outlines the Company's corporate governance practices for the financial year ended 30 September 2016 ("FY2016"), with specific references made to the principles of the Code of Corporate Governance 2012 (the "Code"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

Principle 1: The Board's Conduct of its Affairs

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

Leo Ting Ping, Ronald	Chairman and Chief Executive Officer
Er Ang Hooa	Executive Director
Lim Jun Xiong Steven	Lead Independent Director
Chong Weng Hoe	Independent Director
Wong Meng Yeng	Independent Director
Leo Zhen Wei Lionel	Non-Executive Non-Independent Director

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

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

The number of Board and Board committees meetings held and attended by each Board member during FY2016 are as follows:–

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	4	4	2	1
Name of Directors	**Number of Meetings attended in FY2016**			
Leo Ting Ping Ronald	4	4*	2*	1*
Er Ang Hooa	4	4*	2*	1*
Lim Jun Xiong Steven	4	4	2	1
Chong Weng Hoe	4	4	2	1
Wong Meng Yeng	4	4	2	1
Leo Zhen Wei Lionel	4	4	2*	1*[(1)]

* *Attendance by invitation*

(1) *Attendance by invitation prior to his appointment on 1 January 2016*

CORPORATE GOVERNANCE REPORT

The profile of each Director and other relevant information are set out on pages 20, 21 and 22 of this Annual Report.

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

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

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

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

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

(v) Evaluating performance of Management; and

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Principle 2: Board Composition and Guidance

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

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

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC has reviewed and determined that the Independent Directors are independent. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

As at the date of this report, the Non-Executive Directors had met without the presence of key management personnel.

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

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

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

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

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

Led by the Lead Independent Director, the Independent Directors had met without the presence of other Directors in FY2016.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

Principle 5: Board Performance

Board Membership

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

Chong Weng Hoe	–	Chairman (Independent)
Lim Jun Xiong Steven	–	Member (Independent)
Wong Meng Yeng	–	Member (Independent)
Leo Zhen Wei Lionel	–	Member (Non-Independent) Appointed on 1 January 2016

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

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

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

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

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

(v) Reviewing the composition of the Board annually;

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

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

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

When the need to appoint a new Director arises, the NC reviews the range of expertise, skills and attributes of the Board members, and identifies the Board's need and shortlists candidates with the appropriate profile. Where necessary, the NC may seek advice from external consultants. There is currently no female representation in the Board. However, the Board recognizes that diversity (including gender) is important and the NC will be mindful of this when seeking to appoint new directors. New Directors are appointed by way of a Board resolution after the NC has reviewed and recommended the appointment of these new Directors. Article 102 of the Company's Constitution requires that new Directors appointed by the Board shall hold office until the next Annual General Meeting ("AGM").

CORPORATE GOVERNANCE REPORT

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

The Company has no alternate directors on its Board.

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

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Constitution of the Company, one third of the Board is to retire from office by rotation and be subjected to re-election at the AGM of the Company.

After assessing the contribution and performance of the retiring Directors, the NC has recommended Mr Er Ang Hooa ("Mr Er") and Mr Lim Jun Xiong Steven ("Mr Lim"), who will be retiring by rotation at the forthcoming AGM under Article 98 of the Company's Constitution. Mr Er and Mr Lim have offered themselves for re-election and the Board has accepted the recommendations of the NC.

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

Board Performance

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Directors' Multiple Board Representations

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

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

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

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information

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

The Directors are also provided with the following information:

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

Half Yearly
- internal auditors' report

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level & Mix of Remuneration

Principle 9: Disclosure of Remuneration

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

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

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

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

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

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

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

The RC may from time to time, when necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management, so that the Group remains competitive in this regard. During FY2016, the Company did not engage any independent remuneration consultant.

The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual's performance the latter of which is assessed based on their respective key performance indicators allocated to them. Staff appraisals are conducted once a year. The Executive Directors do not receive Directors' fees. The corporate and individual performance-related elements of remuneration are designed to align the interests of Executive Directors with those of shareholders in order to promote the long-term success of the Company. The Executive Directors and key management personnel had met their respective key performance indicators in respect of FY2016.

CORPORATE GOVERNANCE REPORT

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

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

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

A breakdown showing the level and mix of each individual Director's and key executive's remuneration payable for FY2016 in bands of S$250,000 which provides sufficient overview of the remuneration of the Directors and key executives are as follows:

Remuneration Bands and Name	Fees (%)	Salary (%)	Bonus (%)	Benefits in kind (%)	Total (%)
Directors					
S$2,750,000 to S$3,000,000					
Leo Ting Ping Ronald	–	22	72	6	100
S$250,000 to below S$500,000					
Er Ang Hooa	–	66	18	16	100
Below $250,000					
Lim Jun Xiong Steven	100	–	–	–	100
Chong Weng Hoe	100	–	–	–	100
Wong Meng Yeng	100	–	–	–	100
Leo Zhen Wei Lionel	100	–	–	–	100
Key Executives					
S$250,000 to below S$500,000					
Tan Kah Ghee	–	64	18	18	100
Ng Siew Khim	–	62	16	22	100
Lee Shaw Beng	–	78	20	2	100
Below $250,000					
Wu Chee Shien, Jeremy(1)	–	100	–	–	100
Chan Siew Kay(2)	–	82	14	4	100

(1) Mr Wu Chee Shien, Jeremy resigned as General Manager (Operations) on 12 April 2016

(2) Mr Chan Siew Kay was appointed as General Manager (Operations) on 3 May 2016

The annual aggregate remuneration paid to the five Key Executives for FY2016 was S$1.1 million.

CORPORATE GOVERNANCE REPORT

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

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

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

Share Option Scheme

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

The Scheme, which forms an integral component of the Company's compensation plan, is designed to reward and retain eligible participants whose services are vital to the well-being and success of the Company. It provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate, and also increases the dedication and loyalty of these participants and motivates them to perform better. The share option is granted based on performance criteria such as the position of the eligible employee, length of service and the performance score achieved by the eligible employee. The performance criteria for the respective employees have been met for FY2016.

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Principle 10: Accountability

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

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

Principle 11: Internal Controls

Principle 12: Audit Committee

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

The AC has reviewed the nature and extent of non-audit services in respect of the provision of tax compliance services by the External Auditors, including the fees paid in respect of the financial year ended 30 September 2016, as shown in page 122 of the Annual Report, is of the view that the provision of such non-audit services does not compromise the independence of the External Auditors.

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

The AC is satisfied with the independence and objectivity of the External Auditors and has recommended that BDO LLP be re-appointed as the Company's External Auditors in respect of financial year ending 30 September 2017 ("FY2017") at the forthcoming AGM. The aggregate audit and non-audit fees paid to the External Auditors for FY2016 are set out on page 122 of this Annual Report.

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

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

The Company has implemented a whistle-blowing policy whereby accessible channels are provided for employees, shareholders, clients, consultants, vendors, contractors and sub-contractors, to raise concerns about possible improprieties in financial reporting, fraudulent acts and other irregularities, and to ensure that arrangements are in place for independent investigations of such matters and timely implementation of appropriate preventive and corrective actions. The AC reviews all whistleblowing complaints, if any, at its quarterly meetings to ensure independence thorough investigation and appropriate follow-up actions are taken.

CORPORATE GOVERNANCE REPORT

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

RISK MANAGEMENT

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

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

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

The Company has updated the risk profile through a Group-wide risk assessment exercise in FY2016. This ensures that the risk register is current and reflects the changing business risk exposures and addresses the significant and relevant risks to the Group, the risk owners responsible for managing the identified risks and the internal controls in place to address those risks. Management continues to regularly review and update the risk register with the objective of assigning clear accountability at the operating level to manage risks and highlighting any emerging or material risks to the Board. This serves to uphold the effectiveness of risk management as the second line of defense.

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

CORPORATE GOVERNANCE REPORT

Risk Committee

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

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

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

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

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

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

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

Based on the internal control policies and procedures established and maintained by the Company, the reviews done by the internal auditors, Management and the Board, the Board opines, with the concurrence of the AC, that the Group's internal controls were adequate and effective as at 30 September 2016 to address the financial, operational, compliance, information technology, and risk management systems.

CORPORATE GOVERNANCE REPORT

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

Principle 13: Internal Audit

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

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

To ensure the adequacy of the internal audit function, the AC reviews and approves the risk based internal audit plan on an annual basis. The Internal Audit function is adequately staffed and conducts their reviews in accordance with the International Professional Practices Framework Standards. The Internal Audit function is independent of all the areas and activities which are covered under the scope of review and they have unfettered access to all documents and personnel relating to the areas or activities which are covered under the annual internal audit plan.

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

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

Briefing to present the full-year results is held for the analysts. The presentation slides of the briefing are accessible by the public on SGX-ST's website.

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

DEALINGS IN SECURITIES

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

CORPORATE GOVERNANCE REPORT

DISCLOSURE OF MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interest of the Chairman and CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

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

During the year, there was no interested person transaction entered with a firm in which a Director is a member and has a substantial financial interest.

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

FINANCIAL STATEMENTS

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 2016, the statement of financial position of the Company as at 30 September 2016 and statement of changes in equity of the Company for the financial year ended 30 September 2016.

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 2016, 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)
Lim Jun Xiong Steven	(Lead Independent Director)
Chong Weng Hoe	(Independent Director)
Wong Meng Yeng	(Independent Director)
Leo Zhen Wei Lionel	(Non-Executive and Non-Independent Director)

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 or nominee		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				
(No. of ordinary shares)				
Leo Ting Ping Ronald	53,423,250	53,423,250	68,423,250	68,423,250
Er Ang Hooa	300,000	300,000	–	–
6% fixed rate Notes due 15 June 2018 pursuant to the Multicurrency Medium Term Note Programme established on 17 April 2015				
Leo Ting Ping Ronald	–	–	$2,000,000	$2,000,000
Er Ang Hooa	$250,000	$250,000	–	–
Lim Jun Xiong Steven	–	–	$500,000	$500,000

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 2016 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 30 September 2016.

5. Share options

(a) Options to take up unissued shares

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

DIRECTORS' STATEMENT

5. Share options (Continued)

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

Other information regarding the Scheme is set out below:

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

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

(b) Unissued shares under option and options exercised

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

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at beginning of financial year	Granted during the financial year	Exercised during the financial year	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	3,500,000	–	(3,220,000)	280,000	(1)0.31	1.10.2015 to 30.9.2023
20/6/2014	1,750,000	–	–	1,750,000	(1)0.31	1.10.2015 to 30.9.2023
1/12/2014	825,000	–	–	825,000	0.32	1.12.2016 to 30.11.2024
8/1/2016	–	4,175,000	–	4,175,000	0.40	8.1.2018 to 7.1.2026
Total	6,075,000	4,175,000	(3,220,000)	7,030,000		

DIRECTORS' STATEMENT

5. Share options (Continued)

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

In respect of options granted during the financial year, 400,000 (2015: Nil) options were granted to executive directors, 700,000 (2015: 300,000) options were granted to key executive officers and 3,075,000 (2015: 525,000) options were granted to employees.

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

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
Ng Siew Khim	300,000	750,000	(120,000)	–	630,000
Tan Kah Ghee	300,000	750,000	(250,000)	–	500,000
Teo Kian Sin	–	450,000	–	–	450,000

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).

Note:

(1) Following a bonus issue to the Company's ordinary shareholders in the previous financial year, the Company granted 2,000,000 additional share options to the holders of the existing share options on 20 June 2014. The additional share options were granted based on one additional bonus share option for every two existing issued share options. The exercise price for the bonus share options and existing share options were revised from $0.47 to $0.31. The vesting conditions remained unchanged.

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

Name of Director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Er Ang Hooa	400,000	1,000,000	–	–	1,000,000

DIRECTORS' STATEMENT

6. Audit committee

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

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

The Audit Committee has met 4 times during the financial year ended 30 September 2016. The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act, and the Code of Corporate Governance, including the following:

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

6. **Audit committee** (Continued)

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

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

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

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

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

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

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

(p) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the 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 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

7. Independent auditors

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

On behalf of the Board of Directors

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

Singapore
28 December 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Keong Hong Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 55 to 143, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KEONG HONG HOLDINGS LIMITED

Report on the financial statements (Continued)

Opinion

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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2016 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 ended on that date.

Report on other legal and regulatory requirements

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
28 December 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Non-current assets					
Property, plant and equipment	4	**23,927,463**	29,217,058	**–**	–
Investment property	5	**12,929,365**	–	**–**	–
Investments in subsidiaries	6	**–**	–	**24,573,554**	21,573,554
Investments in associates	7	**7,245,068**	23,071,427	**–**	–
Investments in joint ventures	8	**15,886,184**	92,828	**–**	–
Intangible assets	9	**309,216**	226,733	**–**	–
Available-for-sale financial assets	10	**6,750,000**	6,675,000	**6,750,000**	6,675,000
Finance lease receivables	11	**903,451**	1,030,172	**–**	–
Deferred tax assets	26	**307,015**	–	**–**	–
Total non-current assets		**68,257,762**	60,313,218	**31,323,554**	28,248,554
Current assets					
Trade and other receivables	12	**198,487,722**	163,238,824	**47,128,155**	9,387,504
Due from contract customers	13	**8,855,564**	9,802,842	**–**	–
Convertible bond	14	**4,911,714**	4,808,574	**4,911,714**	4,808,574
Derivative on convertible bond	14	**423,306**	389,856	**423,306**	389,856
Finance lease receivables	11	**126,745**	124,030	**–**	–
Current income tax recoverable		**313,725**	328,649	**–**	–
Prepayments		**355,384**	482,384	**2,639**	2,639
Cash and cash equivalents	15	**58,618,480**	100,568,573	**1,158,416**	46,217,921
		272,092,640	279,743,732	**53,624,230**	60,806,494
Non-current assets classified as held for sale	16	**850,936**	–	**–**	–
Total current assets		**272,943,576**	279,743,732	**53,624,230**	60,806,494
Total assets		**341,201,338**	340,056,950	**84,947,784**	89,055,048
Equity					
Share capital	17	**23,836,074**	23,836,074	**23,836,074**	23,836,074
Treasury shares	18	**(4,005,150)**	(5,727,850)	**(4,005,150)**	(5,727,850)
Share option reserve	19	**539,490**	1,028,617	**539,490**	1,028,617
Foreign currency translation reserve	20	**798,181**	478,650	**–**	–
Merger reserve	21	**(4,793,707)**	(4,793,707)	**–**	–
Available-for-sale reserve		**(75,000)**	(150,000)	**(75,000)**	(150,000)
Other reserve		**(113,866)**	212,349	**–**	–
Retained earnings		**120,162,777**	96,583,047	**7,368,019**	9,432,790
Equity attributable to owners of the parent		**136,348,799**	111,467,180	**27,663,433**	28,419,631
Non-controlling interests		**–**	1,276,912	**–**	–
Total equity		**136,348,799**	112,744,092	**27,663,433**	28,419,631

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Non-current liabilities					
Bank borrowings	22	**1,818,181**	5,454,544	**–**	–
Finance lease payables	23	**162,505**	250,069	**–**	–
Medium term notes	24	**49,593,070**	49,354,867	**49,593,070**	49,354,867
Provisions	25	**232,303**	–	**–**	–
Deferred tax liabilities	26	**–**	167,000	**–**	–
Total non-current liabilities		**51,806,059**	55,226,480	**49,593,070**	49,354,867
Current liabilities					
Due to contract customers	13	**24,880,965**	29,050,817	**–**	–
Trade and other payables	27	**109,181,135**	127,195,629	**7,674,978**	11,264,247
Bank borrowings	22	**11,871,696**	11,692,220	**–**	–
Finance lease payables	23	**87,564**	214,023	**–**	–
Provisions	25	**1,763,480**	1,255,232	**–**	–
Current income tax payable		**5,261,640**	2,678,457	**16,303**	16,303
Total current liabilities		**153,046,480**	172,086,378	**7,691,281**	11,280,550
Total liabilities		**204,852,539**	227,312,858	**57,284,351**	60,635,417
Total equity and liabilities		**341,201,338**	340,056,950	**84,947,784**	89,055,048

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 $	2015 $
Revenue	28	**248,014,217**	281,983,795
Cost of sales		**(209,208,017)**	(252,099,004)
Gross profit		**38,806,200**	29,884,791
Other items of income			
Interest income		**2,953,226**	2,268,643
Other income	29	**2,731,413**	3,328,318
Other Items of expense			
Administrative expenses		**(17,005,645)**	(11,648,790)
Finance costs	30	**(3,758,982)**	(1,484,744)
Share of results of joint ventures, net of tax	8	**15,101,161**	3,020
Share of results of associate, net of tax	7	**(1,158,290)**	19,158,623
Profit before income tax	31	**37,669,083**	41,509,861
Income tax expense	32	**(4,608,528)**	(2,690,625)
Profit for the financial year		**33,060,555**	38,819,236
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**336,369**	555,833
Fair value gain on available for sale financial assets		**75,000**	(150,000)
Share of other comprehensive income of associates		**(212,349)**	212,349
Share of other comprehensive income of joint ventures		**(113,866)**	–
Income tax relating to items that may be reclassified		–	–
Other comprehensive income for the financial year, net of tax		**85,154**	618,182
Total comprehensive income for the financial year		**33,145,709**	39,437,418
Profit attributable to:			
Owners of the parent		**34,668,021**	38,092,689
Non-controlling interests		**(1,607,466)**	726,547
		33,060,555	38,819,236
Total comprehensive income attributable to:			
Owners of the parent		**34,736,337**	38,658,087
Non-controlling interests		**(1,590,628)**	779,331
		33,145,709	39,437,418
Earnings per share (cents)			
– Basic	33	**15.18**	16.48
– Diluted	33	**15.08**	16.41

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	← Attributable to owners of the Company								→		
		Share capital $	Treasury shares $	Share option reserve $	Foreign currency translation reserve $	Merger reserve $	Available-for-sale reserve $	Other reserve(1) $	Retained earnings $	Equity attributable to owners of the parent $	Non-controlling interests $	Total $
Group												
Balance at 1 October 2015		23,836,074	(5,727,850)	1,028,617	478,650	(4,793,707)	(150,000)	212,349	96,583,047	111,467,180	1,276,912	112,744,092
Profit for the financial year		–	–	–	–	–	–	–	34,668,021	34,668,021	(1,607,466)	33,060,555
Other comprehensive income for the financial year:												
Exchange differences on translating foreign operations		–	–	–	319,531	–	–	–	–	319,531	16,838	336,369
Fair value gain on available-for-sale	10	–	–	–	–	–	75,000	–	–	75,000	–	75,000
Share of other comprehensive income of associate		–	–	–	–	–	–	(326,215)	–	(326,215)	–	(326,215)
Total comprehensive income for the financial year		–	–	–	319,531	–	75,000	(326,215)	34,668,021	34,736,337	(1,590,628)	33,145,709
Contribution by and distribution to owners of the parent:												
Dividends	34	–	–	–	–	–	–	–	(10,312,650)	(10,312,650)	–	(10,312,650)
Issuance of treasury shares	18	–	1,722,700	(724,500)	–	–	–	–	–	998,200	–	998,200
Grant of share option to employees	19	–	–	235,373	–	–	–	–	–	235,373	–	235,373
Total transactions with owners of the parent		–	1,722,700	(489,127)	–	–	–	–	(10,312,650)	(9,079,077)	–	(9,079,077)
Changes to ownership interests in subsidiaries:												
Acquisition of non-controlling interest without change in control		–	–	–	–	–	–	–	(775,641)	(775,641)	313,716	(461,925)
Balance at 30 September 2016		23,836,074	(4,005,150)	539,490	798,181	(4,793,707)	(75,000)	(113,866)	120,162,777	136,348,799	–	136,348,799

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	Attributable to owners of the Company										
		Share capital $	Treasury shares $	Share option reserve $	Foreign currency translation reserve $	Merger reserve $	Available-for-sale reserve $	Other reserve[1] $	Retained earnings $	Equity attributable to owners of the parent $	Non-controlling interests $	Total $
Group												
Balance at 1 October 2014		23,836,074	(2,425,000)	479,021	(24,399)	(4,793,707)	–	–	62,566,983	79,638,972	497,581	80,136,553
Profit for the financial year		–	–	–	–	–	–	–	38,092,689	38,092,689	726,547	38,819,236
Other comprehensive income for the financial year:												
Exchange differences on translating foreign operations		–	–	–	503,049	–	–	–	–	503,049	52,784	555,833
Fair value loss on available-for-sale	10	–	–	–	–	–	(150,000)	–	–	(150,000)	–	(150,000)
Share of other comprehensive income of associate		–	–	–	–	–	–	212,349	–	212,349	–	212,349
Total comprehensive income for the financial year		–	–	–	503,049	–	(150,000)	212,349	38,092,689	38,658,087	779,331	39,437,418
Contribution by and distribution to owners of the parent:												
Dividends	34	–	–	–	–	–	–	–	(4,076,625)	(4,076,625)	–	(4,076,625)
Grant of share option to employees	19	–	–	549,596	–	–	–	–	–	549,596	–	549,596
Purchase of treasury shares	18	–	(3,302,850)	–	–	–	–	–	–	(3,302,850)	–	(3,302,850)
Total transactions with owners of the parent		–	(3,302,850)	549,596	–	–	–	–	(4,076,625)	(6,829,879)	–	(6,829,879)
Balance at 30 September 2015		23,836,074	(5,727,850)	1,028,617	478,650	(4,793,707)	(150,000)	212,349	96,583,047	111,467,180	1,276,912	112,744,092

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	Share capital $	Treasury shares $	Share option reserve $	Available-for-sale reserve $	Retained earnings $	Total $
Company							
Balance at 1 October 2015		23,836,074	(5,727,850)	1,028,617	(150,000)	9,432,790	28,419,631
Profit for the financial year		–	–	–	–	8,247,879	8,247,879
Other comprehensive income for the financial year:							
Fair value gain on available-for-sale	10	–	–	–	75,000	–	75,000
Total comprehensive income for the financial year		–	–	–	75,000	8,247,879	8,322,879
Contribution by and distribution to owners of the parent:							
Dividends	34	–	–	–	–	(10,312,650)	(10,312,650)
Issuance of treasury shares	18	–	1,722,700	(724,500)	–	–	998,200
Grant of share option to employees	19	–	–	235,373	–	–	235,373
Total transactions with owners of the parent		–	1,722,700	(489,127)	–	(10,312,650)	(9,079,077)
Balance at 30 September 2016		23,836,074	(4,005,150)	539,490	(75,000)	7,368,019	27,663,433
Balance at 1 October 2014		23,836,074	(2,425,000)	479,021	–	3,356,012	25,246,107
Profit for the financial year		–	–	–	–	10,153,403	10,153,403
Other comprehensive income for the financial year:							
Fair value loss on available-for-sale	10	–	–	–	(150,000)	–	(150,000)
Total comprehensive income for the financial year		–	–	–	(150,000)	10,153,403	10,003,403
Contribution by and distribution to owners of the parent:							
Dividends	34	–	–	–	–	(4,076,625)	(4,076,625)
Grant of share option to employees	19	–	–	549,596	–	–	549,596
Purchase of treasury shares	18	–	(3,302,850)	–	–	–	(3,302,850)
Total transactions with owners of the parent		–	(3,302,850)	549,596	–	(4,076,625)	(6,829,879)
Balance at 30 September 2015		23,836,074	(5,727,850)	1,028,617	(150,000)	9,432,790	28,419,631

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	2016 $	2015 $
Operating activities		
Profit before income tax	**37,669,083**	41,509,861
Adjustments for:		
Allowance for impairment loss on doubtful third parties trade receivables	**1,882,264**	86,719
Amortisation of intangible assets	**4,733**	15,846
Bad third parties trade receivables written off	**1,925**	–
Depreciation of investment property	**187,716**	–
Depreciation of property, plant and equipment	**6,121,057**	3,895,038
Write down of equipment to fair value less cost to sell	**270,501**	–
Fair value gain on derivative on convertible bond	**(33,450)**	(82,733)
Gain on liquidation of joint venture	**(13,537)**	–
Gain on disposal of property, plant and equipment	**(248,306)**	(310,325)
Plant and equipment written off	**–**	291
Interest income	**(2,953,226)**	(2,268,643)
Interest expense	**3,758,982**	1,415,268
Dividend income from available-for-sale financial assets	**(75,000)**	(75,000)
Accretion of convertible bond discount	**(103,140)**	(175,332)
Share option expenses	**235,373**	549,596
Loss/(Gain) on unrealised foreign exchange	**719,385**	(1,033,714)
Share of results of joint ventures	**(15,101,161)**	(3,020)
Share of results of associates	**1,158,290**	(19,158,623)
	33,481,489	24,365,229
Operating cash flows before movements in working capital		
Trade and other receivables	**16,888,434**	(18,876,622)
Prepayments	**127,000**	(314,108)
Due from contract customers	**947,278**	2,661,692
Due to contract customers	**(1,295,480)**	11,923,644
Trade and other payables	**(20,876,365)**	37,479,158
Provisions	**508,248**	(22,823)
Cash generated from operations	**29,780,604**	57,216,170
Income tax paid	**(2,484,436)**	(4,475,349)
Net cash from operating activities	**27,296,168**	52,740,821

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 $	2015 $
Investing activities			
Investments in joint ventures		**(894,285)**	–
Investments in associates		**(544,280)**	(9)
Loan to associates		**(11,838,932)**	(16,962,510)
Loan to joint ventures		**(60,113,000)**	(6,481,000)
Purchase of property, plant and equipment		**(1,770,196)**	(18,616,556)
Purchase of investment property		**(7,185,441)**	–
Purchase of intangible assets		**(87,216)**	–
Purchase of available-for-sale financial assets		**–**	(6,825,000)
Proceeds from disposal of property, plant and equipment		**248,306**	154,931
Proceeds from liquidation of joint venture		**106,365**	–
Repayment of loan from associate		**–**	16,839,472
Repayment of loan from joint ventures		**20,700,000**	–
Interest received		**147,039**	2,016,176
Dividend received from associate		**15,000,000**	2,500,000
Dividend income from available-for-sale financial assets		**75,000**	75,000
Net cash used in investing activities		**(46,156,640)**	(27,299,496)
Financing activities			
Fixed deposit pledged with financial institutions		**230,035**	(1,597)
Stepped acquisition of non-controlling interest		**(461,925)**	–
Proceeds from finance lease receivables		**156,000**	13,000
Proceeds from bank borrowings		**4,993,593**	4,041,900
Proceeds from medium term note		**–**	49,354,867
Purchase of treasury shares		**–**	(3,302,850)
Repayment of finance lease payables		**(214,023)**	(700,737)
Repayment of bank borrowings		**(14,372,281)**	(8,308,059)
Exercise of share options		**998,200**	–
Dividends paid		**(10,312,650)**	(4,076,625)
Interest paid		**(3,523,503)**	(540,268)
Net cash (used in)/from financing activities		**(22,506,554)**	36,479,631
Net change in cash and cash equivalents		**(41,367,026)**	61,920,956
Cash and cash equivalents at beginning of financial year		**100,338,538**	38,497,534
Effect of foreign exchange rate changes on cash and cash equivalents		**(353,032)**	(79,952)
Cash and cash equivalents at end of financial year	15	**58,618,480**	100,338,538

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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 listed on the Singapore Exchange and 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.

On 22 June 2016, the Company had received the approval-in-principle for the transfer of listing from the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") to Main Board of the SGX-ST. Subsequently, the Company successfully transferred to Main Board of the SGX-ST on 2 August 2016.

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

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

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

The statement of financial position of Company as at 30 September 2016 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 2016 were authorised for issue in accordance with a Directors' resolution dated 28 December 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

Singapore-incorporated companies listed on the Singapore Exchange will be required to apply a new financial reporting framework identical to International Financial Reporting Standards in 2018. The Group intends to adopt the new framework from the financial year beginning 1 October 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

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

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

FRS and Interpretations of FRS ("INT FRS") issued but not yet effective

As at the date of the authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
FRS 7	:	Amendments to FRS 7 – Disclosure Initiative	1 January 2017
FRS 12	:	Amendments to FRS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40	:	Amendments to FRS 40 – Transfer of Investment Property	1 January 2018
FRS 102	:	Amendments to FRS 102 – Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 109	:	Financial Instruments	1 January 2018
FRS 110 and FRS 28	:	Amendments to FRS 110 and FRS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	:	Revenue from Contracts with Customers	1 January 2018
FRS 115	:	Amendments to FRS 115 – Clarifications to Revenue from Contracts with Customers	1 January 2018
FRS 116	:	Leases	1 January 2019
INT FRS 122	:	Foreign Currency Transactions and Advance Consideration	1 January 2018
Improvements to FRSs (December 2016)			
– FRS 101	:	First-time Adoption of Financial Reporting Standards	1 January 2018
– FRS 28	:	Investments in Associates and Joint Ventures	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

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

The management anticipates that the adoption of the above FRS and INT FRS in future periods, if applicable, will not have a material impact on the financial statements of the Group and of the Company in the period of initial adoption, except as discussed below.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

The Group and the Company plan to adopt FRS 109 in the financial year beginning on 1 October 2018 with retrospective effect in accordance with the transitional provisions. The Group and the Company have reassessed the classification and measurement of their financial assets, and do not anticipate a material impact for those currently classified as available-for-sale financial assets which the Group and the Company measure at fair value through other comprehensive income.

The Group and the Company are in the process of assessing the new impairment requirements which are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group is in the process of making a detailed assessment of FRS 115 implementation. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The Group is still in the process of assessing whether revenue from construction contracts can continue to be recognised over time. On initial adoption of this standard, there may be changes to the measurement and recognition of revenue progress towards construction completion. The standard permits either the output or input methods to be used to calculate the amount of revenue to be recognised.

The Group currently measures stage of completion by reference to surveys performed which would qualify as an output method under FRS 115. Currently both contract revenue and contract costs are recognised with reference to the stage of completion. Under FRS 115 only revenue is recognised with reference to an input or output method while costs are expensed as incurred unless they qualified to be capitalised. This could result in differences to the contract margin recorded at different stages at the contract.

The Group plans to adopt the standard in the financial year beginning on 1 October 2018 with retrospective effect in accordance with the transitional provisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 116 Leases

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented equipment, which the Group, as lessee, currently accounts for as operating leases. The Group has not yet made a detailed assessment of the impact of this standard. However on initial adoption of FRS 116 the Group will be required to capitalise its rented equipment in the statement of financial position by recognising them as right-of-use assets and their corresponding lease liabilities. The Group plans to adopt the standard in the financial year beginning on 1 October 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

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. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

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 may be an impairment indicator of the asset concerned.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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 FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entities.

Acquisition under common control

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Construction-in-progress represents items of property, plant and equipment under construction, which is stated at cost less accumulated impairment losses, if any, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction-in-progress is reclassified to the appropriate category of property, plant and equipment when the assets are ready for their intended use.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

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

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

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

2.4 Investment property

Investment property, which is property 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 cost over their remaining useful life, on the following bases:

	Years
Freehold land	Not depreciated
Commercial building	28

The residual values, useful life and depreciation method of investment property 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 property is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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.

2.6 Associates

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.

Associates 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 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.

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 in excess of the Group's interest in that associate (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.

Where a Group entity transacts with an associate of the Group, unrealised profits are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Joint ventures

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. The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the results of the joint venture is recognised in profit or loss. Where there has been a change recognised directly in equity of the joint venture, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss with respect to the Group's net investment in the joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss. In the Group's consolidated financial statements, the Group's share of results and reserves of joint ventures acquired or disposed of are included in the consolidated financial statements from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The consolidated statement of comprehensive income reflects the share of results of operations of the joint ventures. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains or losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint ventures.

Where the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.8 Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

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 when the asset is derecognised.

Computer software

Computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

Transferable club memberships

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

2.9 Impairment of non-financial assets

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

Intangible assets with indefinite useful 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.

2.10 Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Effective interest method

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

Financial assets

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

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

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

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

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

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables (Continued)

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

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

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

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

Impairment of financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

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

Borrowings

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

Financial guarantee contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

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

2.11 Embedded derivative

Derivative embedded in other financial instruments or other host contract is treated as separate derivative when its risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

2.12 Cash and cash equivalents

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

2.13 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amounts and fair values less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share-based payments

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

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

2.15 Revenue recognition

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

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

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

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

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

2.16 Construction contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Construction contracts (Continued)

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

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

2.17 Leases

Group as lessor

Finance leases

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

Operating leases

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

Group as lessee

Finance leases

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

Group as lessee (Continued)

Finance leases (Continued)

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 2.19 to the financial statements.

Operating leases

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

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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.

2.20 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.

2.21 Employee leave entitlements

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

2.22 Taxes

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

Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

Sales tax and consumption tax

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

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

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

The net amounts of sales tax and consumption tax recoverable from, or payable to, the taxation authority are included as part of receivables or payables in the statements of financial position.

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.

2.24 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Foreign currency transactions and translation (Continued)

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

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

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

2.25 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

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

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

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

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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 uses the percentage-of-completion method to account for its contract revenue and costs. The stage of completion is measured by reference to surveys of work performed and is the ratio of the survey of work performed to date compared to the contract revenue ("POC %"). The contract costs is determined using the POC % multiply by the estimated total costs for the contract.

Significant assumptions are used to estimate the total contract costs which will affect the project costs charged to profit or loss. In making these estimates, management has relied on past experiences and works of specialist.

If total contract costs of uncompleted contracts to be incurred had been higher or lower by 5% from management's estimates, the Group's profit would have been lower or higher by $4.8 million (2015: $6.1 million) respectively.

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

Management follows the guidance of FRS 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 2016 was $24,573,554 (2015: $21,573,554) (Note 6). The Group's carrying amount of investments in associates and joint ventures as at 30 September 2016 were $7,245,068 (2015: $23,071,427) and $15,886,184 (2015: $92,828) respectively (Notes 7 and 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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

3.2 Key sources of estimation uncertainty (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 date to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group work closely with the qualified external valuers 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 Note 14 to the financial statements.

(iv) Depreciation of property, plant and equipment

The property, plant and equipment are depreciated on a straight-line method over their estimated useful life. The management estimates the useful life of these assets to be within 2 to 10 years. The carrying amount of property, plant and equipment of the Group as at 30 September 2016 was $23,927,463 (2015: $29,217,058). Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation could be revised.

(v) Depreciation of investment property

The freehold land is not depreciated and the commercial building is depreciated on a straight-line method over its estimated useful life. The management estimates the useful life of the commercial building to be 28 years. The carrying amount of investment property of the Group as at 30 September 2016 was $12,929,463 (2015: $Nil). Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation could be revised.

(vi) Allowance for impairment of trade and other receivables

The policy for impairment of receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's trade and other receivables as at 30 September 2016 was $198,487,722 (2015: $163,238,824).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

	Building	Office equipment	Furniture and fittings	Motor vehicles	Plant and machinery	Total
	$	$	$	$	$	$
Group						
Cost						
Balance at 1 October 2015	20,145,002	375,425	260,943	1,673,913	20,406,491	42,861,774
Additions	841,645	190,705	313,456	372,092	277,486	1,995,384
Disposals	–	–	–	(180,184)	(807,490)	(987,674)
Write off	–	(1,300)	–	–	(13,200)	(14,500)
Reclassified as held for sale	–	–	–	–	(2,579,755)	(2,579,755)
Currency realignments	–	(715)	(127)	–	(68,032)	(68,874)
Balance at 30 September 2016	20,986,647	564,115	574,272	1,865,821	17,215,500	41,206,355
Accumulated depreciation						
Balance at 1 October 2015	175,265	284,035	157,453	818,728	12,209,235	13,644,716
Depreciation	2,174,469	106,987	127,367	291,680	3,420,554	6,121,057
Disposals	–	–	–	(180,184)	(807,490)	(987,674)
Write off	–	(1,300)	–	–	(13,200)	(14,500)
Reclassified as held for sale	–	–	–	–	(1,458,318)	(1,458,318)
Currency realignments	–	(491)	(128)	–	(25,770)	(26,389)
Balance at 30 September 2016	2,349,734	389,231	284,692	930,224	13,325,011	17,278,892
Net carrying amount						
Balance at 30 September 2016	18,636,913	174,884	289,580	935,597	3,890,489	23,927,463

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building $	Office equipment $	Furniture and fittings $	Motor vehicles $	Plant and machinery $	Construction in progress $	Total $
Group							
Cost							
Balance at 1 October 2014	–	288,014	232,244	1,345,762	13,333,119	10,319,933	25,519,072
Additions	–	88,651	77,276	811,619	8,048,941	9,825,069	18,851,556
Disposals	–	–	–	(483,468)	(1,092,451)	–	(1,575,919)
Write off	–	(2,663)	(48,881)	–	(4,300)	–	(55,844)
Reclassification	20,145,002	–	–	–	–	(20,145,002)	–
Currency realignments	–	1,423	304	–	121,182	–	122,909
Balance at 30 September 2015	20,145,002	375,425	260,943	1,673,913	20,406,491	–	42,861,774
Accumulated depreciation							
Balance at 1 October 2014	–	225,688	188,552	1,031,790	8,878,987	–	10,325,017
Depreciation	175,265	59,889	17,194	248,680	3,394,010	–	3,895,038
Disposals	–	–	–	(461,742)	(105,195)	–	(566,937)
Write off	–	(2,663)	(48,590)	–	(4,300)	–	(55,553)
Currency realignments	–	1,121	297	–	45,733	–	47,151
Balance at 30 September 2015	175,265	284,035	157,453	818,728	12,209,235	–	13,644,716
Net carrying amount							
Balance at 30 September 2015	19,969,737	91,390	103,490	855,185	8,197,256	–	29,217,058

As at the end of the reporting period, the net carrying amounts of plant and machinery and motor vehicles which were acquired under finance lease agreements were as follows:

	Group 2016 $	Group 2015 $
Plant and machinery	**–**	825,750
Motor vehicles	**330,227**	518,280
	330,227	1,344,030

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets acquired under finance lease agreements are pledged as securities for the related finance lease payables (Note 23).

As at 30 September 2016, motor vehicles with net carrying amounts of $291,059 (2015: $419,085) were registered in the name of the Directors and staff who are holding the motor vehicles in trust for the Group.

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

	2016 $	2015 $
Additions of property, plant and equipment	**1,995,384**	18,851,556
Provision for restoration costs	**(225,188)**	–
Acquired under finance lease agreements	**–**	(235,000)
Cash payments to acquire property, plant and equipment	**1,770,196**	18,616,556

Borrowing costs of $Nil (2015: $189,805) which arose on the financing specifically entered into for the construction of the building were capitalised by the Group during the financial year.

5. INVESTMENT PROPERTY

	Freehold land $	Commercial building $	Total $
Group			
Cost			
Balance at 1 October 2015	–	–	–
Additions	5,295,576	7,821,505	13,117,081
Balance at 30 September 2016	5,295,576	7,821,505	13,117,081
Accumulated depreciation			
Balance at 1 October 2015	–	–	–
Depreciation	–	187,716	187,716
Balance at 30 September 2016	–	187,716	187,716
Net carrying amount			
Balance at 30 September 2016	5,295,576	7,633,789	12,929,365
Balance at 30 September 2015	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

5. INVESTMENT PROPERTY (CONTINUED)

The following amounts are recognised in profit or loss:

	Group	
	2016	2015
	$	$
Rental income from investment property	450,167	–
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	124,561	–

Details of the Group's investment property as at 30 September 2016 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	Freehold	2,452.43

As at 30 September 2016, the carrying amount of the investment property of $12,929,365 (JPY959,080,561) (2015: $Nil) has been pledged for the term loan facility as set out in Note 22 to the financial statements.

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

	2016
	SGD
Additions to investment property	13,117,081
Acquired under borrowing arrangement	(5,931,640)
Cash payments to acquire investment property	7,185,441

The fair value of the Group's investment property was valued at $13 million as at 30 September 2016 by an independent professional valuation firm has appropriate recognised professional qualifications and recent experience in the location and category of the investment property 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES

	Company 2016 $	Company 2015 $
Unquoted equity shares, at cost	**24,573,554**	21,573,554

The details of the subsidiaries are as follows:

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest held by the Group 2016 %	Proportion of ownership interest held by the Group 2015 %	Proportion of ownership interest held by the non-controlling interest 2016 %	Proportion of ownership interest held by the non-controlling interest 2015 %
Held by the Company					
Keong Hong Construction Pte Ltd(1) ("KHC")	General and building contractors	**100**	100	**–**	–
KH Capital Pte Ltd(1)	Trading of building construction materials	**100**	100	**–**	–
K.H. Land Pte Ltd(1) ("KHL")	Investment holding, real estate development and building construction	**100**	100	**–**	–
Grandwood Holdings Pte Ltd(1)	Investment holding	**100**	–	**–**	–
Held by K.H. Land Pte Ltd					
KHA Resorts & Hotels Construction Pvt Ltd(2)	Hotel building contractors	**100**	51	**–**	49
KHA Resorts & Hotels Construction (Maldives) Pvt Ltd(2)(3) ("KHAM")	Hotel building contractors	**100**	51	**–**	49
Held by Grandwood Holdings Pte. Ltd.					
Grandwood (Japan) Pte Ltd(1)	Investment holding	**100**	–	**–**	–

(1) Audited by BDO LLP, Singapore

(2) Audited by Ernst & Young, Maldives

(3) Proportion of ownership interest of 5% (2015: Nil) held by KHC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Incorporation of subsidiaries

In the previous financial year, through the Company's investment in K.H. Land Pte Ltd, the Group had incorporated a subsidiary KHA Resorts & Hotels Construction (Maldives) Pvt Ltd in Republic of Maldives with 51% effective equity interest with nil paid-up capital.

On 13 October 2015 and 27 November 2015, the Company incorporated two wholly-owned subsidiaries, Grandwood Holdings Pte. Ltd. and Grandwood (Japan) Pte Ltd, both companies incorporated in Singapore, with an aggregate cash contributions of $3,000,000.

Acquisition of non-controlling interests without change in control

On 8 March 2016, the Group acquired additional equity interests of 49% in its subsidiaries, KHA Resorts & Hotels Construction Pvt Ltd ("KHA"), a company registered in Cayman Islands and KHA Resorts & Hotels Construction (Maldives) Pvt Ltd ("KHAM"), a company registered in Republic of Maldives respectively from its non-controlling interest for a cash consideration of $461,925. The aggregate carrying value of the net assets of KHA and KHAM as at 8 March 2016 was $640,494 and the aggregate carrying value of the additional interest acquired was $313,716. The difference of $775,641 between the consideration and the carrying value of the additional interest acquired has been recognised as "Acquisition of non-controlling interest without change in control" within equity.

As a result, KHA and KHAM became wholly-owned subsidiaries of the Group.

The following summarises the effect of the change in the Group's ownership interests in KHA and KHAM respectively on the equity attributable to owners of the Company:

	2016 $
Consideration paid for acquisition of non-controlling interests	**461,925**
Increase in equity attributable to non-controlling interests	**313,716**
Decrease in equity attributable to owners of the Company	**775,641**

Non-controlling interests

In the previous financial year, the non-controlling interests arising from KHA and KHAM are considered to be insignificant to the Group's financial statements.

Other than as disclosed above, there were no other transactions with non-controlling interests in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

7. INVESTMENT IN ASSOCIATES

	Group 2016 $	Group 2015 $
Unquoted equity shares, at cost	**6,532,570**	5,988,290
Share of reserves of associates, net of dividend received and tax	**712,498**	17,083,137
Carrying amount	**7,245,068**	23,071,427

The details of the associates are as follows:

Name of company (Principal place of business)	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %	Principal activities
Punggol Residences Pte Ltd ("PRPL")[(1)]	**20**	20	Property development
Sembawang Residences Pte Ltd[(1)]	**20**	20	Property development
Pristine Islands Investment Pte Ltd ("PIIPL")[(2)]	**49**	45	Investment holdings
Held by Pristine Islands Investment Pte Ltd			
Pristine Islands Investment (Maldives) Pvt Ltd ("PIIMPL")[(3)]	**49**	45	Own, operate and management of airport, hotel and resort

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

The principal activities of the associates are in line with the Group's strategy to expand the property development business and venture in the hotel and resort industry.

Additions of equity interest in associate

On 22 March 2016, the Group acquired additional 4% equity interest in Pristine Islands Investment (Maldives) Pvt Ltd, a company registered in Republic of Maldives, with consideration of $544,280 (US$400,000). Subsequent to the additional equity interest acquired, the total shareholding held by the Group is now 49% (2015: 45%).

The financial year end of Punggol Residences Pte Ltd, Sembawang Residences Pte Ltd and Pristine Islands Investment Pte Ltd is 30 September. The financial year end of Pristine Islands Investment (Maldives) Pvt Ltd is 31 December.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

7. INVESTMENT IN ASSOCIATES (CONTINUED)

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

Summarised statement of financial position

	PRPL		PIIPL Group		Total	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Current assets	**44,586,858**	133,967,022	**6,016,539**	15,554,027	**50,603,397**	149,521,049
Non-current assets	**–**	–	**47,752,417**	17,997,840	**47,752,417**	17,997,840
Current liabilities	**(30,684,034)**	(46,796,994)	**(27,814,602)**	(14,764,757)	**(58,498,636)**	(61,561,751)
Non-current liabilities	**–**	–	**(17,253,209)**	(7,476,517)	**(17,253,209)**	(7,476,517)
Net assets	**13,902,824**	87,170,028	**8,701,145**	11,310,593	**22,603,969**	98,480,621

Summarised statement of comprehensive income

	PRPL		PIIPL Group		Total	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Revenue	**6,582,365**	580,511,209	**730,555**	750,610	**7,312,920**	581,261,819
Profit/(Loss) before tax	**1,732,796**	132,793,143	**(3,025,624)**	(1,479,243)	**(1,292,828)**	131,313,900
Income tax (expenses)/credit	**–**	(22,600,000)	**228,676**	(68,670)	**228,676**	(22,668,670)
Profit/(Loss) after tax, representing total comprehensive income	**1,732,796**	110,193,143	**(2,796,948)**	(1,547,913)	**(1,064,152)**	108,645,230
Dividends received from associate	**15,000,000**	2,500,000	**–**	–	**15,000,000**	2,500,000

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

7. INVESTMENT IN ASSOCIATES (CONTINUED)

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 associate accounted for using the equity method:

	2016 $	2015 $
The Group's share of loss before income tax	**(162,005)**	(37,995)
The Group's share of loss after income tax	**(162,005)**	(37,995)
The Group's share of other comprehensive income	**(212,349)**	212,349
The Group's share of total comprehensive income	**(374,354)**	(174,354)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant associates, are as follows:

	PRPL		PIIPL Group		Total	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Proportion of Group ownership	**20%**	20%	**49%**	45%		
Net assets of the associates	**13,902,824**	87,170,028	**8,701,145**	11,310,593	**22,603,969**	98,480,621
Interest in associates	**2,780,565**	17,434,006	**4,263,561**	5,089,767	**7,044,126**	22,523,773
Goodwill	**–**	–	**200,942**	173,300	**200,942**	173,300
Carrying value	**2,780,565**	17,434,006	**4,464,503**	5,263,067	**7,245,068**	22,697,073
Add:						
Carrying value of individually immaterial associate, in aggregate					**–**	374,354
Carrying value of Group's interest in associates					**7,245,068**	23,071,427

The Group had not recognised losses relating to Sembawang Residences Pte Ltd where its share of losses exceed the Group's carrying amount of its investment. The Group's cumulative share of unrecognised losses as at 30 September 2016 was $1,003,280 (2015: $Nil). The Group has no obligation in respect of those losses.

The Group's share of associates' capital commitments in respect of the construction of the development properties is $87,669,332 (2015: $110,367,753) as at 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

8. INVESTMENTS IN JOINT VENTURES

	Group	
	2016	**2015**
	$	**$**
Unquoted equity investment, at cost	**1,440,519**	639,062
Share of reserves of joint ventures, net of dividend received and tax	**14,445,665**	(546,234)
	15,886,184	92,828

The details of the joint ventures are as follows:

Name of company (Principal place of business)	**Effective equity interest held by the Group 2016 %**	**2015 %**	**Principal activities**
Held by Keong Hong Construction Pte Ltd			
Keong Hong – Kienta Engineering JV LLP(1)(5)	**–**	50	To carry out the construction of a project known as "IBIS Hotel" awarded by Bencool LA Pte Ltd.
Oasis Development Pte Ltd ("ODPL")(2)	**20**	20	Development of real estate
MKH (Punggol) Pte Ltd(3)	**15**	15	Development of real estate
Katong Holdings Pte Ltd(3)	**20**	20	Hotel developer of 883 East Coast Road
LGB-NB Pte Ltd ("LGBPL")(4)	**15**	–	Project developer of a parcel of land in Ho Chi Minh City, Vietnam
East Vue Pte Ltd(4)	**20**	–	Project developer of a parcel of land at Siglap Road

(1) Audited by BDO LLP, Singapore

(2) Audited by Deloitte & Touche LLP, Singapore

(3) Audited by Ecovis Assurance LLP, Singapore

(4) Audited by KPMG LLP, Singapore

(5) On 1 June 2016, Keong Hong – Kienta Engineering JV LLP filed to Accounting and Corporate Regulatory Authority to be liquidated. On 5 September 2016, the joint venture was liquidated with proceeds from liquidation of $106,365. As a result, the Group has since derecognised the investment in joint venture with a gain on liquidation of joint venture of $13,537.

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

The financial year ends of, Oasis Development Pte Ltd, MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd are 28 February, 31 July and 31 January respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Acquisition of equity interests in joint ventures

On 22 October 2015, the Group subscribed for 150 ordinary shares, representing 15% of the issued share capital of LGB-NB Pte Ltd ("LGB-NB") at a cash consideration of $209 (US$150). Subsequently on 23 November 2015, the Group subscribed for additional 498,600 ordinary shares of LGB-NB at a cash consideration of $694,076 (US$498,600). As a result, the total shares subscribed in LGB-NB were 498,750 ordinary shares and representing 15% of shareholdings.

On 29 February 2016, the Group subscribed for 200,000 ordinary shares of East Vue Pte Ltd ("EVPL"), representing 20% of the issued share capital at EVPL at a cash consideration of $200,000.

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

Summarised statement of financial position

	ODPL		LGBPL		Total	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Current assets	**123,405,464**	385,562,794	**1,048,799**	–	**124,454,263**	385,562,794
Includes:						
– Cash and cash equivalents	**19,444,868**	7,017,908	**1,048,799**	–	**20,493,667**	7,017,908
Non-current assets	**–**	–	**3,594,931**	–	**3,594,931**	–
Current liabilities	**(34,988,975)**	(254,254,305)	**(15,164)**	–	**(35,004,139)**	(254,254,305)
Includes:						
– Other liabilities	**(34,988,975)**	(254,254,305)	**(15,164)**	–	**(35,004,139)**	(254,254,305)
Non-current liabilities	**(12,865,635)**	(133,365,239)	**–**	–	**(12,865,635)**	(133,365,239)
– Other liabilities	**(12,865,635)**	(133,365,239)	**–**	–	**(12,865,635)**	(133,365,239)
Net assets/ (liabilities)	**75,550,854**	(2,056,750)	**4,628,566**	–	**80,179,420**	(2,056,750)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Acquisition of equity interests in joint ventures (Continued)

Summarised statement of comprehensive income

	ODPL		LGBPL		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**504,643,709**	11,565	**–**	–	**504,643,709**	11,565
Interest income	**–**	–	**1,916**	–	**1,916**	–
Profit/(Loss) before tax	**94,409,355**	74,264	**(12,709)**	–	**94,396,646**	74,264
Income tax expenses	**(15,467,520)**	–	**–**	–	**(15,467,520)**	–
Profit/(Loss) after tax, representing total comprehensive income	**78,941,835**	74,264	**(12,709)**	–	**78,929,126**	74,264

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 ventures.

Aggregate information of joint venture that are not individually material

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

	Group	
	2016	**2015**
	$	**$**
The Group's share of loss before tax	**(4,406)**	(907,188)
The Group's share of loss after tax	**(4,406)**	(907,188)
The Group's share of other comprehensive income	**(113,866)**	–
The Group's share of total comprehensive income	**(118,272)**	(907,188)
Aggregate carrying amount of the Group's interest in these joint ventures	**81,728**	92,828

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant joint ventures, are as follows:

	ODPL		LGBPL		Total	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Proportion of Group ownership	**20%**	20%	**15%**	–		
Net assets/(liabilities) of the joint ventures	**75,550,854**	(2,056,750)	**4,628,565**	–	**80,179,419**	(2,056,750)
Interest in joint ventures	**15,110,171**	–	**694,285**	–	**15,804,456**	–
Carrying value	**15,110,171**	–	**694,285**	–	**15,804,456**	–
Add:						
Carrying value of individually immaterial joint ventures, in aggregate					**81,728**	92,828
Carrying value of Group's interest in joint ventures					**15,886,184**	92,828

The Group had not recognised losses relating to MKH (Punggol) Pte Ltd and Katong Holdings Pte Ltd where its share of losses exceed the Group's carrying amount of its investment. The Group's cumulative losses as at 30 September 2016 were $585,345 (2015: $925,060). The Group has no obligation in respect of those losses.

The Group's share of joint ventures' capital commitments in respect of the construction of the development properties is $85,128,893 (2015: $42,903,294) as at 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

9. INTANGIBLE ASSETS

	Computer software $	Transferable club membership $	Total $
Group			
Cost			
Balance at 1 October 2015	47,390	222,000	269,390
Additions	87,216	–	87,216
Balance at 30 September 2016	134,606	222,000	356,606
Accumulated amortisation			
Balance at 1 October 2015	42,657	–	42,657
Amortisation for the financial year	4,733	–	4,733
Balance at 30 September 2016	47,390	–	47,390
Net carrying amount			
Balance at 30 September 2016	87,216	222,000	309,216
Remaining useful life	2 years	–	2 years
Cost			
Balance at 1 October 2014 and at 30 September 2015	47,390	222,000	269,390
Accumulated amortisation			
Balance at 1 October 2014	26,811	–	26,811
Amortisation for the financial year	15,846	–	15,846
Balance at 30 September 2015	42,657	–	42,657
Net carrying amount			
Balance at 30 September 2015	4,733	222,000	226,733
Remaining useful life	1 year	–	1 year

Intangible assets with indefinite useful life are 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.

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 of computer software is included in the "Administrative expenses" line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2016	**2015**
	$	**$**
Quoted equity securities, at fair value	**6,750,000**	6,675,000

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

Changes in fair value of the quoted equity securities amounting to $75,000 gain (2015: $150,000 loss) have been recognised in the other comprehensive income and accumulated in the available-for-sale reserve.

11. FINANCE LEASE RECEIVABLES

	Minimum lease payments $	Unearned future income $	Present value of minimum lease payments $
Group			
2016			
Current assets			
Within one financial year	**156,000**	**(29,255)**	**126,745**
Non-current assets			
After one financial year but within five financial years	**963,144**	**(59,693)**	**903,451**
	1,119,144	**(88,948)**	**1,030,196**
2015			
Current assets			
Within one financial year	156,000	(31,970)	124,030
Non-current assets			
After one financial year but within five financial years	1,119,144	(88,972)	1,030,172
	1,275,144	(120,942)	1,154,202

In 2015, the Group leased three units of its machineries to non-related party under finance lease. The lease agreement commenced on 1 September 2015 and will terminate after 5 years and the machineries will be sold to the lessee for $508,143.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

11. FINANCE LEASE RECEIVABLES (CONTINUED)

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% (2015: 2.9%) per annum.

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

The finance lease receivable is denominated in Singapore dollars.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade receivables				
– third parties	**6,215,885**	13,031,257	**–**	–
– subsidiary	**–**	–	**7,688,000**	9,129,500
– associates	**8,694,226**	3,536,256	**–**	–
– joint ventures	**645,512**	21,301,249	**–**	–
Allowance for impairment loss on doubtful debts – third parties	**(525,600)**	(86,719)	**–**	–
	15,030,023	37,782,043	**7,688,000**	9,129,500
Retention sum	**45,758,450**	41,062,884	**–**	–
Allowance for doubtful debts – retention sum	**(568,802)**	(568,802)	**–**	–
Security deposits	**778,272**	688,897	**–**	–
Non-trade receivables				
– third parties	**3,233,897**	3,287,005	**250,000**	250,000
– subsidiaries	**–**	–	**39,190,155**	–
– joint ventures	**92,157,674**	51,504,679	**–**	–
– associates	**42,933,045**	29,482,118	**–**	8,004
Allowance for impairment loss on doubtful debts – third parties	**(1,443,383)**	–	**–**	–
Consumption tax	**608,546**	–	**–**	–
	198,487,722	163,238,824	**47,128,155**	9,387,504

Trade and non-trade receivables from third parties, trade receivables from associates and joint ventures are unsecured, non-interest bearing and generally on 30 to 60 days (2015: 30 to 60 days) credit terms.

The trade and non-trade amount due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The non-trade amounts due from joint ventures are unsecured, repayable on demand and bear interest rate of 2.78% (2015: 2.67% to 2.78%) per annum.

The non-trade amounts due from associates are unsecured, repayable on demand and bear interest rate of 2.31% to 3.57% (2015: 0% to 1.10%) per annum.

Movements in the allowance for impairment of trade receivables are as follows:

	Group	
	2016	**2015**
	$	**$**
Balance at beginning of financial year	**86,719**	–
Allowances charged to profit or loss	**438,881**	86,719
Balance at end of financial year	**525,600**	86,719

At 30 September 2016, retention sum held by customers for contract work amounted to $45,758,450 (2015: $41,062,884). 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 allowance for impairment of retention sum are as follows:

	Group	
	2016	**2015**
	$	**$**
Balance at beginning and end of financial year	**568,802**	568,802

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

	Group	
	2016	**2015**
	$	**$**
Balance at beginning of financial year	**–**	–
Allowances charged to profit or loss	**1,443,383**	–
Balance at end of financial year	**1,443,383**	–

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Individual analysis of impaired non-trade receivables:

	Group	
	2016	2015
	$	$
Amount past due of more than 6 months and no response to repayment demands	**1,443,383**	–

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Singapore dollar	**125,643,160**	155,523,456	**47,128,155**	9,387,504
United States dollar	**72,195,636**	7,680,762	**–**	–
Maldives rufiyaa	**648,926**	34,606	**–**	–
	198,487,722	163,238,824	**47,128,155**	9,387,504

13. DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2016	2015
	$	$
Amounts due from contract customers	**8,855,564**	9,802,842
Amounts due to contract customers	**(24,880,965)**	(29,050,817)
	(16,025,401)	(19,247,975)
Contract costs incurred plus recognised profits (less recognised losses) to date on uncompleted construction contracts	**1,002,202,212**	829,004,136
Less: Progress billings	**(1,018,227,613)**	(848,252,111)
	(16,025,401)	(19,247,975)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

14. CONVERTIBLE BOND/DERIVATIVE ON CONVERTIBLE BOND

Convertible bond

	Group and Company	
	2016	2015
	$	$
Convertible bond carried at amortised cost	**4,911,714**	4,808,574

Derivative on convertible bond

	Group and Company	
	2016	2015
	$	$
Balance at beginning of financial year	**389,856**	307,123
Fair value gain on derivative	**33,450**	82,733
Balance at end of financial year	**423,306**	389,856

On 19 August 2013, the Company entered into subscription agreement with Kori Holdings Limited ("Kori"), a public company limited by shares listed on the Catalist board of the Singapore Exchange Securities Trading Limited, to subscribe for $5,000,000, 3 years convertible bond, maturing on 5 September 2016 ("Maturity Date"). On 30 June 2016, an amendment agreement was entered into by both parties to extend the Maturity Date to 5 September 2017. The convertible bond carries a coupon interest rate of 5% per annum and Kori shall pay the interest to the Company one year in arrears and the principal sum to be redeemed at Maturity Date.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

14. CONVERTIBLE BOND/DERIVATIVE ON CONVERTIBLE BOND (CONTINUED)

In accordance with *FRS39, Financial Instrument: Recognition and Measurement*, the Company has assessed and classified the equity conversion feature in the convertible bond as an embedded derivative as the economic characteristic and risks are not closely related to the bond. Accordingly, the Company has engaged an independent professional valuer to determine the fair value of the derivative, taking into consideration certain parameters such as the credit rating, spot price, volatility, risk-free rate of the host contract, etc. Based on this valuation, the total subscribed amount of the convertible bond of $5,000,000, were segregated into convertible bond (debt host) and derivative financial instrument (equity conversion embedded derivative) of $4,472,653 and $527,347 respectively on the date of inception. The directors of the Company has assessed that the fair value of the redemption option granted to Kori, which is exercisable only in the event of a Change of Control, is insignificant as the probability of the controlling shareholder holding below 46% of the issued share capital is remote.

The Group has re-measured the fair value of the derivative as at 30 September 2016 and recognised a fair value gain amounting to $33,450 (2015: $82,733) as at the end of the financial year.

The convertible bond is denominated in Singapore dollar.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Fixed deposits	**2,373,551**	57,892,947	**610,269**	30,643,668
Cash and bank balances	**56,244,929**	42,675,626	**548,147**	15,574,253
Cash and cash equivalents on statements of financial position	**58,618,480**	100,568,573	**1,158,416**	46,217,921
Fixed deposits pledged	**–**	(230,035)	**–**	–
Cash and cash equivalents included in the consolidated statement of cash flows	**58,618,480**	100,338,538		

Fixed deposits will mature within 1 to 10 (2015: 1 to 12) months from the financial year-end and the effective interest rate on the fixed deposits ranges from between 0.15% to 3.20% (2015: 0.15% to 3.20%) per annum.

As at 30 September 2016, fixed deposits of the Group amounting to $Nil (2015: $230,035) are pledged to bank for facilities granted to the Group as disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

15. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Ringgit Malaysia	**698,349**	656,853	**–**	–
Singapore dollar	**37,994,680**	85,228,899	**1,158,416**	46,217,921
United States dollar	**19,224,627**	10,737,504	**–**	–
Maldives rufiyaa	**490,304**	3,945,317	**–**	–
Japanese yen	**210,520**	–	**–**	–
	58,618,480	100,568,573	**1,158,416**	46,217,921

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at 30 September 2016, management resolved to dispose of certain equipment with carrying amount of $1,121,437 (2015: $Nil), which the sale was expected to be completed in the next financial year. Consequently, the concerned equipment were recognised as non-current assets classified as held for sale in accordance with *FRS 105 Non-current Assets Held for Sale and Discontinued Operations*.

	Group	
	2016	2015
	$	$
Balance at beginning of financial year	**–**	–
Reclassified from property, plant and equipment (Note 4)	**1,121,437**	–
Write down of equipment to fair value less cost to sell	**(270,501)**	–
Balance at end of financial year	**850,936**	–

17. SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		$	$
Issued and fully-paid:				
At beginning and end of financial year	**240,000,000**	240,000,000	**23,836,074**	23,836,074

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

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

18. TREASURY SHARES

	Group and Company			
	2016	**2015**	**2016**	**2015**
	Number of ordinary shares		**$**	**$**
At beginning of financial year	**14,050,000**	6,750,000	**5,727,850**	2,425,000
Repurchased during the financial year	**–**	7,300,000	**–**	3,302,850
Employee share option scheme exercised	**(3,220,000)**	–	**(1,722,700)**	–
At end of financial year	**10,830,000**	14,050,000	**4,005,150**	5,727,850

The Company acquired Nil (2015: 7,300,000) of its own ordinary shares in the open market during the financial year. The total amount paid to repurchase the shares was $Nil (2015: $3,302,850) and this was presented as a component within shareholders' equity.

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

During the financial year 3,220,000 (2015: Nil) treasury shares were reissued pursuant to the equity-settled share option scheme.

19. SHARE OPTION RESERVE

Equity-settled share option scheme

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

Pursuant to the Scheme,

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

19. SHARE OPTION RESERVE (CONTINUED)

Equity-settled share option scheme (Continued)

(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.

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	Balance at end of financial year	Exercise price $	Exercisable period
1/10/2013	3,500,000	–	(3,220,000)	280,000	0.31	1.10.2015 to 30.9.2023
20/6/2014	1,750,000	–	–	1,750,000	0.31	1.10.2015 to 30.9.2023
1/12/2014	825,000	–	–	825,000	0.32	1.12.2016 to 30.11.2024
8/1/2016	–	4,175,000	–	4,175,000	0.40	8.1.2018 to 7.1.2026
	6,075,000	4,175,000	(3,220,000)	7,030,000		

During the financial year, 3,220,000 options were exercised for the equity-settled share option scheme. In the previous financial year, 750,000 options were forfeited due to resignation of certain employees. The Options outstanding at end of the reporting period have remaining contractual life of 7 to 9.5 years (2015: 8 to 9 years).

Out of the total equity-settled share option schemes of 7,030,000 (2015: 6,075,000) options, 2,030,000 (2015: Nil) options are exercisable as at 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

19. SHARE OPTION RESERVE (CONTINUED)

Equity-settled share option scheme (Continued)

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

	Group and Company
Grant date: 1 October 2013	
Weighted average share price ($)	0.37
Share price as of the valuation date ($)	0.56
Strike price on the option ($)	0.47
Average expected life of the option (years)	6.0
Time to vest (years)	2.0
Employee exit rate (% per year)	0%
Standard deviation of stock prices (volatility)[(1)]	43.45%
Annualized dividend yield on stock	3.00%
Risk free rate (%)	1.16%

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

	Group and Company
Bonus issue	
Value date: 20 June 2014	
Weighted average share price ($)	0.37
Share price as of the valuation date ($)	0.42
Strike price on the option ($)	0.31
Average expected life of the option (years)	5.4
Time to vest (years)	1.3
Employee exit rate (% per year)	0%
Standard deviation of stock prices (volatility)[(1)]	39.30%
Annualized dividend yield on stock	3.00%
Risk free rate (%)	1.37%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

19. SHARE OPTION RESERVE (CONTINUED)

Equity-settled share option scheme (Continued)

The fair values of Options granted on 1 December 2014, determined using the Binomial Valuation Model was $100,660. The significant inputs to the model were as follows:

	Group and Company
Grant date: 1 December 2014	
Weighted average share price ($)	0.41
Share price as of the valuation date ($)	0.39
Strike price on the option ($)	0.32
Average expected life of the option (years)	6.0
Time to vest (years)	2.0
Employee exit rate (% per year)	0%
Standard deviation of stock prices (volatility)[(1)]	36.12%
Annualized dividend yield on stock	4.99%
Risk free rate (%)	1.55%

The fair values of Options granted on 8 January 2016, determined using the Binomial Valuation Model was $507,888. The significant inputs to the model were as follows:

	Group and Company
Grant date: 8 January 2016	
Weighted average share price ($)	0.45
Share price as of the valuation date ($)	0.50
Strike price on the option ($)	0.40
Average expected life of the option (years)	6.0
Time to vest (years)	2.0
Employee exit rate (% per year)	0%
Standard deviation of stock prices (volatility)[(1)]	29.00%
Annualized dividend yield on stock	7.50%
Risk free rate (%)	2.08%

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

The Group and the Company recognised share based payment expenses and a corresponding share option reserve of $235,373 (2015: $549,596) for the financial year ended 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

20. FOREIGN CURRENCY TRANSLATION RESERVE

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

21. MERGER RESERVE

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

22. BANK BORROWINGS

	Group	
	2016	2015
	$	$
Current liabilities		
Secured		
– Revolving credit	**2,520,188**	8,034,942
– Term loan I	**3,662,193**	3,657,278
– Term loan II		
(which is subject to an unconditional callable clause)		
Portion of term loan due for repayment within one financial year	**403,431**	–
Portion of term loan due for repayment after one financial year	**5,285,884**	–
	11,871,696	11,692,220
Non-current liabilities		
Secured		
– Term loan I	**1,818,181**	5,454,544
	13,689,877	17,146,764

Bank borrowings on statements of financial position are denominated in the following currencies:

	Group	
	2016	2015
	$	$
Singapore dollar	**8,000,562**	17,146,764
Japanese yen	**5,689,315**	–
	13,689,877	17,146,764

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

22. BANK BORROWINGS (CONTINUED)

The Group has three types of loans:

(a) Term loan I

The Group entered into a banking facility amounting to $10,000,000 on 19 March 2014 which can be drawn down based on the Group's financing requirements. As at the end of the reporting period, the outstanding borrowings amounts to $5,480,374 (2015: $9,111,822). Repayment is to be made via 36 monthly instalments comprising of monthly principal of $278,000 and last principal of $270,000 which commencing on 1 July 2015 and will continue until 1 January 2018. The loan is secured by a charge over the Group's building. The loan carries an interest at 2% plus the bank cost of borrowings.

(b) Term loan II

The Group entered into a banking facility amounting to $5,931,640 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 amounts to $5,689,315. Repayment is to be made via 84 monthly instalments comprising of monthly principal of $33,702 and last principal of $3,134,374 which commencing on 31 March 2016 and will continue until 28 February 2023. The interest on the loan is charged at 1.31% (2015: Nil) at base rate plus 1.3% per annum. The loan is secured by:

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

(ii) The corporate guarantee provided by the Company.

(c) Revolving credits are repayable or rollover within 3 months (2015: 3 to 6 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.

The bank loan due for repayment after one year which is classified as a current liability that is subject to a repayment on demand clause is 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 bank 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 39.3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

22. BANK BORROWINGS (CONTINUED)

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	
	2016	**2015**	**2016**	**2015**
			$	**$**
Within 6 months	**2.35**	3.11	**10,053,514**	8,034,942
After 6 months but within 12 months	**3.93**	2.86	**1,818,182**	3,657,278
After one year but within five financial years	**3.93**	2.86	**1,818,181**	5,454,544
Total			**13,689,877**	17,146,764

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

Undrawn Commitments

As at 30 September 2016, the Group had available $101 million (2015: $86 million) of undrawn committed banking facilities in respect of which all conditions precedent had been met.

23. FINANCE LEASE PAYABLES

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$	**$**	**$**
Group			
2016			
Current liabilities			
Within one financial year	**97,056**	**(9,492)**	**87,564**
Non-current liabilities			
After one financial year but within five financial years	**170,186**	**(7,681)**	**162,505**
	267,242	**(17,173)**	**250,069**
2015			
Current liabilities			
Within one financial year	228,636	(14,613)	214,023
Non-current liabilities			
After one financial year but within five financial years	267,242	(17,173)	250,069
	495,878	(31,786)	464,092

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

23. FINANCE LEASE PAYABLES (CONTINUED)

The finance lease terms range from 5 to 7 (2015: 3 to 7) years for the financial year ended 30 September 2016. The effective interest rates for the finance lease obligations range from between 4.48% to 5.49% (2015: 2.65% to 5.49%) per annum for the financial year ended 30 September 2016.

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

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

Finance lease payables are denominated in Singapore dollar.

24. MEDIUM TERM NOTES

	Group and Company	
	2016	**2015**
	$	**$**
Balance at beginning of financial year	**49,354,867**	49,285,391
Unwinding of discount on medium term notes	**238,203**	69,476
Balance at end of financial year	**49,593,070**	49,354,867

On 15 June 2015, the Company established the medium term note programme (the "MTN programme") with aggregate nominal value of $150,000,000. $50,000,000 were issued on 15 June 2015 from the MTN programme under Series 001 (the "Notes") and the Notes carried fixed interest of 6% per annum with interest payable semi-annually. The Notes will mature on 15 June 2018. The Notes are unsecured.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

24. MEDIUM TERM NOTES (CONTINUED)

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

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

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

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

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

Management estimated the fair value of the Notes as at 30 September 2016 to be approximately $50,000,000 (2015: $50,452,048). The fair value is based on the bid price extracted from SGX-ST as at 30 September 2016. The Notes are classified as Level 1 fair value hierarchy.

The Notes are denominated in Singapore dollar.

25. PROVISIONS

	Provision for warranty and defects	**Provision for restoration costs**	**Total**
	Current liabilities	*Non-current liabilities*	
	$	**$**	**$**
2016			
Balance at beginning of financial year	**1,255,232**	**–**	**1,255,232**
Provisions made	**557,640**	**225,188**	**782,828**
Provisions utilised	**(49,392)**	**–**	**(49,392)**
Unwinding of discount on provisions	**–**	**7,115**	**7,115**
Balance at end of financial year	**1,763,480**	**232,303**	**1,995,783**
2015			
Balance at beginning of financial year	1,278,055	–	1,278,055
Provisions utilised	(22,823)	–	(22,823)
Balance at end of financial year	1,255,232	–	1,255,232

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

25. PROVISIONS (CONTINUED)

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

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

26. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2016	**2015**
	$	**$**
Deferred tax assets	**307,015**	–
Deferred tax liabilities	**–**	167,000

Movements in deferred tax assets/(liabilities) are as follows:

	Group	
	2016	**2015**
	$	**$**
Balance at beginning of financial year	**(167,000)**	(167,000)
Foreign currency translation differences	**(1,830)**	–
Credited to profit or loss	**475,845**	–
Balance at end of financial year	**307,015**	(167,000)

Deferred tax assets attribute to the following temporary differences:

	Group	
	2016	**2015**
	$	**$**
Unutilised tax losses	**100,990**	–
Accelerated tax depreciation	**93,283**	(264,193)
Provisions	**112,742**	97,193
	307,015	(167,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade payables				
– third parties	**7,700,179**	13,043,095	**–**	–
– accrued subcontractor expenses	**92,087,191**	103,792,819	**–**	–
	99,787,370	116,835,914	**–**	–
Non-trade payables				
– third parties	**982,829**	1,237,861	**–**	–
– due to an associate	**856,740**	–	**–**	–
– due to a subsidiary	**–**	–	**6,514,177**	10,093,951
Accrued operating expenses	**6,322,000**	7,604,014	**1,160,801**	1,170,296
Goods and services tax payable	**1,232,196**	1,517,840	**–**	–
	109,181,135	127,195,629	**7,674,978**	11,264,247

Trade and non-trade payables are unsecured, non-interest bearing and generally on 30 to 90 (2015: 30 to 90) days credit terms.

The non-trade amount due to a subsidiary is unsecured, repayable on demand and bears fixed interest rate of 2.98% (2015: 2.98%) per annum.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Singapore dollar	**107,274,940**	127,041,417	**7,674,978**	11,264,247
United States dollar	**1,253,888**	154,212	**–**	–
Japanese yen	**652,307**	–	**–**	–
	109,181,135	127,195,629	**7,674,978**	11,264,247

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

28. REVENUE

	Group	
	2016	2015
	$	$
Building and construction services	**247,564,050**	281,983,795
Rental income	**450,167**	–
	248,014,217	281,983,795

29. OTHER INCOME

	Group	
	2016	2015
	$	$
Accretion of convertible bond discount	**103,140**	175,332
Fair value gain on derivative on convertible bond	**33,450**	82,733
Gain on disposal of property, plant and equipment	**248,306**	310,325
Gain on liquidation of joint venture	**13,537**	–
Foreign exchange gain, net	**–**	1,113,705
Late charges charged to subcontractors	**199,610**	172,783
Rental income	**600,000**	108,269
Sales of scrap steel	**124,553**	81,721
Management fee	**1,207,420**	1,200,546
Dividend income from available-for-sale financial assets	**75,000**	75,000
Others	**126,397**	7,904
	2,731,413	3,328,318

30. FINANCE COSTS

	Group	
	2016	2015
	$	$
Interest expenses:		
– medium term notes	**3,000,000**	944,476
– revolving credit	**499,051**	437,507
– finance leases	**14,613**	33,285
– unwinding of discount on restoration cost provision	**7,115**	–
– unwinding of discount on medium term notes	**238,203**	69,476
	3,758,982	1,484,744

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

31. PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2016	2015
	$	$
Cost of sales		
Depreciation of property, plant and equipment	**3,534,830**	3,385,463
Operating lease expenses	**136,862**	179,050
Administrative expenses		
Allowance for impairment loss on doubtful third parties trade receivables	**1,882,264**	86,719
Audit fees		
– Auditors of the Company	**80,867**	71,065
– Other auditors	**11,644**	13,718
Non-audit fees		
– Auditors of the Company	**29,586**	65,500
– Other auditors	**6,303**	5,984
Amortisation of intangible assets	**4,733**	15,846
Depreciation of property, plant and equipment	**2,586,227**	509,575
Employee benefit expenses	**6,221,278**	6,993,930
Foreign exchange loss, net	**812,320**	–
Write down of equipment to fair value less cost to sell	**270,501**	–
Low value assets items expensed off	**95,322**	69,347
Management fees	**–**	546,773
Operating lease expenses	**278,413**	262,773
Printing and stationery expenses	**159,780**	102,620
Plant and equipment written off	**–**	291
Professional fees	**438,585**	463,868
Telephone expenses	**235,355**	230,192

The profit before income tax also includes:

	Group	
	2016	2015
	$	$
Employee benefit expenses:		
Salaries, wages, bonuses and other staff benefits	**21,059,151**	17,246,844
Contributions to defined contribution plans	**576,283**	510,834
Share option expenses	**235,373**	549,596
	21,870,807	18,307,274

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

31. PROFIT BEFORE INCOME TAX (CONTINUED)

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

	Group	
	2016	**2015**
	$	**$**
Cost of sales	**15,649,529**	11,313,344
Administrative expenses	**6,221,278**	6,993,930
	21,870,807	18,307,274

Included in the employee benefit expenses were Directors' remuneration as shown in Note 35 to the financial statements.

32. INCOME TAX EXPENSE

	Group	
	2016	**2015**
	$	**$**
Current income tax		
– current financial year	**5,235,754**	2,684,590
– (over)/under provision in prior financial years	**(151,381)**	6,035
	5,084,373	2,690,625
Deferred income tax		
– current financial year	**(475,845)**	–
Total income tax expense recognised in profit or loss	**4,608,528**	2,690,625

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

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32. INCOME TAX EXPENSE (CONTINUED)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

	Group	
	2016	**2015**
	$	**$**
Profit before income tax	**37,669,083**	41,509,861
Add/Less: Share of result of joint ventures	**(15,101,161)**	(3,020)
Share of result of associates	**1,158,290**	(19,158,623)
	23,726,212	22,348,218
Income tax calculated at Singapore's statutory income tax rate of 17% (2015: 17%)	**4,033,456**	3,799,197
Effect of different tax rate in other country	**43,716**	(2,268)
Tax effect of income not subject to income tax	**(936,863)**	(689,480)
Tax effect of expenses not deductible for income tax purposes	**1,584,998**	552,116
Tax effect of tax exemption	**(93,350)**	(38,772)
(Over)/under provision in prior financial years	**(151,381)**	6,035
Unrecognised deferred tax assets	**219,015**	150,081
Utilisation of previously unrecognised deferred tax assets	**(46,729)**	(3,431)
Enhanced tax deduction	**(55,425)**	(894,292)
Others	**11,091**	(188,561)
	4,608,528	2,690,625

Unrecognised deferred tax assets

	Group	
	2016	**2015**
	$	**$**
Balance at beginning of financial year	**836,360**	375,680
Reassessment of unrecognised deferred tax assets in prior financial years	**15,670**	314,030
Amount not recognised during the financial year	**219,015**	150,081
Utilisation of deferred tax assets not recognised previously	**(46,729)**	(3,431)
Balance at end of financial year	**1,024,316**	836,360

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

32. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to:

	Group	
	2016	2015
	$	$
Unutilised tax losses	**557,406**	518,036
Unutilised capital allowance	**466,910**	318,824
	1,024,316	836,860

As at 30 September 2016, the Group has unutilised tax losses and unutilised capital allowance amounting to approximately $3,278,000 (2015: $3,047,000) and $2,746,000 (2015: $1,872,000) respectively available for set-off against future taxable profits subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

		Group	
Year incurred	**Year of expiry**	**2016**	**2015**
		$	**$**
2012	2017	**151,310**	163,129
2013	2018	**163,401**	163,401
2014	2019	**30,762**	30,762
2015	2020	**76,535**	76,535
		422,008	433,827

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 and K.H. Land Pte 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.

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

33. EARNINGS PER SHARE

33.1 Basic earnings per share

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

	2016	2015
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent ($)	**34,668,021**	38,092,689
Weighted average number of ordinary shares outstanding for basic earnings per share	**228,398,880**	231,151,616
Basic earnings per share (cents)	**15.18**	16.48

33.2 Diluted earnings per share

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

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

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

	2016	2015
Profit attributable to owners of the parent ($)	**34,668,021**	38,092,689
Weighted average number of ordinary shares outstanding for basic earnings per share	**240,000,000**	240,000,000
Effect of treasury shares	**(11,601,120)**	(8,848,384)
Effect of share options in issue	**1,431,960**	989,309
Weighted average number of ordinary shares at 30 September	**229,830,840**	232,140,925
Diluted earnings per share (cents)	**15.08**	16.41

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

34. DIVIDENDS

	Group and Company	
	2016	**2015**
	$	**$**
Interim tax-exempt dividend paid of 0.50 (2015: 0.50) cents per ordinary share in respect of the current financial year	**1,145,850**	1,164,750
Final tax-exempt dividend paid of 0.40 (2015: 1.25) cents per ordinary share in respect of the previous financial year	**9,166,800**	2,911,875
	10,312,650	4,076,625

The Board of Directors proposed that a final dividend of 3.00 (2015: 4.00) cents per ordinary share amounting to $6,875,100 (2015: $9,038,000) to be paid for the financial year ended 30 September 2016. These dividends have not been recognised as a liability as at the end of the reporting period as it is subject to the approval of the shareholders at the Annual General Meeting.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions between the Group and its related parties during the financial year at rates and terms agreed between the parties:

	Group	
	2016	**2015**
	$	**$**
Joint ventures		
Contract revenue from joint ventures	**77,408,032**	122,173,697
Loan to joint ventures	**60,113,000**	6,481,000
Management fee charged to joint ventures	**107,000**	107,000
Interest charged to joint ventures	**1,239,995**	1,256,263
Payment on behalf of joint ventures	**55,063**	–
Payment on behalf by joint ventures	**(2,000)**	–
Repayment of loan from joint venture	**(20,700,000)**	–
Professional and technical fee charged to joint ventures	**224,565**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2016	**2015**
	$	**$**
Associates		
Contract revenue from associates	**58,965,025**	36,832,871
Dividend receivable from associates	**15,000,000**	2,500,000
Loan to associates	**11,838,932**	16,962,510
Repayment of loan from associates	**–**	(16,839,472)
Supply of labour charged by associates	**(83,599)**	–
Payment on behalf by associates	**(26,035)**	–
Payment made on behalf of associates	**887,269**	1,125,553
Management fee charged to associates	**1,100,420**	1,093,546
Interest charge to associates	**1,034,198**	581,954

	Company	
	2016	**2015**
	$	**$**
Subsidiary		
Dividend receivable	**7,688,000**	9,129,500
Directors' interest in medium term notes		
– Leo Ting Ping Ronald	**2,000,000**	2,000,000
– Er Ang Hooa	**250,000**	250,000
– Lim Jun Xiong Steven	**500,000**	500,000

Compensation of key management personnel

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

	Group	
	2016	**2015**
	$	**$**
Directors of the Company		
– Short-term benefits	**3,134,791**	3,217,090
– Post-employment benefits	**16,890**	14,000
– Directors' fees	**143,000**	154,000
– Share option expenses	**–**	49,334
Other key management personnel		
– Short-term benefits	**963,448**	1,224,415
– Post-employment benefits	**64,679**	64,100
– Share option expenses	**70,300**	138,586
	4,393,108	4,861,525

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

36. COMMITMENTS

36.1 Operating lease commitments

Group as a lessee

As at the end of the reporting period, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	2016	**2015**
	$	**$**
Not later than one financial year	**246,259**	445,542
Later than one financial year but not later than five financial years	**788,011**	1,187,469
After five financial years	**475,217**	832,882
	1,509,487	2,465,893

The above operating lease commitments are based on existing rental rates as at the end of the reporting period. The operating lease agreements provide for periodic revision of such rates in the future. The Group leases various premises and office equipment under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and a tenure range from 3 to 12 (2015: 1 to 12) financial years with options to renew.

Group as a lessor

In addition to the investment property disclosed in Note 5 to the financial statements, the Group lease out its investment property to third parties under non-cancellable operating leases. These leases have a tenure range from 1 to 4 financial years with options to renew.

Future minimum rentals receivables under non-cancellable operating leases as at the reporting date are as follows:

	Group	
	2016	**2015**
	$	**$**
Not later than one financial year	**725,448**	–
Later than one financial year but not later than five financial years	**793,658**	–
	1,519,106	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

37. CONTINGENT LIABILITIES

As at 30 September 2016, the Company has issued corporate guarantees amounting to $179 million (2015: $132 million) to banks for banking facilities of certain subsidiaries. The banking facilities utilised as at the financial year end amounted to $66 million (2015: $46 million).

38. SEGMENT INFORMATION

For management reporting purposes, the Group is organised into three main operating divisions as follows:

- The construction segment is in the business of general building contractors.
- The property development segment is in the business of developing properties with other partners. The Group has investments in associates or joint ventures 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 a commercial building acquired in Osaka Japan.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

38. SEGMENT INFORMATION (CONTINUED)

	Buildings and construction $	Property development $	Investment property $	Others $	Total $
2016					
Revenue					
Sales	247,564,050	–	450,167	–	248,014,217
Inter-segment sales	–	–	–	–	–
Sales to external customers	247,564,050	–	450,167	–	248,014,217
Profit from operations					
Share of results from joint ventures, net of tax	–	15,101,161	–	–	15,101,161
Share of results from associates, net of tax	–	(1,158,290)	–	–	(1,158,290)
Interest income	2,526,695	–	–	426,531	2,953,226
Interest expenses	(459,217)	–	–	(3,299,765)	(3,758,982)
Depreciation and amortisation	(6,125,790)	–	(187,716)	–	(6,313,506)
Income tax expense	(4,601,583)	–	(7,909)	964	(4,608,528)
Reportable segment profit/(loss) before income tax	27,384,294	13,961,013	137,225	(3,813,449)	37,669,083
Net profit/(loss) for the financial year after tax	22,782,711	13,961,013	129,316	(3,812,485)	33,060,555
Other information:					
Capital expenditure	2,082,600	–	13,117,081	–	15,199,681
Investments in joint ventures	–	15,886,184	–	–	15,886,184
Investments in associates	–	7,245,068	–	–	7,245,068
Segment assets	146,459,327	23,131,252	13,895,848	157,714,911	341,201,338
Segment liabilities	130,233,409	–	10,478,435	64,140,688	204,852,539

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

38. SEGMENT INFORMATION (CONTINUED)

	Buildings and construction $	Property development $	Investment property $	Others $	Total $
2015					
Revenue					
Sales	281,983,795	–	–	–	281,983,795
Inter-segment sales	–	–	–	–	–
Sales to external customers	281,983,795	–	–	–	281,983,795
Profit from operations					
Share of results from joint ventures, net of tax	–	3,020	–	–	3,020
Share of results from associates, net of tax	–	19,158,623	–	–	19,158,623
Interest income	1,634,567	–	–	634,076	2,268,643
Interest expenses	(609,744)	–	–	(875,000)	(1,484,744)
Depreciation and amortisation	(3,910,884)	–	–	–	(3,910,884)
Income tax expense	(2,674,495)	–	–	(16,130)	(2,690,625)
Reportable segment profit/ (loss) before income tax	24,087,647	19,161,643	–	(1,739,429)	41,509,861
Net profit/(loss) for the financial year after tax	21,413,152	19,161,643	–	(1,755,559)	38,819,236
Other information:					
Capital expenditure	18,851,556	–	–	–	18,851,556
Investments in joint ventures	–	92,828	–	–	92,828
Investments in associates	–	23,071,427	–	–	23,071,427
Segment assets	222,878,266	23,164,255	–	94,014,429	340,056,950
Segment liabilities	160,811,227	–	–	66,501,631	227,312,858

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

38. SEGMENT INFORMATION (CONTINUED)

Geographical segment information:

	Group 2016	Group 2015
	$	$
Revenue		
Singapore	**222,063,855**	266,369,935
Maldives	**25,500,195**	15,613,860
Japan	**450,167**	–
Total revenue	**248,014,217**	281,983,795
Non-current assets		
Singapore	**46,414,606**	51,597,377
Maldives	**953,325**	1,010,669
Japan	**12,929,365**	–
Total non-current assets	**60,297,296**	52,608,046

The revenue information above is based on the location of the customers.

Major customers

During the financial year, the Group's revenue attributable to 5 (2015: 5) customers represent approximately 90% (2015: 76%) of total revenue. Revenue from certain customers (named alphabetically A to E) of the Group's construction segment amount to approximately $222,949,357 (2015: $216,627,140). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	2016		2015	
	$	%	$	%
Customer A	**66,320,869**	**27**	56,706,547	20
Customer B	**60,189,536**	**24**	–	–
Customer C	**45,985,832**	**19**	43,369,729	15
Customer D	**25,500,195**	**10**	37,746,897	13
Customer E	**24,952,925**	**10**	78,803,967	28
	222,949,357	**90**	216,627,140	76

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. 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.

39.1 Credit risk

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

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

	Company	
	2016	**2015**
	$	**$**
Committed corporate guarantees provided to banks for subsidiaries' banking facilities as at the end of reporting period	**179,241,687**	131,723,000

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.1 Credit risk (Continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except as follows:

(a) At the end of the reporting period, the Group has outstanding trade receivables from 1 (2015: 1) customer which represent 22% (2015: 24%) of total trade receivables balance.

(b) At the end of the reporting period, the retention sum from 5 customers represent 73% (2015: 20%) of total trade and other receivables balance.

The Group defines counterparties as having similar characteristics if they are related entities. Ongoing evaluation is performed on the financial condition of accounts receivable.

The Company has significant credit exposure arising from a subsidiary trade receivable which represents the entire total trade receivable as at the end of the reporting period.

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

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

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

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

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	**2015**
	$	**$**
Past due over 0 to 1 month	**160,042**	275,619
Past due over 1 to 3 months	**77,921**	162,849
Past due over 3 to 6 months	**28,761**	5,099
Past due over 6 months	**186,254**	457,778
	452,978	901,345

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.1 Credit risk (Continued)

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

The carrying amount of trade receivables individually determined to be impaired are as follows:

	Group	
	2016	2015
	$	$
Past due over 6 months	**525,600**	86,719

The impaired trade receivables relates mainly due to amounts which has been outstanding more than a year despite collection efforts.

There are no financial assets that are past due and/or impaired at the Company level.

39.2 Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates that will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity prices

The Group is exposed to equity price risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic reasons rather than trading purpose. The Group does not actively trade available-for-sale investments.

Further details of these equity investments can be found in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.2 Market risk (Continued)

(i) Equity prices (Continued)

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 available-for-sale equity investments, if the prices for equity securities listed on the Catalist Board of the Singapore Exchange Securities Trading Limited had been 5% (2015: 5%) 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 2016 and 30 September 2015 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and

– The Group's available-for-sale reserves would decrease/increase by $337,500 (2015: $333,750).

(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, 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:

	Group			
	Assets		Liabilities	
	2016	2015	2016	2015
	$	$	$	$
United States dollar	**24,963,602**	8,208,632	**856,736**	–
Japanese Yen	**859,446**	–	**6,341,622**	–
Ringgit Malaysia	**698,349**	656,853	**–**	–
Maldives rufiyaa	**490,304**	3,979,923	**–**	–

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.2 Market risk (Continued)

(ii) Foreign exchange risk management (Continued)

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% (2015: 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% (2015: 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 and/or equity.

If the relevant foreign currency strengthen or weakens by 5% against the functional currency of each group entity, profit or loss and other equity will increase/(decrease) by:

	United States dollar impact $	Ringgit Malaysia impact $	Japanese yen impact $	Maldives rufiyaa impact $
2016				
Group				
Strengthen against $				
Profit or loss	**1,205,343**	**34,917**	**(274,109)**	**24,515**
Other equity	**–**	**–**	**–**	**–**
Weakens against $				
Profit or loss	**(1,205,343)**	**(34,917)**	**274,109**	**(24,515)**
Other equity	**–**	**–**	**–**	**–**
2015				
Group				
Strengthen against $				
Profit or loss	410,432	32,843	–	198,996
Other equity	–	–	–	–
Weakens against $				
Profit or loss	(410,432)	(32,843)	–	(198,996)
Other equity	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.2 Market risk (Continued)

(iii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to variable rate bank borrowings with financial institutions and other receivables. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Company is not exposed to significant interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the financial year ended 30 September 2016 would increase or decrease by $247,233 (2015: increase or decrease by $79,391). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and other receivables.

The Company's profit or loss and equity are not significantly affected by the changes in interest rates as the Company has no significant variable interest bearing financial instruments.

39.3 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 receive or pay. The tables includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.3 Liquidity risk (Continued)

Contractual maturity analysis

	Within one financial year $	After one financial year but within five financial years $	After five financial years $	Total $
Group				
2016				
Financial liabilities				
Trade and other payables	**107,948,939**	**–**	**–**	**107,948,939**
Bank borrowings	**6,891,239**	**3,693,455**	**3,731,389**	**14,316,083**
Finance lease payables	**97,056**	**170,186**	**–**	**267,242**
Medium term notes	**3,000,000**	**52,125,000**	**–**	**55,125,000**
2015				
Financial liabilities				
Trade and other payables	125,677,789	–	–	125,677,789
Bank borrowings	12,041,654	5,618,182	–	17,659,836
Finance lease payables	228,636	267,242	–	495,878
Medium term notes	3,000,000	55,125,000	–	58,125,000
Company				
2016				
Financial liabilities				
Trade and other payables	**7,869,100**	**–**	**–**	**7,869,100**
Financial guarantee contracts	**179,241,687**	**–**	**–**	**179,241,687**
Medium term notes	**3,000,000**	**52,125,000**	**–**	**55,125,000**
2015				
Financial liabilities				
Trade and other payables	11,668,648	–	–	11,668,648
Financial guarantee contracts	131,723,000	–	–	131,723,000
Medium term notes	3,000,000	55,125,000	–	58,125,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.4 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 2016 and 2015, as disclosed in Note 24 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 2016 and 2015.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total capital. The Group and the Company include within net debt, trade and other payables, bank borrowings and finance lease payables less cash and cash equivalents. Total equity consists of total share capital, other reserves plus retained earnings. Total capital consists of net debt plus total equity.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Trade and other payables	**109,181,135**	127,195,629	**7,674,978**	11,264,247
Bank borrowings	**13,689,877**	17,146,764	**–**	–
Finance lease payables	**250,069**	464,092	**–**	–
Medium term notes	**49,593,070**	49,354,867	**49,593,070**	49,354,867
Less: Cash and cash equivalents	**(58,618,480)**	(100,568,573)	**(1,158,416)**	(46,217,921)
Net debt	**114,095,671**	93,592,779	**56,109,632**	14,401,193
Total equity	**136,348,799**	111,467,180	**27,663,433**	28,419,631
Total capital	**250,444,470**	205,059,959	**83,773,065**	42,820,824
Gearing ratio (%)	**45.6**	45.6	**67.0**	33.6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.5 Fair values

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

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There were no transfers between Levels 1 and 2 of the fair value hierarchy during the financial year.

The fair value of available-for-sale financial assets is determined based on the quoted bid prices in an active market at the statement of financial position date. These instruments are included in Level 1.

	Level 1 $	Level 2 $	Level 3 $	Total $
Group and Company				
2016				
Financial assets				
Available-for-sale	**6,750,000**	**–**	**–**	**6,750,000**
Derivative on convertible bond	**–**	**423,306**	**–**	**423,306**
2015				
Financial assets				
Available-for-sale	6,675,000	–	–	6,675,000
Derivative on convertible bond	–	389,856	–	389,856

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

39.5 Fair values (Continued)

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

The carrying amounts of the Group's and Company's current financial assets and current financial liabilities approximate their fair values as at the end of the reporting periods due to the relatively short period of maturity of these financial instruments. The management considers that the fair values of Group's and Company's non-current financial assets and liabilities were not materially different from their carrying amounts at the end of the reporting years except as disclosed in Note 24 to the financial statements.

39.6 Categories of financial instruments

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

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Financial assets				
Loans and receivables	**271,295,129**	279,573,015	**53,198,285**	60,413,999
Derivative on convertible bond	**423,306**	389,856	**423,306**	389,856
Available-for-sale	**6,750,000**	6,675,000	**6,750,000**	6,675,000
Financial liabilities				
Other financial liabilities, at amortised cost	**171,481,955**	192,643,512	**57,268,048**	60,619,114

40. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's consolidated statement of financial position to enhance comparability with current year's consolidated statement of cash flows and also better reflect the nature of the transactions.

	Group 2015	
	As previously reported	After reclassification
	$	$
Consolidated statement of financial position		
Current liabilities		
Trade and other payables	128,450,861	127,195,629
Provisions	–	1,255,232
Consolidated statement of cash flows		
Net cash from operating activities	52,664,883	52,740,821
Net cash used in investing activities	(27,297,029)	(27,299,496)
Net cash from financing activities	36,476,805	36,479,631
Effect of foreign exchange rate changes on cash and cash equivalents	(3,655)	(79,952)

ANALYSIS OF SHAREHOLDINGS

AS AT 12 DECEMBER 2016

Issued and Fully Paid-Up Capital (including Treasury Shares):	S$24,316,740
Issued and Fully Paid-Up Capital (excluding Treasury Shares):	S$20,311,590
Number of Issued Shares (excluding Treasury Shares):	229,170,000
Number/Percentage of Treasury Shares:	10,830,000 (4.73%)
Class Of Shares:	Ordinary shares
Voting Rights (excluding Treasury Shares):	One Vote Per Share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.36	194	0.00
100 – 1,000	25	4.47	17,802	0.01
1,001 – 10,000	241	43.11	1,419,200	0.62
10,001 – 1,000,000	268	47.94	26,759,403	11.68
1,000,001 AND ABOVE	23	4.12	200,973,401	87.69
TOTAL	559	100.00	229,170,000	100.00

Based on the information available to the Company, as at 12 December 2016, approximately 38.46% of the issued ordinary shares of the Company is held by the public. Hence, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 12 DECEMBER 2016	NO. OF SHARES	%
LEO TING PING RONALD	53,423,250	23.31
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	50,923,250	22.22
DBS NOMINEES PTE LTD	16,499,500	7.20
CITIBANK NOMINEES SINGAPORE PTE LTD	12,180,000	5.31
UOB KAY HIAN PTE LTD	12,155,600	5.30
TEOU KEM ENG @ TEOU KIM ENG	11,002,000	4.80
KGI SECURITIES (SINGAPORE) PTE LTD	10,199,800	4.45
RAFFLES NOMINEES (PTE) LTD	4,187,500	1.83
LIM CHOON TECK HOLDING PTE. LTD.	4,165,500	1.82
LIM SIAK MENG	3,916,500	1.71
LIM EWE GHEE	3,748,500	1.64
LIAW WIE SEIN	2,391,000	1.04
GOH GEOK CHEONG	2,229,000	0.97
LEO SHU YAN, NICOLE (LIANG SHUYAN)	1,700,000	0.74
CHAI KIM POH	1,660,800	0.73
OW YEOW BUNG	1,660,600	0.73
MAYBANK NOMINEES (S) PTE LTD	1,574,800	0.69
MAYBANK KIM ENG SECURITIES PTE LTD	1,564,001	0.68
DB NOMINEES (S) PTE LTD	1,300,000	0.57
FOO CHEK HENG	1,218,000	0.53
	197,699,601	86.27

ANALYSIS OF SHAREHOLDINGS

AS AT 12 DECEMBER 2016

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 12 DECEMBER 2016 AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of shares held as Direct	%	No. of shares held as Deemed	%
LEO TING PING RONALD[1]	53,423,250	23.31	68,423,250	29.86
TEOU KEM ENG @TEOU KIM ENG[2]	11,002,000	4.80	5,000,000	2.18

Notes:

1 Mr Leo Ting Ping Ronald has a deemed interest in the 50,923,250 shares, 7,500,000 shares and 10,000,000 shares of the Company held in the name of BNP Paribas Nominees Singapore Pte Ltd, DBS Nominees Pte Ltd and Bank of Singapore Nominees Pte Ltd respectively.

2 Mr Teou Kem Eng @ Teou Kim Eng has a deemed interest in the 5,000,000 shares of the Company held in the name of DBS Nominees Pte Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting ("**AGM**") of Keong Hong Holdings Limited (the "**Company**") will be held at Meeting Room 311, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Tuesday, 24 January 2017 at 11.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 September 2016 and the Independent Auditors' Report thereon. **Resolution 1**

2. To declare a one-tier tax exempt final dividend of 3 Singapore cents per ordinary share for the financial year ended 30 September 2016. (2015: 4 Singapore cents) **Resolution 2**

3. To approve the proposed Directors' Fees of S$158,000 for the financial year ended 30 September 2016. (2015: S$154,000) **Resolution 3**

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

   (i) Mr Er Ang Hooa **Resolution 4**
   (ii) Mr Lim Jun Xiong Steven **Resolution 5**

   [See Explanatory Note (a)]

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

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:

6. **General authority to allot and issue new shares in the capital of the Company** **Resolution 7**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Listing Manual**"), the Directors of the Company be authorised and empowered to:

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

   (b) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual; and

NOTICE OF
ANNUAL GENERAL MEETING

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

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

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

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

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

   (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

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

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

NOTICE OF ANNUAL GENERAL MEETING

7. **Authority to Issue Shares Pursuant to the Keong Hong Employee Share Option Scheme** **Resolution 8**

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

By Order of the Board

Lo Swee Oi and Lim Guek Hong
Joint Company Secretaries

Dated: 9 January 2017

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed from 5.00 p.m. on 2 February 2017, for the preparation of dividend warrants for the proposed tax exempt (one-tier) final dividend of 3 Singapore cents per ordinary share for the financial year ended 30 September 2016 (the "**Proposed Dividend**"), and will re-open at 9.00 a.m. on 6 February 2017.

Duly completed transfers received by the Company's Share Registrar, B.A.C.S. Private Limited of 8 Robinson Road, #03-00 ASO Building, Singapore 048544 up to the close of business at 5.00 p.m. on 2 February 2017 will be registered to determine shareholders' entitlement to the Proposed Dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 2 February 2017, will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by members at the AGM to be held on 24 January 2017, will be paid on 16 February 2017.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

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

Mr Lim Jun Xiong Steven, if re-elected, will continue to serve as the Chairman of the Audit Committee and a member of the Nominating and the Remuneration Committees. Mr Lim is considered to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Information on Mr Lim can be found on page 21 of the annual report.

(b) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting whichever is the earlier, to allot and issue Shares and/or the convertible securities. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution, shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares), of which the aggregate number of Shares and/or convertible securities other than on a pro-rata basis to all existing shareholders of the Company shall not exceed twenty per cent (20%) of the total issued Shares (excluding treasury shares).

(c) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares of up to a number not exceeding fifteen per cent (15%) of the total issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme and any other scheme or plan of the Company for the time being.

Notes to Proxy Form:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50.

2. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than forty-eight (48) hours before the time set for the AGM.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

4. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

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

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KEONG HONG HOLDINGS LIMITED

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

Important

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), relevant intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

ANNUAL GENERAL MEETING

PROXY FORM

I/We ____ (Name)

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

of ____ (Address)

being a member/members of Keong Hong Holdings Limited hereby appoint:–

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the annual general meeting of the Company (the "**AGM**"), as my/our proxy/proxies to vote for me/us on my/our behalf, at the AGM to be held at Meeting Room 311, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Tuesday, 24 January 2017 at 11.00 a.m. and at any adjournment thereof in the following manner:

No	Resolutions:	Number of Votes For*	Number of Votes Against*
	Ordinary Business		
1.	To adopt the Directors' Statements, Auditors' Report and Audited Financial Statements for financial year ended 30 September 2016		
2.	To declare a one-tier tax exempt final dividend of 3 Singapore cents per ordinary share for the financial year ended 30 September 2016		
3.	To approve Directors' Fees of S$158,000 for the financial year ended 30 September 2016 (2015: S$154,000)		
4.	To re-elect Mr Er Ang Hooa as a Director of the Company		
5.	To re-elect Mr Lim Jun Xiong Steven as a Director of the Company		
6.	To re-appoint BDO LLP as Auditors of the Company and to authorize Directors to fix their remuneration		
	Special Business		
7.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		
8.	To authorise Directors to allot and issue shares pursuant to the Keong Hong Employee Share Option Scheme		

* If you wish to exercise all your votes "For" or "Against", please indicate so with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM.

Dated this ____________ day of ______________________ 2017.

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:–

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50.

2. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than 48 hours before the time set for the AGM.

3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed as the alternate.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the AGM.

5. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:–

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:–

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 January 2017.

KEONG HONG HOLDINGS LIMITED
强楓控股有限公司

(Incorporated in the Republic of Singapore on 15 April 2008)
(Company Registration No.: 200807303W)

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