

**KEONG HONG HOLDINGS LIMITED**

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**Unaudited Financial Statement and Dividend Announcement  
For The Half Year Ended 31 March 2014**

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*This announcement has been prepared by the Company and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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

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

	Group Half year ended		Increase/ (Decrease)
	31/03/2014 Unaudited S\$'000	31/03/2013 Unaudited S\$'000	%
<b>Revenue</b>	118,030	53,169	122.0%
Cost of sales	(104,290)	(44,049)	136.8%
Gross profit	13,740	9,120	50.7%
Other income	870	583	49.2%
Administration expenses	(4,321)	(2,633)	64.1%
Finance costs	(106)	(29)	265.5%
Share of results of joint ventures, net of tax	(350)	-	n.m.
Share of results of associate, net of tax	4	-	n.m.
<b>Profit before income tax</b>	<b>9,837</b>	<b>7,041</b>	<b>39.7%</b>
Income tax expense	(1,285)	(1,296)	(0.8%)
<b>Profit after tax for the financial period</b>	<b>8,552</b>	<b>5,745</b>	<b>48.9%</b>
<b>Other comprehensive income:</b> <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating of foreign operations	3	13	(76.9%)
Income tax on other comprehensive income	-	-	n.m.
Other comprehensive income for financial period, net of tax	3	13	(76.9%)
<b>Total comprehensive income for the financial period</b>	<b>8,555</b>	<b>5,758</b>	<b>48.6%</b>
<b>Profit attributable to:</b>			
Owners of the parent	8,773	6,238	40.6%
Non-controlling interests	(221)	(493)	(55.2%)
	<b>8,552</b>	<b>5,745</b>	<b>48.9%</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	8,774	6,245	40.5%
Non-controlling interests	(219)	(487)	(54.8%)
	<b>8,555</b>	<b>5,758</b>	<b>48.6%</b>

*n.m. denotes not meaningful*

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

	Group Half year ended		Increase/ (Decrease) %
	31/03/2014 Unaudited S\$'000	31/03/2013 Unaudited S\$'000	
Depreciation of plant and equipment	1,082	1,234	(12.2%)
Amortisation of intangible assets	5	6	(16.7%)
Operating lease expenses	297	301	(1.3%)
Professional fees	268	70	282.8%
Fair value loss/(gain) on financial assets at fair value through profit or loss	40	(78)	n.m.
Fair value loss on derivative on convertible bond	403	-	n.m.
Foreign exchange losses - net	16	13	23.1%
Gain on disposal of plant and equipment	(1)	-	n.m.
Share option expenses	936	-	n.m.
Interest income	(390)	(231)	68.8%

*n.m. denotes not meaningful*

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

	Group As at		Company As at	
	31/03/2014 Unaudited S\$'000	30/09/2013 Audited S\$'000	31/03/2014 Unaudited S\$'000	30/09/2013 Audited S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	7,618	5,914	-	-
Investment in associate	4	-	-	-
Investment in joint ventures	90	290	-	-
Investment in subsidiaries	-	-	20,618	20,618
Intangible assets	241	236	-	-
Convertible bond	4,554	4,473	4,554	4,473
Derivative on convertible bond	408	812	408	812
Financial assets, held-to-maturity	2,839	2,839	-	-
	15,754	14,564	25,580	25,903
<b>Current assets</b>				
Financial assets at fair value through profit or loss	706	745	-	-
Amount due from associates	21,565	21,605	-	-
Amount due from joint ventures	44,950	28,541	-	-
Trade and other receivables	67,898	54,264	-	-
Current income tax recoverable	289	289	-	-
Prepayments	115	84	14	7
Cash and cash equivalents	24,235	18,217	2,893	4,721
	159,758	123,745	2,907	4,728
<b>Less:</b>				
<b>Current liabilities</b>				
Due to contract customers	30,289	25,438	-	-
Due to subsidiaries	-	-	5,086	5,012
Trade and other payables	56,660	38,964	120	237
Bank borrowings	11,538	3,005	-	-
Finance lease payables	595	586	-	-
Current income tax payable	3,344	4,011	-	-
	102,426	72,004	5,206	5,249
<b>Net current assets/(liabilities)</b>	<b>57,332</b>	<b>51,741</b>	<b>(2,299)</b>	<b>(521)</b>
<b>Less:</b>				
<b>Non-current liabilities</b>				
Finance lease payables	630	930	-	-
Bank borrowings	995	-	-	-
Deferred tax liabilities	167	167	-	-
	1,792	1,097	-	-
	<b>71,294</b>	<b>65,208</b>	<b>23,281</b>	<b>25,382</b>
<b>Capital and reserves</b>				
Share capital	23,836	23,836	23,836	23,836
Treasury shares	(2,425)	(2,140)	(2,425)	(2,140)
Other reserves	(3,886)	(4,824)	-	-
Accumulated profits	53,221	47,568	1,870	3,686
Equity attributable to owners of the parent	<b>70,746</b>	<b>64,440</b>	23,281	25,382
Non-controlling interests	548	768	-	-
<b>Total equity</b>	<b>71,294</b>	<b>65,208</b>	<b>23,281</b>	<b>25,382</b>

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

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

<b>As at 31/03/2014 Unaudited</b>		<b>As at 30/9/2013 Audited</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
11,538	-	3,005	-

**Amount repayable after one year**

<b>As at 31/03/2014 Unaudited</b>		<b>As at 30/9/2013 Audited</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
995	-	-	-

Details of collateral:

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

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

	<b>Group</b>	
	<b>Half year ended</b>	<b>Half year ended</b>
	<b>31/03/2014</b>	<b>31/03/2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Operating activities</b>		
Profit before income tax	9,837	7,041
Adjustments for:		
Amortisation of intangible assets	5	6
Depreciation of plant and equipment	1,082	1,234
Fair value loss/(gain) on financial assets at fair value through profit or loss	40	(78)
Fair value loss on derivative on convertible bond	403	
Foreign exchange loss	16	-
Gain on disposal of plant and equipment	(1)	-
Share option expense	936	-
Share of results of associate	(4)	-
Share of results of joint ventures	350	-
Imputed interest income	(81)	-
Interest income	(390)	(231)
Interest expenses	106	29
<b>Operating cash flows before movements in working capital</b>	<b>12,299</b>	<b>8,001</b>
Trade and other receivables	(15,972)	211
Prepayments	(30)	-
Due to contract customers	4,851	(2,443)
Trade and other payables	17,696	(6,503)
<b>Cash generated from/(used in) operations</b>	<b>18,844</b>	<b>(734)</b>
Income tax paid	(1,952)	(2,098)
<b>Net cash generated from/(used in) operating activities</b>	<b>16,892</b>	<b>(2,832)</b>
<b>Investing activities</b>		
Investment in associate	-	(200)
Investment in joint venture	(150)	-
Purchase of plant and equipment	(2,787)	(4,359)
Purchase of intangible assets	(10)	-
Proceeds from disposal of plant and equipment	1	-
Interest received	390	231
<b>Net cash used in investing activities</b>	<b>(2,556)</b>	<b>(4,328)</b>

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

	<b>Group</b>	
	<b>Half year ended</b>	<b>Half year ended</b>
	<b>31/03/2014</b>	<b>31/03/2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Financing activities</b>		
Fixed deposit pledged with financial institutions	(6)	-
Loan to associate	(43)	(13,987)
Loan to joint ventures	(23,239)	-
Repayment of loan from joint ventures	9,251	-
Purchase of treasury shares	(285)	(2,140)
Repayment of finance lease payables	(290)	(433)
Proceeds from finance lease	-	1,468
Proceeds from bank borrowings	9,528	-
Dividend paid	(3,120)	(4,800)
Interest paid	(106)	(29)
<b>Net cash used in financing activities</b>	<b>(8,310)</b>	<b>(19,921)</b>
Net change in cash and cash equivalents	6,026	(27,081)
Cash and cash equivalents at the beginning of the period	16,973	56,095
Exchange difference on cash and cash equivalents	(14)	9
<b>Cash and cash equivalents at end of the period</b>	<b>22,985</b>	<b>29,023</b>

Cash and cash equivalents comprised of:

	<b>6 months ended</b>	
	<b>31/03/2014</b>	<b>31/03/2013</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Fixed deposits, cash and bank balances	24,235	29,023
Fixed deposits pledged	(1,250)	-
	<b>22,985</b>	<b>29,023</b>

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

Group (Unaudited)	Share capital	Treasury Shares	Foreign currency translation account	Share option reserve	Merger reserve	Accumulated profits	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance at 1 October 2013	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 October 2013	23,836	(2,140)	(30)	-	(4,794)	47,568	64,440	768	65,208
Profit for the period	-	-	-	-	-	8,773	8,773	(221)	8,552
Other comprehensive income for the period:									
Exchange differences on translating foreign operations	-	-	2	-	-	-	2	1	3
Total comprehensive income for the period	-	-	2	-	-	8,773	8,775	(220)	8,555
Contribution by and distribution to owners of the parent:									
Dividend	-	-	-	-	-	(3,120)	(3,120)	-	(3,120)
Purchase of treasury shares	-	(285)	-	-	-	-	(285)	-	(285)
Grant of share options to employees	-	-	-	936	-	-	936	-	936
Total transactions with owners of the parent	-	(285)	-	936	-	(3,120)	(2,469)	-	(2,469)
Balance at 31 March 2014	23,836	(2,425)	(28)	936	(4,794)	53,221	70,746	548	71,294



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

<b>Group (Unaudited)</b>	<b>Share capital</b>	<b>Treasury Shares</b>	<b>Foreign currency translation account</b>	<b>Merger reserve</b>	<b>Accumulated profits</b>	<b>Equity attributable to owners of the parent</b>	<b>Non- controlling interests</b>	<b>Total</b>
<b>(Unaudited)</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Balance at 1 October 2012	23,836	-	(53)	(4,794)	31,276	50,265	1,087	51,352
Profit for the period	-	-	-	-	6,238	6,238	(493)	5,745
Other comprehensive income for the period:								
Exchange differences on translating foreign operations	-	-	7	-	-	7	6	13
Total comprehensive income for the period	-	-	7	-	6,238	6,245	(487)	5,758
Contribution by and distribution to owners of the parent:								
Dividend	-	-	-	-	(4,800)	(4,800)	-	(4,800)
Purchase of treasury shares	-	(2,140)	-	-	-	(2,140)	-	(2,140)
Total transactions with owners of the parent	-	(2,140)	-	-	(4,800)	(6,940)	-	(6,940)
Balance at 31 March 2013	23,836	(2,140)	(46)	(4,794)	32,714	49,570	600	50,170

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

	Share capital S\$'000	Treasury Shares S\$'000	Accumulated profits S\$'000	Total S\$'000
<b>Company (Unaudited)</b>				
Balance at 1 October 2013	23,836	(2,140)	3,686	25,382
Total comprehensive income for the period	-	-	1,304	1,304
Dividend	-	-	(3,120)	(3,120)
Share buybacks during the financial period	-	(285)	-	(285)
Balance at 31 March 2014	<b>23,836</b>	<b>(2,425)</b>	<b>1,870</b>	<b>23,281</b>
Balance at 1 October 2012	23,836	-	1,208	25,044
Total comprehensive income for the period	-	-	8,202	8,202
Dividend	-	-	(4,800)	(4,800)
Share buybacks during the financial period	-	(2,140)	-	(2,140)
Balance at 31 March 2013	<b>23,836</b>	<b>(2,140)</b>	<b>4,610</b>	<b>26,306</b>

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

	Half year ended 31 March 2014	
	Number of Shares (excluding treasury shares)	Share capital (S\$)
As at 1 October 2013	156,000,000	23,836,074
Share buybacks during the financial period <sup>(1)</sup>	(500,000)	-
As at 31 March 2014	155,500,000	23,836,074

Note:

(1) On 28 February 2014 and 3 March 2014, the Company purchased an aggregate of 500,000 ordinary shares by way of open market purchases for a total consideration of S\$285,000. These shares were held as treasury shares in the Company as at 31 March 2014.

As at 31 March 2014, the Company held 4,500,000 treasury shares (31 March 2013: 4,000,000 treasury shares). The total number of issued shares (excluding treasury shares) of the Company was 155,500,000 as at 31 March 2014 and 156,000,000 as at 31 March 2013.

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

Employee Share Option Scheme

On 1 October 2013, the Company granted options to key executives and senior staff pursuant to the Keong Hong Employee Share Option Scheme (the "**Options**"). The total number of Options granted was 4,000,000 at an exercise price of \$0.47 per share. As at 31 March 2014, the maximum number of new shares that will be issued upon full exercise of the Options are 4,000,000 shares (31 March 2013: Nil). The Options are still within their vesting period and can only be exercised after 24 months from the date of grant.

Save for the Options, the Company did not have any outstanding convertibles as at 31 March 2014. The Company did not have any outstanding convertibles as at 31 March 2013.

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

	<b>31/03/2014</b>	<b>30/9/2013</b>
Total number of issued shares	160,000,000	160,000,000
Treasury shares	(4,500,000)	(4,000,000)
Total number of issued shares, excluding treasury shares	155,500,000	156,000,000

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

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

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

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

Not applicable.

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

Except as disclosed in note (5) below, the financial results for the current financial period reported on have been presented using the same accounting policies and methods of computation as in the Company's most recently audited financial statements as set out in the Company's annual report for the financial year ended 30 September 2013.

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

The Group has adopted all new and revised Financial Reporting Standard ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 October 2013, where applicable.

The adoption of these new/revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies and has no material/significant impact on the financial statements of the Group for the current reporting period or prior years reporting period.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

- (a) Based on the weighted average number of ordinary shares on issue; and  
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	<b>Group</b>	
	<b>Half Year ended</b>	
	<b>31 March 2014 Unaudited</b>	<b>31 March 2013 Unaudited</b>
Profit attributable to owners of the parent (S\$'000)	8,773	6,238
(i) Earnings per share ("EPS") - Basic (Singapore cents) <sup>(1)</sup>	5.6	3.9
Weighted average number of ordinary shares	155,928,176 <sup>(3)</sup>	158,857,143 <sup>(3)</sup>
(ii) Earnings per share ("EPS") - Diluted (Singapore Cents) <sup>(2)</sup>	5.6	3.9
Weighted average number of ordinary shares	155,950,154 <sup>(3)</sup>	158,857,143 <sup>(3)</sup>

Notes:

- (1) The calculation for the basic EPS for half year ended 31 March 2014 and 31 March 2013 is based on the weighted average number of ordinary shares of the Company.
- (2) The calculation for the diluted EPS for half year ended 31 March 2014 is based on the weighted average number of ordinary shares of the Company after adjusting for dilution assuming the Options are fully exercised into ordinary shares of the Company. The basic and dilutive EPS for the half year ended 31 March 2014 were the same as the Company did not have any potentially dilutive securities for the half year ended 31 March 2013.
- (3) The figure was computed taking into account the shares bought back during the financial period.

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

	Group		Company	
	31 March 2014 Unaudited	30 September 2013 Audited	31 March 2014 Unaudited	30 September 2013 Audited
Net asset value per ordinary share (Singapore cents)	45.5	41.3	14.9	16.3
Number of issued shares excluding treasury shares at the end of the financial period	155,500,000	156,000,000	155,500,000	156,000,000

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### **Revenue**

For the 6 months ended 31 March 2014 (“1H2014”), the Group recorded a 122.0% increase in revenue to S\$118.0 million as compared to S\$53.2 million in the corresponding period ended 31 March 2013 (“1H2013”). The increase was mainly due to higher revenue recognition for ongoing projects as well as new projects such as Alexandra Central, J Gateway and Skypark Residences that commenced work mainly in the fourth quarter of the Company's last financial year ended 30 September 2013.

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

Gross profit increased by 50.7% or S\$4.6 million to S\$13.7 million in 1H2014 as compared to S\$9.1 million in 1H2013. The increase in gross profit was in tandem with the increase in revenue. However, gross profit margin decreased from 17.2% in 1H2013 to 11.6% in 1H2014 mainly due to:

- higher wages, labour levies and costs incurred for work safety; and
- lower margin for new projects in the initial stages of the construction.

### **Other Income**

Other income increased by 49.2% to S\$0.87 million in 1H2014 as compared S\$0.6 million in 1H2013 due mainly to higher interest income as a result of additional shareholder's loan to joint ventures and higher income from rental of equipment.

## **Administrative Expenses**

Administrative expenses increased by S\$1.7 million from S\$2.6 million in 1H2013 to S\$4.3 million in 1H2014 mainly due to S\$0.1 million paid for property tax and land lease for the Company's land at Sungei Kadut (1H2013: nil), higher legal and professional fees of S\$0.3 million incurred in 1H2014 as compared to 1H2013, expenses of S\$0.9 million incurred for the grant of Options and a fair value loss of S\$0.4 million on the derivative of the convertible bond which were not incurred in 1H2013.

## **Finance Costs**

Finance costs increased by approximately S\$0.08 million in 1H2014 compared to 1H2013 due to increase in bank borrowings.

## **Profit before tax**

As a result of higher revenue and gross profit, the Group posted an increase of 48.9% or S\$2.8 million in net profit before income tax, from S\$7.0 million in 1H2013 to S\$9.8 million in 1H2014.

## **Review of Financial Position**

### **Non-Current Assets**

The increase in plant and equipment of S\$1.7 million from S\$5.9 million as at 30 September 2013 to S\$7.6 million as at 31 March 2014, was mainly attributable to capital expenditure of S\$2.7 million on the acquisition of plant and equipment and development cost for the land at Sungei Kadut for the Company's light industry factory that is currently in progress. The increase was partially offset by depreciation expense of S\$1.0 million and the decrease of S\$0.4 million in derivative on convertible bond due to fair value loss as at 31 March 2014.

### **Current Assets**

Trade and other receivables increased by S\$13.6 million from S\$54.3 million as at 30 September 2013 to S\$67.9 million as at 31 March 2014. The increase was mainly due to progress billing billed towards the end of March 2014 and accrual of unbilled revenue for work done.

Amount due from joint venture companies increased by S\$16.4 million in 1H2014 was due mainly to shareholder's loan to Katong Holdings Pte Ltd ("**KHPL**"). KHPL was incorporated in February 2014 for the development of a hotel (the "**Project**") located at 883 East Coast Road, pursuant to the joint venture agreement with Master Contract Services Pte. Ltd. and Asia Development Pte. Ltd. for the joint development of the Project announced in April 2014. The increase was partially offset by partial repayment of shareholders' loan from joint venture companies.

### **Current Liabilities**

The increase in current liabilities of S\$30.0 million from S\$72.0 million as at 30 September 2013 to S\$102.4 million as at 31 March 2014 was attributable mainly to the increase in bank borrowings of S\$8.5 million for working capital and also the increase in trade and other payables and amount due to contract customers of S\$17.7 million and S\$4.9 million respectively as a result of higher volume of work carried out for existing projects.

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

### **Non-Current Liabilities**

The increase in non-current liabilities of S\$0.7 million from S\$1.1 million as at 30 September 2013 to S\$1.8 million as at 31 March 2014 was mainly due to bank borrowings of S\$1.0 million and partially offset by a decrease in finance lease payables.

The working capital of the Group strengthened by S\$5.6 million from S\$51.7 million as at 30 September 2013 to S\$57.3 million as at 31 March 2014.

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

For 1H2014, the Group generated positive operating cash flows of S\$12.3 million before movements in working capital. After taking into account changes in working capital, which included mainly the increase in trade and other receivables of S\$16.0 million, increase in trade and other payables and amount due to contract customers of S\$22.5 million, as well as income tax payment of S\$1.9 million, the Group generated a net cash inflow from operating activities of S\$16.9 million.

Net cash used in investing activities of S\$2.6 million in 1H2014 was due mainly to capital expenditure of S\$2.8 million on acquisition of plant and equipment and development cost for the construction of the Company's light industry factory at Sungei Kadut. The Group also made an investment of S\$0.15 million in MKH (Punggol) Pte Ltd pursuant to the joint venture agreement announced on 24 October 2013. This was partially offset by interest received of S\$0.4 million.

Net cash used in financing activities of S\$8.3 million in 1H2014 was mainly attributable to loan to joint venture companies of S\$23.2 million, dividend payment of S\$3.1 million, share buybacks of S\$0.3 million, financial lease repayment of S\$0.3 million and interest payment of S\$0.1 million. This was partially offset by the repayment of S\$9.2 million from joint venture companies for the shareholders' loan and proceeds from bank borrowings of S\$9.5 million.

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

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

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Building and Construction Authority (“**BCA**”) expects the overall construction demand in Singapore for 2014 to remain strong at between S\$31.0 and S\$38.0 billion. Public sector projects are expected to contribute close to 60.0% or between S\$19.0 and S\$22.0 billion, fuelled by an anticipated higher volume of contracts to be awarded for institutional and civil engineering construction works<sup>(1)</sup>.

Private sector demand is expected to moderate to S\$12.0 to S\$16.0 billion in 2014, compared to S\$21.0 billion in 2013. The less favourable outlook is in view of the current market volatility amid the Government's multi-pronged approach to stabilise the property market, the substantial supply of completed housing units coming on-stream over the next few years, as well as the scaling back of new Government's land sales for the first half of 2014<sup>(1)</sup>.

The Group expects the construction and building industry to continue to face challenges including rising costs due to higher foreign worker levies and raw material expenses, the shortage of skilled labour and the intense competition. To mitigate the risks of the increasingly challenging construction and building environment, we have taken steps to forge strategic partnerships and alliances with reputable players in the industry to increase our ability to take on bigger development projects in Singapore. We have also intensified our overseas development activities in the Maldives and expanded into other business activities such as hotel development through the Project at 883 East Coast Road. This is expected to enhance our overall competitiveness and pave the way for future growth.

We remain cautiously optimistic of the Group's performance in the financial year ending 30 September 2014 given our strong business fundamentals, successful track record in building construction and property development, and healthy order book of approximately S\$494 million as at 31 March 2014 which will stretch construction activities up to 2016. The Group's construction project pipeline includes Paterson 2, The Terrasse, Twin Waterfalls, Alexandra Central, J Gateway and SkyPark Residences.

The Group expects to launch the executive condominium project at Edgedale Plains in Punggol Central in the fourth quarter of 2014. The development of an airport hotel on the island of Kooddoo and a tourist resort on the island of Maamutaa in Maldives are slated for completion in 2015 and 2016 respectively.

The Company is proposing a bonus share issue to shareholders on the basis of one bonus share for every two existing ordinary shares of the Company (“**Proposed Bonus Issue**”) to reward shareholders for their loyalty to, and continuing support for the Company as well as to reflect the growth and expansion of the Group's business. The details of the Proposed Bonus Issue are available on a separate announcement released by the Company on the same day as this 1H2014 financial results announcement.

(1) [http://www.bca.gov.sg/newsroom/others/pr09012014\\_BCA.pdf](http://www.bca.gov.sg/newsroom/others/pr09012014_BCA.pdf)



**11. Dividend**

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

Name of Dividend	<b>Interim</b>
Type of Dividend	Cash
Dividend Amount per share	1.0 cents
Tax rate	Tax exempt (one-tier)

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

Name of Dividend	<b>Interim</b>
Type of Dividend	Cash
Dividend Amount per share	0.5 cents
Tax rate	Tax exempt (one-tier)

**(c) Date payable**

To be announced at a later date.

**(d) Books closure date**

Notice will be given at a later date on the closure of the Share Transfer Books and Register of Members of the Company to determine members' entitlement to the dividend.

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

Not applicable.

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

The Group does not have a general mandate for IPT. There was no IPT in 1H2014.

**14. Confirmation Pursuant to Rule 705(5) of the Listing Manual**

To the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Company and the Group for the six months ended 31 March 2014 presented in this announcement, to be false or misleading in any material aspect.

**By Order of the Board**

Leo Ting Ping Ronald  
Executive Chairman and Chief Executive Officer  
8 May 2014