# IMPORTANT NOTICE

**NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO U.S. PERSONS**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached information memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached information memorandum. In accessing the attached information memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** In order to be eligible to view the attached information memorandum or make an investment decision with respect to the notes, investors must not be a U.S. person (as defined in Regulation S under the Securities Act (as defined below)). The attached information memorandum is being sent at your request and by accepting the e-mail and accessing the attached information memorandum, you shall be deemed to have represented to us (1) that you are not resident in the United States ("**U.S.**") nor a U.S. person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") nor are you acting on behalf of a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and, to the extent you purchase the notes described in the attached information memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (2) that you consent to delivery of the attached information memorandum and any amendments or supplements thereto by electronic transmission. By accepting this e-mail and accessing the attached information memorandum, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor as defined under Section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), a relevant person as defined under Section 275(2) of the SFA or a person to whom an offer, as referred to in Section 275(1A) of the SFA, is being made and (B) agree to be bound by the limitations and restrictions described herein.

The attached information memorandum has been made available to you in electronic form. You are reminded that documents or information transmitted via this medium may be altered or changed during the process of transmission and consequently none of King Wan Corporation Limited or The Hongkong and Shanghai Banking Corporation Limited, or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the information memorandum distributed to you in electronic format and the hard copy version. A hard copy version will be provided to you upon request.

**Restrictions:** The attached information memorandum is being furnished in connection with an offering of notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the notes described therein.

***NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.***

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of King Wan Corporation Limited or The Hongkong and Shanghai Banking Corporation Limited to subscribe for or purchase any of the notes described therein, and access has been limited so that

it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of King Wan Corporation Limited in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession this information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this information memorandum, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the notes described therein.**

**Actions that You May Not Take:** If you receive this information memorandum by e-mail, you should not reply by e-mail, and you may not purchase any notes by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

**YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**You are responsible for protecting against viruses and other destructive items.** If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# KING WAN CORPORATION LIMITED

(Incorporated in the Republic of Singapore on 8 February 2000)
(UEN/Company Registration No. 200001034R)

**S$150,000,000**
**Multicurrency Medium Term Note Programme**
**(the "Programme")**

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the "**Notes**") to be issued from time to time by King Wan Corporation Limited (the "**Issuer**") pursuant to the Programme may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the establishment of the Programme and application will be made for the listing and quotation of any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of any Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies (if any), its joint venture companies (if any), the Programme or such Notes.

*Sole Arranger*

HSBC

*This page has been intentionally left blank.*

# TABLE OF CONTENTS


| | Page |
|---|---|
| NOTICE | 2 |
| FORWARD-LOOKING STATEMENTS | 6 |
| DEFINITIONS | 7 |
| CORPORATE INFORMATION | 11 |
| SUMMARY OF THE PROGRAMME | 12 |
| TERMS AND CONDITIONS OF THE NOTES | 20 |
| THE ISSUER | 50 |
| SELECTED CONSOLIDATED FINANCIAL INFORMATION | 80 |
| INVESTMENT CONSIDERATIONS | 88 |
| USE OF PROCEEDS | 115 |
| CLEARING AND SETTLEMENT | 116 |
| SINGAPORE TAXATION | 118 |
| SUBSCRIPTION, PURCHASE AND DISTRIBUTION | 123 |


## APPENDICES


| | | |
|---|---|---|
| I: | GENERAL AND OTHER INFORMATION | 125 |
| II: | AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF KING WAN CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 | 128 |
| III: | AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF KING WAN CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 | 190 |
| IV: | UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT OF KING WAN CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 | 250 |

# NOTICE

The Hongkong and Shanghai Banking Corporation Limited (the "**Arranger**") has been authorised by the Issuer to arrange the Programme described herein. Under the Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Notes denominated in Singapore dollars and/or any other currencies.

This Information Memorandum contains information with regard to the Issuer, its subsidiaries, associated companies (if any) and joint venture companies (if any), the Programme and the Notes. The Issuer confirms that this Information Memorandum contains all information which is material in the context of the Programme or the issue and offering of the Notes, that all the information in this Information Memorandum is true and accurate in all material respects, that the opinions, expectations and intentions expressed in this Information Memorandum have been carefully considered, are based on all relevant considerations and facts existing at the date of this Information Memorandum and are fairly, reasonably and honestly held by the Issuer, and that there are no other facts the omission of which in the context of the Programme or the issue and offering of the Notes would make any such information or expressions of opinion, expectation or intention misleading in any material respect.

Notes may be issued in series having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than variable rate notes (as described under the section "Summary of the Programme")) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of variable rate notes) for the issue prices and rates of interest. Each series may be issued in one or more tranches on the same or different issue dates. The Notes will be issued in bearer form and may be listed on a stock exchange. The Notes will initially be represented by either a Temporary Global Note (as defined herein) or a Permanent Global Note (as defined herein) which will be deposited on the issue date with either CDP (as defined herein) or a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") or otherwise delivered as agreed between the Issuer and the relevant Dealer(s) (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s) and may be subject to redemption or purchase in whole or in part. The Notes will bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Issuer and the relevant Dealer(s). The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement (as defined herein) issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Notes to be issued, when added to the aggregate principal amount of all Notes outstanding (as defined in the Trust Deed referred to herein) shall be S$150,000,000 (or its equivalent in any other currencies) or such higher amount in accordance with the terms of the Programme Agreement.

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer or any of its subsidiaries, associated companies (if any) or joint venture companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme may be used for the purpose of, and does not constitute an offer of, or solicitation or invitation by or on behalf of

the Issuer, the Arranger or any of the Dealers to subscribe for or purchase, the Notes in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum or any such other document or information and the offer of the Notes in certain jurisdictions may be restricted by law. Persons who distribute or publish this Information Memorandum or any such other document or information or into whose possession this Information Memorandum or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to subscribe for or purchase, any of the Notes.

This Information Memorandum and any other documents or materials in relation to the issue, offering or sale of the Notes have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Notes from time to time to be issued pursuant to the Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA and may not be relied upon by any person other than persons to whom the Notes are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Notes shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer or any of its subsidiaries, associated companies (if any) or joint venture companies (if any) or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arranger and the Dealers have not separately verified the information contained in this Information Memorandum. None of the Arranger, any of the Dealers or any of their respective officers, employees or agents is making any representation or warranty expressed or implied as to the merits of the Notes or the subscription for, purchase or acquisition thereof, or the creditworthiness or financial condition or otherwise of the Issuer or its subsidiaries, associated companies (if any) or joint venture companies (if any). Further, neither the Arranger nor any of the Dealers makes any representation or warranty as to the Issuer, its subsidiaries, associated companies (if any) or joint venture companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this

Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Notes. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer and its subsidiaries, associated companies (if any) and joint venture companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer and its subsidiaries, associated companies (if any) and joint venture companies (if any). Accordingly, notwithstanding anything herein, none of the Arranger, the Dealers or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Notes by a recipient of this Information Memorandum or such other document or information (or such part thereof).

To the fullest extent permitted by law, neither the Arranger nor any of the Dealers accept any responsibility for the contents of this Information Memorandum or for any other statement, made or purported to be made by the Arranger or any of the Dealers or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports, audited consolidated accounts and/or unaudited financial statements of the Issuer and its subsidiaries, associated companies (if any) and joint venture companies (if any) and (2) any supplement or amendment to this Information Memorandum issued by the Issuer (including each relevant Pricing Supplement). This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Notes, any Pricing Supplement in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum. Copies of all documents deemed incorporated by reference herein are available for inspection at the respective specified office of the Principal Paying Agent (as defined herein) or, as the case may be, the Non-CDP Paying Agent (as defined herein).

Any purchase or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement (as defined herein) and the issue of the Notes by the Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Notes or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuer, the Arranger or any of the Dealers) lapse and cease to have any effect if (for any other reason whatsoever) the Notes are not issued by the Issuer pursuant to the Programme Agreement.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Notes set out under the section "Subscription, Purchase and Distribution" on pages 123 to 124 of this Information Memorandum.

**Any person(s) who is/are invited to purchase or subscribe for the Notes or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Notes or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.**

**It is recommended that persons proposing to subscribe for or purchase any of the Notes consult their own legal and other advisers before purchasing or acquiring the Notes.**

# FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Issuer and/or the Group (as defined herein) (including statements as to the Issuer's and/or the Group's revenue, profitability, prospects, future plans and other matters discussed in this Information Memorandum regarding matters that are not historical facts and including the financial forecasts, profit projections, statements as to the expansion plans of the Issuer and/or the Group, expected growth in the Issuer and/or the Group and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- changes in general political, social, economic and regulatory conditions;
- changes in currency exchange and interest rates;
- demographic changes;
- changes in competitive conditions; and
- other factors beyond the control of the Issuer and the Group.

Some of these factors are discussed in greater detail in this Information Memorandum, in particular, but not limited to, under the section "Investment Considerations".

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuer, the Arranger and the Dealers do not represent or warrant that the actual future results, performance or achievements of the Issuer or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum nor the issue of any Notes by the Issuer shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer, the Group or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum or the date on which this Information Memorandum has been most recently amended or supplemented.

Further, the Issuer, the Arranger and the Dealers disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

# DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

| | | |
|---|---|---|
| "**Agency Agreement**" | : | The agency agreement dated 26 September 2014 made between (1) the Issuer, as issuer, (2) the Principal Paying Agent, as principal and paying agent, (3) the Non-CDP Paying Agent, as non-CDP paying agent, and (4) the Trustee, as trustee, as amended, varied or supplemented from time to time. |
| "**Agent Bank**" | : | In relation to any Series of Notes, the person appointed as agent bank for that Series pursuant to the Agency Agreement or, as the case may be, the Agent Bank Agreement and as specified in the applicable Pricing Supplement. |
| "**Agent Bank Agreement**" | : | An agent bank agreement between (1) the Issuer, as issuer, (2) the Trustee, as trustee and (3) the relevant agent bank made pursuant to the Programme Agreement, substantially in the form of Appendix 6 to the Programme Agreement. |
| "**Arranger**" | : | The Hongkong and Shanghai Banking Corporation Limited. |
| "**BCA**" | : | Building and Construction Authority of Singapore. |
| "**business day**" | : | In respect of each Note, (a) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and the Depository, as applicable, are operating, (b) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the Principal Paying Agent's specified office and (c) (if a payment is to be made on that day) (i) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (ii) (in the case of Notes denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (iii) (in the case of Notes denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and the principal financial centre for that currency. |
| "**CDP**" or the "**Depository**" | : | The Central Depository (Pte) Limited. |
| "**Companies Act**" | : | The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time. |

| | | |
|---|---|---|
| "**Conditions**" | : | In relation to the Notes of any Series, the terms and conditions applicable thereto, which shall be substantially in the form set out in Part II of Schedule 1 to the Trust Deed, as modified, with respect to any Notes represented by a Global Note, by the provisions of such Global Note, shall incorporate any additional provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Notes of such Series and shall be endorsed on the Definitive Notes subject to amendment and completion as referred to in the first paragraph appearing after the heading "Terms and Conditions of the Notes" as set out in Part II of Schedule 1 to the Trust Deed, and any reference to a particularly numbered Condition shall be construed accordingly. |
| "**Couponholders**" | : | The holders of the Coupons. |
| "**Coupons**" | : | The interest coupons appertaining to an interest bearing Definitive Note. |
| "**Dealers**" | : | Persons appointed as dealers under the Programme. |
| "**Definitive Note**" | : | A definitive Note, in bearer form, being substantially in the form set out in Part I of Schedule 1 to the Trust Deed and having, where appropriate, Coupons attached on issue. |
| "**Directors**" | : | The directors (including alternate directors, if any) of the Issuer as at the date of this Information Memorandum. |
| "**Euro**" | : | The lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time. |
| "**Executive Directors**" | : | The executive directors of the Issuer as at the date of this Information Memorandum. |
| "**FY**" | : | Financial year ended 31 March. |
| "**Global Note**" | : | A global Note representing Notes of one or more Tranches of the same Series, being a Temporary Global Note and/or, as the context may require, a Permanent Global Note, in each case without Coupons. |
| "**Group**" | : | The Issuer and its subsidiaries. |
| "**ISO**" | : | International Organization for Standardisation. |
| "**Issuer**" | : | King Wan Corporation Limited. |
| "**ITA**" | : | Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time. |
| "**Latest Practicable Date**" | : | 9 September 2014. |

| | | |
|---|---|---|
| "**MAS**" | : | The Monetary Authority of Singapore. |
| "**Non-CDP Paying Agent**" | : | Deutsche Bank AG, Hong Kong Branch. |
| "**Noteholders**" | : | The holders of the Notes. |
| "**Notes**" | : | The multicurrency medium term notes of the Issuer issued or to be issued pursuant to the Programme Agreement and constituted by the Trust Deed (and shall, where the context so admits, include the Global Notes and the Definitive Notes). |
| "**Paying Agents**" | : | The Principal Paying Agent and the Non-CDP Paying Agent, or such other or further institutions as may from time to time be appointed by the Issuer as paying agent for the Notes and Coupons. |
| "**Permanent Global Note**" | : | A Global Note representing Notes of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Note, being substantially in the form set out in Schedule 3 to the Trust Deed. |
| "**Pricing Supplement**" | : | In relation to any Tranche or Series, a pricing supplement supplemental to this Information Memorandum, specifying the relevant issue details in relation to such Tranche or, as the case may be, Series, substantially in the form of Appendix 2 to the Programme Agreement. |
| "**Principal Paying Agent**" | : | Deutsche Bank AG, Singapore Branch. |
| "**Programme**" | : | The S$150,000,000 Multicurrency Medium Term Note Programme established by the Issuer pursuant to the Programme Agreement. |
| "**Programme Agreement**" | : | The programme agreement dated 26 September 2014 made between (1) the Issuer, as issuer, (2) the Arranger, as arranger, and (3) The Hongkong and Shanghai Banking Corporation Limited, as dealer, as amended, varied or supplemented from time to time. |
| "**PUB**" | : | Public Utilities Board. |
| "**Securities Act**" | : | Securities Act of 1933 of the United States, as amended or modified from time to time. |
| "**Series**" | : | (1) (in relation to Notes other than variable rate notes) a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (2) (in relation to variable rate notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest. |

| | | |
|---|---|---|
| "**SFA**" | : | Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time. |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited. |
| "**Shares**" | : | Ordinary shares in the capital of the Issuer. |
| "**subsidiary**" | : | Any company which is for the time being a subsidiary (within the meaning of Section 5 of the Companies Act). |
| "**TARGET System**" | : | The Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto. |
| "**Temporary Global Note**" | : | A Global Note representing Notes of one or more Tranches of the same Series on issue, being substantially in the form set out in Schedule 2 to the Trust Deed. |
| "**THB**" | : | Thai baht, the lawful currency of Thailand. |
| "**TOP**" | : | Temporary Occupation Permit. |
| "**Tranche**" | : | Notes which are identical in all respects (including as to listing). |
| "**Trust Deed**" | : | The trust deed dated 26 September 2014 made between (1) the Issuer, as issuer, and (2) the Trustee, as trustee, as amended, varied or supplemented from time to time. |
| "**Trustee**" | : | DB International Trust (Singapore) Limited. |
| "**United States**" or "**U.S.**" | : | United States of America. |
| "**S$**" or "**Singapore dollars**" | : | Singapore dollars, the lawful currency of Singapore. |
| "**%**" | : | Per cent. |

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **Issuer** | : | King Wan Corporation Limited |
| **Board of Directors** | : | Chua Kim Hua<br>Chua Eng Eng<br>Chua Hai Kuey<br>Goh Chee Wee<br>Lim Hock Beng<br>Nathapun Siriviriyakul |
| **Company Secretary** | : | Eliza Lim Bee Lian |
| **Registered Office** | : | 8 Sungei Kadut Loop<br>Singapore 729455 |
| **Auditors to the Issuer** | : | Deloitte & Touche LLP<br>6 Shenton Way<br>#32-00, OUE Downtown 2<br>Singapore 068809 |
| **Arranger and Dealer of the Programme** | : | The Hongkong and Shanghai Banking Corporation Limited<br>21 Collyer Quay<br>#11-01 HSBC Building<br>Singapore 049320 |
| **Legal Adviser to the Arranger and the Trustee** | : | Allen & Gledhill LLP<br>One Marina Boulevard<br>#28-00<br>Singapore 018989 |
| **Legal Adviser to the Issuer** | : | Shook Lin & Bok LLP<br>1 Robinson Road<br>#18-00 AIA Tower<br>Singapore 048542 |
| **Principal Paying Agent** | : | Deutsche Bank AG, Singapore Branch<br>One Raffles Quay<br>#16-00 South Tower<br>Singapore 048583 |
| **Non-CDP Paying Agent** | : | Deutsche Bank AG, Hong Kong Branch<br>Level 52, International Commerce Centre<br>1 Austin Road West<br>Kowloon, Hong Kong |
| **Trustee for the Noteholders** | : | DB International Trust (Singapore) Limited<br>One Raffles Quay<br>#17-00 South Tower<br>Singapore 048583 |

## SUMMARY OF THE PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

| | | |
|---|---|---|
| Issuer | : | King Wan Corporation Limited. |
| Arranger | : | The Hongkong and Shanghai Banking Corporation Limited. |
| Dealers | : | The Hongkong and Shanghai Banking Corporation Limited and/or such other Dealers as may be appointed by the Issuer in accordance with the Programme Agreement. |
| Trustee | : | DB International Trust (Singapore) Limited. |
| Principal Paying Agent | : | Deutsche Bank AG, Singapore Branch. |
| Non-CDP Paying Agent | : | Deutsche Bank AG, Hong Kong Branch. |
| Description | : | S$150,000,000 Multicurrency Medium Term Note Programme. |
| Programme Size | : | The maximum aggregate principal amount of the Notes outstanding at any time shall be S$150,000,000 (or its equivalent in other currencies) or such higher amount in accordance with the terms of the Programme Agreement. |
| Currency | : | Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Singapore dollars or any other currency agreed between the Issuer and the relevant Dealer(s). |
| Use of Proceeds | : | The net proceeds arising from the issue of the Notes under the Programme (after deducting issue expenses) will be used for general corporate purposes, including, but not limited to, financing investments, repayment of existing borrowings, general working capital and capital expenditure requirements of the Issuer and/or or its subsidiaries or such other purposes as may be specified in the relevant Pricing Supplement. |
| Method of Issue | : | Notes may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The minimum issue size for each Series shall be agreed between the Issuer and the relevant Dealer(s). The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement. |
| Issue Price | : | Notes may be issued at par or at a discount, or premium, to par. |
| Maturities | : | Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s). |

| | | |
|---|---|---|
| Mandatory Redemption | : | Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face. |
| Interest Basis | : | Notes may bear interest at fixed, floating, variable or hybrid rates or such other rates as may be agreed between the Issuer and the relevant Dealer(s) or may not bear interest. |
| Fixed Rate Notes | : | Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity. |
| Floating Rate Notes | : | Floating Rate Notes which are denominated in Singapore dollars will bear interest to be determined separately for each Series by reference to S$ SIBOR or S$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.<br><br>Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s). |
| Variable Rate Notes | : | Variable Rate Notes will bear interest at a variable rate determined in accordance with the Conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue. |
| Hybrid Notes | : | Hybrid Notes will bear interest, during the fixed rate period to be agreed between the Issuer and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrear on specified dates and, during the floating rate period to be agreed between the Issuer and the relevant Dealer(s), at the rate of interest to be determined by reference to S$ SIBOR or S$ SWAP RATE (or such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin (provided that if the Hybrid Notes are denominated in a currency other than Singapore dollars, such Hybrid Notes will bear interest to be determined separately by reference to such benchmark as may be agreed between the Issuer and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the Issuer and the relevant Dealer(s). |
| Zero Coupon Notes | : | Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment. |

| | | |
|---|---|---|
| Form and Denomination of Notes | : | The Notes will be issued in bearer form only and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of Notes may initially be represented by a Temporary Global Note or a Permanent Global Note. Each Temporary Global Note may be deposited on the relevant issue date with CDP, a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Note or Definitive Notes (as indicated in the applicable Pricing Supplement). Each Permanent Global Note may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for Definitive Notes upon the terms therein. |
| Custody of the Notes | : | Notes may be cleared through CDP, Euroclear and/or Clearstream, Luxembourg. Notes which are to be cleared through CDP are required to be kept with CDP as authorised depository. Notes which are to be cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a common depository on behalf of Euroclear and Clearstream, Luxembourg. |
| Status of the Notes | : | The Notes and Coupons of all Series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer. |
| Optional Redemption and Purchase | : | If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders. Further, if so provided on the face of the Note and the relevant Pricing Supplement, Notes may be purchased by the Issuer (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders. |
| Redemption upon Cessation or Suspension of Trading of the Issuer's Shares | : | In the event that (i) the shares of the Issuer cease to be traded on the SGX-ST or (ii) trading in the shares of the Issuer on the SGX-ST is suspended for a continuous period of more than seven days (other than by reason of holiday, statutory or otherwise), the Issuer shall, at the option of the Noteholder, redeem such Note at its redemption amount together with interest accrued to the date fixed for redemption on the date falling 45 days after the Effective Date. "**Effective Date**" means (in the case of (i)) the date of cessation of trading or (in the case of (ii)) the business day immediately following the expiry of such continuous period of seven days. |

| | | |
|---|---|---|
| Negative Pledge | : | The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding, it will not, and will ensure that none of its Principal Subsidiaries (as defined in Condition 9) will, create or have outstanding any security over the whole or any part of its undertakings, assets, property or revenues, present or future, save for: |

(i) liens or rights of set-off arising solely by operation of law (or by an agreement evidencing the same), in either case, in respect of indebtedness which either (1) has been due for less than 30 days or (2) is being contested in good faith and by appropriate means;

(ii) any security existing as at the date of the Trust Deed over any of its assets and disclosed in writing to the Trustee on or prior to the date of the Trust Deed and any security to be created over such assets in connection with the refinancing of the indebtedness secured by such assets;

(iii) any security on or over their respective assets acquired, renovated, refurbished or developed by it after the date of the Trust Deed for the sole purpose of financing the acquisition (including acquisition by way of acquisition of the shares in the company or entity owning (whether directly or indirectly) such assets), renovation, refurbishment or development or any refinancing thereof and securing a principal amount not exceeding the cost of such acquisition, renovation, refurbishment or development or the value of such development;

(iv) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of its business as security only for indebtedness to a bank or financial institution directly relating to the goods or documents over which that pledge exists;

(v) any security created to secure its liabilities in respect of performance bonds and/or bank guarantees issued in the ordinary course of its business;

(vi) any security created on or over their securities or trading instruments for the purpose of securing working capital facilities granted in the ordinary course of business; and

(vii) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

Financial Covenants : The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding, it will ensure that:

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

(ii) the ratio of Consolidated Total Borrowings to Consolidated Tangible Net Worth shall not at any time exceed 1.9:1; and

(iii) the Consolidated Free Liquid Assets shall at all times be equal to or more than an amount equal to seven per cent. of the Total Interest Bearing Debt.

For the purposes of these Conditions:

(1) "**Consolidated Free Liquid Assets**" means the amount (expressed in Singapore dollars) for the time being, calculated in accordance with generally accepted accounting practices in Singapore, equal to the aggregate of the current market value of:

(A) cash in hand and cash equivalents;

(B) deposits in banks or financial institutions; and

(C) securities in the form of debentures, stocks, shares, bonds, notes, loan stock or similar instruments which are listed or quoted on a stock exchange;

to which the Group shall have free and direct access, excluding any of those assets subject to any security interest at that time;

(2) "**Consolidated Tangible Net Worth**" means the amount (expressed in Singapore dollars) for the time being, calculated in accordance with generally accepted accounting principles in Singapore, equal to the aggregate of:

(A) the amount paid up or credited as paid up on the issued share capital of the Issuer; and

(B) the amounts standing to the credit of the capital and revenue reserves (including capital redemption reserve fund, revaluation reserves and profit and loss account) of the Group on a consolidated basis,

all as shown in the then latest audited consolidated balance sheet of the Group but after:

(aa) making such adjustments as may be appropriate in respect of any variation in the issued and paid up share capital and the capital and revenue reserves set out in paragraph (B) above of the Group since the date of the latest audited consolidated balance sheet of the Group;

(bb) excluding any sums set aside for future taxation; and

(cc) deducting:

(I) an amount equal to any distribution by any member of the Group out of profits earned prior to the date of the latest audited consolidated balance sheet of the Group and which have been declared, recommended or made since that date except so far as provided for in such balance sheet and/or paid or due to be paid to members of the Group;

(II) all goodwill and other intangible assets;

(III) any debit balances on consolidated profit and loss account; and

(IV) amounts attributable to non-controlling interests of the Group;

(3) "**Consolidated Total Borrowings**" means, in relation to the Group, an amount (expressed in Singapore dollars) for the time being, calculated on a consolidated basis, in accordance with generally accepted accounting principles in Singapore, equal to the aggregate of:

(A) bank overdrafts and all other indebtedness in respect of any borrowings maturing within 12 months (other than any amount owing by a subsidiary to any of its minority shareholders for the purpose of funding any project undertaken by such subsidiary);

(B) the principal amount of the Notes or any bonds or debentures of any member of the Group whether issued for cash or a consideration other than cash;

(C) the liabilities of the Issuer under the Trust Deed or the Notes;

(D) all other indebtedness whatsoever of the Group for borrowed moneys (other than any amount owing by a subsidiary to any of its minority shareholders for the purpose of funding any project undertaken by such subsidiary); and

(E) any redeemable preference shares issued by any member of the Group and which is regarded by generally accepted accounting principles in Singapore as debt or other liability of the Group; and

(4) "**Total Interest Bearing Debt**" means the aggregate of all interest-bearing debt and lease obligations which would in accordance with the relevant accounting principles be shown in the Group's consolidated financial statements as the total debt of the Group.

Non-disposal Undertaking : The Issuer has covenanted with the Trustee in the Trust Deed that it will not, and will ensure that none of its Principal Subsidiaries will, (whether by a single transaction or a number of related or unrelated transactions and whether at one time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of (whether outright, by a sale-and-repurchase or sale-and-leaseback arrangement, or otherwise) all or substantially all of its assets nor of any part of its assets which, either alone or when aggregated with all other disposals required to be taken into account under Clause 15.29 of the Trust Deed, is substantial in relation to its assets, or those of itself and its subsidiaries, taken as a whole or the disposal of which (either alone or when so aggregated) could have a material adverse effect on it. The following disposals shall not be taken into account under Clause 15.29 of the Trust Deed:

(i) disposals in the ordinary course of business on an arm's length basis and on normal commercial terms;

(ii) any disposal of its investments in any of its non-core businesses on an arm's length basis and on normal commercial terms; and

(iii) any disposal approved by the Noteholders by way of an Extraordinary Resolution.

Events of Default : See Condition 9 of the Notes.

| | | |
|---|---|---|
| Taxation | : | All payments in respect of the Notes and the Coupons by the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, please see the section "Singapore Taxation" herein. |
| Listing | : | Each Series of the Notes may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any other stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained. If the application to the SGX-ST to list a particular Series of Notes is approved, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in foreign currencies). |
| Selling Restrictions | : | For a description of certain restrictions on offers, sales and deliveries of Notes and the distribution of offering material relating to the Notes, see the section "Subscription, Purchase and Distribution" herein. Further restrictions may apply in connection with any particular Series or Tranche of Notes. |
| Governing Law | : | The Programme and any Notes issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore. |

# TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme, details of the relevant Series being shown on the face of the relevant Notes and in the relevant Pricing Supplement.*

The Notes are constituted by a Trust Deed (as amended and supplemented from time to time, the "**Trust Deed**") dated 26 September 2014 made between (1) King Wan Corporation Limited (the "**Issuer**") and (2) DB International Trust (Singapore) Limited (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the Noteholders (as defined below), and (where applicable) the Notes are issued with the benefit of a deed of covenant (as amended and supplemented from time to time, the "**Deed of Covenant**") dated 26 September 2014, relating to the Notes executed by the Issuer. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which include the form of the Notes and Coupons referred to below. The Issuer has entered into an Agency Agreement (as amended and supplemented from time to time, the "**Agency Agreement**") dated 26 September 2014 made between (1) the Issuer, (2) Deutsche Bank AG, Singapore Branch, as principal paying agent (in such capacity, the "**Principal Paying Agent**"), (3) Deutsche Bank AG, Hong Kong Branch, as non-CDP paying agent (in such capacity, the "**Non-CDP Paying Agent**" and, together with the Principal Paying Agent, the "**Paying Agents**") and (4) the Trustee, as trustee. The Noteholders and the holders of the coupons (the "**Coupons**") appertaining to the interest-bearing Notes (the "**Couponholders**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement, the relevant Agent Bank Agreement (as defined in the Trust Deed) and the Deed of Covenant. For the purposes of these Conditions, all references to the Principal Paying Agent shall, with respect to a Series of Notes to be cleared through a clearing system other than the CDP System (as defined in the Trust Deed), be deemed to be a reference to the Non-CDP Paying Agent and all such references shall be construed accordingly.

Copies of the Trust Deed, the Agency Agreement, the relevant Agent Bank Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the respective specified offices of the Paying Agents for the time being.

## 1. Form, Denomination and Title

### (a) Form and Denomination

(i) The Notes of the Series of which this Note forms part (in these Conditions, the "**Notes**") are issued in bearer form in each case in the Denomination Amount shown hereon.

(ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note or a Zero Coupon Note (depending upon the Interest Basis shown on its face).

(iii) Notes are serially numbered and issued with Coupons attached, save in the case of Notes that do not bear interest in which case references to interest (other than in relation to default interest referred to in Condition 6(f)) in these Conditions are not applicable.

**(b) Title**

(i) Title to the Notes and the Coupons appertaining thereto shall pass by delivery.

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note or Coupon shall be deemed to be and may be treated as the absolute owner of such Note or of such Coupon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

(iii) For so long as any of the Notes is represented by a Global Note and such Global Note is held by a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or The Central Depository (Pte) Limited (the "**Depository**"), each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or the Depository as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or the Depository as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save for manifest error) shall be treated by the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the Agent Bank, all other agents of the Issuer and the Trustee as the holder of such principal amount of Notes other than with respect to the payment of principal, premium, interest, distribution, redemption, purchase and/or any other amounts in respect of the Notes, for which purpose the bearer of the Global Note shall be treated by the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the Agent Bank, all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Note (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly). Notes which are represented by the Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or the Depository.

(iv) In these Conditions, "**Global Note**" means the relevant Temporary Global Note representing each Series or the relevant Permanent Global Note representing each Series, "**Noteholder**" means the bearer of any Definitive Note (as defined in the Trust Deed) and "**holder**" (in relation to a Definitive Note or Coupon) means the bearer of any Definitive Note or Coupon, "**Series**" means (1) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (A) expressed to be consolidated and forming a single series and (B) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (2) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and "**Tranche**" means Notes which are identical in all respects (including as to listing).

(v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## 2. Status

The Notes and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

## 3. Negative Pledge and Financial Covenants

### (a) Negative Pledge

The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding, it will not, and will ensure that none of its Principal Subsidiaries (as defined in Condition 9) will, create or have outstanding any security over the whole or any part of its undertakings, assets, property or revenues, present or future, save for:

(i) liens or rights of set-off arising solely by operation of law (or by an agreement evidencing the same), in either case, in respect of indebtedness which either (1) has been due for less than 30 days or (2) is being contested in good faith and by appropriate means;

(ii) any security existing as at the date of the Trust Deed over any of its assets and disclosed in writing to the Trustee on or prior to the date of the Trust Deed and any security to be created over such assets in connection with the refinancing of the indebtedness secured by such assets;

(iii) any security on or over their respective assets acquired, renovated, refurbished or developed by it after the date of the Trust Deed for the sole purpose of financing the acquisition (including acquisition by way of acquisition of the shares in the company or entity owning (whether directly or indirectly) such assets), renovation, refurbishment or development or any refinancing thereof and securing a principal amount not exceeding the cost of such acquisition, renovation, refurbishment or development or the value of such development;

(iv) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of its business as security only for indebtedness to a bank or financial institution directly relating to the goods or documents over which that pledge exists;

(v) any security created to secure its liabilities in respect of performance bonds and/or bank guarantees issued in the ordinary course of its business;

(vi) any security created on or over their securities or trading instruments for the purpose of securing working capital facilities granted in the ordinary course of business; and

(vii) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

**(b) Financial Covenants**

The Issuer has further covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding, it will ensure that:

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

(ii) the ratio of Consolidated Total Borrowings to Consolidated Tangible Net Worth shall not at any time exceed 1.9:1; and

(iii) the Consolidated Free Liquid Assets shall at all times be equal to or more than an amount equal to seven per cent. of the Total Interest Bearing Debt.

For the purposes of these Conditions:

(1) "**Consolidated Free Liquid Assets**" means the amount (expressed in Singapore dollars) for the time being, calculated in accordance with generally accepted accounting practices in Singapore, equal to the aggregate of the current market value of:

(A) cash in hand and cash equivalents;

(B) deposits in banks or financial institutions; and

(C) securities in the form of debentures, stocks, shares, bonds, notes, loan stock or similar instruments which are listed or quoted on a stock exchange;

to which the Group (as defined in the Trust Deed) shall have free and direct access, excluding any of those assets subject to any security interest at that time;

(2) "**Consolidated Tangible Net Worth**" means the amount (expressed in Singapore dollars) for the time being, calculated in accordance with generally accepted accounting principles in Singapore, equal to the aggregate of:

(A) the amount paid up or credited as paid up on the issued share capital of the Issuer; and

(B) the amounts standing to the credit of the capital and revenue reserves (including capital redemption reserve fund, revaluation reserves and profit and loss account) of the Group on a consolidated basis,

all as shown in the then latest audited consolidated balance sheet of the Group but after:

(aa) making such adjustments as may be appropriate in respect of any variation in the issued and paid up share capital and the capital and revenue reserves set out in paragraph (B) above of the Group since the date of the latest audited consolidated balance sheet of the Group;

(bb) excluding any sums set aside for future taxation; and

(cc) deducting:

(I) an amount equal to any distribution by any member of the Group out of profits earned prior to the date of the latest audited consolidated balance sheet of the Group and which have been declared, recommended or made since that date except so far as provided for in such balance sheet and/or paid or due to be paid to members of the Group;

(II) all goodwill and other intangible assets;

(III) any debit balances on consolidated profit and loss account; and

(IV) amounts attributable to non-controlling interests of the Group;

(3) "**Consolidated Total Borrowings**" means, in relation to the Group, an amount (expressed in Singapore dollars) for the time being, calculated on a consolidated basis, in accordance with generally accepted accounting principles in Singapore, equal to the aggregate of:

(A) bank overdrafts and all other indebtedness in respect of any borrowings maturing within 12 months (other than any amount owing by a subsidiary to any of its minority shareholders for the purpose of funding any project undertaken by such subsidiary);

(B) the principal amount of the Notes or any bonds or debentures of any member of the Group whether issued for cash or a consideration other than cash;

(C) the liabilities of the Issuer under the Trust Deed or the Notes;

(D) all other indebtedness whatsoever of the Group for borrowed moneys (other than any amount owing by a subsidiary to any of its minority shareholders for the purpose of funding any project undertaken by such subsidiary); and

(E) any redeemable preference shares issued by any member of the Group and which is regarded by generally accepted accounting principles in Singapore as debt or other liability of the Group; and

(4) "**Total Interest Bearing Debt**" means the aggregate of all interest-bearing debt and lease obligations which would in accordance with the relevant accounting principles be shown in the Group's consolidated financial statements as the total debt of the Group.

**(c) Disposal**

The Issuer has further covenanted with the Trustee in the Trust Deed that it will not, and will ensure that none of its Principal Subsidiaries will, (whether by a single transaction or a number of related or unrelated transactions and whether at one time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of (whether outright, by a sale-and-repurchase or sale-and-leaseback arrangement, or otherwise) all or substantially all of its assets nor of any part of its assets which, either alone or when aggregated with all other disposals required to be taken into account under Clause 15.29 of the Trust Deed, is substantial in relation to its assets, or those of itself and its

subsidiaries, taken as a whole or the disposal of which (either alone or when so aggregated) could have a material adverse effect on it. The following disposals shall not be taken into account under Clause 15.29 of the Trust Deed:

(i) disposals in the ordinary course of business on an arm's length basis and on normal commercial terms;

(ii) any disposal of its investments in any of its non-core businesses on an arm's length basis and on normal commercial terms; and

(iii) any disposal approved by the Noteholders by way of an Extraordinary Resolution.

**4. (I) Interest on Fixed Rate Notes**

**(a) Interest Rate and Accrual**

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 4(II)(d)) from the Interest Commencement Date in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Note is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(I) and the Agency Agreement to the Relevant Date (as defined in Condition 7).

**(b) Calculations**

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction shown on the face of the Note.

**(II) Interest on Floating Rate Notes or Variable Rate Notes**

**(a) Interest Payment Dates**

Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no

Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 4(II)(c)) in respect of any Variable Rate Note for any Interest Period (as defined below) relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on the Interest Commencement Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is herein called an "**Interest Period**".

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(II) and the Agency Agreement to the Relevant Date.

**(b) Rate of Interest – Floating Rate Notes**

(i) Each Floating Rate Note bears interest at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore dollars) SIBOR (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or in any other case (or in the case of Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The "**Spread**" is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 4(V)(a) below.

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Agent Bank on the basis of the following provisions:

(1) in the case of Floating Rate Notes which are SIBOR Notes:

(A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(B) if no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed "SGD SIBOR" (or such other replacement page thereof or if no rate appears on such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Agent Bank;

(C) if on any Interest Determination Date two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (B) above on the basis of the quotations of those Reference Banks providing such quotations; and

(D) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with

reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any) or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Notes which are Swap Rate Notes:

(A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period and as adjusted by the Spread (if any);

(B) if on any Interest Determination Date no such rate is quoted on Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will determine the Rate of Interest for such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest 1/16 per cent.)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Agent Bank may select; and

(C) if on any Interest Determination Date the Agent Bank is otherwise unable to determine the Rate of Interest under paragraphs (b)(ii)(2)(A) and (b)(ii)(2)(B) above, the Rate of Interest shall be determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about 11.00 a.m. (Singapore time) on the first business day following such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for

such Interest Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any), or if on such day one only or none of the Singapore offices of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Interest Determination Date and as adjusted by the Spread (if any); and

(3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:

(A) if the Primary Source (as defined below) for the Floating Rate is a Screen Page (as defined below), subject as provided below, the Rate of Interest in respect of such Interest Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date,

and as adjusted by the Spread (if any);

(B) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date and as adjusted by the Spread (if any); and

(C) if paragraph (b)(ii)(3)(B) applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

(iii) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(iv) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

**(c) Rate of Interest – Variable Rate Notes**

(i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Agreed Yield**" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:

(1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:

(A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;

(B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Interest Amount (as defined below) for such Variable Rate Note for such Interest Period shall be zero); and

(C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an "**Agreed Rate**") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

(iii) The Issuer has undertaken to the Principal Paying Agent and the Agent Bank that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:

(1) notify or cause the Relevant Dealer to notify the Principal Paying Agent and the Agent Bank of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and

(2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Principal Paying Agent to the relevant Noteholder at its request.

(iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the "**Fall Back Rate**") determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The "**Spread**" is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note. The rate of interest so calculated shall be subject to Condition 4(V)(a) below.

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Agent Bank in accordance with the provisions of Condition 4(II)(b)(ii) above (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean "**Fall Back Rate**".

(v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amount for such Variable Rate Note for such Interest Period on the last day of such Interest Period.

(vi) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

**(d) Definitions**

As used in these Conditions:

"**Agent Bank**" means, in relation to any Series of Notes, the person appointed as agent bank for that Series pursuant to the Agency Agreement or, as the case may be, the Agent Bank Agreement and as specified in the applicable Pricing Supplement;

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means, in respect of each Note:

(i) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and the Depository, as applicable, are operating;

(ii) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the Principal Paying Agent's specified office; and

(iii) if a payment is to be made on that day:

(1) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore;

(2) (in the case of Notes denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros; and

(3) (in the case of Notes denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and the principal financial centre for that currency;

"**Calculation Amount**" means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

"**Euro**" means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

"**Interest Determination Date**" means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

"**Primary Source**" means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Reuters Monitor Money Rates Service ("**Reuters**")) agreed to by the Agent Bank;

"**Reference Banks**" means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Agent Bank in the interbank market that is most closely connected with the Benchmark;

"**Relevant Currency**" means the currency in which the Notes are denominated;

"**Relevant Dealer**" means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement referred to in the Agency Agreement with whom the Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

"**Relevant Financial Centre**" means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

**(III) Interest on Hybrid Notes**

**(a) Interest Rate and Accrual**

Each Hybrid Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

**(b) Fixed Rate Period**

(i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.

(ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.

(iii) Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal (or Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(III) and the Agency Agreement to the Relevant Date.

(iv) In the case of a Hybrid Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction shown on the face of the Note during the Fixed Rate Period.

**(c) Floating Rate Period**

(i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

(ii) The period beginning on the first day of the Floating Rate Period and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is herein called an "**Interest Period**".

(iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal (or Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(III) and the Agency Agreement to the Relevant Date.

(iv) The provisions of Condition 4(II)(b) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

**(IV) Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (determined in accordance with Condition 5(i)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 5(i)).

**(V) Calculations**

**(a) Determination of Rate of Interest and Calculation of Interest Amounts**

The Agent Bank will, as soon as practicable after the Relevant Time on each Interest Determination Date determine the Rate of Interest and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period. The amount of interest payable in respect of any Floating Rate Note, Variable Rate Note or (where applicable) Hybrid Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

**(b) Notification**

The Agent Bank will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Principal Paying Agent, the Trustee and the Issuer as soon as possible after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Notes, the Agent Bank will also cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Noteholders in accordance with Condition 15 as soon as possible after their determination. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event

of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 9, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

**(c) Determination or Calculation by the Trustee**

If the Agent Bank does not at any material time determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Trustee shall do so. In doing so, the Trustee shall apply the provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(d) Agent Bank and Reference Banks**

The Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero Coupon Note remains outstanding, there shall at all times be an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Agent Bank may not resign from its duties without a successor having been appointed as aforesaid.

**5. Redemption and Purchase**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

**(b) Purchase at the Option of Issuer**

If so provided hereon, the Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes, Variable Rate Notes or Hybrid Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the Issuer accordingly. To exercise such option, the Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Principal Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote

at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 10 and 11.

In the case of a purchase of some only of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Notes to be purchased, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange (as defined in the Trust Deed), the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any purchase of such Notes.

**(c) Purchase at the Option of Noteholders**

(i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit any Variable Rate Notes to be purchased with the Principal Paying Agent at its specified office together with all Coupons relating to such Variable Rate Notes which mature after the date fixed for purchase, together with a duly completed option exercise notice in the form obtainable from the Principal Paying Agent within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Variable Rate Notes may be held, resold or surrendered to the Principal Paying Agent for cancellation. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 10 and 11.

(ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes, Floating Rate Notes or Hybrid Notes purchased by the Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit any Notes to be purchased with the Principal Paying Agent at its specified office together with all Coupons relating to such Notes which mature after the date fixed for purchase, together with a duly completed option exercise notice in the form obtainable from the Principal Paying Agent within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Notes may be held, resold or surrendered to the Principal Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 10 and 11.

**(d) Redemption at the Option of the Issuer**

If so provided hereon, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples

thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Notes.

**(e) Redemption at the Option of Noteholders**

If so provided hereon, the Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to the date fixed for redemption. To exercise such option, the holder must deposit such Note (together with all unmatured Coupons) with the Principal Paying Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Principal Paying Agent or the Issuer (as applicable) within the Noteholders' Redemption Option Period shown on the face hereof. Any Note so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

**(f) Redemption for Taxation Reasons**

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero Coupon Notes) Early Redemption Amount (as defined in Condition 5(i) below) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent a certificate signed by a duly authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal, tax or any other professional advisers of recognised standing to the effect that the Issuer has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

**(g) Redemption upon Cessation or Suspension of Trading of Shares**

In the event that (i) the shares of the Issuer cease to be traded on the SGX-ST or (ii) trading in the shares of the Issuer on the SGX-ST is suspended for a continuous period of more than seven days (other than by reason of holiday, statutory or otherwise), the Issuer shall, at the option of the holder of any Note, redeem such Note at its Redemption Amount together with interest accrued to the date fixed for redemption on the date falling 45 days after the Effective Date. In this Condition 5(g), "**Effective Date**" means (in the case of (i)) the date of cessation of trading or (in the case of (ii)) the business day immediately following the expiry of such continuous period of seven days. The Issuer shall within seven days after the Effective Date, give notice to the Trustee, the Principal Paying Agent and the Noteholders of the occurrence of the event specified in this Condition 5(g) (provided that any failure by the Issuer to give such notice shall not prejudice any Noteholder of such option). To exercise such option, the holder must deposit such Note (together with all unmatured Coupons) with the Principal Paying Agent at its specified office, together with an Exercise Notice in the form obtainable from the Principal Paying Agent or the Issuer (as applicable) not later than 21 days after the Effective Date. Any Note so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

**(h) Purchases**

The Issuer or any of its related corporations may at any time purchase Notes at any price (provided that they are purchased together with all unmatured Coupons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Notes purchased by the Issuer or any of its related corporations may be surrendered by the purchaser through the Issuer to the Principal Paying Agent for cancellation or may at the option of the Issuer or relevant related corporation be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

**(i) Early Redemption of Zero Coupon Notes**

(i) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 5(f) or upon it becoming due and payable as provided in Condition 9, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(f) or upon it becoming due and payable as

provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 4(IV).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown on the face of the Note.

**(j) Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its related corporations may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons to the Principal Paying Agent at its specified office and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold.

**6. Payments**

**(a) Principal and Interest**

Payments of principal and interest in respect of the Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of the Principal Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

**(b) Payments subject to law etc.**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

**(c) Appointment of Agents**

The Paying Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Non-CDP Paying Agent or the Agent Bank and to appoint additional or other Paying Agents, provided that it will at all times maintain a principal paying agent having a specified office in Singapore and (in the case of Notes which are not cleared through the Depository) a non-CDP paying agent.

Notice of any such change or, if the Trustee considers it necessary, of any change of any specified office will promptly be given to the Noteholders in accordance with Condition 15.

The Issuer, the Paying Agents and the Trustee may, without the consent of any Noteholder or Couponholder, agree to the modification of any of the provisions of the Agency Agreement which is of a formal, minor or technical nature, which is made to correct a manifest error or to comply with mandatory provisions of Singapore law, which is required by Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in which the Notes may be held or which the Issuer, the Paying Agents and the Trustee may mutually deem necessary or desirable and which is not materially prejudicial to the interests of the Noteholders or Couponholders. Any such modification shall be binding on the Noteholders and Couponholders.

**(d) Unmatured Coupons**

(i) Fixed Rate Notes and Hybrid Notes should be surrendered for payment together with all unmatured Coupons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Floating Rate Note, Variable Rate Note or Hybrid Note, unmatured Coupons relating to such Note (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Where any Floating Rate Note, Variable Rate Note or Hybrid Note is presented for redemption without all unmatured Coupons relating to it (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iv) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note.

**(e) Non-business days**

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

**(f) Default Interest**

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes or, as the case may be, the Coupons, the Issuer shall pay interest on the amount so unpaid from such due date up to the day of actual receipt by the relevant Noteholders or, as the case

may be, Couponholders (as well after as before judgment) at a rate per annum determined by the Principal Paying Agent to be equal to two per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note, (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of a Zero Coupon Note, as provided for in the relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Principal Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the Day Count Fraction shown on the face of the Note and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the Issuer.

**7. Taxation**

All payments in respect of the Notes and the Coupons by the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Singapore otherwise than by reason only of the holding of such Note or Coupon or the receipt of any sums due in respect of such Note or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, Singapore);

(b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or

(c) by, or on behalf of, a holder who would be able to lawfully avoid (but has not so avoided) such deduction or withholding by making a declaration or any other statement including, but not limited to, a declaration of residence or non-residence, but fails to do so.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders in accordance with Condition 15 that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 5, "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 and any reference to

"**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**interest**" and/or "**Early Redemption Amounts**" shall be deemed to include any additional amounts which may be payable under these Conditions.

## 8. Prescription

The Notes and Coupons shall become void unless presented for payment within five years from the appropriate Relevant Date for payment.

## 9. Events of Default

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, in each case, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, give notice in writing to the Issuer that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to the date of payment shall become immediately due and payable:

(a) the Issuer does not pay any sum in respect of principal payable by it under any of the Notes when due or the Issuer does not pay any sum in respect of interest or other amounts payable by it under any of the Notes within three business days of its due date, in each case at the place at and in the currency in which it is expressed to be payable;

(b) the Issuer does not perform or comply with any one or more of its obligations (other than the payment obligation of the Issuer referred to in paragraph (a)) under any of the Issue Documents (as defined in the Trust Deed) or any of the Notes and, if that default is capable of remedy, it is not remedied within 21 days of the Trustee giving written notice to the Issuer of the failure to perform or to comply and requiring the same to be remedied;

(c) any representation, warranty or statement by the Issuer in any of the Issue Documents or any of the Notes or in any document delivered under any of the Issue Documents or any of the Notes is not complied with in any respect or is or proves to have been incorrect in any respect when made or deemed repeated and, if the circumstances resulting in such non-compliance or incorrectness is capable of remedy, it is not remedied within 21 days of the Trustee giving written notice to the Issuer of such non-compliance or incorrect representation, warranty or statement and requiring the circumstances resulting in such non-compliance or incorrectness to be remedied;

(d) (i) any other indebtedness of the Issuer or any of its Principal Subsidiaries in respect of borrowed moneys is or is declared to be or is capable of being rendered due and payable prior to its stated maturity by reason of any event of default or the like (however described) or is not paid when due (taking into account any applicable grace period originally applicable thereto) or, as a result of any event of default or the like (however described) any facility relating to any such indebtedness is or is declared to be or is capable of being cancelled or terminated before its normal expiry date or any person otherwise entitled to use any such facility is not so entitled; or

(ii) the Issuer or any of its Principal Subsidiaries fails to pay when properly called upon to do so any guarantee of indebtedness for borrowed moneys,

provided however that no Event of Default will occur under paragraph (d)(i) or (d)(ii) above unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned above in paragraphs (d)(i) and (d)(ii) has/have occurred equals or exceeds S$5,000,000 (or its equivalent in other currency or currencies);

(e) the Issuer or any of its Principal Subsidiaries is (or is deemed by law or a competent court to be) insolvent or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its indebtedness, begins negotiations or takes any other step with a view to the deferral, rescheduling or other readjustment of all or a material part of (or of a particular type of) its indebtedness (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) the indebtedness of the Issuer or any of its Principal Subsidiaries;

(f) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days;

(g) any security on or over the whole or a material part of the property or assets of the Issuer or any of its Principal Subsidiaries becomes enforceable or any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

(h) any step is taken by any person with a view to the winding-up of the Issuer or any of its Principal Subsidiaries (except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or the Noteholders by way of an Extraordinary Resolution before that step is taken or (ii) (in the case of a Principal Subsidiary only) where such winding-up does not involve insolvency, such Principal Subsidiary is able to pay all of its creditors in full and such event does not have a material adverse effect on the Issuer) or any step is taken for the appointment of a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer or any of its Principal Subsidiaries or over the whole or a material part of the property or assets of the Issuer or any of its Principal Subsidiaries;

(i) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or (otherwise than as permitted by, and in accordance with, the provisions of Clause 15.29 of the Trust Deed) disposes or threatens to dispose of the whole or a material part of its property or assets;

(j) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;

(k) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done for any of the purposes stated in Clause 14.3 of the Trust Deed is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable);

(l) it is or will become unlawful for the Issuer to perform or comply with any one or more of its payment or other material obligations under any of the Issue Documents or any of the Notes;

(m) any of the Issue Documents or any of the Notes ceases for any reason (or is claimed by the Issuer not) to be the legal and valid obligations of the Issuer, binding upon it in accordance with its terms;

(n) any litigation, arbitration or administrative proceeding against the Issuer or any of its Principal Subsidiaries is current or pending (other than those of a frivolous or vexatious nature which are being contested in good faith and by appropriate proceedings) (i) to restrain the exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of the Issuer under any of the Issue Documents or any of the Notes or (ii) which has or is reasonably likely to have a material adverse effect on the Issuer;

(o) any event occurs which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events mentioned in paragraph (e), (f), (g), (h) or (j); and

(p) the Issuer or any of its Principal Subsidiaries is declared by the Minister of Finance to be a declared company under the provisions of Part IX of the Companies Act, Chapter 50 of Singapore.

In these Conditions:

(1) "**Principal Subsidiary**" means any subsidiary of the Issuer:

(A) whose net tangible assets, as shown by the accounts of such subsidiary (adjusted for all intra-group balances) (consolidated in the case of a corporation which itself has subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, are at least 10 per cent. of the net tangible assets of the Group as shown by such audited consolidated accounts; or

(B) whose gross revenue, as shown by the accounts of such subsidiary (adjusted for all intra-group balances) (consolidated in the case of a corporation which itself has subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, is at least 10 per cent. of the consolidated gross revenue of the Group as shown by such audited consolidated accounts,

provided that if any such subsidiary (the "**transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another subsidiary or the Issuer (the "**transferee**") then:

(aa) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to become a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and

(bb) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any subsidiary which becomes a Principal Subsidiary by virtue of (aa) above or which remains or becomes a Principal Subsidiary by virtue of (bb) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the net tangible assets or, as the case may be, the gross revenue as shown by

the accounts of such subsidiary (consolidated in the case of a corporation which itself has subsidiaries), based upon which such audited consolidated accounts have been prepared, to be less than 10 per cent. of the net tangible assets or, as the case may be, the gross revenue of the Group, as shown by such audited consolidated accounts. A report by the Auditors (as defined in the Trust Deed), who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive; and

(2) "**subsidiary**" has the meaning ascribed to it in Section 5 of the Companies Act.

**10. Enforcement of Rights**

At any time after an Event of Default has occurred or after the Notes shall have become immediately due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes, together with accrued interest, and/or to enforce the provisions of the Issue Documents but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding not less than 25 per cent. in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing.

**11. Meeting of Noteholders and Modifications**

The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

The Trustee or the Issuer at any time may, and the Trustee upon the request in writing by Noteholders holding not less than one-tenth of the principal amount of the Notes of any Series for the time being outstanding and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall, convene a meeting of the Noteholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (c) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any Interest Amount in respect of the Notes, (d) to vary any method of, or basis for, calculating the Redemption Amount or the Early Redemption Amount including the method of calculating the Amortised Face Amount, (e) to vary the currency or currencies of payment or denomination of the Notes, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (g) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Noteholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in which the Notes may be held and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

**12. Replacement of Notes and Coupons**

If a Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent, or at the specified office of such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 15, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note or Coupon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note or Coupon) and otherwise as the Issuer may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

**13. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes of any Series and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

**14. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed also contains a provision entitling the Trustee or any corporation related to it to enter into business transactions with the Issuer or any of its subsidiaries without accounting to the Noteholders or Couponholders for any profit resulting from such transactions.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

## 15. Notices

Notices to the holders will be valid if published in a leading newspaper in the English language of general circulation in Singapore (or, if the holders of any Series of Notes can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in *The Business Times*. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders in accordance with this Condition 15.

Until such time as any Definitive Notes are issued, there may, so long as the Global Note(s) is or are held in its or their entirety on behalf of Euroclear, Clearstream, Luxembourg and/or the Depository, be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of the Depository) the Depository for communication by it to the Noteholders, except that if the Notes are listed on the SGX-ST and the rules of such exchange so require, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or the Depository.

Notices to be given by any Noteholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or Non-CDP Paying Agent. Whilst the Notes are represented by a Global Note, such notice may be given by any Noteholder to the Principal Paying Agent or, as the case may be, the Non-CDP Paying Agent through Euroclear, Clearstream, Luxembourg and/or the Depository in such manner as the Principal Paying Agent or, as the case maybe, the Non-CDP Paying Agent and Euroclear, Clearstream, Luxembourg and/or the Depository may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identities and addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

## 16. Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

## 17. Governing Law

The Trust Deed, the Notes and the Coupons are governed by, and shall be construed in accordance with, the laws of Singapore.

## 18. Jurisdiction

The courts of Singapore are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes or the Coupons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

**Principal Paying Agent**
Deutsche Bank AG, Singapore Branch
One Raffles Quay
#16-00 South Tower
Singapore 048583

**Non-CDP Paying Agent**
Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

# THE ISSUER

## 1. HISTORY AND OVERVIEW

King Wan Corporation Limited was incorporated in Singapore on 8 February 2000 as a private company limited by shares and was known as "King Wan Corporation Pte Ltd". It subsequently converted to a public company limited by shares and adopted its name King Wan Corporation Limited on 7 November 2000. The Issuer was listed on the Catalist Board of the SGX-ST on 6 December 2000 and was transferred to the Main Board of the SGX-ST on 21 October 2003.

The Group's operating history can be traced back to 1 October 1977 when it first began its operations. Through the Group's wholly-owned subsidiary King Wan Construction Pte. Ltd. ("**KWC**"), the Group started out by providing mechanical and electrical ("**M&E**") engineering services to main contractors in the building and construction industry in Singapore with a focus on providing electrical engineering and plumbing and sanitary systems installation services for the Housing and Development Board's ("**HDB**") residential projects. Complementary to its M&E engineering segment, the Group expanded into the provision of environmentally friendly mobile lavatories and ancillary facilities for public and nation-wide events in 1996.

Today, the Group is principally engaged in the provision of M&E engineering and mobile sanitary services. The Group has a proven track record of more than 36 years in the M&E engineering business and provides a broad range of M&E engineering services for the building and construction industry which include, amongst others, the design and installation of electrical engineering, plumbing and sanitary, fire protection and alarm, air-conditioning and mechanical ventilation, and communication and security systems. With the Group's vast experience amassed in the M&E engineering business since its early days, the Group has consolidated its market leadership in Singapore with its commitment to provide cost-effective and multi-disciplined M&E engineering services. The Group has successfully completed a wide range of M&E engineering projects for public residential, private residential, commercial, institutional and industrial sectors. The Group's mobile sanitary services business has also grown over the past two decades with the expansion of its service fleet to include more than 1,000 portable lavatories with a diverse range of designs and specifications. In FY 2014, the Group's M&E engineering business continued to drive overall revenue, contributing S$91.67 million, representing approximately 96 per cent. of the Group's total revenue whilst the Group's mobile sanitary services business contributed S$3.72 million, representing approximately 4 per cent. of the Group's total revenue for the year ended 31 March 2014.

As part of the Group's diversification strategy, the Group has expanded its commercial interests beyond its M&E engineering and mobile sanitary services businesses to include investments in three other business segments, namely, property development and investment, vessel ownership and chartering and workers' dormitory since it transferred its listing to the Main Board of the SGX-ST. In 2004, the Group expanded into the property development business by participating in property development projects in China and Singapore through its acquisition of equity stakes in Dalian Shicheng Property Development Co., Ltd and Meadows Bright Development Pte Ltd ("**MBD**"). The Group, through its associates, currently engages in the development, marketing, sale and ownership of residential and commercial properties in Singapore, China and Thailand. In 2013, the Group expanded into the vessel ownership and chartering business when it acquired a Supramax asset class bulk carrier for the transportation of dry bulk commodities. In 2014, the Group ventured into the workers' dormitory business through its participation in a consortium which will be involved in the design, development and operation of one of the largest workers' dormitory projects in Singapore.

In addition to the Group's investment portfolio, the Group recently acquired a minority stake in Kaset Thai International Sugar Corporation Public Company Limited ("**KTIS**") as part of the consideration for the Group's divestment of its two Thai manufacturing associates to KTIS in 2012.

Presently, the Group has organised its businesses and operations into the following segments:

(a) M&E engineering;

(b) mobile sanitary services;

(c) investment holdings comprising investments in the following businesses:

  (i) property development and investment;

  (ii) vessel ownership and chartering; and

  (iii) workers' dormitory; and

(d) investment in quoted equity.

A breakdown of the Group's revenue and profit before tax by business segment for the financial years ended 31 March 2012, 31 March 2013 and 31 March 2014 is set out below:

**REVENUE**

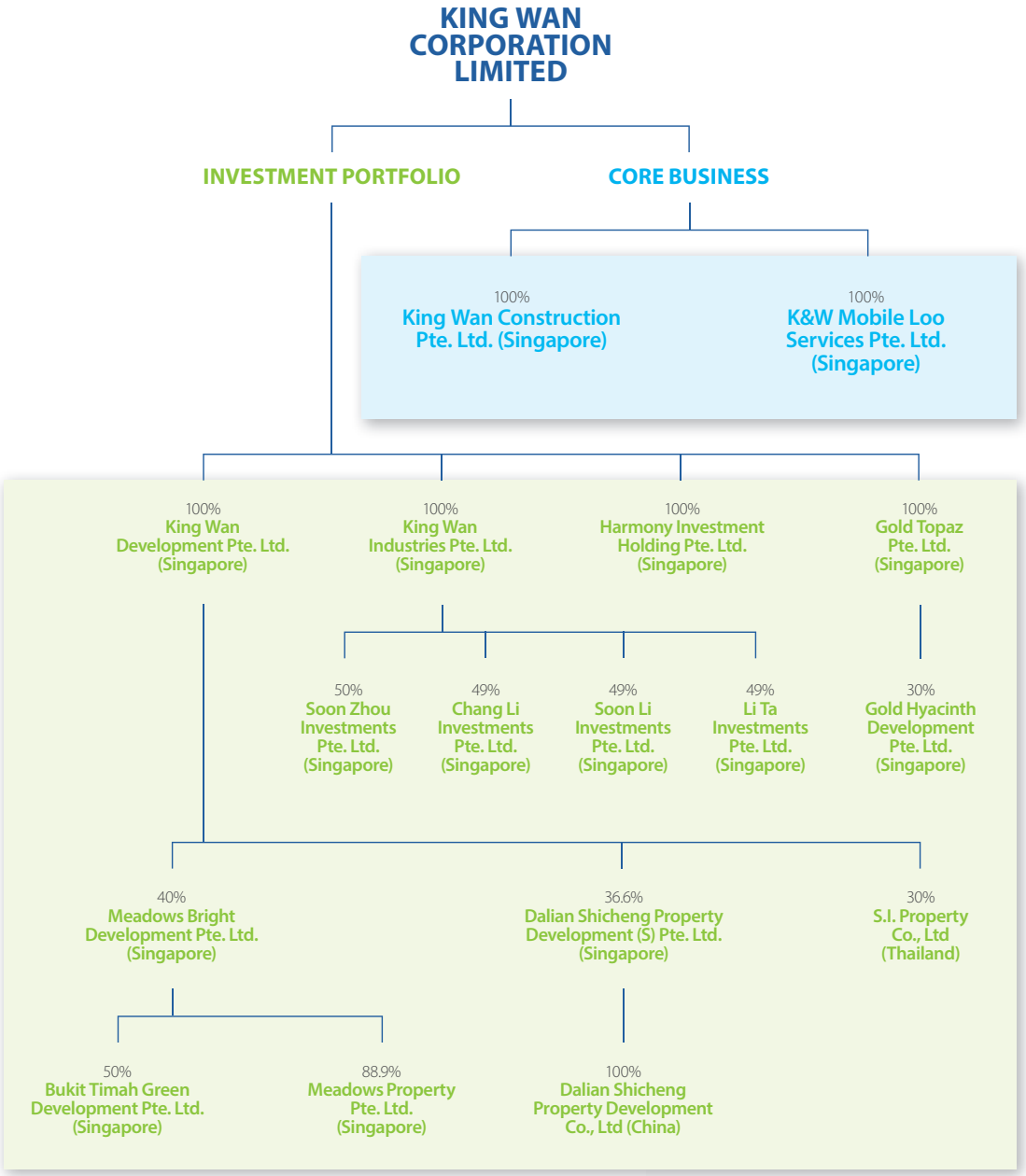
| | FY 2012 | | FY 2013 | | FY 2014 | |
|---|---|---|---|---|---|---|
| **Business Segment** | **(S$'000)** | **(%)** | **(S$'000)** | **(%)** | **(S$'000)** | **(%)** |
| M&E Engineering | 54,744 | 95.7 | 63,422 | 95.7 | 91,666 | 96.1 |
| Mobile Sanitary Services | 2,468 | 4.3 | 2,883 | 4.3 | 3,721 | 3.9 |
| Investment Holding | – | – | – | – | – | – |
| **Total revenue** | **57,212** | **100** | **66,305** | **100** | **95,387** | **100** |

**PROFIT BEFORE TAX**

| | FY 2012 | | FY 2013 | | FY 2014 | |
|---|---|---|---|---|---|---|
| **Business Segment** | **(S$'000)** | **(%)** | **(S$'000)** | **(%)** | **(S$'000)** | **(%)** |
| M&E Engineering | 7,798 | 48.7 | 6,833 | 79.6 | 6,351 | 76.8 |
| Mobile Sanitary Services | 13 | 0.1 | 112 | 1.3 | 587 | 7.1 |
| Investment Holding | 8,213 | 51.2 | 1,641 | 19.1 | 1,330 | 16.1 |
| **Total profit before tax** | **16,024** | **100** | **8,586** | **100** | **8,268** | **100** |

## 2. CORPORATE STRUCTURE

The corporate structure of the Group as at the Latest Practicable Date is set out below:



## 3. BUSINESS

The business activities of the Group are divided into the following segments:

(a) M&E engineering;

(b) mobile sanitary services;

(c) investment holdings comprising investments in the following businesses:

  (i) property development and investment;

  (ii) vessel ownership and chartering; and

  (iii) workers' dormitory; and

(d) investment in quoted equity.

### A. M&E Engineering

***Business Overview***

The Group's history can be traced back to 1977 when it first began its operations as a plumbing and electrical works contractor in the M&E engineering industry. Presently, the Group's broad spectrum of M&E engineering services include the design and installation of plumbing and sanitary, electrical engineering, fire protection and alarm, air-conditioning and mechanical ventilation, and communication and security systems. With over 36 years of experience in the M&E engineering business, the Group has established itself as a leading M&E engineering services provider capable of completing a diverse range of M&E engineering projects for public residential, private residential, commercial, institutional and industrial sectors in a reliable, timely and efficient manner. Notable projects completed by the Group include the Singapore Sports Hub, Carlton City Hotel, Pinnacle @ Duxton, Scotts Square, The Hamilton Scotts and the Oasia Hotel and Novena Specialist Centre projects. Major ongoing projects undertaken by the Group include the Junction 9 and Nine Residences @ Yishun Avenue 9, Tampines Hub, Crown Plaza Hotel Extension, Royal Square @ Novena and the Overseas Family School projects.

Most of the Group's project owners are established names, ranging from government bodies such as HDB and Jurong Town Corporation to major contractors and/or property developers such as Far East Organisation, City Developments Limited, Dragages Singapore Pte Ltd, Kajima Overseas Asia Pte Ltd, China Construction (South Pacific) Development Co. Pte. Ltd., Tiong Seng Contractors (Private) Limited, Woh Hup (Private) Limited, CEL Property Investment Pte. Ltd., Tiong Aik Construction Pte Ltd, Straits Construction Singapore Private Limited and Chip Eng Seng Contractors (1988) Pte Ltd.

As a testimony to the Group's reliability and efficiency, the Group has established a record of building long-standing relationships with most of its customers. For example, Straits Construction Singapore Private Limited and Tiong Aik Construction Pte Ltd have been customers of the Group for more than 20 years, and China Construction (South Pacific) Development Co. Pte. Ltd. and Chip Eng Seng Contractors (1988) Pte Ltd have been customers of the Group for more than 15 years. Customers such as CES Engineering & Construction Pte. Ltd., Dragages Singapore Pte Ltd, Greatearth Construction Pte Ltd, Hexacon Construction Pte Ltd, Hock Guan Cheong Builder Pte. Ltd. and Lum Chang Building Contractors Pte Ltd. have been with the Group for more than 10 years. LC&T Builder (1971) Pte. Ltd., Shimizu Corporation, Tiong Seng Contractors (Private) Limited, Wee Hur Construction Pte Ltd and Woh Hup (Private) Limited have been the Group's customers for more than five years.

As at the Latest Practicable Date, the Group possesses the highest "L6" BCA grading and second highest "L5" BCA grading in the following workheads of the M&E engineering categories under the contractors' registry administered by the BCA:

| Workhead | Description | Grading |
|---|---|---|
| ME12 | Plumbing and Sanitary Works | L6 |
| ME15[1] | Integrated Building Services | L6 |
| ME05 | Electrical Engineering | L6 |
| ME01 | Air-Conditioning, Refrigeration and Ventilation Works | L5 |

The "L6" BCA grade allows the holder to bid for all public sector contracts in Singapore in the relevant workhead category of unlimited contract value. As at the Latest Practicable Date, the Group is one of four companies in Singapore to possess the "L6" BCA grading in the ME12 (Plumbing and Sanitary Works) workhead category in the M&E engineering industry. The second highest "L5" BCA grading allows the Group to bid for public sector contracts in Singapore in the relevant workhead category of up to S$14 million in contract value.

As at the Latest Practicable Date, the Group has secured an order book of approximately S$163.6 million in new M&E engineering contracts, most of which have commenced and are scheduled to be completed by 2017. Among these projects, S$25.5 million worth of such contracts were secured between May 2014 and July 2014.

The Group prides itself in its ability to provide reliable, timely and efficient services as its core competencies and recognises these traits to be a major contributor to its success in the M&E engineering business. The Group regularly provides training opportunities for its staff through on-the-job training and external training programmes and as a result, the Group's project managers and employees are experienced and well equipped to ensure timely completion of the projects undertaken without compromising on safety or quality standards.

The Group's diverse range of M&E engineering services are set out below:

(a) Plumbing and Sanitary Systems

Plumbing and sanitary systems form an intricate and important part of any building development. Any water service installation for the supply of water from the public water mains to any building development, and the installation and execution of all plumbing, sanitary and drainage works is to be certified by a PUB licensed water service plumber.

---

[1] Under BCA's mechanical and electrical ("**ME**") registration requirements, this workhead category involves the installation, commissioning, maintenance and repairs of building services.

To be registered at L6 under ME15, firms must already be registered at L4 and above under ME01 or ME05, registered at L6 under ME01 or ME05 and registered at L2 and above in at least one of the following categories: ME02, ME04, ME06, ME08, ME11 or ME12.

Source: BCA's "*Mechanical and Electrical Workhead Specific Registration Requirements – August 2014 Edition*", accessible at http://www.bca.gov.sg/ContractorsRegistry/others/Registration_ME.pdf.

The plumbing and sanitary works may be classified into several sub-categories:

*(i) Water Distribution System*

The Group's plumbing and sanitary division is responsible for the installation of distribution systems in buildings. The water supply distribution system in any building must be designed to ensure that pipes containing drinking and culinary water, potable water and impure water are segregated. It is of utmost importance that the water supply provided for drinking and culinary purposes must not be contaminated.

When installing the water piping system to distribute water within a premise, the Group is required to ensure that there is adequate water pressure. The Group carries out the installation of water distribution systems in both low-rise and high-rise buildings. To regulate and maintain a constant pressure of water flow, low-level suction tanks, high-level storage tanks, transfer pumping systems, pipes and fittings and valves are typically installed to achieve this purpose.

The Group also installs hot and cold water supply pipes to all taps or mixers of wash basins, kitchen sinks, showers, baths and water closets. The Group also installs fixtures, fittings and water heaters.

*(ii) Automatic Time-Controlled Refuse Chute Flushing System*

The Group installs water flushing systems which can be activated automatically at pre-set times by an electrical timer. This automated flushing system is usually used to clean refuse or rubbish chutes.

*(iii) Sanitary System*

The Group installs sanitary systems, consisting of a network of pipes for sewage and waste water drainage. This sanitary system is required to dispose of discharges from sanitary wares and waste pipelines quietly without posing nuisance or health hazards to the occupants in the building.

When installing a sanitary system, the Group is required to ensure that the pipes are suitably designed and installed to guard against fouling, deposit of solids and clogging. The sanitary system must have adequate built-in passage ways to allow the sanitary pipes to be readily cleaned and maintained.

The system must also be designed and installed to provide adequate circulation of air in all pipes with no danger of leakages or blockages. In this regard, the sanitary drainage system must have a safety outlet to minimise the possibilities of clogging and the return of foul air to the building. The Group also carries out minor sewage works such as connecting a sewage system within a premise to the public sewage system.

*(iv) Rainwater Harvesting*

Rainwater harvesting is an innovative alternative water supply technology which involves the process of collecting, diverting and storing rainwater from an area for direct or future use. The Group's adoption of this technology represents its efforts to align its M&E engineering business with the industry's growing emphasis on environmentally sustainable living by maximising efficiency of water and energy resources and reducing the total ecological footprint.

The Group's rainwater harvesting system is designed to capture rainwater efficiently and to store it for future use. This system has the potential of being used to supply water for non-portable uses, such as for landscape use or vehicle or car park washing. The Group has designed and installed this system for The Arte @ Jalan Datoh and Parc Centros @ Punggol Central projects and expects the adoption of this technology to become increasingly popular in the near future.

*(v) Greywater Recycling*

The Group has also adopted greywater recycling as an alternative source of water in its efforts to promote an ecologically sustainable development. "Greywater" refers to untreated used water which has not come into contact with toilet waste. It includes used water from showers, bathtubs and wash basins which is capable of being recycled into water for non-potable use, such as toilet flushing. The Issuer believes that the use of greywater recycling as an alternative water source represents an important step towards a more sustainable living environment.

*(vi) Others*

The Group's other installation services include the installation of underground sanitary pipes which are used for the discharge of soil and waste water disposal systems for car parks.

(b) Electrical Engineering Systems

The Group possesses the ability to take on the design and installation of electricity distribution systems for buildings. The electricity distribution system comprises networks of electrical cables and equipment to distribute electricity from the electrical sub-stations to the end users. The Group installs the main switchboards which receive electricity supply directly from PUB and also installs cables and connections to electrical switchboards.

Further, the Group also offers the installation of high and low voltage switchgears and earthing systems to prevent any dangerous over voltages or excessive current on devices that can conduct electricity. The earthing system also provides a secondary means for lightning protection, removes excessive electrical current and seeks to reduce or eliminate power surges in household electrical appliances.

(c) Air-Conditioning and Mechanical Ventilation Systems

The Group offers the design, installation, maintenance and replacement of air-conditioning and mechanical ventilation systems to residential, institutional and commercial buildings and mixed developments and specialist services such as engineered smoke control systems and building management systems for commercial buildings. The Group's design and build capabilities include the installation of energy efficient air-conditioning systems using a central chilled water plant for commercial buildings and mixed developments and direct expansion air-conditioning systems for residential and smaller commercial buildings. The Group is committed to preventing and reducing energy wastage and minimising the environmental impact for buildings whilst ensuring optimum system performance in its air-conditioning and mechanical ventilation systems.

(d) Fire Protection and Alarm Systems

The Group is graded "L3" by the BCA in this M&E engineering workhead category which allows it to take on installation of fire protection and alarm systems projects with contract value of up to S$4.2 million. The Group's fire protection systems include the installation of fire hose reels, automatic sprinkler systems, wet riser systems, dry riser systems, fire hydrant systems and fire extinguishers. The Group's systems are designed to comply with the Singapore Code of Practice which is promulgated by the Singapore Standards, Productivity and Innovation Board.

(e) Communication and Security Systems

The Group is graded "L1" by the BCA in this M&E engineering workhead category which allows it to take on communication and security systems works of up to S$700,000 in contract value.

The Group installs broadband reception systems that integrate microwave and satellite links via coaxial or fibre optic cables. These central television antenna and master television antenna systems utilise broadband communication technology and are capable of delivering more than 100 television channels simultaneously.

The Group also offers installation services for security systems which include intrusion alarm systems, surveillance television systems, card access systems, and electromagnetic door locks.

The Group's M&E engineering capability also extends to the installation of phone and facsimile lines complete with all sockets, private automatic branch exchange accessories and key phone systems in compliance with the Code of Practice promulgated by the Infocomm Development Authority of Singapore.

(f) Underground Telecommunications Systems

The Group also installs basic telephone wiring facilities involving the installation of underground pipes, cable trays, trunkings and conduits. Such works will also include the construction of plant rooms, manholes, pipelines and riser ducts.

(g) Solar Panels

The Group has been involved in the design and installation of solar panel systems in its efforts to promote the use of sustainable technologies. The Group has installed solar panel systems for both lighting and hot water systems. Some of these projects include public residential projects such as Wellington Circle @ Sembawang and private residential projects such as Mont Timah @ Hindhede Drive, Blossom Residences and Prive. The Issuer believes that there is significant growth potential in this segment.

***Operating Process***

Set out below is a diagrammatic depiction of the operation process for the Group's M&E engineering projects:




(a) Solicitation of Tender

The Group secures its M&E engineering projects through open tenders for public sector projects and closed/invited tenders for private sector projects. Information on open tenders is generally available via tender notices through the Government Electronic Business (GEBiz) procurement portal, newspapers and various other publications. Participation in closed/invited tenders is at the invitation of the main contractors and/or property developers for the project which would have shortlisted the Group based on their initial assessment of the Group's track record, manpower resources and other requirements of the relevant project.

(b) Pre-tender Preparation and Submission of Tender

The Group's tender committee of executive directors oversees the pre-evaluation procedures until the completion of the project.

Prior to the submission of a tender, the Group's tender committee conducts (i) reviews of the tender documents to ascertain the requirements and specifications of the project; (ii) evaluations on the availability of resources to ensure that the Group has sufficient resources in place to allocate and complete the project on schedule; (iii) clarifications on the ambiguities in the tender documents with the contractor or project developer; and (iv) internal costing and budgetary evaluations on costs based on the requirements and specifications of the tender to estimate the pricing of the tender.

After finalising the tender price, the Group will submit the tender documents which typically would include the schedule of rates (including technical rates), drawings, sketches and programmes.

(c) Interviews by Consultants and Clients

If the Group's tender has been shortlisted, the consultants or clients may request for the Group to attend tender interviews to clarify certain issues such as pricing, materials and construction methods. In certain instances, there may also be negotiations to finalise the terms of the tender before the contract is awarded.

(d) Award of Contract

For public sector projects, the Group will typically be notified of its successful tenders within three months after the close of tender. For private sector projects, contracts are typically awarded only after a comprehensive presentation by the Group's tender committee and after several rounds of interviews and clarifications with the clients and their consultants, for which the whole process may take up to six months from the submission of the tenders. Once the tender has been awarded, an official letter of award will be issued by the client.

(e) Formation of Project Team and Preparation of Project Plan

Upon the award of a contract, the Group will assemble a project team, which will usually consist of the project manager, engineers, site supervisors and quantity surveyors to manage the project on a full-time basis. The project team is responsible for the formulation of the project execution plan which would set out the functions and responsibilities of the parties involved, plant and equipment utilisation requirements, manpower and construction schedules and budget and costing for the project.

Site inspections and regular meetings will be held with the various project parties to, amongst others, monitor the progress of the project, monitor the materials usage and labour allocation, manage and co-ordinate the work of all parties, ensure adherence to the project specifications, safety requirements and industry standards at the worksite to ensure timely completion and handover of the project to the developer and/or main contractor.

(f) Appointment of Sub-Contractors and Suppliers

After the Group has been notified of the award of a contract, the Group may engage various sub-contractors and suppliers based on the construction schedule.

Sub-contractors and suppliers are chosen based on factors such as their proven track record, the quality of performance and products and competitiveness in terms of their pricing.

(g) Construction/Installation

Building and civil engineering construction may be divided into two main areas, namely, sub-structure works and super-structure works. Sub-structure works which are undertaken first include piling, the construction of pile caps, ground and basement beams and slabs. Super-structure works comprise the construction of upper storey beams, columns, floor slabs and walls, mainly through pre-cast components although cast-in-situ construction is also employed.

Concurrent with the construction of the super-structure works being done floor by floor, M&E engineering works are performed. These M&E engineering works include the installation of air-conditioners, electrical engineering works, sanitary and plumbing works and fire protection systems. Thereafter, the finishing architectural works such as tiling, plastering and painting are

carried out. During the construction process, the project manager or designated staff ensures that appropriate quality planning and measures are carried out, so as to meet the specified requirements for the project.

(h) Variation Orders and Handover of Project

During the course of the Group's projects, the Group may be required to perform additional works which were not specified in the original contract specifications or to carry out variations to the original specifications. As these are outside the scope of the original contract, the variation orders have to be separately documented and acknowledged by the main contractor and the contract value separately negotiated.

Upon completion of the project, the Group will officially handover the project to the developer and/or the main contractor after it has conducted all the necessary inspections, checks and commissioning to ensure compliance with the project specifications and the applicable code of practice.

(i) Maintenance Works after Handover of Project

The Group's M&E engineering contracts would typically include a defects liability period of 12 to 18 months. During this defects liability period, the Group's customers will continue to retain the performance bond that was provided to them at the commencement of the project and the Group will be responsible for making good any defects found in the completed project. The Group's customers will additionally retain a sum, typically 2.5 per cent. of the contract value, during the defects liability period.

***Significant Projects***

The Group secured M&E engineering projects with contract values of approximately S$93 million, S$60 million and S$77 million for FY 2012, FY 2013 and FY 2014 respectively. Notable projects which have been completed by the Group as at the Latest Practicable Date include the Singapore Sports Hub, Carlton City Hotel, Pinnacle @ Duxton, Scotts Square, The Hamilton Scotts and the Oasia Hotel and Novena Specialist Centre projects. The Group has successfully completed more than 400 M&E engineering projects over the past 36 years which include projects in the public and private residential, commercial, institutional and industrial sectors.

The Group's major on-going projects include the Junction 9 and Nine Residences @ Yishun Avenue 9, Tampines Hub, Crown Plaza Hotel Extension, Royal Square @ Novena and the Overseas Family School projects.

(a) Completed Projects

In the last three years, the Group has completed M&E engineering projects worth approximately S$175 million. The following is a list of the significant M&E engineering projects which have been completed by the Group.

*(i) Non-Residential*

| Project Name | Description of Works |
|---|---|
| Carlton City Hotel | Plumbing, sanitary and gas systems installation |
| Audi Car Showroom | Electrical engineering systems installation |
| Oasia Hotel and Novena Specialist Centre | Electrical engineering systems installation |
| Scotts Square | Air-conditioning and mechanical ventilation systems installation |
| Singapore Sports Hub | Plumbing, sanitary and gas systems installation |
| School of the Arts, Singapore | Plumbing, sanitary and gas systems installation |

*(ii) Residential*

| Project Name | Description of Works |
|---|---|
| Pinnacle @ Duxton | Plumbing, sanitary and gas systems installation |
| Oasis @ Elias | Air-conditioning, mechanical ventilation, plumbing, sanitary and gas systems installation |
| Punggol Field | Plumbing, sanitary and gas systems installation |
| Boulevard Vue @ Cuscaden Walk | Plumbing, sanitary and gas systems installation |
| Punggol Regalia | Plumbing, sanitary and gas systems installation |
| The Hamilton Scotts | Air-conditioning, mechanical ventilation, electrical engineering and fire protection systems installation |
| Queenstown RC25 | Plumbing, sanitary and gas systems installation |
| Sengkang N4C3 | Plumbing, sanitary and gas systems installation |
| Hougang N9C12 | Plumbing, sanitary and gas systems installation |
| No. 4 Ash Grove | Air-conditioning and mechanical ventilation systems installation |
| The Arte @ Jalan Datoh | Air-conditioning, mechanical ventilation, electrical engineering, plumbing, sanitary and gas systems installation |
| I Liv @ Grange | Air-conditioning and mechanical ventilation systems installation |
| Mont Timah @ Hindhede Drive | Plumbing, sanitary and gas systems installation |

| Project Name | Description of Works |
|---|---|
| L'Viv Condominium | Air-conditioning, mechanical ventilation and electrical engineering systems installation |
| Jurong East N4RC1 | Plumbing, sanitary and gas systems installation |
| 8 @ Woodleigh | Air-conditioning and mechanical ventilation systems installation |
| Marina Collection @ Sentosa Cove | Air-conditioning and mechanical ventilation systems installation |
| Sengkang N2C3B | Plumbing, sanitary and gas systems installation |
| Punggol East C30 (Punggol Spectra/ Punggol Central) | Plumbing, sanitary and gas systems installation |
| Jurong West N2C15 | Plumbing, sanitary and gas systems installation |
| Goodwood Residence | Plumbing, sanitary and gas systems installation |
| The Peak | Plumbing, sanitary and gas systems installation |
| Nouvel 18 Residences | Plumbing, sanitary and gas systems installation |
| Hilltop Grove Condominium | Plumbing, sanitary and gas systems installation |
| Sengkang N2C4 | Plumbing, sanitary and gas systems installation |
| Yishun N4C7 | Plumbing, sanitary and gas systems installation |
| Tampines N8C27 and N2C23 | Plumbing, sanitary and gas systems installation |
| Bukit Batok N2C3A | Plumbing, sanitary and gas systems installation |
| Pasir Ris N4C10 | Plumbing, sanitary and gas systems installation |

(b) Ongoing Projects

As at the Latest Practicable Date, the Group has 53 ongoing M&E engineering contracts with an order book valued at approximately S$163.6 million. Major ongoing M&E engineering projects as at the Latest Practicable Date include the following:

*(i) Non-Residential*

| Project Name | Description of Works |
|---|---|
| Junction 9 and Nine Residences @ Yishun Avenue 9 | Plumbing, sanitary, gas, electrical engineering, air-conditioning and mechanical ventilation systems installation |
| San Centre @ 171 Chin Swee Road | Air-conditioning and mechanical ventilation systems installation |

| Project Name | Description of Works |
|---|---|
| The Venue Residences and Shoppes @ Tai Thong Crescent | Plumbing, sanitary and gas systems installation |
| Royal Square @ Novena | Plumbing, sanitary and gas systems installation |
| Tampines Hub | Plumbing, sanitary and gas systems installation |
| Crown Plaza Hotel Extension | Plumbing, sanitary and gas systems installation |
| Selarang Camp | Plumbing, sanitary and gas systems installation |
| Overseas Family School | Plumbing, sanitary and gas systems installation |

*(ii) Residential*

| Project Name | Description of Works |
|---|---|
| Le Nouvel Ardmore | Air-conditioning, mechanical ventilation, electrical engineering, plumbing, sanitary and gas systems installation |
| Riversails | Plumbing, sanitary and gas systems installation |
| Woodlands N7C29 and C30 | Plumbing, sanitary and gas systems installation |
| Jewel @ Buangkok | Plumbing, sanitary and gas systems installation |
| Bukit Batok N1C13 and N2C23 | Plumbing, sanitary and gas systems installation |
| Parc Centros @ Punggol Central | Plumbing, sanitary and gas systems installation |
| Blossom Residences | Plumbing, sanitary and gas systems installation |
| Jurong West N6C31 | Plumbing, sanitary and gas systems installation |
| Waterwoods @ Punggol Field Walk | Plumbing, sanitary and gas systems installation |
| Ardmore Three @ Ardmore Park | Air-conditioning, mechanical ventilation and electrical engineering systems installation |
| Watercolours @ Pasir Ris | Plumbing, sanitary, gas and fire protection systems installation |
| The Scotts Tower | Air-conditioning and mechanical ventilation systems installation |
| Fulcrum @ Fort Road | Air-conditioning, mechanical ventilation, plumbing, sanitary and gas systems installation |
| The Skywoods @ Dairy Farm Road | Plumbing, sanitary and gas systems installation |
| Punggol East C44 | Plumbing, sanitary and gas systems installation |

| Project Name | Description of Works |
|---|---|
| Echelon @ Alexandra | Air-conditioning and mechanical ventilation systems installation |
| Tampines N4C27 | Plumbing, sanitary and gas systems installation |
| Sembawang N1C10 | Plumbing, sanitary and gas systems installation |

**B. Mobile Sanitary Services**

The Group is also a leading supplier of environmentally friendly portable lavatories in Singapore for the construction industry as well as for public and nation-wide events. With the Group's presence in the building and construction industry in Singapore, the Issuer believes that the provision of environmentally friendly portable lavatories is complementary to its M&E engineering business.

The Group's subsidiary, K&W Mobile Loo Services Pte Ltd, was established in Singapore in 1996 to offer rental services of environmentally friendly portable lavatories to the building and construction industry and public events. Since 1996, the Group has grown to own more than 1,000 portable lavatories and supplies, delivers, and services portable lavatories to construction sites and areas where outdoor public events are held. The Group's portfolio of well-maintained environmentally friendly portable lavatories boasts a wide range of designs and specifications to cater to the different needs of its customers.

Over the years, the Group has established good working relationships with its broad base of customers. Its customers include building contractors, event organisers and tentage operators such as the Ministry of Defence, SAFRA National Service Association, Chip Eng Seng Contractors (1988) Pte Ltd, China Construction (South Pacific) Development Co. Pte. Ltd. and Lian Beng Construction (1988) Pte Ltd.

The Group has supplied portable lavatories for the following major events in the last three years:

- National Day Parade
- Youth Olympic Games
- Standard Chartered Marathon Singapore
- OCBC Cycle Singapore
- Habitat-Barclays Bare Your Sole
- 2XU Compression Run
- SAFRA Singapore Bay Run & Army Half Marathon
- Race Against Cancer
- Singapore JP Morgan Chase Corporate Challenge
- Pocari Sweat Run
- POSB PAssion Run for Kids

- Green Corridor Run
- Shape Run
- NTUC Income RUN 350
- Films at the Fort
- Brooks Run Happy
- Safari Zoo Run
- Newton Challenge
- Run for Hope Singapore
- CSC Run by the Bay
- Marina Run
- MediaCorp Hong Bao Run

The Issuer believes that with a regular stream of business originating from the building and construction sector, and the rise in popularity of sports and outdoor entertainment activities in Singapore, this will contribute towards a steady demand for its environmentally friendly mobile sanitary services in the near future.

## C. Investment Holdings

### I. Property Development and Investment

***Business Overview***

2004 marked a milestone year for the Group as it made its first venture into the property development business. The extension into the property development business is part of the Group's diversification strategy and is complementary to the Group's vast experience and expertise in the M&E engineering business.

Over the years, the Group has, through its associates, grown its property development business to include projects such as The Inspira, The Starlight Suites and The Skywoods and has developed a reputation as a developer of quality residential developments. The property development projects undertaken by the Group in Singapore typically consist of high-rise residential developments such as apartments and condominiums. The Group's property developments are constructed mainly on freehold land acquired from private parties and leasehold land acquired from government agencies such as the Urban Redevelopment Authority (the "**URA**") or the Singapore Land Authority through public tenders.

The Group has also extended its geographical reach to China and Thailand through joint ventures with strategic and experienced partners in these regions. The Group is currently involved in a township development project in China and has invested in a commercial property in Thailand. Since the Group's venture into China, its Chinese associate has launched and completed six phases of its township development in Dalian City known as the "Singapore Garden". Its associate in Thailand currently owns and operates the commercial space on the property known as "Liberty Plaza" located at Soi Thonglor (Sukhumvit 55), Bangkok, Thailand.

(a) Singapore

The Group's maiden foray into the property development market in Singapore in 2004 was spearheaded by its 40 per cent. owned associate company, MBD, with the freehold residential development of the 120-unit condominium known as "The Inspira". The Inspira is located at 11 Arnasalam Chetty Road and is easily accessible via Clarke Quay MRT station. The development is also in close proximity to Fort Canning Park and various popular spots in Clarke Quay. The development was completed in 2009 and all of the units in The Inspira have been fully sold.

Leveraging on the successful launch of The Inspira, the Group strengthened its market presence in the Singapore property market with the development of a freehold residential condominium known as "The Starlight Suites" through its 35.6 per cent. owned associate company, Meadows Property (S'pore) Pte. Ltd.. The Starlight Suites is a 35-storey upper-middle tier development consisting of 105 apartment units located at River Valley Close. The development is easily accessible via Clarke Quay MRT station and is close to schools such as the Singapore Management University and Chatsworth International School. The project was officially launched in August 2010 and was recently completed in mid-2014. As at the Latest Practicable Date, more than 62 per cent. of the units have been sold.

Adding to the Group's portfolio of property development projects, MBD, together with First Shine Properties Pte. Ltd. ("**FSP**"), a wholly-owned subsidiary of Hock Lian Seng Holdings Limited, was awarded the tender by the URA for a residential site located along Dairy Farm Road in September 2012 (the "**Dairy Farm Site**").

Bukit Timah Green Development Pte. Ltd. ("**Bukit Timah Green**") was incorporated as a 50:50 joint venture company by MBD and FSP for the development of the Dairy Farm Site. This mid-range residential development project, now known as "The Skywoods", will comprise six 15-storey towers with a total of 420 units and will be equipped with a wide-range of recreational facilities. The Skywoods was launched in September 2013 and is expected to be completed in December 2016. As at the Latest Practicable Date, approximately 32 per cent. of the units launched have been sold.

The Skywoods has a land area of approximately 188,863 square feet with a maximum gross floor area of 396,621 square feet and a lease term of 99 years. Located in an established private residential area, The Skywoods is easily accessible via the Bukit Timah Expressway and the Pan Island Expressway and is near the upcoming Hillview and Cashew MRT stations. The site is also in close proximity to the newly proposed Jurong Lake District and the Woodlands Regional Centre via various expressways.

(b) China

The Group's 36.6 per cent. owned Dalian Shicheng Property Development Co., Ltd, which was established in 2004, currently spearheads the Group's property development business in China. The Group is currently involved in a multi-phased township development known as the "Singapore Garden" in Dalian City, China with a land area of approximately 240,000 square metres. The first six phases have been launched and were warmly received and almost all of the units have been sold. It has since commenced the launch of phase seven of the development which consists of residential as well as shop front units. The two remaining phases, comprising commercial areas, are expected to be launched progressively.

(c) Thailand

The Group has ventured into Thailand through the acquisition of a 30 per cent. equity interest in SI Property Co., Ltd. The Group, through its Thai associate, owns and operates 17,308 square metres of office and commercial space in Liberty Plaza located at Soi Thonglor (Sukhumvit 55), Bangkok, Thailand.

***Property Development Projects***

(a) Completed Projects

Details of the property development projects which the Group has completed through its associates in Singapore are set out below:

| Project Name | Project Description/ Type | Tenure | Approximate Saleable Floor Area (square metres) | Number of Units | Percentage sold as at the Latest Practicable Date (including those being leased out by the Group) (%) | Date of TOP | Group's Stake (%) |
|---|---|---|---|---|---|---|---|
| The Inspira/ 11 Arnasalam Chetty Road | Residential | Freehold | 12,492 | 120 | 100 | 24 December 2009 | 40 |
| Starlight Suites/ 11 River Valley Close | Residential | Freehold | 9,299 | 105 | 62 | 30 May 2014 | 35.6 |

As mentioned above, the Group also entered into a joint venture with several Singaporean partners in China to develop a township in Dalian City, China. The Group presently holds a 36.6 per cent. equity interest in the joint venture. Phases one to six of this development have been launched, with a total saleable floor area of 191,968 square metres having been completed, and almost all of the units have been sold.

Details of the property development project which the Group has completed through its associate in China are set out below:

| Project Name | Project Description/ Type | Tenure | Approximate Saleable Floor Area (square metres) | Number of Units | Percentage sold as at the Latest Practicable Date (including those being leased out by the Group) (%) | Completion Date | Group's Stake (%) |
|---|---|---|---|---|---|---|---|
| Singapore Garden, Xiaonan Village, Shuishiying Street, Lushunkou District, Dalian City | Mixed | 70 years | 191,968 | 2,258 | 99 | Phase 1: August 2008; Phase 2: January 2008; Phase 3: December 2011; Phase 4: March 2011; Phase 5: November 2011; Phase 6: March 2012 | 36.6 |

(b) Ongoing Projects

Details of the Group's ongoing property development project through its associate in Singapore are set out below:

| Project Name | Project Description/ Type | Tenure | Approximate Saleable Floor Area (square metres) | Total Number of Units | Number of Units Launched | Percentage of Launched Units sold as at the Latest Practicable Date (%) | Launch Date | Expected TOP | Group's Stake (%) |
|---|---|---|---|---|---|---|---|---|---|
| The Skywoods/ Dairy Farm Road | Residential | 99-year leasehold | 37,982 | 420 | 420 | 32 | September 2013 | December 2016 | 20 |

Details of the Group's ongoing property development project through its associate in China are set out below:

| Project Name | Project Description/ Type | Tenure | Approximate Saleable Floor Area (square metres) | Total Number of Units | Number of Units Launched | Percentage of Launched Units sold as at the Latest Practicable Date (%) | Launch Date | Expected Date of Completion | Group's Stake (%) |
|---|---|---|---|---|---|---|---|---|---|
| Singapore Garden Phase 7, Xiaonan Village, Shuishiying Street, Lushunkou District, Dalian City | Mixed | 70 years | 85,085 | 692 | 195 | 32 | November 2012 (partial) | June 2015 | 36.6 |

***Property Investment***

Details of the investment property which the Group holds through its associate in Thailand are set out below:

| Name and Location | Description/ Type | Tenure | Approximate Gross Floor Area (square metres) | Number of Units | Group's Stake (%) |
|---|---|---|---|---|---|
| Liberty Plaza, Soi Thonglor (Sukhumvit 55), Bangkok, Thailand | Commercial | Freehold | 17,308 | 37 | 30 |

## II. Vessel Ownership and Chartering

In 2013, the Group diversified into the vessel ownership and chartering business to provide transportation services on a charter basis for the shipment of dry bulk commodities.

The Group's vessel ownership and chartering business is undertaken by Gold Hyacinth Development Pte. Ltd. ("**GHD**"), a 30 per cent. owned associate company of the Group held via its wholly-owned subsidiary, Gold Topaz Pte. Ltd.. GHD currently owns a bulk carrier, the Crown 58, the latest version of a new design of 'Supramax Bulk Carrier'. This carrier vessel was designed by SETAF-SAGET, a well-known French marine consultant and constructed by SinoPacific Shipbuilding Group's Dayang Yangzhou facility. The vessel was built to comply with the most current international maritime regulations for safety, environment and emission standards. The vessel also possesses superior technical levels in terms of economical fuel consumption and power for a vessel in its class. It has a deadweight of 58,000 tons, a net tonnage of 19,582 tons and is designed and built to carry dry bulk commodities.

The new vessel has an advanced underwater paint coating system that will enable it to defer the customary dry-docking for an extended period of five years instead of the usual two to three years. A professional ship management company, who has extensive experience in this field, has been engaged to supervise, monitor and advise on matters relating to the operations of the vessel as well as co-ordinate dealings with the vessel's charter party.

The Crown 58 vessel, now known as the "Hai Jin", has since been chartered to a third party on a time charter contract for a period of three years until March 2016, with an option to extend for a further two years.

Details of the Group's vessel, the "Hai Jin", are set out below:

| Name of Vessel | Year Built/Flag | Deadweight (tons) | Net Tonnage (NT) | Gross Tonnage (GT) | Classification or Certification |
|---|---|---|---|---|---|
| M.V. Hai Jin | 2013/ Singapore | 58,000 | 19,582 | 32,845 | *Det Norske Veritas* |

### III. Workers' Dormitory

On 21 May 2014, the Group forayed into the foreign workers' dormitory business in Singapore by taking a 19 per cent. equity interest in a consortium which will be involved in the design, development and operation of one of the largest workers' dormitory projects in Singapore. Harmony Investment Holding Pte. Ltd. ("**HIH**"), a wholly-owned subsidiary of the Group, is the Group's investment vehicle in relation to its participation in the consortium. Through the integration of the workers' dormitory business into the Group's investment portfolio, the Issuer believes that this investment would enable the Group to obtain recurring rental payments from the dormitory.

The consortium comprising HIH, TA Corporation Ltd., an established property development and construction group, and SKM Developments Pte. Ltd., a privately held investment holding group, has successfully secured a land tender awarded by the Jurong Town Corporation for S$113 million. The 37,170.5 square metres land site situated at Tuas South Street has a lease term of 20 years and will be developed into a new 9,200-bed workers' dormitory. The land site is also conveniently located opposite one of the four planned recreation centres for foreign workers scheduled to be ready by 2015. The Group's dormitory is expected to cater mainly to foreign workers in the marine, process and manufacturing industries and is targeted to commence full operations by 2016.

The Group's dormitory will be outfitted with comprehensive communal, recreational and commercial facilities specifically catered to meet the needs of its residents. In line with the Singapore government's efforts to improve the welfare of foreign workers in Singapore through large-scale infrastructural and dormitory projects, the consortium seeks to provide well-managed and purpose-oriented dormitories with comprehensive facilities to provide a conducive living environment for the residents.

## D. Investment in Quoted Equity

In addition to the Group's multi-industry investment portfolio, the Group recently acquired a minority equity stake in KTIS, a company listed on the Stock Exchange of Thailand, following the divestment of its two Thai associates.

On 25 April 2012, the Group entered into two sale and purchase agreements with KTIS whereby the Group had agreed to sell its 20 per cent. shareholding interest held in each of Environment Pulp and Paper Company Limited and Ekarat Pattana Company Limited for a consideration of THB918,600,000 (equivalent to approximately S$37.66 million) and THB305,800,000 (equivalent to approximately S$12.54 million) respectively. 5 per cent. of the total consideration was satisfied in cash, with the remaining 95 per cent. by way of shares in KTIS.

Pursuant to the terms of the sale and purchase agreements, the Group was allotted 116,318,000 shares in KTIS representing approximately 3.01 per cent. of the issued share capital of KTIS after its initial public offering on 28 April 2014. As at the Latest Practicable Date, the Group owns approximately 2.97 per cent. of the issued share capital of KTIS and the shares are worth approximately S$51.5 million.

Since its inception in 1957, the KTIS group has grown significantly over the past 49 years to become the third largest sugar producer in Thailand with a fully integrated business. Its business segments comprise the production and sale of sugar, bleached paper pulp, ethanol and electricity. The sugar manufacturing segment constitutes the key revenue driver of the KTIS group, contributing more than 80 per cent. of the group's total revenue for the year ended 31 December 2013. Major customers of the sugar manufacturing business include established names in the domestic and international markets such as Thainamthip Co., Ltd., Nestle (Thai) Co., Ltd., Cargill International S.A., Bunge Agribusiness Singapore Pte. Ltd., Sumitomo Corporation and Mitsubishi Corporation.

Presently, KTIS is in the process of constructing two biomass power plants, and producing super refined and liquid sugar.

Through its stake in KTIS, the Issuer believes that the expected returns will enable it to be well positioned to explore more strategic investments to add to the future growth of the Group.

# 4. BUSINESS STRATEGIES AND FUTURE PLANS

The Group intends to adopt the following business strategies to drive its future growth:

## A. Growing the Group's Businesses

The Issuer believes that its growth in the near future will continue to be primarily driven by its M&E engineering business. As Singapore constitutes and remains the Group's core market for its M&E engineering business, the Group will continue to grow its presence in Singapore by bidding for a wide spectrum of M&E engineering projects. The Group also plans to focus on improving efficiency and management optimisation in its portfolio of projects.

According to the BCA, Singapore's average annual construction demand for 2015 and 2016 is projected to be between S$25 billion and S$34 billion, of which 60 per cent. is expected to be contributed by building projects.[2] The Issuer believes that given its solid track record and its well-established reputation as a reliable and efficient provider of M&E engineering services in the building and construction industry, the Group will be able to secure contracts from government bodies as well as major developers and/or main contractors.

---

[2] Source: BCA Media Release "*Construction Demand for 2014 to Remain Strong*" released on 9 January 2014.

The Group will focus on public sector projects, especially in the residential, healthcare and infrastructural sectors. The focus on public sector projects enables the Group to benefit from, amongst others, the certainty and timelines in the collection of progress payments and the credibility associated with undertaking public sector projects on a recurring basis. As canvassed above, the Group has been actively participating in a series of private sector projects through quotations/closed tenders with main contractors over the course of its operating history. These private sector projects enable the Group to enjoy, amongst others, better profit margins for projects, fast turnover of projects and repeated orders from customers.

Based on the Draft Master Plan 2013 and Master Plan 2014 released by the URA, the URA has laid out plans to, amongst others, transform certain decentralised areas by accelerating its development into vibrant residential and/or commercial hubs. These new commercial and community hubs are expected to increase the variety of commercial activities, job opportunities, retail choices as well as recreational activities within the area.[3] For instance, the Group's ongoing Tampines Hub project is expected to house sports, retail, recreational facilities and community services (such as libraries, a performing arts centre and a hawker centre) under one roof. The Issuer believes that it is well positioned to be at the forefront of supplying M&E engineering services for such large scale and complex projects as it has attained the highest L6 BCA grading for most M&E engineering workhead categories under BCA's contractors' registry, including the ME15 (Integrated Building Services) workhead category and has a proven track record of completing large scale projects of a similar nature, such as the Singapore Sports Hub project.

Additionally, the Group also intends to continually expand its customer base by working with its existing and new customers to focus on cost reduction alternatives and adapt its services to better suit the needs of each individual customer. Moreover, the Group intends to improve, build on and expand its existing M&E engineering service capabilities. The Issuer believes that this will further enable the Group to distinguish itself as an integrated M&E engineering solutions provider.

For the Group's mobile sanitary services business, the Issuer believes that with a regular stream of business originating from the building and construction sector, and the rise in popularity of sports and outdoor entertainment activities in Singapore, this will contribute towards a steady demand for its portable lavatories services in the near future. To cater to the growing demand for the supply of portable lavatories and to continuously improve its service standards, the Group may consider enhancing its portfolio of portable lavatories and logistical supplies. This will support the Group's ability to continuously secure such service contracts, maintain the Group's market foothold in the industry and meet the different needs of its customers.

As outlined above, the Group's vessel chartering and ownership business commenced in 2013. Its vessel, the "Hai Jin", is currently leased to a third party under a time charter contract for a period of three years. To further secure its long term growth in this segment, the Group may explore acquisition opportunities to selectively expand its fleet to support the demand for transportation and other services in the region in the near future.

For the Group's workers' dormitory business, the Issuer believes that this business segment is expected to remain robust due to a strong demand for quality and purpose-oriented workers' dormitories in Singapore. The Group may consider increasing and strengthening its foothold in the workers' dormitory industry in Singapore by looking for acquisition opportunities to develop, own and manage such assets through active participation in land tenders on sites released by the Singapore government in the future.

---

[3] Source: http://www.ura.gov.sg/uol/master-plan/View-Master-Plan/master-plan-2014/master-plan/Key-focuses/economy/Economy#post2 and http://www.ura.gov.sg/uol/master-plan/View-Master-Plan/master-plan-2014/master-plan/ Introduction.aspx

**B. Expansion by way of Joint Ventures, Acquisitions and Investments**

The Group is constantly searching for various opportunities to forge strategic alliances with suitable partners to continue to grow and expand its business and to complement its multi-national and multi-industry business strategy. Prior to making such investment, the Group will conduct the necessary due diligence checks to ensure that the partnership is in line with the Group's overall business and investment strategy. Through the formation of joint ventures, this enables the Group to participate in larger scale projects both locally and on the international platform. Joint ventures allocate the risks associated with the relevant project amongst the various business partners. It also provides the Group with opportunities to learn from its joint venture partners who possess the relevant expertise and relationships in areas such as management and construction standards, and gain access to new markets, prospective customers and new business opportunities.

For instance, the Group's joint ventures with FSP (in respect of the Bukit Timah Green investment vehicle) and TA Corporation Ltd. and Far East Distillers Pte Ltd (in respect of the MBD investment vehicle) has enabled the Group to be involved in various private residential development projects and to leverage on the financial as well as management experience of its joint venture partners, and allowed the Group to enjoy gains from the sale of the property units which it would not have had the opportunity to do so as an M&E engineering services provider.

The Group intends to leverage on this experience with existing joint venture partners and continue exploring potential partnerships to deepen its presence in its current operating markets as well as to diversify into other new markets in the region.

**C. Staff Development**

The Group recognises that its employees are an invaluable asset. To enable its employees to constantly excel and maintain the highest standards in their work, the Group will continue to invest in the professional development of its staff through the upgrading of skills of its employees. Generally, the Group's training programmes consist of on-the-job training programmes as well as external training programmes to keep abreast with the latest developments and technologies in the industry.

## 5. COMPETITIVE STRENGTHS

The Issuer believes that it possesses the following competitive strengths:

**A. Established and Proven Track Record**

The Group has, over the course of more than 36 years, established itself as a leading M&E engineering services provider in Singapore with the capability of handling a wide range of M&E engineering projects. With the successful completion of key projects such as the Singapore Sports Hub, Carlton City Hotel, Pinnacle @ Duxton, Scotts Square, The Hamilton Scotts and the Oasia Hotel and Novena Specialist Centre projects, the Group has demonstrated its ability in completing large scale and complex M&E engineering projects in a reliable, timely and efficient manner through its ability to deliver projects in line with their stringent requirements.

Over the years, the Group has also received numerous accreditations and awards from various government bodies and industry authorities in recognition of its M&E engineering works. Notably, the Skyline @ Bukit Batok, the Singapore Sports Hub and the Ardmore Three projects have been awarded the BCA Green Mark award. The BCA Green Mark Scheme is a benchmarking scheme which incorporates internationally recognised best practices in environmental design and performance. The Issuer believes that, as a reliable provider of integrated engineering solutions, it has earned the trust of its customers as a result of its dedicated and experienced management team, the reliability of its services and its industry know-how.

Backed by its well-established reputation and proven track record, the Group has successfully secured and delivered in excess of S$700 million worth of M&E engineering projects since its listing in 2000. As a testimony to the Group's achievements, the Group has an order book of approximately S$163.6 million worth of projects as at the Latest Practicable Date. The business relationships forged with the Group's customers, many of which have lasted for more than a decade, is an attestation to the high level of customer satisfaction achieved and the reliability and quality of the Group's services.

Aside from the Group's M&E engineering business, the Group, through its associates, have also established a track record in delivering quality and well-designed property developments. By leveraging on its network of relationships in the building and construction industry, the Group is able to gain insight of the current market trends which makes it able to understand the requirements of its target consumers and to gain inspiration for conceptualising new concepts and lifestyle themes for its future projects. The Issuer believes that this approach will enable it to differentiate itself in the market amidst growing industry competition. Notable projects of the Group include The Inspira, The Starlight Suites, The Skywoods and the Singapore Garden.

**B. Integrated Solutions for M&E Engineering Services**

As mentioned above, the Group has the capacity to provide an integrated suite of M&E engineering services. Such services include, amongst others, the design and installation of electrical engineering, plumbing and sanitary, fire prevention and alarm, air-conditioning and mechanical ventilation, and communication and security systems. Together with its design-and-build capability, the Group is able to fully integrate its M&E engineering services for a more streamlined approach in service delivery which leads to more cost efficient solutions for its customers without compromising on quality, delivery time and service. The Group's clients have in turn benefited from the cost and time savings by adopting the value-added options proposed by it. The Issuer believes that its comprehensive scope of M&E engineering services enhances its competitiveness in the market by placing it in a better position to undertake larger and more complex building projects. For instance, this has allowed the Group to complete projects such as the Singapore Sports Hub, Carlton City Hotel, Pinnacle @ Duxton, Scotts Square, The Hamilton Scotts and the Oasia Hotel and Novena Specialist Centre projects.

**C. Experienced and Dedicated Management Team**

The Group benefits from a strong management team led by its Chairman, Mr Chua Kim Hua, and key senior executives with extensive experience in the building and construction, project management and engineering industry. Under the leadership of Mr Chua, the Group has assembled a strong management team, each with more than 10 years of experience in the construction, project management and engineering, some of whom have been with the Group for more than 30 years. The Group's management team is also well supported by a group of experienced project managers, quantity surveyors, engineers and finance managers whose commercial and technical competencies have enabled the Group to maintain good business working relationships with its business associates, customers and suppliers. Each member of the

team adopts a hands-on approach and is actively involved in the daily operations of the Group. More than 25 per cent. of the Group's employees have been with the Group for more than 10 years.

The Group places strong emphasis on professional development of its management team who regularly undergoes training programmes to update themselves on management techniques and the latest market developments relating to the Group's businesses. The Issuer believes in constantly upgrading its management at all levels to maintain its competitiveness and to raise the competency of its team.

**D. Strong Relationships with Industry Players, Suppliers and Sub-contractors**

The Group has developed strong and longstanding business relationships with its customers, suppliers and sub-contractors with its established track record, reliability and commitment to understanding its customers' needs and requirements. For instance, the Group's major customers in the M&E engineering business such as Straits Construction Singapore Private Limited and Tiong Aik Construction Pte Ltd have been its business associates for more than 20 years. China Construction (South Pacific) Development Co. Pte. Ltd. and Chip Eng Seng Contractors (1988) Pte Ltd have been customers of the Group for more than 15 years whilst customers such as CES Engineering & Construction Pte. Ltd., Dragages Singapore Pte Ltd, Greatearth Construction Pte Ltd, Hexacon Construction Pte Ltd, Hock Guan Cheong Builder Pte. Ltd. and Lum Chang Building Contractors Pte Ltd. have been with the Group for more than 10 years. This has allowed the Group to benefit from a higher level of commitment and a smooth working process in terms of co-ordination, work planning and quality of workmanship. The Issuer believes that these established relationships will enable its business to grow in tandem with its customers' needs and operations. The Group expects to continue leveraging on these longstanding relationships which the Issuer believes would enable it to be well positioned to achieve sustainable growth in the future.

In addition, the Issuer believes in collaborating with industry players who are known for their experience and knowledge in the relevant areas of the Group's business. The Group has established a network of contacts through their joint ventures with strategic partners, professional consultant firms and construction firms. In relation to the Group's investments in the overseas markets in the property development and vessel ownership and chartering businesses, the Group has gained valuable insight and access into such markets through these relationships.

**E. Strong Balance Sheet and Healthy Cash Flow**

The Issuer believes that it has consistently maintained a strong balance sheet position and a healthy cash flow over the years. As of 30 June 2014, the Group maintained a healthy cash position with cash and cash equivalents reaching S$13.5 million and total current assets amounting to S$84.3 million. In addition, the Group's strong balance sheet position was backed by total equity of S$111.2 million against interest-bearing loans and borrowings of S$30.5 million. The Group's gearing ratio was 0.27 times as of 30 June 2014, respectively. The Issuer believes that its strong balance sheet and cash flow, combined with its favourable debt ratios, provide a strong platform for the Group to undertake large scale projects, tap on new investment opportunities and pursue its strategic expansion plans in the near future.

## F. Diversified Revenue and Profitability Streams

Over the years, the Group has diversified its revenue and profitability streams across an expanding range of clientele, business segments, geographic markets and service offerings. As outlined above, the Group has, in addition to growing its core M&E engineering and mobile sanitary services business segments, ventured into various other business segments such as the property development investment, vessel ownership and chartering as well as the workers' dormitory businesses. As a result, the Issuer believes that it possesses a well diversified mix of income streams across its current business segments and an asset base that is diversified across various regional markets and industries. Although the Group continues to be primarily focused on the Singapore market, the Group's income streams have spread across China and Thailand.

The Group views such diversification as integral to the Group's identity as well as its multi-national and multi-industry business model. The Group's diversified income sources have also enabled the Group to boost and enhance the stability of its financial position without relying excessively on any particular segment, geographical market or service offerings and, as a result, render it less susceptible to any adverse change in the economic conditions affecting any particular industry.

## 6. AWARDS AND ACCREDITATIONS

The Group has received various accreditations and awards from statutory and industry bodies as set out below:

| Award/Accreditation | Year/Project(s)/ Awarding Entity | Criteria/Significance | Awarding Body/ Organisation |
|---|---|---|---|
| BCA Green Mark Award | 2014<br>1. Skyline I @ Bukit Batok<br>2. Skyline II @ Bukit Batok<br>3. Punggol Edge<br>4. Parc Centros<br>2013<br>1. Jewel @ Buangkok<br>2. Watercolours<br>2012<br>1. Singapore Sports Hub<br>2. Ardmore Three<br>3. Blossom Residences<br>4. Carlton City Hotel<br>2009<br>1. Sophia Residence<br>2. Le Nouvel Ardmore<br>2008<br>1. Goodwood Residence | The BCA Green Mark Scheme was launched in January 2005 as an initiative to move Singapore's construction industry towards more environment-friendly buildings. It is intended to promote sustainability in the built environment and raise environmental awareness among developers, designers and builders when they start project conceptualisation and design, as well as during construction. | BCA |

| Award/Accreditation | Year/Project(s)/ Awarding Entity | Criteria/Significance | Awarding Body/ Organisation |
|---|---|---|---|
| bizSAFE Star Certificate | 2013<br>1. KWC | This certification recognises companies which have fulfilled the requirements to attain bizSAFE Level Star in ensuring workplace safety and health for employees. | Work Safety and Health ("**WSH**") Council |
| ISO 9001:2008 | 2010<br>1. KWC | The ISO 9001 standard is a global standard for product and process quality, adopted by more than 90 countries which comprise the International Organisation for Standardisation. | GIC (Guardian Independent Certification) |
| bizSAFE Level 2 | 2008<br>1. KWC | This certification recognises companies which have fulfilled the requirements to attain bizSAFE Level 2 in ensuring workplace safety and health for employees. | WSH Council |
| ISO 9001:2000 | 2004<br>1. KWC | The ISO 9001 standard is a global standard for product and process quality, adopted by more than 90 countries which comprise the International Organisation for Standardisation. | EQA (European Quality Assurance) |

## 7. INSURANCE

The Group maintains public liability insurance, fire insurance, motor vehicle insurance, contractors' all risks insurance and insurance for claims for workmen's compensation under the Work Injury Compensation Act, Chapter 354 of Singapore. The Group has also taken up policies for group hospitalisation and surgical insurance, personal accident insurance as well as group term life and group travel insurances for its employees and staff.

## 8. BOARD OF DIRECTORS AND SENIOR KEY EXECUTIVES

### A. Board of Directors

**Mr Chua Kim Hua**
*Group Chairman*

Mr Chua Kim Hua serves as the Group's Chairman and is also a member of the Nomination Committee. Bringing with him more than 45 years of experience in the building and construction industry, he started his career in 1967 as a licensed PUB electrician. He joined the Group as a Director in 1983 and paved the way for its expansion and diversification. As one of the Group's founders, Mr Chua plays a pivotal role in steering and stabilising the Group's businesses by providing strategic oversight of the progress of the Group's initiatives. He continues to lead efforts to actively seek new business opportunities for the Group and is responsible for its long-term growth and development. Over the years, he has built a strong network with key strategic partners through various collaborations with them. He has been conferred the Long Service Award by the Ministry of Education and has also been awarded the Public Service Medal (Pingat Bakti Masyarakat) and the Public Service Star (Bintang Bakti Masyarakat) by the President of Singapore for his contributions to social and community services.

**Ms Chua Eng Eng**
*Managing Director*

Ms Chua Eng Eng serves as the Managing Director of the Group. She provides leadership and direction to deliver performance for the Group. As the Managing Director, she drives the Group's strategy and oversees the entire Group's operations, business development, corporate planning, and the implementation of policies and activities. With over 20 years of experience, she has developed an extensive portfolio of skills and capabilities through her active participation in the Group's key corporate and operational functions such as finance, human resource, administration, information technology, investment, legal and corporate affairs. Ms Chua also plays a crucial role in networking with key strategic partners and growing the leadership capabilities within the Group. She holds a Bachelor of Arts in Economics from the National University of Singapore.

**Mr Chua Hai Kuey**
*Executive Director*

Mr Chua Hai Kuey is an Executive Director of the Group. He was appointed as the Managing Director of KWC since 1977 and has been a major contributor to the growth of the Group's core business. He is responsible for the overall project management of the Group's construction projects. His vast experience and hands-on approach in the technical, engineering, quality and safety aspects in construction management have paved the way in leading, shaping and delivering strategic results for the Group. He is actively involved in tenders, contracts administration and purchasing functions of the Group, and is also responsible for determining the appropriate pricing and tendering strategy, taking into account market trends, emerging patterns in client requirements and formulating optimal resource planning strategies. As one of the Group's founders, Mr Chua has established a strong network of relationships with developers, clients, consultants, architects, suppliers and sub-contractors within the construction industry.

**Mr Goh Chee Wee**
*Independent Non-Executive Director*

Mr Goh Chee Wee is an Independent Non-Executive Director. He is the Chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee. He is currently a Director of a number of public listed companies, NTUC Co-operatives and subsidiary companies of the Singapore Labour Foundation. He was formerly a Member of Parliament and Minister of State for Trade and Industry, Labour, and Communications. He was also the Group Managing Director of Comfort Group Ltd, a public listed company.

Mr Goh holds a Bachelor of Science (First-Class Honours) degree from the University of Singapore (now known as the National University of Singapore) and a Master in Science (Engineering) degree from the University of Wisconsin, USA.

**Mr Lim Hock Beng**
*Independent Non-Executive Director*

Mr Lim Hock Beng is an Independent Non-Executive Director and serves as the Chairman of the Audit Committee and a member of the Remuneration and the Nomination Committees. He founded Lim Associates (Private) Limited (now known as Boardroom Corporate & Advisory Services Pte Ltd) in 1968 and was its Managing Director until his retirement at the end of 1995. He has more than 30 years of experience and knowledge in the corporate secretarial field, which includes advising listed companies on compliance with the listing rules. Since 1996, he has been the Managing Director of Aries Investments Pte Ltd, a private investment holding company with its principal interests in the investment of quoted securities and overseas properties. He currently serves on the Board as well as on the Audit Committee of several publicly listed companies in

Singapore, including, Huan Hsin Holdings Ltd, GP Industries Limited, Colex Holdings Limited and TA Corporation Ltd. Mr Lim holds a Diploma in Management Accounting and Finance and is a Fellow member of the Singapore Institute of Directors.

**Mr Nathapun Siriviriyakul**
*Independent Non-Executive Director*

Mr Nathapun Siriviriyakul is an Independent Non-Executive Director and a member of the Audit and the Remuneration Committees. He was appointed as a Director on 6 November 2008. He currently serves as the Chief Executive Officer (Bio Energy and Products) and Director of KTIS. Mr Siriviriyakul holds a Bachelor of Engineering from Chulalongkorn University and a Master of Business Administration from Washington State University.

## B. Senior Key Executives

**Mdm Siow Nget Yuen, Priscilla**
*Director of KWC*

Mdm Siow Nget Yuen, Priscilla was appointed as a Director of KWC in November 2000. She first joined KWC in 1978 as an Administration and Finance Officer, and was promoted to Administration and Finance Manager in 1994. Mdm Siow's 35 years of experience spans across day-to-day accounting and finance activities, cash flow management, accounts receivable management, liaising with auditors, recruitment and office management. She has since been promoted to a Director of KWC and now works closely with the Executive Directors in areas of human resource management, purchasing, administration, and finance.

**Mr Chew Chee Yuen, Francis**
*Chief Finance Officer of King Wan Corporation Limited*

Mr Chew Chee Yuen, Francis oversees the Group's financial, accounting, tax matters and treasury initiatives. He is also responsible for the financial and management reporting of the Group and compliance with the regulations of the SGX-ST. Mr Chew has more than 20 years of experience in the finance and corporate management field. He is also the spokesperson representing the Group when communicating with the investors regarding financial matters. Prior to joining the Group in 2000, he was the corporate auditor of General Motors Asia Pacific (Pte) Ltd. He had previously served in the Audit and Business Advisory Services Division of Price Waterhouse (now known as PricewaterhouseCoopers). Mr Chew holds a Bachelor of Accountancy from the Nanyang Technological University. He is also a non-practising member of the Institute of Singapore Chartered Accountants.

**Mr Er Soon Kiat, Joe**
*Deputy Director of KWC*

Mr Er Soon Kiat, Joe has been KWC's Deputy Director since 2013. He oversees the Air-Conditioning & Mechanical Ventilation and Electrical Divisions' operations, design, contracts negotiation, project management and performance. He first joined KWC in November 2001 as a mechanical engineer. As the Risk Management Champion and Management Representative for KWC's Occupational Safety and Health Management System, Mr Er is also responsible for ensuring workplace safety and health related matters for KWC. With more than 20 years of experience in the construction industry, not only does Mr Er have extensive experience in the construction industry, he also plays a significant role in the implementation and carrying out of detailed design and enhancement of building performance for Green Mark Certification. He holds a Master of Science (Building Science) from the National University of Singapore, a Bachelor of Engineering (Mechanical) from the Engineering Council of the United Kingdom. He is also a Registered Chartered Engineer, a senior member of the Institution of Engineers Singapore and is also a BCA Certified Green Mark Manager.

**Mr Chua Kok Chuan**
*Deputy Director of KWC*

Mr Chua Kok Chuan has been KWC's Deputy Director since 2013. He oversees all of KWC's operational aspects, design and project management and is also currently responsible for the Plumbing and Sanitary ("**P&S**") Division's contracts negotiation, development, planning and overall performance. He joined KWC in 1997 as a mechanical and electrical engineer. Throughout his years in the M&E engineering field of the construction industry, Mr Chua has been involved in numerous development projects in the Group's core M&E engineering business. Rising through the ranks over the years from Project Manager to Deputy Director, he was part of the team in expanding the P&S component of the Group's building construction projects. Mr Chua holds a Bachelor of Engineering (Mechanical) from the University of Glasgow.

# SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the Group's consolidated statement of comprehensive income for FY 2012, FY 2013, FY 2014, the first financial quarters ending 30 June 2013 ("**1Q 2014**") and 30 June 2014 ("**1Q 2015**") and the Group's consolidated statement of financial position for FY 2012, FY 2013, FY 2014 and 1Q 2015. The selected financial information for FY 2012, FY 2013 and FY 2014 in the tables below is derived from the historical financial statements of the Group and should be read in conjunction with the Group's audited financial statements including notes thereto for FY 2012, FY 2013 and FY 2014 which are included elsewhere in this Information Memorandum.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 1Q 2015 (Unaudited) (S$'000) | 1Q 2014 (Unaudited) (S$'000) | FY 2014 (Audited) (S$'000) | FY 2013 (Audited) (S$'000) | FY 2012 (Audited) (S$'000) |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue** | **17,443** | **25,146** | **95,387** | **66,304** | **57,212** |
| **Cost of Sales** | **(13,098)** | **(21,272)** | **(82,045)** | **(54,935)** | **(43,616)** |
| **Gross profit** | **4,345** | **3,874** | **13,342** | **11,369** | **13,596** |
| **Other operating income** | | | | | |
| Dividend income from held-for-trading investments | 1,337 | 13 | 13 | 12 | 1 |
| Change in fair value of held-for-trading investments | – | – | – | 156 | – |
| Net foreign exchange gain | – | – | – | 229 | – |
| Gain on disposal of plant and equipment | – | 8 | – | – | 153 |
| Gain on disposal of an investment property | – | – | – | – | 1,137 |
| Gain on disposal of associates | 24,134 | – | – | – | – |
| Interest income | 421 | 432 | 1,772 | 1,422 | 304 |
| Management fee income | 26 | 26 | 105 | 71 | 60 |
| Rental income | 242 | 280 | 1,129 | 1,021 | 1,274 |
| Gain on disposal of held-for-trading investments | – | – | – | – | 35 |
| Fee income from financial guarantee to associates | 136 | 159 | 753 | 420 | – |
| Sundry income | 1 | 2 | 127 | 85 | 121 |
| | **26,297** | **920** | **3,899** | **3,416** | **3,085** |
| **Administrative expenses** | **(3,806)** | **(1,815)** | **(8,516)** | **(6,315)** | **(7,687)** |
| **Share of profit (loss) of associates** | **(119)** | **300** | **66** | **(567)** | **7,267** |
| **Finance costs** | **(186)** | **(109)** | **(523)** | **(228)** | **(237)** |
| **Profit before income tax** | **26,531** | **3,170** | **8,268** | **7,675** | **16,024** |
| Income tax expense | (627) | (600) | (1,533) | (1,533) | (2,015) |
| **Profit for the period/year from continuing operations** | **25,904** | **2,570** | **6,735** | **6,142** | **14,009** |

| | 1Q 2015 (Unaudited) (S$'000) | 1Q 2014 (Unaudited) (S$'000) | FY 2014 (Audited) (S$'000) | FY 2013 (Audited) (S$'000) | FY 2012 (Audited) (S$'000) |
|---|---|---|---|---|---|
| **Discontinued operation** | | | | | |
| Profit for the year from discontinued operation – share of profit of associates | – | – | – | 911 | – |
| **Total profit for the period/year** | **25,904** | **2,570** | **6,735** | **7,053** | **14,009** |
| **Other comprehensive income (expense) for the period/year:** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Exchange differences on translation of foreign operations (associates) | (3) | 209 | 61 | (582) | (1,117) |
| Reclassification adjustment of cumulative exchange differences to profit or loss upon disposal of associates | 1,975 | – | – | – | – |
| Available-for-sale investments | (3,152) | – | – | – | – |
| **Total comprehensive income for the period/year** | **24,724** | **2,779** | **6,796** | **6,471** | **12,892** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 1Q 2015 (Unaudited) (S$'000) | FY 2014 (Audited) (S$'000) | FY 2013 (Audited) (S$'000) | FY 2012 (Audited) (S$'000) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 15,054 | 11,219 | 16,712 | 28,690 |
| Trade receivables | 7,755 | 9,336 | 7,808 | 9,286 |
| Other receivables and prepayments | 82 | 159 | 260 | 2,202 |
| Construction work-in-progress | 17,258 | 15,694 | 11,483 | 7,680 |
| Inventories | 1,191 | 1,014 | 1,133 | 1,270 |
| Held-for-trading investments | 730 | 481 | 458 | 302 |
| Available-for-sale investments | 42,212 | – | – | – |
| Non-current assets classified as held for sale | – | 21,643 | 21,643 | – |
| **Total current assets** | **84,282** | **59,546** | **59,497** | **49,430** |
| **Non-current assets** | | | | |
| Property, plant and equipment | 5,346 | 5,627 | 5,263 | 5,916 |
| Other receivables | 70,104 | 67,622 | 49,060 | 17,441 |
| Investment in associates | 2,215 | 2,166 | 12,042 | 34,240 |
| **Total non-current assets** | **77,665** | **75,415** | **66,365** | **57,597** |
| **Total assets** | **161,947** | **134,961** | **125,862** | **107,027** |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Bank borrowings | 15,596 | 12,674 | 7,625 | 3,620 |
| Trade payables and bills payables | 25,304 | 26,310 | 20,738 | 10,307 |
| Provision for rectification costs | 987 | 987 | 1,062 | 794 |
| Other payables | 5,102 | 5,308 | 5,459 | 2,245 |
| Construction work-in-progress | 500 | 506 | 4,145 | 3,486 |
| Income tax payable | 2,309 | 1,686 | 1,658 | 2,058 |
| Current portion of finance leases | 237 | 244 | 56 | 56 |
| **Total current liabilities** | **50,035** | **47,715** | **40,743** | **22,566** |
| **Non-current liabilities** | | | | |
| Finance leases | 544 | 602 | 54 | 110 |
| Bank borrowings | – | – | – | 624 |
| Deferred tax liabilities | 215 | 215 | 195 | 90 |
| **Total non-current liabilities** | **759** | **817** | **249** | **824** |
| **CAPITAL AND RESERVES** | | | | |
| Share capital | 46,814 | 46,814 | 46,814 | 46,814 |
| Revaluation reserve | (3,152) | – | – | – |
| Foreign currency translation reserve | 93 | (1,879) | (1,940) | (1,358) |
| Retained earnings | 67,398 | 41,494 | 39,996 | 38,181 |
| **Total equity** | 111,153 | 86,429 | 84,870 | 83,637 |
| **Total liabilities and equity** | **161,947** | **134,961** | **125,862** | **107,027** |

## REVIEW OF THE FINANCIAL PERFORMANCE OF THE GROUP

***1Q 2015 compared with 1Q 2014***

**Revenue**

The Group's revenue for 1Q 2015 recorded S$17.4 million, a decrease of 31% compared to 1Q 2014. The decrease was due to lower recognition of revenue from M&E engineering contracts.

**Cost of sales and gross profit margin**

Cost of sales decreased by S$8.2 million or 38% from S$21.3 million in 1Q 2014 to S$13.1 million in 1Q 2015. Gross profit for 1Q 2015 rose to S$4.3 million, a 12% increase from S$3.9 million in 1Q 2014. Gross profit margin rose by 9.5 percentage points to 24.9% for 1Q 2015, up from 15.4% achieved in 1Q 2014.

**Other operating income**

Other operating income increased by S$25.4 million to S$26.3 million in 1Q 2015 compared to S$0.9 million in 1Q 2014. The higher income in 1Q 2015 was mainly due to a one-time gain of S$24.1 million from the disposal of the Group's two Thai associates, Environment Pulp & Paper Company Ltd ("**EPPCO**") and Ekarat Pattana Company Limited ("**EPC**"). There was also an increase in dividend income received from the Group's shareholding in KTIS during 1Q 2015.

**Other items of expenses**

General and administrative expenses increased by S$2.0 million or 110% to S$3.8 million in 1Q 2015, compared to S$1.8 million in 1Q 2014.

The increase was mainly due to higher directors' remuneration which increased by S$1.8 million from S$0.5 million in 1Q 2014 to S$2.3 million in 1Q 2015 due to a higher provision for profit sharing for Executive Directors in line with the higher net profit before income tax achieved in 1Q 2015. The Issuer also paid higher withholding tax in respect of the dividend income received from KTIS in Thailand.

Share of associates' results was a net loss of S$0.1 million, compared to a net gain of S$0.3 million in 1Q 2014. There were lower contributions from the Group's property development associates, which had experienced a slowdown in property sales in the last year.

**Profit before tax**

The Group achieved a profit before income tax of S$26.5 million for 1Q 2015, compared to S$3.2 million for 1Q 2014. The effective tax rate of 2.4% was lower than the corporate tax rate of 17% mainly due to adjustments made for gains that are not taxable.

**Other comprehensive income (expense)**

The comprehensive expense of S$3.2 million arising from available-for-sale investments was due to the marking of the shares in KTIS (a company listed on the Stock Exchange of Thailand) held by the Group to market values as at quarter end.

***FY 2014 compared with FY 2013***

**Revenue**

Revenue for FY 2014 amounted to S$95.4 million, an increase of 44% compared to FY 2013. The increase in revenue was due to a significant increase in the total revenue generated from M&E engineering contracts.

**Cost of sales and gross profit margin**

Cost of sales increased by S$27.1 million or 49% from S$54.9 million in FY 2013 to S$82.0 million in FY 2014. Gross profit for FY 2014 rose to S$13.3 million, a 17.4% increase from S$11.4 million in FY 2013. Gross profit margin decreased by 3.1 percentage points to 14.0% for FY 2014, from 17.1% in FY 2013.

**Other operating income**

Other operating income increased by S$0.5 million or 14.1% to S$3.9 million in FY 2014 compared to S$3.4 million in FY 2013. The higher income in FY 2014 was mainly due to higher interest income from interest charged on loans made to associates of the Group for their business operations. There were also higher fee income arising from the financial guarantee issued by the Group to its associates for banking facilities that were amortised over the loan term of these facilities.

**Other items of expenses**

General and administrative expenses increased by S$2.2 million from S$6.3 million in FY 2013 to S$8.5 million in FY 2014. This increase was mainly due to the reversal of allowance for doubtful trade receivables that were deemed to be no longer required in FY 2013.

**Share of profit of associates**

Share of profit of associates increased by S$0.6 million mainly due to better contributions from the Group's property development associates as well as positive contributions from the vessel ownership and chartering business, which turned in its first full year's performance.

**Profit before tax**

The Group achieved profit before income tax of S$8.3 million for FY 2014, compared to S$7.7 million for FY 2013.

**Profit from discontinued operation**

Profit from discontinued operation in FY 2013 refers to the share of profits from the Group's two Thai associates, EPPCO and EPC, which were reclassified as non-current assets held for sale in FY 2013.

**Other comprehensive income (expense)**

The comprehensive income of S$0.06 million arose due to changes in exchange rates used in the translation of the Group's associate in China.

***FY 2013 compared with FY 2012***

**Revenue**

The Group's turnover for FY 2013 amounted to S$66.3 million, an increase of 16% compared to FY 2012. The increase in turnover was due to more M&E engineering contracts available for revenue recognition during the year. There was an overall increase in value of work-in-progress in FY 2013 as compared to FY 2012.

**Cost of sales and gross profit margin**

Cost of sales increased by S$11.3 million or 26.0% from S$43.6 million in FY 2012 to S$54.9 million in FY 2013. Gross profit for FY 2013 decreased to S$11.4 million, a 16.4% decrease from S$13.6 million in FY 2012. Gross profit margin decreased by 6.7 percentage points to 17.1% in FY 2013, from 23.8% in FY 2012. This was due to the completion of a few M&E engineering contracts with better margins in FY 2012.

**Other operating income**

Other operating income increased by S$0.3 million or 10.7% to S$3.4 million in FY 2013 compared to S$3.1 million in FY 2012 mainly due to higher interest income from interest charged on loans made to associates of the Group, higher fee income from financial guarantees to associates and higher exchange gain from the Thai baht held by the Group in deposits. These increases were partially offset by a one-time gain of S$1.1 million from the disposal of the Group's investment property at 22 Jurong Port Road, Singapore in FY 2012 and a lower rental income in FY 2013.

**Other items of expenses**

General and administrative expenses decreased by S$1.4 million from S$7.7 million in FY 2012 to S$6.3 million in FY 2013. This decrease was mainly attributed to a S$0.7 million reversal of allowance for doubtful trade receivables which were deemed no longer required in FY 2013. There were also lower directors and staff related expenses and lower depreciation charges due to the disposal of the Group's investment property in FY 2012.

**Share of profit of associates**

Share of profit of associates decreased by S$7.8 million due mainly to lower contributions from associates in the property development sector and the charging of startup costs by the Group's vessel ownership and chartering associate. There was also no further recognition of contributions from the two Thai associates that were disposed since July 2012.

**Profit before tax**

The Group achieved profit before income tax of S$7.7 million for FY 2013, compared to S$16.0 million for FY 2012.

**Profit from discontinued operation**

Profit from discontinued operation in FY 2013 refers to the share of profits from the Group's two Thai associates, EPPCO and EPC, that were reclassified as non-current assets held for sale in FY 2013.

**Other comprehensive income (expense)**

The comprehensive expense of S$0.6 million arose due to changes in exchange rates used in the translation of the Group's associates in Thailand and China.

**REVIEW OF THE FINANCIAL POSITION OF THE GROUP**

***1Q 2015 compared with FY 2014***

The main movements in the assets and liabilities of the Group are as follows:

(a) Total current assets increased significantly by S$24.7 million from S$59.5 million to S$84.2 million. This increase was mainly due to the receipt of shares in KTIS as balance payment for the disposal of the Group's Thai associates, EPPCO and EPC, in the current quarter.

(b) Non-current assets increased by S$2.3 million from S$75.4 million to S$77.7 million. The increase in non-current receivables was due to loans made to the Group's associates during the period.

(c) Current liabilities increased to S$50.0 million from S$47.7 million mainly due to higher bank borrowings and provision for income tax payable.

(d) The Group's equity base stood at S$111.2 million as at 30 June 2014, an increase from S$86.4 million as at 31 March 2014.

(e) Due to the increase in shareholders' equity, the debt equity ratio has decreased to 0.27 as at 30 June 2014 as compared to 0.30 as at 31 March 2014.

***FY 2014 compared with FY 2013***

The main movements in the assets and liabilities of the Group are as follows:

(a) Total current assets increased slightly by S$0.05 million from S$59.50 million to S$59.55 million. The increase was mainly due to higher value of construction work-in-progress and higher trade receivables balances as at year end. This was partly offset by lower cash and cash equivalent balances as at year end.

(b) Non-current assets increased by S$9.0 million from S$66.4 million to S$75.4 million. The increase in non-current receivables was due to loans made to the Group's associates during the year as well as dividends declared and receivable from an associate amounting to S$9.3 million.

(c) Investment in associates had decreased by S$9.9 million from S$12.0 million to S$2.1 million due to adjustments made for dividends declared and receivable from an associate amounting to S$9.3 million. Further decrease was caused by the recognition of interest charged on loans to associates.

(d) The decreases were partially offset by additional investments in associates amounting to S$0.5 million, contributions during the year from associates of S$0.07 million, foreign exchange gain on translation of foreign operations amounting to S$0.06 million and recognition of deemed investment arising from financial guarantees provided to banks on behalf of the Group's associates.

(e) Current liabilities increased to S$47.7 million from S$40.7 million due mainly to higher trade payables in line with the increase in M&E engineering activities. There was also a higher utilisation of bank borrowings and trade facilities to support the increase in the Group's business activities.

(f) The Group's equity base stood at S$86.4 million as at 31 March 2014, an increase from S$84.9 million as at 31 March 2013.

(g) Due to higher bank borrowings, the debt equity ratio has increased to 0.30 as at 31 March 2014 as compared to 0.18 as at 31 March 2013.

***FY 2013 compared with FY 2012***

The main movements in the assets and liabilities of the Group are as follows:

(a) Total current assets increased significantly to S$60.0 million. The increase was attributed to the reclassification of the Group's two Thai associates to "Assets classified as held for sale". Pending the completion of the sale transaction, the carrying values of the two associates had been reclassified to "Non-current assets classified as held for sale" under the "Current assets" category. This has contributed to the increase in current assets in the current year and a corresponding decrease in "Investment in associates" under the "Non-current assets" category.

(b) Non-current assets increased by S$8.8 million from S$57.6 million to S$66.4 million mainly due to loans made to the Group's associates for property development activities, and which are not expected to be repaid in the next 12 months.

(c) Current liabilities increased to S$40.7 million from S$22.6 million mainly due to the higher utilisation of bank facilities to finance the Group's business expansion and the receipt of advance payment from the sale of the Group's two Thai associates. Further, the increase was also due to the recognition of financial guarantee liabilities recognised on loans obtained by the Group's associates where financial guarantees had been issued by the Issuer.

(d) Non-current liabilities decreased to S$0.2 million from S$0.8 million due to the scheduled repayment of term loans.

(e) The Group's equity base stood at S$84.9 million as at 31 March 2013, an increase from S$83.6 million as at 31 March 2012, mainly due to profits achieved in FY 2013 and after netting off dividends paid out during the year.

(f) The debt equity ratio has increased from 0.07 to 0.18.

# INVESTMENT CONSIDERATIONS

Prior to making an investment or divestment decision, prospective investors or existing Noteholders should carefully consider all the information set forth in this Information Memorandum including the investment considerations and risk factors set out below.

The investment considerations and risk factors set out below do not purport to be complete or comprehensive of all the investment considerations and risk factors that may be involved in the business, assets, financial condition, performance or prospects of the Issuer and its subsidiaries or the properties owned by the Group or any decision to purchase, own or dispose of the Notes. Additional investment considerations and risk factors which the Issuer is currently unaware of or currently deems immaterial may also impair its and/or the Group's business, assets, financial condition, performance or prospects. If any of the following investment considerations or risk factors develops into actual events, the business, assets, financial condition, performance or prospects of the Issuer and/or the Group could be materially and adversely affected. In such cases, the ability of the Issuer to comply with its obligations under the Trust Deed and the Notes may be adversely affected. Further, the market price of the Notes could decline, and investors may lose all or part of their investments in the Notes. The investment considerations and risk factors discussed below also include forward-looking statements and the Issuer's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and investment considerations and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

**Limitations of this Information Memorandum**

***This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing holder of the Notes may require in investigating the Issuer or the Group, prior to making an investment or divestment decision in relation to the Notes issued under the Programme.***

Neither this Information Memorandum nor any document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Notes (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Notes.

This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Notes is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such a determination. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any), the Arranger, any of the Dealers or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Notes should determine for itself the relevance of the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely on its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint

venture companies (if any), the terms and conditions of the Notes and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Notes.

## RISKS RELATING TO NOTES

### *The Notes issued under the Programme may have limited liquidity*

There can be no assurance regarding the future development of the market for the Notes issued under the Programme or the ability of the Noteholders, or the price at which the Noteholders may be able, to sell their Notes. The Notes may have no established trading market when issued, and one may never develop. Even if a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Liquidity may have a severely adverse effect on the market value of the Notes. Although the issue of additional Notes may increase the liquidity of the Notes, there can be no assurance that the price of such Notes will not be adversely affected by the issue in the market of such additional Notes.

### *The market value of the Notes issued under the Programme may fluctuate*

Trading prices of the Notes are influenced by numerous factors, including the operating results and/or financial condition of the Issuer, its subsidiaries, its associated companies (if any) and/or joint venture companies (if any), political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) generally. Adverse economic developments, in Singapore as well as countries in which the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) operate or have business dealings, could have a material adverse effect on the operating results and/or the financial condition of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any).

### *An investment in the Notes is subject to interest rate risk*

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, bond prices may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may also adversely affect the market price of the Notes.

### *An investment in the Notes is subject to inflation risk*

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

***The Singapore tax treatment of the Notes may change***

The Notes to be issued from time to time under the Programme, during the period from the date of this Information Memorandum to 31 December 2018 are, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by MAS on 28 June 2013, intended to be "qualifying debt securities" for the purposes of the ITA, subject to the fulfillment of certain conditions more particularly described in "Singapore Taxation" herein.

However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws or MAS circulars be amended or revoked at any time.

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement to this Information Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to, *inter alia*, determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***Notes denominated in foreign currencies are subject to currency risks***

The Issuer's revenue is denominated in Singapore dollars and its operating expenses are also incurred in Singapore dollars. As Notes issued under the Programme can be denominated in currencies other than Singapore dollars, the Issuer may be affected by fluctuations between the Singapore dollar and such foreign currencies in meeting the payment obligations under such Notes and there is no assurance that the Issuer may be able to fully hedge the currency risks associated with such Notes denominated in foreign currencies.

***Noteholders are exposed to financial risk***

Interest payment (where applicable) and principal repayment for debts occur at specified periods regardless of the performance of the Issuer and/or the Group. The Issuer may be unable to make interest payments or, where applicable, principal repayments under a series of Notes should it suffer a serious decline in net operating cash flows.

***Performance of obligations by the Issuer may be dependent on other parties***

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties to the Programme Agreement, the Trust Deed, the Agency Agreement and the Agent Bank Agreement of their obligations thereunder including the performance by the Trustee, the Paying Agents and/or the Agent Bank of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of the Notes, the Issuer may not, in such circumstance, be able to fulfil its obligations to the Noteholders and the Couponholders.

***The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction***

In certain circumstances (pursuant to Condition 10), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of Noteholders. The Trustee shall not be obliged to take any such action if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such action directly.

***The Notes may be subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The Notes may be issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***Exchange rate risks and exchange controls may result in Noteholders receiving less interest or principal than expected***

The Issuer will pay principal and interest on the Notes in the currency specified. This presents certain risks relating to currency conversions if Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency in which the Notes are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Notes are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Notes are denominated would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

***Provisions in the Trust Deed and the Conditions of the Notes may be modified***

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, agree to (i) any modification of any of the provisions of the Trust Deed which is in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in which the Notes may be held and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

***The Issuer's ability to comply with its obligation to repay the Notes may be dependent upon the earnings of, and distributions by, the members of the Group and future performance of the Group***

The Issuer's ability to comply with its obligation to repay the Notes may depend on the earnings of the Group and the distribution of funds amongst members of the Group, primarily in the form of dividends. Whether or not the members of the Group can make distributions to the Issuer will depend on distributable earnings, cash flow conditions, restrictions that may be contained in the debt instruments of its members, applicable law and other arrangements. These restrictions could reduce the amount of distributions that the Issuer receives from its members, which would restrict the Issuer's ability to fund its business operations and to comply with its payment obligations under the Notes.

Further, the ability of the Issuer to make scheduled principal or interest payments on its indebtedness, including the Notes, and to fund its growth aspirations, will depend on the Group's future performance and its ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this section "Investment Considerations", many of which are beyond the control of the Issuer. If the Issuer's future cash flow from operations and other capital resources are insufficient to pay its debt obligations, including the Notes, or to fund its other liquidity needs, it may be forced to sell assets, attempt to restructure or refinance its existing indebtedness. No assurance can be given that the Issuer would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

***The Notes are not secured***

The Notes and Coupons will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

Accordingly, on a winding-up or insolvency of the Issuer at any time prior to maturity of any Notes, the Noteholders will not have recourse to any specific asset of the Issuer or, as the case may be, its subsidiaries and/or associated companies (if any) as security for outstanding payment or other obligations under the Notes and/or Coupons owed to the Noteholders and there can be no assurance that there would be sufficient value in the assets of the Issuer, after meeting all claims ranking ahead of the Notes, to discharge all outstanding payment and other obligations under the Notes and/or Coupons, as the case may be, owed to the Noteholders.

***Variable Rate Notes may have a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

**RISKS RELATING TO THE ISSUER'S AND THE GROUP'S BUSINESS, FINANCIAL CONDITION AND/OR RESULTS OF OPERATIONS**

***The Group may not be able to successfully implement its future plans and may face uncertainties associated with the expansion and/or diversification of its business***

The Group plans to explore and/or pursue various expansion and growth strategies set out in the section "The Issuer – Business Strategies and Future Plans". These plans involve numerous risks including, but not limited to, the incurrence of working capital requirements and the sufficiency of demand for its business. As it continues to expand and/or diversify its services, it may encounter competition from a variety of existing and new competitors, who may have larger financial resources or a longer track record.

There is no assurance that these initiatives undertaken will achieve revenue that will be commensurate with the Group's investment costs, or that the Group would be successful in securing more projects. If the Group fails to achieve a sufficient level of revenue or fails to manage to implement its expansion plans or manage its costs effectively, it will not be able to recover its investment, and its business, financial condition and results of operations may be adversely affected.

In addition, the process of integrating the new businesses with the existing businesses may require a substantial amount of time and resources before the expected synergies may be achieved. As such, the positive impact may not be experienced by the Group immediately. If the Group fails to integrate the new or acquired businesses into the Group successfully or manage such future businesses profitably, it may result in the Group's expansion or diversification plans not being met, and may affect its profitability.

An enlarged scope of business ensuing from the Group's expansion and/or diversification plans may expose the Group to new business risks, and accordingly, may change the Group's risk and investment profile. There is no assurance that the Group will be able to eliminate or otherwise mitigate such business risks. In the event that the Group is unable to manage any new business risks effectively, this may have a material adverse effect on its business, results of operations and financial condition.

***There is no assurance on the sustainability of the growth of the Group***

Apart from the Group's development plans and business strategies, other factors, like intense market competition and consumers' preferences, which are beyond its control, may also affect the growth of the Group. There is no assurance that the Group will continue to be able to achieve or maintain similar levels of growth in its revenue and profits in the future. The past results of the Group should not be used as an indicator of its future performance.

***The Group is subject to revenue and profit volatility***

The Group is vulnerable to revenue volatility which is characteristic of companies in the building and construction, property development and shipping industries.

For its M&E engineering business, as most of the Group's projects are undertaken on a non-recurring and project basis, the Group's revenue may fluctuate from year to year. There is no assurance that the Group will be able to continuously secure new projects or contracts of similar or higher value. In the event that the Group is unable to secure sufficient new projects, this may have a material adverse effect on its business, results of operations and financial condition.

For its property development business, the amount of revenue to be recognised in a financial year is dependent on the number, value and stage of completion of projects undertaken by the Group, which in turn depends on various factors, such as the availability of the Group's resources, market sentiment, market competition and general economic conditions. In the event that the Group is not able to continually and consistently participate in new projects, this may have an adverse impact on its financial performance. Thus, there is no assurance that the revenue from the sale of property development projects will remain comparable every year. Should there be any reasons that cause the Group to participate in fewer or no new property development projects or should there be any delay in the progress of any of the projects in the Group's portfolio, this could have an adverse effect on its financial condition.

In addition, there may be a lapse of time between the completion of its M&E engineering and property development projects and the commencement of subsequent projects. As such, its earnings and financial performance during such periods may be adversely affected. Therefore, the historical financial performance and financial condition of the Group may not be indicative of its future financial condition or performance.

For its vessel ownership and chartering business, the shipping industry is highly cyclical and subject to seasonal fluctuations primarily due to changes in the supply of and demand for shipping capacity which result in the volatility of sales, profitability and vessel values. Significant downturns

in the shipping industry may lead to significantly lower charter rates, reduced volume and/or substantial decline in the value of the Group's vessel, which could have an adverse effect on its financial condition.

***The Group is exposed to foreign exchange risks***

The Group is exposed to foreign exchange risks due to the fluctuations in foreign exchange rates as its financial statements are denominated in Singapore dollars while the financial statements of its foreign associated companies are prepared in their respective functional currencies. For the purpose of consolidating the financial results of its foreign associated companies, the assets and liabilities of the Group's foreign associated companies are converted into Singapore dollars based on the year end exchange rates for the relevant financial period. The income and expenses of the Group's foreign associated companies are translated using the average exchange rates for the relevant financial year or period. Consequently, any significant fluctuation of the Singapore dollar against the respective functional currencies of its foreign associated companies may adversely affect the Group's business, financial condition and results of operations.

***The Group is subject to risks associated with joint ventures and associate companies***

The Group undertakes its business from time to time through the formation of joint ventures and associate companies with external parties. There is a potential alliance risk that may arise from disagreement between the Group and its business partners. These business partners may have economic or business interests or goals that are inconsistent with those of the Group's, or take actions which are not aligned with the Group's objectives, or are unable or unwilling to fulfil their obligations or differ with the Group as to the scope of their responsibilities and obligations. Accordingly, disputes may arise from such differences. If any disputes with the Group's business partners cannot be resolved amicably, there is a risk that such dispute could escalate and become litigious or result in the early termination of such joint venture, associate company or cooperation arrangements which in turn could adversely affect the Group's business, financial condition and results of operations.

Political uncertainties or new government regulations such as restrictions on ownership or changes in economic, business and operating conditions may also result in a decline in the Group's investment in these joint ventures and associate companies or a loss in its ability to influence the management, directors and decisions made under these joint ventures and associate companies. There is no assurance that the Group will not encounter such risks which may have a material adverse effect on its business, financial condition and results of operations in the future.

***The Group may be subject to restrictions in repatriation of funds***

The Group may be subject to foreign exchange controls that may adversely affect the ability to repatriate the income or capital that are located outside of Singapore. Repatriation of income and capital may require the consent of the relevant governments. Delays in or refusals to grant any such approval, revocations or variations of consents previously granted, or the imposition of new restrictions may adversely affect the Group's business, results of operations and financial condition.

***The Group is subject to the price volatility of the shares in KTIS***

As at the Latest Practicable Date, the Group holds 114,818,000 shares in KTIS, representing approximately 2.97 per cent. of the issued share capital of KTIS which is listed on the Stock Exchange of Thailand. As at the Latest Practicable Date, the value of the shares stands at approximately S$51.5 million, equivalent to approximately 43 per cent. of the Group's net tangible assets.

Factors which are beyond the Group's control may significantly affect the market price of the shares in KTIS. These include, but are not limited to, the trading volume of the shares, the operating results of the KTIS group, regulatory developments in Thailand, general economic, military and political conditions in Thailand, and any changes in the general business trends in KTIS' operating business segments. Consequently, any volatility arising from any of these events or activities may affect the value of the Group's investment in these shares and, as a result, may adversely affect the Group's financial condition or financial performance.

***The Group is dependent on key personnel and skilled labour for its continued success and growth***

The Group's success to date is attributable to the contributions and expertise of its Directors, management and key officers. Its continued success and growth will depend on its ability to retain the services of these persons. Any loss of services of its key management personnel without suitable and timely replacement, or the inability to attract and retain other qualified personnel, may have an adverse effect on its business, financial condition and results of operations.

The Group's business is also highly dependent on skilled personnel. Having a team of experienced and skilled personnel is essential in maintaining the quality of its services. A high turnover of such personnel without suitable and timely replacements could have an adverse impact on its business, financial condition and results of operations.

***The Group may be involved in legal and other proceedings arising from its operations from time to time***

The Group may be involved from time to time in disputes with various parties such as contractors, sub-contractors, suppliers, purchasers, customers and other parties. Such disputes may lead to legal and other proceedings and may cause the Group to incur additional costs and face delays in the completion of its projects.

The Group may also have disagreements with regulatory bodies in the countries that the Group operates in and these may subject it to administrative proceedings. In the event that unfavourable decrees are issued by the courts or the regulatory bodies, the Group may suffer not only financial losses but also a delay in the completion or construction of the Group's projects.

In addition, the Group may also be exposed to the risk of legal suits where claims are made against the Group over, amongst others, defective works, delays in the completion of a project, disputes over contract specifications and amounts payable under the relevant contract. In the event that any such claims are successful, the Group may be liable for damages in addition to any legal costs incurred, which may have an adverse effect on the Group's financial condition and results of operations.

***The Group relies on external financing***

The Group relies on bank financing to partially finance its operations, in particular for its M&E engineering, property development, vessel ownership and chartering and workers' dormitory businesses, which are capital-intensive in nature. As such, the availability of adequate financing, including bank financing, will affect the Group's ability to acquire land and/or additional vessels and complete its projects according to plan. The Group's ability to obtain debt financing or funds from the capital markets for its requirements depends on the prevailing economic conditions, its ongoing performance, the general condition of the property market and the acceptability of the financing terms offered. The majority of these facilities have variable interest rates and accordingly, any increase in such interest rates may have an adverse effect on the Group's profitability and financial performance.

The Group may also require additional debt financing to fund its activities in the future. Additional debt financing may restrict the Group's freedom to operate its business as new debt covenants may (i) increase its vulnerability to general adverse economic and industry conditions, (ii) limit its ability to pay dividends or require it to seek consent for the payment of dividends, (iii) require it to dedicate a portion of its cash flow from operations to payments of its debts, which would consequently reduce the availability of its cash flow to fund capital expenditures, working capital requirements and other general corporate purposes, and (iv) limit its flexibility in planning for, or reacting to, changes in its business and its industry.

When planning for financing as well as project expenses and earnings for its M&E engineering and property development projects, the Group needs to take into account various factors such as potential consumer response to the Group's development projects, the timing of completion, the expected interest charges to be incurred for the entire duration of the project, the risk of recall of loans and the possibility that financial institutions may require it to provide additional security for its loans. Any variation in any of the factors mentioned above may lead to a corresponding change in the Group's estimated project expenses, including the cost of financing and earnings.

The Group cannot be assured that additional financing will be available when needed or that, if available, such financing may be obtained on terms and interest rates that are acceptable to it. There is also no guarantee that the terms for additional financing will be as favourable as those previously obtained. In the event that the Group is unable to obtain acceptable financing, it may not be able to undertake certain new projects and the Group's business operations, financial performance and financial condition may be adversely affected.

***The Group may not be able to recover the full amount of the inter-company loans extended to its subsidiaries and/or associates***

To finance the operations of the Group's subsidiaries and associates, the Group may from time to time extend loans to its subsidiaries and/or associates in the form of shareholder loans. As of 31 March 2014, the outstanding amount in respect of such loans granted to its subsidiaries and associates amounted to approximately S$17 million and S$67.6 million, respectively. Failure to recover these loans from its subsidiaries and/or associates may result in the Group incurring losses on these loans and otherwise adversely affect the Group's financial performance and financial condition.

***The Group is subject to risks inherent in entities/associate companies which it does not control***

The Group holds its investments in the property development, vessel ownership and chartering, workers' dormitory businesses through the acquisition of minority interests in investment entities. There can be no assurance that the Group will be able to control such entities/associate companies or exercise any influence over the assets of such entities or their distributions to the Group. The management and/or the employees of such entities may also make decisions which could adversely affect the operations of the Group. This could adversely affect the Group's ability to deal with its investments in a manner which achieves its objectives which could in turn have a material adverse impact on the Group's financial condition. For instance, the alleged misappropriation of funds amounting to approximately S$6.4 million by a former director and manager of the Group's Chinese associate, Dalian Shicheng Property Development Co., Ltd, in 2010 had led to the issuance of a qualified opinion by the Group's auditors in respect of its financial statements for FY 2010, FY 2011 and FY 2012.

***The Group is subject to the general risk of doing business overseas***

Although the Group is based in Singapore, it has business presence in various other countries including China and Thailand and it may also expand into other countries in the future.

There are inherent risks in doing business overseas. The countries in which the Group has business presence in have, in the past been affected by political upheavals, internal strife, civil commotions, epidemics and natural disasters. The recurrence of these political, social and environmental conditions in countries where the Group currently or may in the future have business presence in, may affect its ability to operate or conduct businesses in those countries. In addition, any unexpected changes in regulatory requirements and government policies, difficulties in and increase in costs of staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates and interest rates, inflation, potentially adverse tax consequences, price and wage controls, risks of nationalisation and expropriation of assets, tariffs and other trade barriers, variable and unexpected changes in local laws and regulations (including barriers to the repatriation of profits and regulations relating to the industries for which the Group has foreign operations) and terrorism threats which the Group has no control over could materially affect the Group's overseas operations.

For instance, if there are policy changes involving trade barriers which serve to limit or prevent international trade, the Group's overseas operations will be affected. Some governments may request additional funds or tariffs in exchange for the right to export items into their country. This may have an effect on the profits of the Group because it either cuts revenues from the result of a tax on exports or restricts the amount of revenues that can be earned.

In addition, the legal and regulatory regimes in these countries may be uncertain and subject to unforeseen changes. The interpretation or application of laws and regulations in these jurisdictions may be unclear and could affect issues such as rights to real property. These risks, if materialised, may affect the Group's business and financial condition. The Group has no control over such conditions and developments and can provide no assurance that such conditions and developments will not have a material adverse effect on its business, profitability, results of operations and financial condition.

In relation to the Group's property development business, the Group may be subject to a variety of risks incidental to the ownership of and investments in land and real estate in these countries, including changes in the supply of, or demand for, investment property in an area, changes in interest rates and the availability of financing, difficulties in mortgaging due to uncertainty in land and security regulations, difficulties which may be encountered at land or security registries, changes in property tax rates and/or land use and lease laws, problems caused by zoning or urban planning, credit risks of tenants, suppliers, contractors and borrowers, and environmental factors. The feasibility, marketability and value of any project in these countries may therefore be affected by factors beyond the Group's control.

***The Group may be affected by terrorist attacks and other acts of violence, wars or outbreaks of diseases***

Any occurrence of terrorist attacks or acts of violence in the markets in which the Group operates may cause damage or disruption to the Group and its employees, facilities and clients, any of which may adversely affect the Group's operations in the region and its financial performance.

Furthermore, outbreaks of contagious diseases in the countries in which the Group operates may adversely affect its operations and financial performance. If such outbreaks occur in any of the countries in which the Group has operations in the future, consumer sentiment and spending could be adversely affected and this may have a negative impact on the Group's business and financial performance. The Group's staff and employees in these countries may also be affected by any outbreak of such contagious diseases and this may affect its day-to-day operations. For the workers' dormitory business, the outbreak of communicable diseases could result in the closure of the workers' dormitory temporarily or permanently which could have an adverse effect on the Group's business operations and financial condition.

***The Group's insurance coverage may not be adequate***

The Group maintains insurance policies covering its assets, business and employees in line with general business practices. There are, however, certain types of losses (such as those resulting from wars, acts of terrorism, acts of God or political risks) that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur or insurers fail to fulfil their obligation for the sum insured, the Group may be required to pay compensation, cover the shortfall for such amounts claimed and/or may lose capital invested in the affected project, property or equipment, as well as anticipated future returns from such project, property or equipment. Any such loss could materially and adversely affect the results of operations and financial condition of the Group.

**RISKS RELATING TO THE GROUP'S M&E ENGINEERING BUSINESS**

***The Group is dependent on the engineering, construction and property development industries in Singapore***

The Group provides M&E engineering services to main contractors in the building, construction and property development industries in Singapore. The Group is therefore dependent on Singapore's M&E engineering, construction and property development industries. A downturn in the Singapore economy or a dampening of the general sentiments of the property market may result in reduced demand for M&E engineering and construction activities and ultimately affect the Group's profit margins. Accordingly, the Group's M&E engineering business may be subject to cyclical fluctuations of the Singapore economy which may in turn adversely affect the Group's business, financial condition and results of operations. Any decrease in demand in the construction and property development industries is likely to adversely affect the Group's business volume and result in a significantly lower turnover.

***The Group may be adversely affected by changes in government legislation, regulations or policies which affect the construction industry in Singapore***

The Singapore construction industry is highly regulated and there can be no assurance that the regulatory environment in which the Group operates will not change significantly in the future. The Group is subject to various laws and regulations, including the Building Control Act, Chapter 29 of Singapore and the related regulations which requires the Group to, amongst others, engage licensed tradesmen, adhere to applicable codes of practice and meet certain financial criteria.

As the Group derives a significant portion of its revenue from the construction industry in Singapore, any changes in government legislation, regulations or policies affecting the construction industry in Singapore could adversely affect the Group's business operations and/or have a negative effect on the demand for its M&E engineering services. The compliance with such changes may also increase the Group's costs and any significant increase in compliance costs arising from such changes may adversely affect its financial performance. There is no assurance that any changes in government legislation, regulations and policies will not have an adverse effect on its financial performance and financial condition.

***The Group may be adversely affected by any shortage in the supply of foreign workers or increase in levy for foreign workers, or any restriction on the number of foreign workers that it can employ for a project***

The construction industry is highly labour-intensive. As the pool of local workers employed in the construction industry in Singapore is scarce and the cost of local labour is high, the Group relies heavily on foreign manpower for its projects. Most of the Group's construction workers are foreign workers who come mainly from India, Bangladesh and China and are subject to foreign workers'

levy. On this basis, the Group's business operations, financial performance and financial condition are vulnerable to any shortage in the supply of foreign workers and any increase in the cost of foreign labour.

Any changes in the policies of the foreign workers' countries of origin may affect the supply of foreign labour and cause disruptions to the Group's business operations which may result in a delay in the completion of its projects. The supply of foreign labour and the number of foreign workers that the Group and its sub-contractors are allowed to employ are further subject to the policies and regulations imposed by the Ministry of Manpower of Singapore ("**MOM**"). Pursuant to measures announced in the Singapore Budget 2014 in relation to increasing foreign worker levies for the construction sector, labour costs may increase. Increases in the foreign worker levies will increase the Group's operation costs and materially and adversely affect its profitability and financial performance.

In addition, if there are any changes in the foreign labour policies imposed by the MOM that result in restrictions on the supply of foreign labour, the Group may have to seek alternative and more costly sources of labour for its projects. If the Group is not able to increase its productivity and/or has to employ more costly sources of labour, the Group's overall costs will increase and its financial performance may be materially and adversely affected.

***The Group may be adversely affected by any cost overruns and/or increase in costs***

The Group's tender committee will prepare for a tender submission or quotation to the main contractor for M&E engineering projects based on internal costing and budgetary estimates. Thereafter, the contract value that is quoted in the tender submission or quotation to the main contractor for M&E engineering projects is determined after having evaluated all related costs including labour costs, material costs and the indicative pricing of the various suppliers and sub-contractors.

In addition, owing to unforeseen circumstances such as adverse soil conditions, unfavourable weather conditions or unanticipated construction constraints at the worksite which may arise during the course of construction, this may lead to additional work which was not previously factored into the contract value to be carried out and this may result in higher project costs. It is also possible for incorrect estimations of costs to be made during the tender submission or delays in the execution of projects to arise. In particular, the Group commonly underestimates its project costs, in particular, its labour and time costs, during the cost evaluation stages. These circumstances will lead to cost overruns which will erode the Group's profit margin for the project or may result in losses. Cost overruns may also occur due to poor site management, wastage or damage of materials. There is no assurance that the Group will not have any material cost overruns on its current and future projects which may have an adverse effect on the Group's overall financial performance and financial condition.

In submitting a tender, the main contractor or developer would normally request for an affirmative quotation. However, the indicative pricing which the Group obtains from its suppliers and sub-contractors for the purpose of determining the contract value is only valid over a certain period. As the award of the tender is known only much later and the duration of construction normally stretches more than one year, there is a possibility that the final pricing agreed with the Group's suppliers and sub-contractors will be less favourable than the indicative pricing factored into its tender submission. As the construction contract would typically provide that no adjustment shall be made to the contract value for fluctuations in the cost, amongst others, of labour, construction materials, equipment rental and sub-contracting services, the Group would be unable to pass any cost increase to the main contractor or developer. A substantial increase in the cost of basic construction materials or any other cost components vis-à-vis the estimates factored into

the contract value agreed with the main contractor or developer will therefore erode the Group's profit margin for the construction project or may even result in losses. This may have an adverse effect on the Group's financial performance and financial condition.

***The Group will be affected by the loss of its BCA grading or business licence***

Registration with the BCA is a pre-requisite for the Group to tender for contracts with the government sector in Singapore. Certain customers in the government sector in Singapore may also require that the Group achieves the specified ISO recognition as a tender pre-requisite. In addition, some customers in the private sector have also requested that contractors hold BCA registration.

The BCA administers a contractors' registry to serve the procurement needs of government departments, statutory bodies and other public sector organisations. Contractors registered with the BCA are accorded grades ("**BCA Grades**") by the BCA, taking into consideration factors such as the contractor's resources, experience and technical expertise to undertake contracts of the relevant nature and size.

The Group possesses an "L6" BCA grading in ME05 (Electrical Engineering), ME12 (Plumbing and Sanitary Works) and ME15 (Integrated Building Services) and an "L5" BCA grading in ME01 (Air-Conditioning, Refrigeration and Ventilation Works) workheads of the M&E engineering categories under the contractors' registry administered by the BCA. The "L6" BCA grade allows the holder to bid for all public sector contracts in Singapore in the relevant workhead category without any limitation to the contract value. The "L5" BCA grade allows the holder to bid for public sector contracts in Singapore in the relevant workhead category which are up to S$14 million in contract value.

These BCA Grades have to be renewed every three years. To maintain the Group's existing BCA Grades, the Group is required to comply with the prescribed requirements in relation to financial capacity, staff resources and track records. There is no assurance that the Group will be able to maintain the necessary licences and certificates from the various authorities. In the event that the Group fails to maintain its BCA Grades because of its inability to comply with any of the prescribed requirements, their BCA Grades would be revoked or downgraded accordingly. As such, the Group would not be able to tender for public sector projects as well as private sector projects which require contractors to possess the requisite BCA Grading. In any such event, the Group's market reputation will be adversely affected and its business, results of operations and financial performance may be adversely affected.

***The Group's earnings may be affected by fluctuations in raw materials prices***

The materials used in the Group's M&E engineering business include uPVC, polypropylene random, cross-linked polyethylene, copper and ductile iron pipes and fittings, copper wiring, electrical cables and light fittings. The prices of these raw materials may fluctuate due to changes in the supply and demand conditions. Any sudden interruption or shortage of supply or reduction in these materials may adversely affect the Group's business operations or result in it having to pay a higher cost for these raw materials.

Furthermore, a typical construction project generally spans more than one year. As a result, the Group's costs may increase beyond its initial projections and this may result in a reduction in its previously estimated profit margins or the Group incurring a loss. In the event of any significant increase in the costs of such construction materials and the Group failing to find a cheaper source of supply or pass on such increases in raw material prices to the main contractor or developer, its results of operations, financial performance and financial condition may be adversely affected.

***The Group is dependent on its suppliers***

The Group is dependent on its suppliers for the supply of materials required in the course of its M&E engineering projects.

There is no assurance that the Group will be able to continue sourcing these materials and services from its suppliers at prices that are favourable to it. In the event that its suppliers terminate the supply of materials to the Group, the Group may not be able to seek alternative sources in a timely manner and/or at reasonable prices. This will cause a delay in its M&E engineering projects and would affect the completion of such projects in a timely manner. In addition, the Group may face an increase in the cost of supplies should there be a change in suppliers. In such instances, the Group's profit margin for the project will be eroded and its profitability and financial performance may be adversely affected.

***The Group is liable for delays in the completion of projects and any liquidated damages arising from such delays***

The Group's M&E engineering contracts typically include a provision for the payment of pre-determined liquidated damages by the Group in the event the project is completed after the stipulated date of completion stated in the contract.

Delays in the completion of a project could occur from time to time due to several factors including, but not limited to, adverse weather conditions, shortages of labour, equipment and construction materials, the occurrence of natural disasters, labour disputes, disputes with suppliers and sub-contractors, industrial accidents, work stoppages arising from accidents or mishaps at the worksite or delays in the delivery of building materials by the suppliers. In the event of any delay in the completion of the project due to factors within the Group's control, it could be liable to pay liquidated damages under the construction contract and incur additional overheads that will adversely affect its earnings and erode its profit margin for the Group's project.

To date, the Group has not been responsible for any delays in the completion of its projects. However, there is no assurance that there will not be any delays in the Group's existing M&E engineering projects which may result in the payment of liquidated damages and additional overheads. In such an event, this would have an adverse impact on the Group's financial performance and financial condition.

***The Group may be subject to disputes, claims and variation orders***

Disputes may arise between the Group, its contractors and customers for various reasons including differences in the interpretation of acceptable quality standards of workmanship and materials used, disagreements over the valuation of work-in-progress and general non-adherence to the contract specifications. Consequently, it is an industry practice for the developer or the main contractor to withhold an agreed percentage of the contract sum, typically up to five per cent., as retention monies to defray the costs of instituting any work for repair, reconstruction or rectification of any imperfection or other fault or defect which may surface or be identified only during the maintenance period, typically of about 12 to 24 months after the official hand-over of a building project. The Group may therefore encounter difficulties in collecting the full sum or any part of the retention monies due and may run the risk of incurring additional costs to make good the imperfection, fault or defect or reconstruction of works under dispute to the extent that the Group's profit margin is eroded or losses are incurred for the project. Moreover, where the Group is in breach of any terms of the contract, the Group's clients are entitled to claim for liquidated damages for delay in completion or other losses suffered by them by off-setting the same from the retention monies or enforcing the performance bond. If the performance bond is called upon, it will

be required to indemnify the relevant insurance company or financial institution for such payment, as well as any damages arising from disputes, thereby adversely affecting the Group's financial performance and financial condition.

In addition, customers may request for additional works or alterations to the agreed specifications which were not originally specified. Disputes may arise from disagreements over the cost of variation orders requested. In such an event, additional works resulting from variation orders that may not be chargeable to its customers arising from such disputes would have to be absorbed by the Group which may consequently result in the Group's profit margin for the project being eroded and may also result in losses.

Disputes may also arise between the Group and its sub-contractors for various reasons, including defective works, delays in the completion of a project and disputes over contract specifications and the final amount payable for the work done on a project.

There is no assurance that such disputes, claims or variation orders may not arise in the future. In the event that the Group is required to bear any part of the variation costs, claims or disputes, the Group's earnings would be adversely affected.

***The Group's revenue recognition may be delayed due to delays in the completion of projects***

The Group's revenue is recognised based on the percentage completion basis, in line with the Singapore Financial Reporting Standards and industry practice. The Group recognises revenue upon incurring 30 per cent. of the estimate cost to completion for the project. If the costs incurred on a project do not exceed the 30 per cent. threshold when its accounts are being finalised, the project revenues and costs would be deferred as work-in-progress in the balance sheet and accordingly, no profit or loss will be recognised in its results of operations for such projects.

Similarly, if the completion dates of the Group's ongoing projects are extended and their estimated cost to completion is less than 30 per cent., the Group will have to delay recognising its project revenue and profits. There is no assurance that there will be no delays in the completion of the Group's current or future projects that would delay the recognition of the Group's revenue and profits which may adversely affect its financial performance.

***The Group's business is dependent on the services of its sub-contractors***

The Group is heavily dependent on sub-contractors to provide various services for its M&E engineering projects including the installation of air conditioning units, mechanical and electrical installation, utilities installation and any other specialist work.

These sub-contractors are selected based on, amongst others, the Group's past working experience with them, their competitiveness in terms of their pricing and their past performance. There can be no assurance that the services rendered by the sub-contractors will be satisfactory to it or that the sub-contractors will meet its requirements for quality. In the event of any loss or damage which arises from the default of the sub-contractors engaged by the Group, the Group may be liable for the sub-contractors' default. Furthermore, these sub-contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of or failing to complete the Group's projects, resulting in additional costs for the Group or exposing it to the risk of liquidated damages. Any of these factors could have a material adverse effect on the Group's business operations, financial performance and financial condition.

***The Group may be affected by accidents and/or violation of regulatory requirements at its work sites***

Accidents or mishaps may occur at the work sites for the Group's projects even though the Group has put in place certain safety measures. As such, the Group is subject to personal injury claims by workers who are involved in accidents at its worksites during the course of their work from time to time.

Such accidents or mishaps may severely disrupt the Group's operations and lead to a delay in the completion of a project, and in the event of such delay, the Group could be liable to pay liquidated damages under the construction contracts with its customers. In such an event, the Group's business operations, financial performance and financial condition may be materially and adversely affected. Further, such accidents or mishaps may subject the Group to claims from workers or other persons involved in such accidents or mishaps for damages suffered by them, and any significant claims which are not covered by the Group's insurance policies may materially and adversely affect its financial performance and financial condition.

Further, under the demerit points scheme for the construction industry introduced by the MOM, if the Group is found to have violated safety and health requirements at its worksites, it will be given demerit points. For example, a contractor that has received more than 18 demerit points within a 12-month period will receive a formal warning from MOM. Continued accumulation of demerit points will result in more stringent corrective actions. If a contractor continues to commit workplace safety and health offences, applications from the company for new work passes and renewal of all types of work passes for all foreign employees will be rejected by MOM.

In addition, in the event that its worksites contravene the requisite safety and health standards imposed by the regulatory authorities, the Group could be fined, or issued with partial or full stop-work orders. In the event that the Group is issued such stop-work orders, this may severely disrupt its operations and lead to a delay in the completion of a project. These circumstances may generate negative publicity and adversely affect the Group's market reputation, and may also have a material adverse impact on its business operations, financial performance and financial condition.

***The Group is exposed to credit risks of the Group's customers***

The Group's financial performance and position are dependent, to a certain extent, on the creditworthiness of its customers. The Group's credit terms are typically 30 days from the progress claim date. However, actual collection of payments may take up to 120 days, as payment may only be made after certification of the works completed. The longer collection period is due to the time required for the main contractor to receive moneys from the developers who may only pay after works completed have been certified by qualified surveyors or architects. The Group's collection period therefore largely depends on payments made by the developers to the main contractors.

If the Group is not able to collect payment from its customers, the bad debts incurred would increase its operating expenses and thereby reduce its profitability and adversely affect its financial performance.

## RISKS RELATING TO THE GROUP'S PROPERTY DEVELOPMENT AND INVESTMENT BUSINESS

### *The Group may be affected by changes in government regulations and policies in Singapore*

The Group may be affected by changes in government regulations and policies in Singapore. These regulatory and policy changes may have a material adverse impact on the overall performance of the Singapore property market which may in turn adversely affect the Group's business operations and financial performance.

*Property-cooling measures*

The Group may be affected by property cooling measures introduced by the Singapore government from time to time. In the recent years, the Singapore government has implemented several rounds of such measures to regulate the movement in property prices in Singapore to promote a stable and sustainable property market.

For instance, in January 2013, the Singapore government introduced Additional Buyer's Stamp Duty ("**ABSD**") which currently ranges between 5 per cent. and 15 per cent. in respect of residential property purchases. ABSD is payable in addition to the prevailing Buyer's Stamp Duty applicable to all property transactions.

Additionally, Loan-to-Value ("**LTV**") on housing loans has been tightened for individuals who already have at least one outstanding housing loan, as well as for non-individuals such as companies. Besides tighter LTV limits, the minimum cash down payment for individuals applying for a second or subsequent housing loan has also been raised to 25 per cent. Further tightening measures were also imposed by the Singapore government with the implementation of the Total Debt Servicing Ratio which limits the amount of property loans that may be granted by financial institutions to individuals.

The Singapore government has also introduced revisions to the property tax regime (including revisions to property tax rates) which will be phased in over two years commencing from 1 January 2014. Further revisions to the progressive property tax rates currently in force are slated to take effect from 1 January 2015.

Such property cooling measures may have an adverse impact on the property development business and financial performance of the Group.

*Housing developer's licence*

The Group's associates which engage in the property development business are required to obtain a Housing Developer's Licence before undertaking a housing development project comprising more than four units. The Group's associates are also required to obtain a Qualifying Certificate[1] in order to acquire any interest in residential properties in Singapore.

---

[1] Pursuant to the Residential Property Act, Chapter 274 of Singapore (the "**RPA**"), a Qualifying Certificate is required to be obtained from the Controller of Housing by companies, which are considered "foreign companies" for the purposes of the RPA, who wish to acquire residential property in Singapore. The Issuer and its subsidiaries are considered "foreign companies" under the RPA.

Further, property developers are also required to abide by the rules and regulations under the Housing Developer's (Control and Licensing) Act, Chapter 130 of Singapore. For example, under the Housing Developers Rules, property developers are required to provide more information (such as a drawn-to-scale location and site plan of the project, a unit floor plan and a breakdown of the unit's various spaces, such as bedrooms, balconies and bay windows) to buyers before the issuance of an option to purchase. To showcase the developer's track record, property developers are also required to disclose at least one completed project before issuing the option to purchase. In addition, property developers are also required to obtain the buyer's consent if any changes made would affect the buyer. In addition, advertising rules applicable to newspapers and sales brochures have now been extended to online advertisements. Online advertisements must therefore not contain any false or misleading information.

These additional requirements may contribute towards an increase in the cost of developing residential units which in turn may affect the profits of the Group.

*Compulsory acquisition/zoning changes*

From time to time, the relevant authorities may carry out redevelopment plans or effect zoning changes to particular areas. The supply of land to property developers is also regulated by the Singapore government. The Singapore government is also authorised under the Land Acquisition Act, Chapter 152 of Singapore, to compulsorily acquire land for particular purposes.

***The Group is subject to the performance of the property industry in the countries in which it operates in***

The Group's property development business is subject to the performance of the property industry in the countries in which it operates, which is cyclical in nature. Cyclical downturns may arise from changes in global and local economic conditions, periodic local oversupply of properties for sale or lease, competition from other developers, changes in wages, energy costs, construction and maintenance costs, government regulations or changes in interest rates, and availability of financing for operating and/or capital requirements. Should the property market experience a downturn, demand for the Group's property development projects may slow down significantly and this may cause a negative impact on the pricing of the Group's property development projects. On the other hand, cyclical upturns may prompt the authorities to implement cooling measures. These factors may adversely affect the Group's financial performance and profitability.

***The Group may be affected by changes in consumer preferences***

The Group's property development properties are dependent on consumer preferences, the popularity of its properties in terms of design and consumer spending trends. Consumer preferences and spending trends are influenced by external factors including, amongst others, the income level of consumers and the markets' demographic profiles. The design of the properties which appeal to some customers may not appeal to others. It is therefore important that the Group is able to produce designs with sufficient market appeal to attract customers with different preferences. In the event that the Group's competitors are able to introduce more innovative and/or more functional designs or properties that can better cater to customers' needs or that are better accepted by the market, the Group may not be able to maintain its competitive edge and this may adversely affect the Group's profitability and financial performance.

***The property development industry is highly competitive***

The property development industry in the countries in which the Group operates in is highly competitive with a few large established players and many new entrants to the property industry, each having its own strengths and weaknesses. Large property developers may have greater financial and non-financial resources, more established brand names and better reputations. Some of these developers may have more extensive networks and have better exposure to potential business opportunities, land banks and more prime or attractive land sites.

These advantages may allow the Group's competitors to afford higher bids for land sites, invest in bigger and/or more profitable property development projects and better weather adverse economic conditions and adverse occurrences specific to the industry. In comparison, the Group has a shorter operating history and track record upon which it may be evaluated compared to some other property developers.

***The Group may be affected by disruptions and project delays to its property development projects***

The time required to complete a property development project depends on various factors, including the size of the project, prevailing market conditions and availability of resources. Delays may arise due to various factors, including adverse weather conditions, natural calamities, power failure, machinery and equipment breakdown, shortage of construction materials, shortage of labour, accidents, cessation of business of the Group's contractors, disputes with the contractors and unexpected delay in obtaining required approvals. Such delays may result in cost overruns and increased financing costs which will adversely affect the Group's profitability. Further, any delay in project completion may also expose the Group to claims for liquidated damages from the purchasers of the property development projects. Although the Group may be reimbursed by its contractors responsible for the delay or compensated from insurance under certain circumstances, there is no assurance that such reimbursement or compensation will cover the entire losses incurred and the Group's profitability and financial performance may be adversely affected.

***The Group is subject to uncertainties in relation to its property development projects***

The Group's performance is dependent on its ability to identify property development projects with good potential returns and to complete such projects within a scheduled time frame to realise such returns. Such ability is based on the Group's understanding of the operational environment and/or anticipation of the market conditions. Hence, the viability and profitability of the Group's property development projects may be affected by factors such as unexpected project delays, changes in interest rates, construction costs, land costs and market conditions. Accordingly, there is no assurance that the Group will be consistently successful in identifying profitable property development projects, and completing and launching such projects under the best possible market conditions as planned. There is also no assurance that a project, which may be assessed to be profitable at the initial phases, will not turn out to be a lossmaking asset or investment of the Group due to changes in circumstances not within the Group's control. Should the Group fail to identify profitable property development projects and complete them profitably or within a reasonable time, its profitability and financial performance will be adversely affected.

***The Group is dependent on its ability to acquire new land sites for development***

The Group needs to continue identifying land suited for property development in order to maintain and grow its property development business. The Group usually sources for land by participating in property auctions, acquiring land from private owners, government tenders as well as sourcing for suitable development sites through external property agents. The Group competes with other property developers for land. If it is not successful in securing sizeable and appropriate land for

property development, and as a result undertakes fewer property development projects, the Group's business operations, financial performance and financial condition may be adversely affected.

***The Group may face claims for delays and defective works***

In connection with the Group's property development business, claims relating to delays and defective works are sometimes made against the Group by the purchasers and/or the management corporations of such properties. Claims may also be made against the Group by the owners or occupiers of neighbouring properties in respect of the use and enjoyment of such properties.

The Group's business operations, financial performance and financial condition will also be affected if it has to pay a significant amount of compensation or spend a significant amount of resources on legal costs in the event of legal proceedings. The Group's reputation may also be adversely affected as a result of such proceedings.

***The Group may be affected by unsold properties***

In the event that the Group is unable to sell a significant proportion of its properties, its financial performance may be adversely affected as the Group may incur holding costs, including interests costs and maintenance costs.

***The Group's unsold property development assets may be illiquid***

The Group's unsold property development assets are relatively illiquid prior to their sale. Such illiquidity limits the Group's ability to convert its unsold property development assets into cash on short notice. Such illiquidity may also have a negative effect on determining the selling prices of the Group's unsold completed property development assets in the event that it requires a quick sale of these assets.

***The Group is subject to the risk of inability to collect progress payments from purchasers of its property development projects***

For its development properties, the Group is subject to the solvency or creditworthiness of its customers. In this respect, it may sometimes face delay or even non-payment in its collection of progress payments from the purchasers of its property development projects. Any significant delay or inability in collecting payment will impact negatively on the Group's financial performance.

***The Group may be subject to limitations of property valuations***

The valuations of the Group's properties are conducted by independent professional valuers and are valid as of the date of valuation. The valuations are based on certain assumptions and are not intended to be a prediction of the actual values likely to be realised by the Group from these investments. The valuations of the Group's properties will be adversely affected by unfavourable changes in economic or regulatory conditions or other relevant factors which could affect such valuations.

## RISKS RELATING TO THE GROUP'S VESSEL OWNERSHIP AND CHARTERING BUSINESS

### *The shipping industry is highly regulated*

The shipping industry is highly regulated, and the Group's operations are affected by extensive and evolving environmental protection laws and other regulations in the form of various international conventions, local laws and international regulations in force. Subject to arrangements with the charterer concerned, compliance with such laws and regulations may entail significant expenses on the Group's part, including expenses for ship modifications, maintenance and inspection requirements, changes in operating procedures, compliance with environmental, health and human safety requirements, and renewal of the required certificates and permits.

As these international conventions, laws and regulations are often revised, the Group is unable to predict the long-term costs of compliance. Additional laws and regulations may be adopted, which could limit the Group's ability to do business and which could have a material adverse effect on its business, financial condition and results of operations.

The Group may also incur substantial costs in order to comply with the existing and future environmental and health and human safety requirements, including, amongst others, obligations relating to air emissions, maintenance and inspection, development and implementation of emergency procedures and insurance coverage. The Group could also face substantial liability for penalties, fines, damages and remediation costs associated with hazardous substance spills or other discharges into the environment involving its vessel under such laws and regulations. These costs and penalties could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's vessel's operating certificate and licences are renewed periodically. However, government regulations relating to vessels, particularly in the areas of safety and environmental impact, may change in the future and require the Group to incur significant capital expenditure on its vessel to ensure that it is compliant. In addition, the Group is required by various regulatory bodies to obtain permits and licenses required for the operation of its business. These permits may become costly or difficult to obtain or renew.

In the event that any of these international conventions, laws and regulations, codes, guidelines and standards become more stringent and/or additional regulations requiring the Group's compliance are introduced, its costs of operations may increase further. Also, non-compliance with such regulations may result in penalties, sanctions as well as revocation of certain business licenses and permits. This would limit the Group's ability to operate in this industry and may have an adverse effect on its business and financial position.

### *The shipping industry is highly competitive*

The vessel chartering industry is highly competitive. The primary bases for competition involves the matching of the customer's demands with the type of vessel, price and availability. To maintain its competitive edge, the Group may need to continuously upgrade its vessel and expand its fleet available for charter to match those offered by its competitors.

The vessel chartering industry is fragmented with many charterers, owners and operators of vessels. Because many of the Group's competitors are larger players in the industry who may have greater resources to maintain bigger and more advanced fleets, there is no assurance that the Group will be able to compete successfully against its competitors and new market entrants in the future. The Group's competitors may also have longer operating histories and greater financial, technical, marketing and other resources than the Group as well as greater access to capital.

Should the Group's existing or new competitors offer services at a lower cost or engage in aggressive pricing in order to increase market share, its turnover may decline if it is not able to match their costs or aggressive pricing. The Group may have to provide more competitive pricing in its vessel chartering operations in order to attract new customers and retain its existing clientele. A reduction in the Group's pricing without any corresponding cost reduction may adversely affect its profitability and financial condition.

If the Group is unable to compete successfully against its existing and potential competitors, the Group may experience a loss of market share, which could adversely affect its financial condition and financial performance.

***The Group is exposed to inherent risks in the shipping business***

In the shipping business, the Group is constantly exposed to inherent risks and external factors which are outside of its control such as pollution incidents, collisions, mechanical breakdown of its vessel, adverse weather conditions, fire or other calamity. Any of these factors may cause disruptions to its operations and result in loss and/or damage to its vessel or cargo. The Group may also be liable for damages or compensation payable to third parties arising from vessel collisions in cases where the Group's negligence or contributory negligence is proved against it. In the event that the Group is liable for payment of any such costs, damages or compensation, and its existing insurance coverage does not cover, or is insufficient to pay for, the total amounts incurred, the Group's financial performance may be materially and adversely affected. In addition, the Group's insurance premium costs may increase as a result, thereby leading to an increase in the cost of its operations, which may adversely affect its financial performance.

***The Group's vessel may be exposed to security threats and piracy***

The Group's vessel may be exposed to incidences of security threats such as piracy, terrorist attacks, wars/insurgency and internal strife. In the event of such attacks, the Group's vessel and cargo may be captured, destroyed, damaged and/or lost and the Group's crew may be injured. If such damages exceed the Group's existing insurance coverage or are not covered by the existing insurance policies the Group has taken up, the Group's business and financial condition may be adversely affected. In addition, pirate or terrorist attacks may result in substantial increases in the Group's insurance premiums, thereby affecting its financial performance and financial condition.

***The Group faces the risks of termination of contracts with customers***

The vessel chartering business is typically conducted based on contracts entered into for a specific duration. Such contracts can be extended prior to their expiration. Conversely, these contracts may also be terminated prior to their expiration due to a force majeure event or a default in the performance of a contractual obligation.

The Group has entered into a time charter contract with a third party for a period of three years in respect of its vessel, "Hai Jin". Failure to extend the current contract upon its expiry or to secure new charter contracts with other customers in the future with commercially similar or better terms could have an adverse effect on the Group's financial condition.

***The Group's operations may be adversely affected if there is any significant downtime of its vessel***

Any material breakdown, failure or sub-standard performance of the Group's vessel may result in operational disruptions and downtime. In particular, such disruption may occur when the Group's vessel has to be taken out for extensive servicing instead of being utilised for its business. Any such major disruption could have a material adverse effect on the Group's results of operations and financial condition.

***The Group's insurance coverage may not be adequate***

The Group's vessel may be involved in collisions, resulting in damage to the cargo or vessel or loss of lives, for which it may be exposed to claims from third parties. Further, the Group's vessel operates under harsh weather and environmental conditions. Adverse changes in weather and environmental conditions may cause damage to its vessel. The occurrence of any of these events may result in the interruption of the Group's operations, damage to its reputation and subject the Group to significant losses or liabilities. The Group's insurance may not be adequate to cover all potential liabilities or risks to which it may be subject to. In the event that there are any accidents or claims which are not covered by the Group's insurance policies and/or any of its insurance claims are contested by the insurance companies, the Group will be required to pay for such compensation and its business, results of operations and financial performance may be adversely affected.

***The Group may incur substantial capital expenditures in order to expand its fleet and maintain its vessel***

The possibility of a future expansion in the Group's fleet through the acquisition of new vessels will require significant capital expenditures. Further, capital expenditures are also required in order to maintain the operational quality of the Group's fleet. These expenditures increase with the age of the vessel and include costs of repairs, surveys, drydocking and modifying the vessel in order to maintain or increase the operating capacity of the Group's fleet.

The Group's vessel will also need to be drydocked periodically for repairs and maintenance. The vessel may also need to be drydocked in the event of accidents or other unforeseen damage. The capital expenditures of the Group for repairs and maintenance may increase as a result of a variety of factors, including, increases in the cost of labour, materials and spare parts, changes in customer requirements, future expansion in the size of the Group's fleet or the cost of replacement vessel, changes in the technical developments for chartered vessels, defects and deficiencies of the Group's vessel, changes in governmental regulations and maritime self-regulatory organisation standards relating to safety, security or the environment and changes in competitive standards.

Such increases in capital expenditures for repairs and maintenance may, in turn, force the Group to take its vessel out of service for longer periods of time or more often than planned in order to perform necessary repairs or modify the vessel to conform to new regulations or other requirements. There can be no assurance that the Group's vessel will not require extensive repairs, which would result in significant expense and extended periods of downtime. Such an occurrence would have a material adverse effect on the Group's financial condition and results of operations. In addition, given such capital expenditures, there can be no assurance that, as its vessel ages, the Group will be able to operate its vessel profitably during the remainder of its useful life. Should the Group choose to sell its vessel, the Group cannot be certain that the price at which the vessel is sold will not be less than its book value, which could adversely affect its business, financial position and results of operations.

***The Group's future growth may be limited by the capabilities of its vessel***

The Group's future growth may be limited by the capacity of its vessel in terms of engine horsepower, the physical dimensions of barges, type of equipment on board the vessel and the ability of the vessel to perform certain tasks. In the event that the capabilities of the Group's vessel are not able to meet the requirements of its existing and potential customers, some of them may charter vessels from the Group's competitors. These events may cause the Group to lose some customers, which may have an adverse effect on its future growth.

***The Group's vessel may be subject to arrest***

The Group's vessel may be subject to arrest arising from certain events affecting its customer. Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to maritime liens against that vessel (and, in some jurisdictions, any associated vessel owned or controlled by the same owner) for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel and commencing foreclosure proceedings. This would apply even if the vessel is chartered out. As the Group's customer will be in possession of and have control over its vessel under the charter, any action taken against its customer may expose its vessel to arrest or other impounding actions. The arrest or attachment of the Group's vessel could result in the Group paying a substantial sum of money to have the arrest lifted if the lessee of the vessel does not do so. Unless the Group takes timely actions to intervene in these proceedings, any loss of use of its vessel may have an adverse impact on its financial position.

**RISKS RELATING TO THE GROUP'S WORKERS' DORMITORY BUSINESS**

***The Group's business may be affected by policy changes which reduces the number of foreign workers***

The workers' dormitory industry in Singapore is dependent on the presence of a certain transient population of foreign workers in Singapore, and is also subject to the policies (including those governing foreign worker levies and the granting of work permits) imposed by the Singapore government. Any change in such policies which increases the foreign worker levies payable by companies employing foreign workers in Singapore or which reduces the number of work permits granted to foreign workers could result in a reduction of foreign workers in Singapore. If such policy changes materialise, these could reduce the population of foreign workers in Singapore leading to a reduced demand for the Group's dormitory.

***The Group's business may be affected by changes in regulations relating to the workers' dormitory industry***

The workers' dormitory industry in Singapore is subject to various government regulations which regulate general matters such as compulsory land acquisition, urban redevelopment and planning, as well as restrictions on the design, construction and use of properties as a workers' dormitory. Compliance with such regulations may increase the Group's cost of operations.

Changes in laws and governmental regulations relating to real estate including those governing usage, zoning, taxes and government charges may lead to an increase in the costs of managing the Group's dormitory or unforeseen capital expenditure in order to ensure compliance. The Group's usage of the workers' dormitory may also be restricted by legislative actions, such as revisions to the relevant building standards laws, city planning laws, or the enactment of new laws relating to the use and/or redevelopment of properties. In addition, the government may introduce policies concerning the workers' dormitory industry in general or restrictions on areas that can be used for workers' dormitory, which could have a material adverse effect on the Group's financial condition and results of operations.

The Group may also require certain regulatory permits, licenses, accreditations and/or approvals in order for it to operate its workers' dormitory business. If the Group is required to apply for fresh approvals and permits for its workers' dormitory business, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time frames anticipated by the Group or at all. If the Group fails to obtain the necessary approvals and permits or if there is any delay in obtaining these approvals and permits, this may impede the execution of the Group's business plans, and may materially and adversely affect the Group's business and financial condition.

***The Group is subject to policies of foreign governments on the employment of foreigners***

The demand for the Group's services and dormitory will depend on the presence of a sufficient number of foreign workers. The employers of these foreign workers may have to comply with the rules and conditions imposed by the immigration and other authorities of the different countries from where the foreign workers originate, with regard to the employment of these foreigners to work in Singapore. Any future changes to the policies of the immigration department of any country that restricts their travel and employment may adversely affect the number of foreigners of that nationality who are employed to work locally. In the event that suitable replacements from other countries cannot be obtained, this may affect the number of foreign workers, and hence the occupancy rate of the Group's dormitory and business operations.

***The Group is dependent on the industries its customers operate in***

The Group is dependent on the industries in which its customers operate in. As at the Latest Practicable Date, it is expected that such customers will principally comprise companies operating in the marine, process and manufacturing industries. As such, the Group will be affected by the cyclical changes of such industries. A downturn in these industries in Singapore may result in fewer of such marine, process and manufacturing projects which may lead to a fluctuation of the number of foreign workers brought into Singapore for such industries. A downturn may also halt existing projects, thereby causing existing foreign workers to be repatriated to their home countries due to a lack of suitable employment for them.

***Renovation, redevelopment works or physical damage to the premises may disrupt the operation of the dormitory and the collection of rental income***

The Group's workers' dormitory may need to undergo renovation or redevelopment works from time to time to retain its competitiveness. The dormitory may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop. In such instances, this may disrupt the business and operation of the Group's dormitory which may consequently affect the Group's ability to collect the full or any rental income on the space affected by such renovation or redevelopment works.

In addition, any physical damage of the Group's dormitory arising from fire or other causes may significantly disrupt the business and operation of the dormitory. This may impose unbudgeted costs on the Group and may adversely affect the financial condition and results of operations of the Group.

***The Group is exposed to the risk of illegal immigrants found at its dormitory***

The Group's dormitory caters to the housing needs of foreign workers employed in various industries in Singapore. The Group is accordingly required to ensure that the foreigners residing in its dormitory are not illegal immigrants and have valid work passes or permits. The Group will take the necessary precautions to ensure that persons residing at the Group's dormitory have the necessary work passes or permits by issuing access passes to workers who will be registered as residents of its dormitory and conducting regular checks on the validity of their work passes or permits.

Notwithstanding the measures in place, there can be no assurance that such measures are completely effective or that no illegal immigrants will be found at its dormitory in the future. In the event that the Group is found to be harbouring illegal immigrants and the Group's procedures for verifying the immigration status of the persons residing at the Group's dormitory are found by the authorities to be inadequate, the Group and its officers may be subject to an imprisonment term or fines, or both. This may have an adverse effect on the reputation and financial performance and financial condition of the Group.

***The Group is exposed to the risk of foreign workers residing at its dormitory engaging in smuggling and/or any unlawful activity***

The Group is required to ensure that the workers residing at its dormitory do not engage in smuggling and/or any unlawful activity such as being in possession of contraband tobacco, controlled substances or weapons. The Group will take the necessary precautions so as to detect and/or prevent such unlawful activities within the premises by operating electronic surveillance systems to monitor the security of the dormitory and by conducting regular checks on the foreign workers and their living areas. There is no assurance that such measures are foolproof and that the foreign workers do not engage in such unlawful activities within the dormitory premises.

In the event that the foreign workers are found to be engaging in any unlawful activities that had gone undetected, and the Group's security and monitoring procedures for the detection and prevention of such unlawful activities are found by the authorities to be inadequate, the Group may be subject to the imposition of penalties which may have an adverse effect on the reputation and financial performance and financial condition of the Group.

***The Group's insurance coverage may not adequately protect the Group against certain operational risks***

The occurrence of physical damage caused by fire, acts of God such as natural disasters or other causes, as well as potential third party liability claims, including claims arising from the operation of the Group's dormitory may not be adequately covered, if at all, by its insurance policies. If the Group sustains an uninsured loss or a loss in excess of its insured limits, the Group may incur substantial liabilities and expenses that could adversely affect its business operations and financial performance.

# USE OF PROCEEDS

The net proceeds arising from the issue of the Notes under the Programme (after deducting issue expenses) will be used for general corporate purposes, including, but not limited to, financing investments, repayment of existing borrowings, general working capital and capital expenditure requirements of the Issuer and/or its subsidiaries or such other purposes as may be specified in the relevant Pricing Supplement.

# CLEARING AND SETTLEMENT

**Clearance and Settlement under the Depository System**

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a Global Note for persons holding the Notes in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Notes through the Depository System may only be effected through certain corporate depositors ("**Depository Agents**") approved by CDP under the Companies Act to maintain securities sub-accounts and to hold the Notes in such securities sub-accounts for themselves and their clients. Accordingly, Notes for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Principal Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

**Clearance and Settlement under Euroclear and/or Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and

Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent or, as the case may be, the Non-CDP Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

# SINGAPORE TAXATION

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Arranger and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.*

## 1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17.0%. The applicable rate for non-resident individuals is currently 20.0%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0%. The rate of 15.0% may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the Programme as a whole is arranged by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, which is a Financial Sector Incentive (Bond Market) Company, Financial Sector Incentive (Standard Tier) Company or Financial Sector Incentive (Capital Market) Company (as defined in the ITA) at such time, any tranche of the Notes (the "**Relevant Notes**") issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2018 would be, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by MAS on 28 June 2013 (the "**MAS Circular**"), qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Relevant Notes derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), Qualifying Income from the Relevant Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10.0% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

(aa) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

(bb) the furnishing of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

(A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50.0% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and

(B) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50.0% or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "**prepayment fee**", "**redemption premium**" and "**break cost**" are defined in the ITA as follows:

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "prepayment fee", "redemption premium" and "break cost" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme ("**QDS Plus Scheme**"), subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the QDS in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the QDS as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), income tax exemption is granted on Qualifying Income derived by any investor from QDS (excluding Singapore Government Securities) which:

(a) are issued during the period from 16 February 2008 to 31 December 2018;

(b) have an original maturity of not less than 10 years;

(c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and

(d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

However, even if a particular tranche of the Relevant Notes are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Notes, 50.0% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income from such Relevant Notes derived by:

(aa) any related party of the Issuer; or

(bb) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

The MAS Circular states that, with effect from 28 June 2013, the QDS Plus Scheme will be refined to allow QDS with certain standard early termination clauses (as prescribed in the MAS Circular) to qualify for the QDS Plus Scheme at the point of issuance of such debt securities. MAS has also clarified that if such debt securities are subsequently redeemed prematurely pursuant to such standard early termination clauses before the 10th year from the date of issuance of such debt securities, the tax exemption granted under the QDS Plus Scheme to Qualifying Income accrued prior to such redemption will not be clawed back. Under such circumstances, the QDS Plus status of such debt securities will be revoked prospectively for such outstanding debt securities (if any), and holders thereof may still enjoy the tax benefits under the QDS scheme if the QDS conditions continue to be met.

MAS has stated that, notwithstanding the above, QDS with embedded options with economic value (such as call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the pricing of such debt securities at the onset) which can be exercised within ten years from the date of issuance of such debt securities will continue to be excluded from the QDS Plus Scheme from such date of issuance.

**2. Capital Gains**

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or who are required to apply Singapore Financial Reporting Standard 39 ("**FRS 39**") may, for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "Adoption of FRS 39 Treatment for Singapore Income Tax Purposes".

**3. Adoption of FRS 39 Treatment for Singapore Income Tax Purposes**

The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

**4. Estate Duty**

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

# SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Notes to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The Issuer may also from time to time agree with the relevant Dealer(s) that the Issuer may pay certain third party commissions including, without limitation, rebates to private bank investors in the Notes. The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe, or procure subscribers, for Notes from the Issuer pursuant to the Programme Agreement.

**United States**

The Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering of such Notes may violate the registration requirements of the Securities Act.

**Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

**Singapore**

Each Dealer has acknowledged that this Information Memorandum has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

**General**

Each Dealer has agreed that it will comply with all applicable securities laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Notes or any interest therein or rights in respect thereof or has in its possession or distributes, any other document or any Pricing Supplement.

*Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional adviser(s) and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.*

# GENERAL AND OTHER INFORMATION

## INFORMATION ON DIRECTORS

1. The name and position of each of the Directors are set out below:

| Name | Position |
|---|---|
| Chua Kim Hua | Group Chairman |
| Chua Eng Eng | Managing Director |
| Chua Hai Kuey | Executive Director |
| Goh Chee Wee | Independent Non-executive Director |
| Lim Hock Beng | Independent Non-executive Director |
| Nathapun Siriviriyakul | Independent Non-executive Director |

2. Save as disclosed below, the Directors are not related by blood or marriage to one another nor are they related to any substantial shareholder of the Issuer:

   (a) Mr Chua Hai Kuey and Mr Chua Kim Hua are brothers.

   (b) Ms Chua Eng Eng is the daughter of Mr Chua Kim Hua and the niece of Mr Chua Hai Kuey.

3. No Director is or was involved in any of the following events:

   (a) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer;

   (b) a conviction of any offence, other than a traffic offence, or judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or being a named subject to any pending proceedings which may lead to such a conviction or judgment, or so far as such person is aware, any criminal investigation pending against him; or

   (c) the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

4. The interests of the Directors and the substantial shareholders of the Issuer in the Shares as at the Latest Practicable Date are as follows:

   Directors

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | Number of Shares | % | Number of Shares | % |
| Chua Kim Hua | 44,113,319 | 12.63 | – | – |
| Chua Eng Eng | 36,576,906 | 10.48 | – | – |
| Chua Hai Kuey | 22,247,676 | 6.37 | – | – |

Substantial Shareholders

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | Number of Shares | % | Number of Shares | % |
| Ganoktip Siriviriyakul | 76,875,000 | 22.02 | – | – |
| Chua Kim Hua | 44,113,319 | 12.63 | – | – |
| Chua Eng Eng | 36,576,906 | 10.48 | – | – |
| Chua Hai Kuey | 22,247,676 | 6.37 | – | – |

## SHARE CAPITAL

5. As at the date of this Information Memorandum, there is only one class of ordinary shares in the Issuer. The rights and privileges attached to the Shares are stated in the Articles of Association of the Issuer.

6. The issued share capital of the Issuer as at the Latest Practicable Date is as follows:

| | Issued Share Capital | |
|---|---|---|
| Share Designation | Number of Shares | Amount |
| Ordinary Shares | 349,176,870 | S$46,813,734 |

## BORROWINGS

7. Save as disclosed in Appendix III, the Group had as at 31 March 2014 no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

## WORKING CAPITAL

8. The Directors are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Notes, the Issuer will have adequate working capital for its present requirements.

## CHANGES IN ACCOUNTING POLICIES

9. There has been no significant change in the accounting policies of the Issuer since its audited consolidated financial statements for the financial year ended 31 March 2014.

## LITIGATION

10. There are no legal or arbitration proceedings pending or, to the best of the knowledge of the Issuer after having made all reasonable enquiries, threatened against the Issuer or any of its subsidiaries the outcome of which may have or have had during the 12 months prior to the date of this Information Memorandum a material adverse effect on the financial position of the Issuer or the Group.

## MATERIAL ADVERSE CHANGE

11. There has been no material adverse change in the financial condition or business of the Issuer or the Group since 31 March 2014.

## CONSENT

12. Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this Information Memorandum with the references herein to its name and, where applicable, reports in the form and context in which they appear in this Information Memorandum.

## DOCUMENTS AVAILABLE FOR INSPECTION

13. Copies of the following documents may be inspected at the registered office of the Issuer at 8 Sungei Kadut Loop, Singapore 729455 during normal business hours for a period of six months from the date of this Information Memorandum:

    (a) the Memorandum and Articles of Association of the Issuer;

    (b) the Trust Deed;

    (c) the letter of consent referred to in paragraph 12 above; and

    (d) the audited consolidated financial statements of the Issuer and its subsidiaries for the financial years ended 31 March 2013 and 31 March 2014 and the unaudited first quarter financial statements announcement of the Issuer and its subsidiaries for the financial period ended 30 June 2014.

## FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

14. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF KING WAN CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

*The information in this Appendix II has been reproduced from the annual report of King Wan Corporation Limited for the financial year ended 31 March 2013 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.*

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KING WAN CORPORATION LIMITED

**Report on the Financial Statements**

We have audited the accompanying financial statements of King Wan Corporation Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at March 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 66.

**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 (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 the 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 KING WAN CORPORATION LIMITED

**Opinion**

In our opinion, the 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 state of affairs of the Group and of the Company as at March 31, 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Public Accountants and
Chartered Accountants
Singapore

July 15, 2013

# STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2013

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | $ | $ | $ | $ |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 6 | 16,712,439 | 28,690,341 | 5,235,498 | 10,077,655 |
| Trade receivables | 7 | 7,808,456 | 9,285,830 | - | - |
| Other receivables and prepayments | 8 | 259,593 | 2,202,023 | 8,050 | 7,150 |
| Amount due from subsidiaries | 9 | - | - | 17,013,402 | 14,162,092 |
| Held-for-trading investments | 10 | 457,645 | 301,938 | - | - |
| Inventories | 11 | 1,132,952 | 1,269,500 | - | - |
| Construction work-in-progress | 12 | 11,483,202 | 7,680,142 | - | - |
| | | 37,854,287 | 49,429,774 | 22,256,950 | 24,246,897 |
| Non-current assets classified as held for sale | 13 | 21,642,772 | - | 9,840,000 | - |
| Total current assets | | 59,497,059 | 49,429,774 | 32,096,950 | 24,246,897 |
| **Non-current assets** | | | | | |
| Other receivables | 8 | 49,059,489 | 17,441,315 | - | - |
| Property, plant and equipment | 14 | 5,263,286 | 5,916,328 | - | - |
| Investment in subsidiaries | 16 | - | - | 35,088,297 | 34,230,187 |
| Investment in associates | 17 | 12,042,006 | 34,239,652 | 1,420,303 | 9,840,000 |
| Total non-current assets | | 66,364,781 | 57,597,295 | 36,508,600 | 44,070,187 |
| **Total assets** | | 125,861,840 | 107,027,069 | 68,605,550 | 68,317,084 |

# STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2013

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | $ | $ | $ | $ |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank borrowings | 18 | 7,624,745 | 3,619,893 | - | - |
| Construction work-in-progress | 12 | 4,144,535 | 3,486,139 | - | - |
| Trade payables and bills payables | 19 | 15,737,642 | 6,109,675 | - | - |
| Other payables | 20 | 5,459,417 | 2,245,159 | 3,600,006 | 1,082,847 |
| Current portion of finance leases | 21 | 55,658 | 55,658 | - | - |
| Amount due to a subsidiary | 22 | - | - | 6,037,599 | 5,562,295 |
| Accrual for contract costs | 23 | 6,063,013 | 4,991,180 | - | - |
| Income tax payable | | 1,657,989 | 2,058,491 | 92,835 | 312,647 |
| Total current liabilities | | 40,742,999 | 22,566,195 | 9,730,440 | 6,957,789 |
| **Non-current liabilities** | | | | | |
| Bank borrowings | 18 | - | 624,369 | - | - |
| Finance leases | 21 | 53,823 | 109,481 | - | - |
| Deferred tax liabilities | 25 | 194,859 | 89,859 | - | - |
| Total non-current liabilities | | 248,682 | 823,709 | - | - |
| **Capital and reserves** | | | | | |
| Share capital | 26 | 46,813,734 | 46,813,734 | 46,813,734 | 46,813,734 |
| Retained earnings | | 39,995,988 | 38,181,451 | 12,061,376 | 14,545,561 |
| Foreign currency translation reserve | 27 | (1,939,563) | (1,358,020) | - | - |
| Total equity | | 84,870,159 | 83,637,165 | 58,875,110 | 61,359,295 |
| **Total liabilities and equity** | | 125,861,840 | 107,027,069 | 68,605,550 | 68,317,084 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2013

| | Note | Group 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **Continuing operations** | | | |
| Revenue | 28 | 66,304,621 | 57,211,850 |
| Cost of sales | | (54,935,363) | (43,615,665) |
| Gross profit | | 11,369,258 | 13,596,185 |
| Other operating income | 29 | 3,415,627 | 3,084,921 |
| Administrative expenses | | (6,315,066) | (7,686,754) |
| Share of (loss) profit of associates | 17 | (567,082) | 50,805 |
| Finance costs | 30 | (228,031) | (237,087) |
| Profit before income tax | | 7,674,706 | 8,808,070 |
| Income tax | 31 | (1,533,322) | (2,014,763) |
| Profit for the year from continuing operations | 32 | 6,141,384 | 6,793,307 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations – share of profit of associates | 17 | 910,806 | 7,215,822 |
| **Total profit for the year** | 32 | 7,052,190 | 14,009,129 |
| **Other comprehensive income:** | | | |
| Exchange differences on translation of foreign operations (associates) | | (581,543) | (1,116,914) |
| **Total comprehensive income for the year** | | 6,470,647 | 12,892,215 |
| **Earnings per share (cents)** | | | |
| From continuing and discontinued operations | | | |
| Basic | 33 | 2.02 | 4.01 |
| Diluted | 33 | 2.02 | 4.01 |
| From continuing operations | | | |
| Basic | 33 | 1.76 | 1.95 |
| Diluted | 33 | 1.76 | 1.95 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2013

| | Share capital | Retained earnings | Foreign currency translation reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Group** | | | | |
| Balance at April 1, 2011 | 46,813,734 | 28,711,621 | (241,106) | 75,284,249 |
| Total comprehensive income for the financial year | - | 14,009,129 | (1,116,914) | 12,892,215 |
| Dividends (Note 34) | - | (4,539,299) | - | (4,539,299) |
| Balance at March 31, 2012 | 46,813,734 | 38,181,451 | (1,358,020) | 83,637,165 |
| Total comprehensive income for the financial year | - | 7,052,190 | (581,543) | 6,470,647 |
| Dividends (Note 34) | - | (5,237,653) | - | (5,237,653) |
| Balance at March 31, 2013 | 46,813,734 | 39,995,988 | (1,939,563) | 84,870,159 |

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2013

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Company** | | | |
| Balance at April 1, 2011 | 46,813,734 | 8,654,641 | 55,468,375 |
| Total comprehensive income for the financial year | - | 10,430,219 | 10,430,219 |
| Dividends (Note 34) | - | (4,539,299) | (4,539,299) |
| Balance at March 31, 2012 | 46,813,734 | 14,545,561 | 61,359,295 |
| Total comprehensive income for the financial year | - | 2,753,468 | 2,753,468 |
| Dividends (Note 34) | - | (5,237,653) | (5,237,653) |
| Balance at March 31, 2013 | 46,813,734 | 12,061,376 | 58,875,110 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2013

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| **Operating activities** | | |
| Profit before income tax (Note 31) | 8,585,512 | 16,023,892 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 997,313 | 1,177,468 |
| Net reversal of allowance for doubtful trade receivables | (743,171) | (21,567) |
| Bad debts written off on trade receivables | 10,268 | 26,499 |
| Bad debts written off on other receivables | - | 22,552 |
| Net reversal of allowance for inventories obsolescence | (366) | (6,198) |
| Change in fair value of held-for-trading investments | (155,707) | 37,371 |
| Gain on disposal of held-for-trading investments | - | (35,018) |
| Interest income | (1,421,883) | (303,527) |
| Interest expense | 228,031 | 237,087 |
| Loss (Gain) on disposal of property, plant and equipment | 47,982 | (153,084) |
| Gain on disposal of investment property | - | (1,137,278) |
| Dividend income from held-for-trading investments | (11,665) | (504) |
| Share of associates' loss (profit) | (343,724) | (7,266,627) |
| Inventories written off | - | 1,554 |
| Fee income from financial guarantee to associates | (420,557) | - |
| Operating cash flows before movements in working capital | 6,772,033 | 8,602,620 |
| Trade receivables | 2,210,277 | (529,552) |
| Other receivables and prepayments | (206,810) | 189,710 |
| Construction work-in-progress | (3,137,735) | (2,435,501) |
| Inventories | 136,914 | (497,355) |
| Trade payables and bills payables | 9,627,967 | (2,282,582) |
| Other payables | (381,704) | (118,111) |
| Accrual for contract costs | 1,071,833 | 1,026,156 |
| Cash generated from operations | 16,092,775 | 3,955,385 |
| Income taxes paid | (1,828,824) | (1,192,764) |
| Interest paid | (228,031) | (237,087) |
| Net cash from operating activities | 14,035,920 | 2,525,534 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2013

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| **Investing activities** | | |
| Interest received | 214,138 | 51,039 |
| Investment in associates | (30,000) | (980) |
| Advances to associates | (30,161,021) | (9,957,900) |
| Dividends received from held-for-trading investments | 11,665 | 504 |
| Dividends received from associates | 3,667,678 | 12,739,125 |
| Purchase of property, plant and equipment [Note (a)] | (425,920) | (994,609) |
| Purchase of held-for-trading investments | - | (476,000) |
| Proceeds from disposal of investment property | - | 6,600,000 |
| Proceeds from the disposal of property, plant and equipment | 26,738 | 190,019 |
| Proceeds from disposal of held-for-trading investments | - | 250,682 |
| Advance received from sale of associates | 2,595,728 | - |
| Net cash (used in) from investing activities | (24,100,994) | 8,401,880 |
| **Financing activities** | | |
| Dividends paid | (5,237,653) | (4,539,299) |
| Repayments of obligations under finance leases | (55,658) | (38,989) |
| Proceeds from (Repayments of) bank borrowings | 3,380,483 | (1,064,776) |
| Net cash used in financing activities | (1,912,828) | (5,643,064) |
| Net (decrease) increase in cash and cash equivalents | (11,977,902) | 5,284,350 |
| Cash and cash equivalents at the beginning of the year | 28,690,341 | 23,405,991 |
| **Cash and cash equivalents at end of the year (Note 6)** | 16,712,439 | 28,690,341 |

**Note (a):**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Purchase of property, plant and equipment | (425,920) | (1,094,609) |
| Less: Assets purchase under finance leases | - | 100,000 |
| Net (Note 14) | (425,920) | (994,609) |

See accompanying notes to financial statements.

## 1 GENERAL

The Company (Registration No. 200001034R) is incorporated in Singapore with its registered office and principal place of business at No. 8 Sungei Kadut Loop, Singapore 729455. The Company is listed on the mainboard of Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of an investment holding company. The subsidiaries and associates in the Group are principally engaged in activities as disclosed in Notes 16 and 17 to the financial statements respectively.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended March 31, 2013 were authorised for issue by the Board of Directors on July 15, 2013.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED STANDARDS – On April 1, 2012, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amount reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

**FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements***

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation -Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions. The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**FRS 112 *Disclosure of Interests in Other Entities***

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014, the Group is currently estimating extent of additional disclosures needed.

**FRS 113 *Fair Value Measurement***

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 Financial Instruments: Disclosures will be extended by FRS 113 to cover all assets and liabilities within its scope.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2013. Comparative information is not required for periods before initial application.

Management anticipates that the application of FRS 113 may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Consequential amendments were also made to various standards as a result of these new/revised standards. Other than as disclosed above, the management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments*: *Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENT – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (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. Income or expense is recognised on an effective interest basis for debt instruments.

**Financial assets**

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured 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.

Other financial assets are classified into trade and other receivables and amounts due from subsidiaries, and other investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Investments held for trading are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period.

Trade and other receivables and amounts due from subsidiaries

Trade and other receivables and amounts due from subsidiaries that 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 method, except for short-term receivables when the recognition of interest would be immaterial.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed 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.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities and equity instruments**

Classification as debt or equity

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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.

Financial liabilities

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

Interest-bearing bank loans 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 borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values, and subsequently at the higher of the amount of 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*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates. Further details of derivative financial instruments are disclosed in Note 34 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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

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

The Group as lessor

Rental income from operating leases 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 use 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 asset and recognised as an expense on a straight-line basis over the lease term.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

The Group as lessee

Assets held under finance leases are recognised as assets 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 directly to the profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to the 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 asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE – Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally 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 (or disposal group) 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 (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES – Inventories comprising raw materials and consumables are stated at the lower of cost and net realisable value. Cost includes all cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. Allowance is made where necessary for obsolete, slow-moving and defective inventories.

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 reporting period, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, 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 the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will 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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

| | | |
|---|---|---|
| Leasehold buildings and properties | - | over the terms of the lease which are from 2% to 3 1/3% |
| Plant and machinery | - | 5% to 20% |
| Office equipment | - | 10% to 33 1/3% |
| Motor vehicles | - | 10% to 20% |
| Portable toilets | - | 20% |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

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

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.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and any accumulated impairment losses where the carrying amount of the investment property is estimated to be lower than its recoverable amount.

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

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Associates' below.

IMPAIRMENT OF TANGIBLE ASSETS EXCLUDING GOODWILL – At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 tangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

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.

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 the profit or loss.

ASSOCIATES – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual 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 in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) 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 reporting period, 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.

Dividends to the shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

Accrual for profit sharing

The Group recognises a liability and an expense for profit sharing if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provision for rectification costs

The Group recognises a liability and an expense for rectification costs upon completion of the construction work and the obligation is made based on management's best estimates of the expected costs which are to be incurred pending the finalisation of the final account between the Group and its respective sub-contractors based on past experience and assessment of the projects.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or losses in the period in which they become receivable.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

Rendering of services

Revenue from rendering of services of short-term nature is recognised when the services are completed.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see above).

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

The Group's policy for recognition of revenue from operating leasses is described above.

Management fee income

Management fee income is recognised in profit or loss as and when services are rendered.

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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged when employees have rendered the services entitling them to the contributions. 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 retirement benefit plan.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income 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 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 reporting period.

Deferred tax is recognised on the 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, 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.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of 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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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 reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For 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 reporting period. 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, if any, are recognised in other comprehensive income and accumulated in the Group's foreign currency translation reserve. On disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation), all of the accumulated exchange differences in respect of that operation in the Group's currency translation reserve, are reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

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) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits and are subject to an insignificant risk of changes in value.

## 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 is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

**Critical judgements in applying the entity's accounting policies**

Management is of the opinion that there are no instances of application of judgements of the use of estimation techniques which may have a significant effect on the amounts recognised in the financial statements apart from those involving estimates, which are dealt with below.

**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 within the next financial year, are discussed below.

Investment in subsidiaries

In determining whether there is any indication that the investment in certain subsidiaries has suffered an impairment loss, it is necessary for management to exercise certain degree of judgement. Based on management's review of their order books and cash flow projections, management is of the view that there are no indication of impairment in the net investment in subsidiaries amounting to $35,088,297 (2012 : $34,230,187) as at March 31, 2013.

Investment in associates

The Group assesses annually whether its investment in associates has any indication of impairment in accordance with the accounting policy. Management made assessment based on existing financial performance as well as operating profit forecasts of certain associates. The carrying value of the investment in associates is disclosed in Note 17 to the financial statements.

Allowances for doubtful debts

The Group and the Company makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables and amount due from subsidiaries. Allowances are applied to trade and other receivables and amount due from subsidiaries when events or changes in circumstances indicate that the balance may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and on-going dealings with them. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and amount due from subsidiaries in the period in which such estimate has been charged. The carrying amount of trade and other receivables and amount due from subsidiaries are disclosed in Notes 7, 8 and 9 to the financial statements respectively.

**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**

Construction contracts

Revenue and profit recognition on uncompleted projects are dependent on estimating the total outcome of the construction contract, as well as work done to date. Actual outcome in terms of actual costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. As at March 31, 2013, management considered that all costs to complete and revenue can be reliably estimated. As at March 31, 2013, the carrying amount of the Group's net construction work-in-progress amounted to $7,338,667 (2012 : $4,194,003) as disclosed in Note 12 to the financial statements.

Provision for rectification costs

Provision for rectification costs were made by the Group in respect of completed projects during the year. These provisions were made based on management's best estimates of the expected costs which are to be incurred pending the finalisation of the final account between the Group and its respective sub-contractors based on past experience and assessment of the projects. For the financial year ended March 31, 2013, the Group has provided rectification costs of $1,062,119 (2012 : $793,933) in respect of certain completed projects as disclosed in Note 23 to the financial statements.

Provision for foreseeable losses

The Group reviews its construction work-in-progress to determine whether there is any indication of foreseeable losses. Provision for foreseeable losses were made based on management's assessment on total estimated contract costs that exceed total contract revenue. Management estimates total contract costs based on contracted amounts with subcontractors, and in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration current market conditions and historical trends of the amounts incurred.

Identified foreseeable losses are recognised immediately in profit or loss when it is probable that total contract costs will exceed total contract revenue. For the financial years ended March 31, 2013 and 2012, the Group has assessed that no provision for foreseeable losses is necessary (see Note 12).

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) Categories of financial instruments

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| **FINANCIAL ASSETS** | | | | |
| Loans and receivables (including cash and cash equivalents): | | | | |
| - Cash and cash equivalents | 16,712,439 | 28,690,341 | 5,235,498 | 10,077,655 |
| - Trade receivables | 7,808,456 | 9,285,830 | - | - |
| - Other receivables (excluding prepayments) | 49,271,411 | 19,605,915 | - | - |
| - Amount due from subsidiaries | - | - | 17,013,402 | 14,162,092 |
| | 73,792,306 | 57,582,086 | 22,248,900 | 24,239,747 |
| Fair value through profit and loss (FVTPL): | | | | |
| - Held for trading | 457,645 | 301,938 | - | - |
| **FINANCIAL LIABILITIES** | | | | |
| Amortised cost: | | | | |
| - Bank borrowings | 7,624,745 | 4,244,262 | - | - |
| - Trade payables and bills payables | 15,737,642 | 6,109,675 | - | - |
| - Other payables | 5,459,417 | 2,245,159 | 3,600,006 | 1,082,847 |
| - Accrual for contract costs | 5,000,894 | 4,197,247 | - | - |
| - Amount due to a subsidiary | - | - | 6,037,599 | 5,562,295 |
| - Finance leases | 109,481 | 165,139 | - | - |
| | 33,932,179 | 16,961,482 | 9,637,605 | 6,645,142 |

### (b) Financial risk management policies and objectives

The Group's overall risk management programme seeks to minimise potential adverse effects of the financial performance of the Group.

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates.

The Group does not hold or issue derivative financial instruments for speculative purposes.

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below:

(i) Foreign exchange risk management

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in their respective functional currencies. These transactions are from the Group's ordinary course of business.

The Group's subsidiaries operate mainly in Singapore and transact mainly in Singapore dollars. Exposures to foreign currency risks are minimal. No sensitivity analysis is prepared as the Group and the Company does not expect any material effect on the Group and the Company's profit or loss and/or equity arising from the effects of reasonably possible changes to foreign currency risk at the end of the reporting period.

The Group's associates operate mainly in Singapore, Thailand and People's Republic of China ("PRC"). The Group is exposed to currency translation risk on the net assets in foreign operations mainly in PRC (Renminbi). Following the classification of investment in Thailand associates to non-current assets classified as held for sale (Note 13), the Group's exposure to currency translation risk on the net assets in Thailand is minimal. The effects on the Group's other equity arising from the effects of reasonably possible changes to foreign currency risk at the end of the reporting period are shown below.

The Group uses forward exchange contracts to manage their exposure to foreign currency risk arising from trade payables for the purchase of raw materials. Further details on the forward exchange derivative instruments are found in Note 35 to the financial statements.

*Foreign currency sensitivity analysis*

The following analyses detail the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

If the Singapore dollar strengthens/weakens by 5% against the Thai Baht with all other variables held constant, the Group's other equity will decrease/increase by $Nil (2012 : $1,280,000) respectively.

The effects on the Group's other equity from the change in Renminbi are not material.

(ii) Interest rate risk management

Interest rate risk refers to the risk faced by the Group as a result of fluctuation in interest rates.

The Group is exposed to cash flow interest rate risk in relation to bank borrowings and bills payables and the effective interest rates are disclosed in Note 4(b)(v). The interest rate payable for the finance lease is fixed at the inception of the finance lease. Interest of the finance lease is disclosed in Note 21 to the financial statements. The Group does not have interest rate hedge policy and management monitors interest rate exposure closely.

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings from financial institutions in Singapore at the end of the reporting period. For floating rates liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 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 reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended March 31, 2013 would decrease/increase by $74,723 (2012 : $20,742).

(iii) Equity price risk management

The Group's exposure to equity risks arising from equity investments classified as held-for-trading is minimal. Further details of these equity investments can be found in Note 10 to the financial statements.

In respect of held-for-trading equity investments, if equity prices had been 10% higher/lower and all other variables were held constant, the Group's profit for the year ended March 31, 2013 would increase/decrease by $45,765 (2012 : $30,194).

The Group's sensitivity to equity prices has not changed significantly from the prior year.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed periodically by the management.

The Group maintains an allowance for doubtful debts account based upon the recoverability of all accounts receivables and the customers' financial conditions. Concentration of credit risk with respect to trade receivables in the construction industry in which the Group operates does exist in view of the limited number of main contractors that the Group has been dealing with, and in respect of other receivables, the Group has a balance from associates of $48,965,249 (2012 : $19,496,315) and the Company has a balance from related companies of $17,013,402 (2012: $14,162,092).

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables, and financial guarantees are disclosed in Notes 7, 8 and 36 to the financial statements respectively.

(v) Liquidity risk management

Liquidity risk arises when the Group is unable to meet its obligations towards other counterparties.

The Group manages its liquidity risk by matching the payment and receipt cycle. The directors of the Group are of the opinion that liquidity risk is contained given that the Group has sufficient equity funds to finance its operations and that if required, financing can be obtained from its lines of banking credit facilities.

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

*Liquidity and interest risk analyses*

*Non-derivative financial assets*

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

| | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | After 5 years | Adjustment | Total |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **Group** | | | | | | |
| **2013** | | | | | | |
| Non-interest bearing | - | 14,697,437 | 25,929,021 | - | - | 40,626,458 |
| Fixed interest rate instruments | 3.41 | 10,268,905 | 25,540,534 | - | (2,643,591) | 33,165,848 |
| | | 24,966,342 | 51,469,555 | - | (2,643,591) | 73,792,306 |
| **2012** | | | | | | |
| Non-interest bearing | - | 17,396,814 | 5,740,000 | - | - | 23,136,814 |
| Fixed interest rate instruments | 2.10 | 23,283,677 | 14,195,160 | - | (3,033,565) | 34,445,272 |
| | | 40,680,491 | 19,935,160 | - | (3,033,565) | 57,582,086 |
| **Company** | | | | | | |
| **2013** | | | | | | |
| Non-interest bearing | - | 18,149,093 | - | - | - | 18,149,093 |
| Fixed interest rate instruments | 2.05 | 4,102,545 | - | - | (2,738) | 4,099,807 |
| | | 22,251,638 | - | - | (2,738) | 22,248,900 |
| **2012** | | | | | | |
| Non-interest bearing | - | 15,239,747 | - | - | - | 15,239,747 |
| Fixed interest rate instruments | 0.70 | 9,059,522 | - | - | (59,522) | 9,000,000 |
| | | 24,299,269 | - | - | (59,522) | 24,239,747 |

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

*Non-derivative financial liabilities*

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

| | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | After 5 years | Adjustment | Total |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **Group** | | | | | | |
| **2013** | | | | | | |
| Non-interest bearing | - | 17,253,624 | - | - | - | 17,253,624 |
| Variable interest rate instruments | 2.35 | 15,004,448 | - | - | (59,862) | 14,944,586 |
| Fixed interest rate instruments | 5.00 | 634,822 | - | - | (10,077) | 624,745 |
| Finance lease liability (fixed rate) | 13.49 | 60,600 | 59,699 | - | (10,818) | 109,481 |
| Finance guarantee contract | - | 118,521,579 | - | - | (117,521,836) | 999,743 |
| | | 151,475,073 | 59,699 | - | (117,602,593) | 33,932,179 |
| **2012** | | | | | | |
| Non-interest bearing | - | 10,903,719 | - | - | - | 10,903,719 |
| Variable interest rate instruments | 2.73 | 4,193,241 | - | - | (44,879) | 4,148,362 |
| Fixed interest rate instruments | 5.00 | 1,181,840 | 637,401 | - | (74,979) | 1,744,262 |
| Finance lease liability (fixed rate) | 4.19 | 60,600 | 120,299 | - | (15,760) | 165,139 |
| | | 16,339,400 | 757,700 | - | (135,618) | 16,961,482 |
| **Company** | | | | | | |
| **2013** | | | | | | |
| Non-interest bearing | - | 8,607,588 | - | - | - | 8,607,588 |
| Finance guarantee contract | - | 137,763,009 | - | - | (136,732,992) | 1,030,017 |
| | | 146,370,597 | - | - | (136,732,992) | 9,637,605 |
| **2012** | | | | | | |
| Non-interest bearing | - | 6,645,142 | - | - | - | 6,645,142 |

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

*Derivative financial instruments*

The Group enters into forward foreign exchange contracts to manage its exchange rate exposure between the Australian dollars and its functional currency, which is the Singapore dollar. At March 31, 2013, the total notional amount of outstanding forward foreign exchange contracts for the period from May to December 2013 (2012 : April 2012 to March 2013) to which the Company is committed is $1,113,200 (2012 : $1,662,400).

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, bank borrowings and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

| | Total |
|---|---|
| | $ |
| **March 31, 2013** | |
| **Financial assets** | |
| Fair value through profit or loss (FVTPL): | |
| Held-for-trading investments | 457,645 |
| **March 31, 2012** | |
| **Financial assets** | |
| Fair value through profit or loss (FVTPL): | |
| Held-for-trading investments | 301,938 |

The Group had no financial liabilities carried at fair value as at March 31, 2013, and March 31, 2012.

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices); and

The fair value is based upon valuations provided by the financial institution.

| | Maturity dates | Contract or notional amount | Forward fair value adjustment |
|---|---|---|---|
| | | $ | $ |
| **Group** | | | |
| **2013** | | | |
| Forward currency contracts | May to December 2013 | 1,113,200 | 971 |
| **2012** | | | |
| Forward currency contracts | April 2012 to March 2013 | 1,662,400 | 13,533 |

The net fair values of the forward currency contracts were not included in the profit or loss as the amounts in current and prior years were not significant.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Company have no financial instruments under Level 3.

There were no transfers of financial instruments between the levels of the fair value hierarchy in 2013 and 2012.

**(c) Capital risk management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18 to the financial statements, and equity attributable to owners of the parent, comprising issued capital and retained earnings. The Group is required to maintain a minimum Group's net worth, a maximum gearing ratio and a minimum current ratio in order to comply with the financial covenants in the loan agreements with the banks.

Management has reviewed the Group's compliance with the financial covenants for its bank facilities and is satisfied that the Group has complied with them.

Management reviews the capital structure on a yearly basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through the payment of dividends, new share as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2012.

## 5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, the Group entered into the following transactions with related parties:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Rental income from an associate | (3,696) | - |
| Rental income from a director | - | (14,420) |
| Interest income from an associate | (1,207,745) | (252,488) |
| Management fee income from an associate | (71,089) | (60,000) |

In addition to the above, the Group had received 5% of the consideration for disposal of shares amounting to $2,595,728 from a related party, Kaset Thai Industry Sugar Company Limited in cash during the financial year (Note 13).

Loans amounting to $4.2 million were advanced to certain associates of the Group to enter into sale and purchase agreements with another associate of the Group, Dalian Shicheng Property Development Co., Ltd to purchase property units (Note 8).

**Compensation of directors and key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Directors' and key management's remuneration: | | |
| - Short-term benefits | 3,055,204 | 3,051,532 |
| - Post-employment benefits | 103,250 | 85,530 |
| | 3,158,454 | 3,137,062 |
| Directors' fees | 176,000 | 146,500 |
| | 3,334,454 | 3,283,562 |

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank balances and fixed deposits as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| Cash and bank balances | 11,460,984 | 16,526,372 | 1,135,691 | 1,077,655 |
| Fixed deposits | 5,251,455 | 12,163,969 | 4,099,807 | 9,000,000 |
| | 16,712,439 | 28,690,341 | 5,235,498 | 10,077,655 |

Bank balances and cash comprise cash held by the Group and short-term bank deposits. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest rate ranging from 0.43% to 2.05% per annum (2012 : 0.37% to 4.29% per annum) and for a tenure of approximately 14 to 91 days (2012 : 30 to 396 days).

The Group and Company's significant cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| United States dollars | 71,135 | 36,961 | - | - |
| Australian dollars | 356,840 | 171,582 | - | - |
| Thai Baht | 4,770,993 | - | 4,114,476 | - |

## 7 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Accrued trade receivables for construction contracts | 5,728,346 | 6,662,026 |
| Amounts receivable from construction contract customers | 2,640,383 | 4,048,450 |
| Amounts receivable from rendering of services | 746,326 | 625,124 |
| Less: Allowance for doubtful debts | (1,306,599) | (2,049,770) |
| Net | 7,808,456 | 9,285,830 |

Accrued trade receivables represent the remaining balances of the contract sum on the construction contracts to be billed. In accordance with the Group's accounting policy, revenue is recognised on the progress of the construction work. Upon completion of the construction work, the balance of the contract sum to be billed is included as accrued trade receivables.

The average credit period is 30 days (2012 : 30 days). No interest is charged on overdue trade receivables.

An allowance has been made for the estimated irrecoverable amounts from the rendering of services (including construction services). The allowance has been individually determined by reference to past default experience.

Before accepting any new customer, the Group performs a background search on the credit worthiness and litigation status. The credit limit of the customers is reviewed periodically by the management.

Included in the Group's trade receivables balance are debtors with a carrying amount of $560,193 (2012 : $2,515,808) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 51 days (2012 : 73 days). The above analysis does not include the accrued trade receivables for construction contracts of $5,728,346 (2012 : $6,662,026) as these amounts have not been billed to the customers yet. The accrued trade receivables are pending the finalisation of the final account with the customers before billings are rendered.

**7 TRADE RECEIVABLES (cont'd)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Concentration of credit risk with respect of trade receivables in the construction industry does exist in view of the limited number of main contractors that the Group has dealings with. Management believes that there is no further credit allowances required in excess of the allowance for doubtful debts.

Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. The allowances recognised represent the difference between the carrying amount of the specific trade receivables and present value of the expected future cash flows. The Group does not hold any collateral over these balances. The Group's trade receivables comprises 8 debtor (2012 : 9 debtors) that individually represent more than 5% of the total balance of trade receivables.

At March 31, 2013, retention monies held by customers for contract work amounted to $1,001,213 (2012 : $408,123). Retention sum of $359,250 (2012 : $314,500) are due for settlement after more than 12 months. They have been classified as current because they are expected to be realised in the normal operating cycle of the Group.

**Aging of receivables that are past due but not impaired:**

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| < 3 months | 541,729 | 2,343,695 |
| 3 months to 6 months | 18,464 | 71,295 |
| 6 months to 9 months | - | 15,034 |
| > 12 months | - | 85,784 |
| Net | 560,193 | 2,515,808 |

**Movement in the allowance for doubtful debts:**

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Balance at beginning of the year | 2,049,770 | 2,094,623 |
| Amounts written off during the year | - | (23,286) |
| Decrease in allowance recognised in profit or loss | (743,171) | (21,567) |
| Balance at end of the year | 1,306,599 | 2,049,770 |

At March 31, 2013, reversal of allowance for doubtful debts amounting to $743,171 (2012 : $21,567) was a result of subsequent repayments made by certain customers.

## 8 OTHER RECEIVABLES AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| Current: | | | | |
| Loans to associates (Note 17) | - | 2,055,000 | - | - |
| Other receivables | 15,717 | 42,934 | - | - |
| Prepayments | 47,671 | 37,423 | 8,050 | 7,150 |
| Advances to staff | 300 | 300 | - | - |
| Deposits | 195,905 | 66,366 | - | - |
| Total | 259,593 | 2,202,023 | 8,050 | 7,150 |
| Non-current: | | | | |
| Loans to associates (Note 17) | 48,965,249 | 17,441,315 | - | - |
| Deposits | 94,240 | - | - | - |
| Total | 49,059,489 | 17,441,315 | - | - |

Loans to an associate amounting to $22,932,550 (2012 : $11,266,000) are unsecured, repayable on demand and bear an interest of 2.50% to 5.25% (2012 : 5.00% to 5.25%) per annum. The remaining loans to associates are unsecured, interest-free and repayable on demand. The management does not expect the loans to associates amounting to $48,965,249 (2012 : $17,441,315) will be repaid within the next 12 months. Management has assessed that the interest charged to associates approximate the market rates. Hence, the carrying amounts of these assets approximate their fair values.

In determining the recoverability of loans to associates, the Group considers the financial strength and performance of the associates. Accordingly, the management believes that no allowance for doubtful debts is required.

## 9 AMOUNT DUE FROM SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Loans to subsidiaries - non-trade (Note 16) | 17,013,402 | 14,162,092 |

The loans granted to the subsidiaries are interest-free, unsecured and repayable on demand.

In determining the recoverability of loans to subsidiaries, the Company considers the financial strength and performance of the subsidiaries. Accordingly, the management believes that no allowance for doubtful debts is required.

## 10 HELD-FOR-TRADING INVESTMENTS

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Balance at beginning of the year | 301,938 | 78,973 |
| Additions during the year | - | 476,000 |
| Disposals during the year | - | (215,664) |
| Fair value change on held-for-trading investments | 155,707 | (37,371) |
| Balance at end of the year | 457,645 | 301,938 |

Held-for-trading investments are investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the quoted securities are based on quoted closing market prices on the last market day of the financial year.

The Group and Company's significant held-for-trading investments that are not denominated in the functional currencies of the respective entities are as follows:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Malaysian ringgit | 60,952 | 61,008 |

## 11 INVENTORIES

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Raw materials and consumables | 1,273,413 | 1,410,327 |
| Less: Allowance for inventories obsolescence | (140,461) | (140,827) |
| | 1,132,952 | 1,269,500 |

**Movement in the allowance for inventories obsolescence:**

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Balance at beginning of the year | 140,827 | 147,025 |
| Decrease in allowance recognised in profit or loss | (366) | (6,198) |
| Balance at end of the year | 140,461 | 140,827 |

## 12 CONSTRUCTION WORK-IN-PROGRESS

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Contract costs incurred plus recognised profits (less recognised losses to date) | 78,946,746 | 80,771,344 |
| Less: Progress billing | (71,608,079) | (76,577,341) |
| | 7,338,667 | 4,194,003 |
| Contracts-in-progress at end of the reporting period: | | |
| Amounts due from contract customers | 11,483,202 | 7,680,142 |
| Amounts due to contract customers | (4,144,535) | (3,486,139) |
| | 7,338,667 | 4,194,003 |

During the financial years ended March 31, 2013 and March 31, 2012, no provision for foreseeable losses has been recognised in profit or loss.

## 13 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On April 25, 2012, the Company entered into a share sale agreement with a related party, Kaset Thai Industry Sugar Company Limited ("Kaset Thai") to sell its entire 20% shareholding interest in an associate, Environmental Pulp & Paper Company Ltd ("EPPCO") for a consideration of THB 918,000,000 (equivalent to approximately $37.66 million).

On April 25, 2012, the Company's wholly owned subsidiary, King Wan Industries Pte Ltd ("KWI") entered into a share sale agreement with Kaset Thai to sell its entire 20% shareholding interest in an associate, Ekarat Pattana Company Limited. ("EPC") for a consideration of THB 305,800,000 (equivalent to approximately $12.54 million).

The shareholders of the Company approved the disposal of shares in both associates, EPPCO and EPC, during the Extraordinary General Meeting held on June 23, 2012.

The management expects the share sale transactions to be completed within the next 12 months. Accordingly, the Group has ceased to equity account its share of associates' results by June 30, 2012, and the investment in associates amounting to $21,642,772 has been classified as a disposal group held for sale and are presented separately in the statement of financial position. As at March 31, 2013, the Group's share of associates' profit is $910,806 (2012: $7,215,822).

The proceeds of disposal are expected to exceed the carrying amount of the investment in associates and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The Group had received 5% of the consideration amounting to $2,595,728 from Kaset Thai in cash during the financial year (Note 20). The remaining 95% of the consideration for the proposed disposal will be paid by way of shares in Kaset Thai in accordance with the share sale agreements.

Subsequent to financial year end, the Company and KWI had agreed and signed separate supplemental deeds with Kaset Thai to extend the expiry date of the share sale agreements for a period of 3 months from June 24, 2013.

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold buildings and properties | Plant and machinery | Office equipment | Motor vehicles | Portable toilets | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Group** | | | | | | |
| Cost: | | | | | | |
| At April 1, 2011 | 8,277,542 | 1,320,322 | 1,249,680 | 3,331,309 | 1,595,223 | 15,774,076 |
| Additions | 1,781 | 62,779 | 127,409 | 902,489 | 151 | 1,094,609 |
| Disposals | - | (84,854) | (28,231) | (499,226) | (14,807) | (627,118) |
| At March 31, 2012 | 8,279,323 | 1,298,247 | 1,348,858 | 3,734,572 | 1,580,567 | 16,241,567 |
| Additions | - | 39,646 | 52,264 | 294,355 | 39,655 | 425,920 |
| Disposals | - | (214,860) | (44,538) | (167,711) | - | (427,109) |
| At March 31, 2013 | 8,279,323 | 1,123,033 | 1,356,584 | 3,861,216 | 1,620,222 | 16,240,378 |
| Accumulated depreciation: | | | | | | |
| At April 1, 2011 | 4,718,867 | 963,022 | 833,417 | 2,045,627 | 1,394,939 | 9,955,872 |
| Depreciation for the year [1] | 356,944 | 50,537 | 102,718 | 354,916 | 94,435 | 959,550 |
| Disposals | - | (81,048) | (24,657) | (469,171) | (15,307) | (590,183) |
| At March 31, 2012 | 5,075,811 | 932,511 | 911,478 | 1,931,372 | 1,474,067 | 10,325,239 |
| Depreciation for the year [1] | 357,043 | 51,740 | 107,914 | 424,783 | 62,762 | 1,004,242 |
| Disposals | - | (153,905) | (35,171) | (163,313) | - | (352,389) |
| At March 31, 2013 | 5,432,854 | 830,346 | 984,221 | 2,192,842 | 1,536,829 | 10,977,092 |
| Carrying amount: | | | | | | |
| At March 31, 2013 | 2,846,469 | 292,687 | 372,363 | 1,668,374 | 83,393 | 5,263,286 |
| At March 31, 2012 | 3,203,512 | 365,736 | 437,380 | 1,803,200 | 106,500 | 5,916,328 |

Certain plant and equipment with carrying amount of $327,588 (2012 : $440,763) are secured under finance leases.

[1] Included herein are depreciation expenses amounting to $6,929 (2012 : $9,696) which have been allocated to and recorded under the construction work-in-progress (Note 12).

Details of the leasehold property held by the Group are set out below:

| Location | Description | Area | Tenure |
|---|---|---|---|
| 8 Sungei Kadut Loop Singapore 729455 | Single storey build warehouse with a 3-storey ancillary office block on leased land from JTC | 12,494 sq metre | Lease term of 30 years from March 16, 1991 |

## 15 INVESTMENT PROPERTY

| | Group 2012 |
|---|---|
| | $ |
| Cost: | |
| At beginning of the year | 11,600,794 |
| Disposal | (11,600,794) |
| At end of financial year | - |
| Accumulated depreciation: | |
| At beginning of financial year | 5,910,458 |
| Depreciation for the financial year | 227,614 |
| Disposal | (6,138,072) |
| At end of financial year | - |
| Carrying amount: | |
| At beginning of financial year | 5,690,336 |
| At end of financial year | - |

Details of the investment property disposed by the Group are set out below:

| Location | Description | Area | Tenure |
|---|---|---|---|
| 22 Jurong Port Road Singapore 619114 | 4-storey factory with a basement carpark on leased land from JTC | 5,940 sq metre | Lease term of 28 years from August 1, 1996 |

The property rental income earned by the Group from its investment property amounted to $Nil (2012 : $327,345).

Direct operating expenses arising on the investment property in the year amounted to $Nil (2012 : $153,772).

The Group disposed of the investment property to a third party for a cash consideration of $6,600,000 in September 2011. A resultant gain amounting to $1,137,278 was recognised in profit or loss for the year ended March 31, 2012 (Note 29).

## 16 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Unquoted equity shares - at cost | 34,940,187 | 34,230,187 |
| Deemed investment arising from financial guarantees provided to banks on behalf of a subsidiary | 148,110 | - |
| | 35,088,297 | 34,230,187 |

Assessment of impairment in investment in subsidiaries is carried out at the end of each reporting period. For the years ended March 31, 2012 and March 31, 2013, management has assessed that no allowance for impairment was required.

The subsidiaries of the Company are set out below:

| Name of subsidiaries | Principal activities/ Place of operation and country of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|---|
| | | 2013 | 2012 |
| | | % | % |
| King Wan Construction Pte Ltd [1] | Provision of mechanical and electrical (M&E) engineering services/ Singapore | 100 | 100 |
| K & W Mobile Loo Services Pte Ltd [1] | Owner, renters and operators of mobile lavatories and other facilities/ Singapore | 100 | 100 |
| King Wan Industries Pte Ltd [1] | Investment holding/ Singapore | 100 | 100 |
| King Wan Development Pte Ltd [1] | Investment holding and property development/ Singapore | 100 | 100 |
| Gold Topaz Pte. Ltd. [1] [3] | Investment holding/ Singapore | 100 | - |

[1] Audited by Deloitte & Touche LLP, Singapore.
[2] During the year, the Company had increased its paid-up and issued share capital to $700,000 (2012: $20,000) by way of capitalisation of loan to K & W Mobile Loo Services Pte Ltd amounting to $680,000.
[3] On December 11, 2012, the Company had incorporated a wholly owned subsidiary, Gold Topaz Pte. Ltd., in Singapore.

## 17 INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| Unquoted equity shares | | | | |
| - at cost | 10,815,346 | 22,787,577 | - | 9,840,000 |
| Share of post-acquisition accumulated results net of dividends received | (2,155,587) | 12,783,195 | - | - |
| Share of foreign currency translation reserve | 62,113 | (1,331,120) | - | - |
| Excess of nominal value over fair value of advances given to associates | 1,899,831 | - | - | - |
| Deemed investment arising from financial guarantees provided to banks on behalf of Group's associates | 1,420,303 | - | 1,420,303 | - |
| Net | 12,042,006 | 34,239,652 | 1,420,303 | 9,840,000 |

Carrying value as at year end includes goodwill on acquisition amounting to $424,633 (March 31, 2012 : $616,103).

Assessment of impairment in associates is carried out at the end of each reporting period. For the years ended March 31, 2012 and March 31, 2013, management has assessed that allowance for impairment was not required.

The associates of the Group are set out below:

| Name of associates | Principal activities/ Place of operation and country of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|---|
| | | 2013 | 2012 |
| | | % | % |
| Meadows Bright Development Pte Ltd [1] | Property development/ Singapore | 35 | 35 |
| Meadows Property (Singapore) Pte Ltd [2] | Property development/ Singapore | 35 | 35 |
| Dalian Shicheng Property Development (S) Pte. Ltd. [3] | Property development and investment holding/ Singapore | 36.6 | 36.6 |
| Dalian Shicheng Property Development Co., Ltd [3] | Development, marketing, sale and management of residential and commercial properties/ People's Republic of China | 36.6 | 36.6 |
| Environment Pulp & Paper Company Ltd [4] [9] | Production and sale of chemically bleached bagasse pulp/ Thailand | 20 | 20 |
| Ekarat Pattana Company Ltd [4] [9] | Production, distribution and sale of ethanol/ Thailand | 20 | 20 |

**17 INVESTMENT IN ASSOCIATES (cont'd)**

| Name of associates | Principal activities/ Place of operation and country of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|---|
| | | 2013 | 2012 |
| | | % | % |
| S.I. Property Co. Ltd. [5] | Owner and rental of office and commercial space/ Bangkok | 30 | 30 |
| Chang Li Investments Pte. Ltd. [7] | Investment holding/ Singapore | 49 | 49 |
| Li Ta Investments Pte. Ltd. [7] | Investment holding/ Singapore | 49 | 49 |
| Soon Li Investments Pte. Ltd. [6] [7] | Investment holding/ Singapore | 49 | - |
| Gold Hyacinth Development Pte. Ltd. [8] | Chartering of vessels/ Singapore | 30 | - |

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) 100% owned by the Group's associate, Meadows Bright Development Pte Ltd. Audited by Deloitte & Touche LLP, Singapore.

(3) Dalian Shicheng Property Development Co., Ltd ("DSPC") is 100% owned by the Group's associate, Dalian Shicheng Property Development (S) Pte. Ltd. 100% shareholdings in DSPC are pledged to a financial institution for banking facilities granted to Dalian Shicheng Property Development (S) Pte. Ltd. Audited by Deloitte & Touche LLP, Singapore.

Dalian Shicheng Property Development (S) Pte. Ltd. is audited by Deloitte & Touche LLP, Singapore.

(4) Audited by PriceWaterHouseCoopers ABAS Ltd, Thailand.

(5) Audited by another firm of auditors, Thanapan & Associates, Certified Public Accountants, Thailand.

(6) In January 2013, a shareholder of the Company transferred 49% shareholding in Soon Li Investments Pte. Ltd. to the Group's wholly owned subsidiary, King Wan Industries Pte Ltd.

(7) Audited by Chan Leng Leng & Co, Singapore.

(8) Gold Hyacinth Development Pte. Ltd. ("GHD") was incorporated on April 27, 2012. GHD is 30% owned by the Company's subsidiary, Gold Topaz Pte. Ltd. Audited by Deloitte & Touche LLP, Singapore.

(9) The investment in associates is classified as non-current assets held for sale when the approval to sell the Group's entire 20% shareholding interest to the related party, Kaset Thai Industry Sugar Company Limited was obtained from the shareholders during the Extraordinary General Meeting held on June 23, 2012.

Matters relating to investments in Environment Pulp & Paper Company Ltd and Ekarat Pattana Co. Ltd are fully described in Note 13 to the financial statements.

**17 INVESTMENT IN ASSOCIATES (cont'd)**

Summarised financial information in respect of the Group's associates is set out below:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Total assets | 328,278,671 | 448,972,878 |
| Total liabilities | (309,328,274) | (320,059,820) |
| Net assets | 18,950,397 | 128,913,058 |
| Group's share of associates' net assets | 6,559,605 | 33,623,549 |
| Revenue | 43,881,627 | 204,868,213 |
| (Loss) Profit for the financial year | (6,740,049) | 36,439,401 |
| Group's share of associates' (loss) profit for the financial year: | | |
| Continuing operations | (567,082) | 50,805 |
| Discontinued operations | 910,806 | 7,215,822 |
| | 343,724 | 7,266,627 |

## 18 BANK BORROWINGS

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Short-term bank borrowings | 7,000,000 | 2,500,000 |
| Long-term bank borrowings: | | |
| Current | 624,745 | 1,119,893 |
| Non-current | - | 624,369 |
| | 7,624,745 | 4,244,262 |

The short-term bank borrowings extended by a bank to a subsidiary of the Company, King Wan Construction Pte Ltd, are on a 1 to 6 month revolving basis and are borrowed for the purpose of short- term cash commitments. The borrowings are guaranteed by the Company and bear interest at rates ranging from 2.23% to 3.20% (2012 : 2.39% to 3.22%) per annum and are arranged at floating rates and thus exposing the Group to cash flow interest rate risks.

The long-term bank borrowings extended by the banks to a subsidiary are for a term of 4 years and are repayable over 48 monthly instalments. These are borrowed for the purpose of financing on-going construction projects. The borrowings are guaranteed by the Company and bear fixed interest at rate of 5% (2012 : 5%) per annum.

The carrying amounts of these borrowings approximate fair value as the interest rate approximates the prevailing market rate.

## 19 TRADE PAYABLES AND BILLS PAYABLES

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Bills payables | 7,944,586 | 1,648,362 |
| Outside parties | 7,793,056 | 4,461,313 |
| | 15,737,642 | 6,109,675 |

Bills payables are repayable between 2 to 3 months (2012 : 2 to 3 months) from the date the bills are first issued. The carrying amount of the bills payables approximates its fair value due to its short- term maturity. Bills payables bear interest at rates ranging from 1.77% to 2.34% (2012 : 1.93% to 2.69%) per annum and are supported by a corporate guarantee given by the Company.

The average credit period on purchases of goods from outside parties is 3 months (2012 : 3 months). No interest is charged on overdue trade payables. Trade payables principally comprise amounts outstanding for trade purchases.

## 20 OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| Other payables | 992,959 | 1,025,210 | 122,779 | 233,617 |
| Related parties (Notes 5 & 13) | 2,595,728 | - | - | - |
| Associates (Note 18) | 371,209 | 370,719 | 1,947,432 | - |
| Directors | 46,690 | 146,500 | 46,690 | 146,500 |
| Accrual for profit sharing | 453,088 | 702,730 | 453,088 | 702,730 |
| Financial guarantees | 999,743 | - | 1,030,017 | - |
| | 5,459,417 | 2,245,159 | 3,600,006 | 1,082,847 |

The amounts due to the related parties, associates and directors are unsecured, interest-free and repayable on demand.

Included in the Company's non-trade payables at the end of the reporting period were unamortised financial guarantee fee income of $999,743 (2012 : $Nil). The Company issued financial guarantees to financial institutions for credit facilities obtained by certain of its subsidiaries and recorded a deemed financial guarantee fee income in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiaries. The full amount of the guarantee fee is deemed to be the additional investment in the associates and subsidiaries.

## 21 FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| **Group** | | | | |
| Amounts payable under finance leases: | | | | |
| Within one year | 60,600 | 60,600 | 55,658 | 55,658 |
| In the second to fifth year inclusive | 59,699 | 120,299 | 53,823 | 109,481 |
| | 120,299 | 180,899 | 109,481 | 165,139 |
| Less: Future finance charges | (10,818) | (15,760) | - | - |
| Present value of lease obligations | 109,481 | 165,139 | 109,481 | 165,139 |
| Less: Amount due for settlement within 12 months | | | (55,658) | (55,658) |
| Amount due for settlement after 12 months | | | 53,823 | 109,481 |

**21 FINANCE LEASES (cont'd)**

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4.5 years (2012 : 4.5 years). For the financial year ended March 31, 2013, the average effective borrowing rate was 13.49% (2012 : 6.90%) per annum. Interest rates are fixed at the contract date, and thus exposing the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 14).

**22 AMOUNT DUE TO A SUBSIDIARY**

The amount due to a subsidiary was unsecured, interest-free and repayable on demand.

**23 ACCRUAL FOR CONTRACT COSTS**

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Accrual for subcontractor costs | 5,000,894 | 4,197,247 |
| Provision for rectification costs | 1,062,119 | 793,933 |
| Total | 6,063,013 | 4,991,180 |

Movement for provision for rectification costs of the Group during the year are as follows:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| At beginning of year | 793,933 | 487,706 |
| Additions during the year | 295,437 | 338,958 |
| Utilised during the year | (27,251) | (32,731) |
| At end of year | 1,062,119 | 793,933 |

The provision for rectification costs represents management's best estimate of the expected costs which are to be incurred pending the finalisation of the final account between the Group and its respective subcontractors, based on past experience and assessment of the projects.

## 24 DEFINED CONTRIBUTION PLANS

The employees of the Company and its subsidiaries that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of $591,665 (2012 : $623,219) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at March 31, 2013, contributions of $70,039 (2012 : $75,959) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the end of the reporting period.

## 25 DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| At beginning of financial year | 89,859 | 80,507 |
| Charge to profit or loss for the financial year (Note 31) | 105,000 | 9,352 |
| At end of financial year | 194,859 | 89,859 |

This represented tax effect of accelerated tax over book depreciation and temporary difference associated with a subsidiary.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of overseas associates amounted to $ Nil (2012 : $20,773,390). Deferred tax liabilities has not been recognised in respect of the remaining undistributed earnings amounted to $Nil (2012 : $30,298,996) of other associates because these undistributed earnings are tax exempt.

## 26 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Number of ordinary shares | | $ | $ |
| Number of ordinary shares Issued and paid-up: | | | | |
| At beginning and end of financial year | 349,176,870 | 349,176,870 | 46,813,734 | 46,813,734 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

## 27 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of Group's presentation currency.

## 28 REVENUE

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Amounts recognised from construction contracts | 63,393,679 | 54,743,693 |
| Rendering of services | 2,910,942 | 2,468,157 |
| | 66,304,621 | 57,211,850 |

## 29 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Rental income | 1,020,624 | 1,273,966 |
| Gain on disposal of: | | |
| Property, plant and equipment | - | 153,084 |
| Investment property | - | 1,137,278 |
| Sundry income | 35,849 | 121,544 |
| Jobs credit scheme | 48,816 | - |
| Management fee income (Note 5) | 71,089 | 60,000 |
| Interest income from: | | |
| Associates | 1,207,745 | 252,488 |
| External parties | 214,138 | 51,039 |
| Fee income from financial guarantee to associates | 420,557 | - |
| Net foreign exchange gain | 229,437 | - |
| Dividend income from held-for-trading investments | 11,665 | 504 |
| Change in fair value of held-for-trading investments | 155,707 | - |
| Gain on disposal of held-for-trading investments | - | 35,018 |
| | 3,415,627 | 3,084,921 |

## 30 FINANCE COSTS

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Interest expense from: | | |
| Bank borrowings | 223,089 | 233,140 |
| Finance leases | 4,942 | 3,947 |
| Total | 228,031 | 237,087 |

## 31 INCOME TAX

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Current | 1,572,870 | 1,880,000 |
| Deferred | 105,000 | 9,352 |
| (Over) Under provision in prior years - Current tax | (144,548) | 125,411 |
| | 1,533,322 | 2,014,763 |

Domestic income tax is calculated at 17% (2012: 17%) of the estimated assessable profit for the year.

The total charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Profit before income tax: | | |
| Continuing operations | 7,674,706 | 8,808,070 |
| Discontinued operations | 910,806 | 7,215,822 |
| | 8,585,512 | 16,023,892 |

**31 INCOME TAX (cont'd)**

**Numerical reconciliation of income tax expense**

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Profit before income tax | 8,585,512 | 16,023,892 |
| Income tax expense calculated at 17% (2012: 17%) | 1,459,537 | 2,724,062 |
| Non-allowable items | 555,904 | 577,117 |
| Non-taxable items | (255,530) | (230,309) |
| Tax effect of share of results of associates | (58,433) | (1,235,327) |
| Tax exemptions | (81,030) | (51,850) |
| Deferred tax benefits not recognised | 29,462 | 26,733 |
| Others | 27,960 | 78,926 |
| | 1,677,870 | 1,889,352 |
| (Over) Under provision in prior years: | | |
| - Current tax | (144,548) | 125,411 |
| | 1,533,322 | 2,014,763 |

The Group has temporary differences available for offsetting against future taxable income as follows:

| | Accelerated tax depreciation | Provisions | Net |
|---|---|---|---|
| | $ | $ | $ |
| Balance at April 1, 2011 | (435,528) | 549,354 | 113,826 |
| Movement during the year | (148,974) | 306,227 | 157,253 |
| Balance at March 31, 2012 | (584,502) | 855,581 | 271,079 |
| Movement during the year | (62,979) | 268,186 | 205,207 |
| Balance at March 31, 2013 | (647,481) | 1,123,767 | 476,286 |

| | |
|---|---|
| Net deferred tax benefits not recorded: | |
| - March 31, 2013 | 80,969 |
| - March 31, 2012 | 46,083 |

The realisation of the future income tax benefits from temporary differences is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

No deferred tax asset has been recognised in respect of the temporary differences due to the unpredictability of future income streams of the relevant entities in the Group.

## 32 PROFIT FOR THE FINANCIAL YEAR

Profit for the financial year is arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Directors' remuneration: | | |
| Company | 1,570,078 | 1,697,205 |
| Subsidiaries | 582,201 | 572,584 |
| Directors' fees: | | |
| Company | 176,000 | 146,500 |
| Staff costs (including directors' remuneration) | 10,381,973 | 9,526,250 |
| Costs of defined contribution plans included in staff costs | 591,665 | 623,219 |
| Net reversal of allowance for doubtful trade receivables | (743,171) | (21,567) |
| Bad debts written off on trade receivables | 10,268 | 26,499 |
| Bad debts written off on other receivables | - | 22,552 |
| Net reversal of allowance for inventories obsolescence | (366) | (6,198) |
| Inventories written off | - | 1,554 |
| Cost of inventories recognised as expense | 21,367,524 | 16,092,394 |
| Net foreign exchange (gain) loss | (229,437) | 10,952 |
| Change in fair value of held-for-trading investments | (155,707) | 37,371 |
| Loss (Gain) on disposal of property, plant and equipment | 47,982 | (153,084) |
| Audit fees: | | |
| Paid to auditors of the Company | 109,900 | 99,000 |

There were no non-audit fees paid to the auditors of the Company.

## 33 EARNINGS PER SHARE (CENTS)

The basic earnings per ordinary share is calculated by dividing the Group's profit for the financial year, $6,141,384 (2012 : $6,793,307) from continuing operations and $910,806 (2012 : $7,215,822) from discontinued operations by the weighted average number of ordinary shares of 349,176,870 (2012 : 349,176,870) in issue during the financial year. Basic and diluted earnings per ordinary share from continuing and discontinued operations are 1.76 cents (2012 : 1.95 cents) and 0.26 cents (2012 : 2.06 cents) respectively.

The fully diluted earnings per share is calculated using the same weighted number of ordinary shares as there are no dilutive potential ordinary shares.

## 34 DIVIDENDS

On August 26, 2011, the directors of the Company declared and paid a final one-tier tax exempt dividend of 0.8 cents per share totalling $2,793,415 in respect of the financial year ended March 31, 2011.

On December 9, 2011, the directors of the Company declared and paid an interim one-tier tax exempt dividend of 0.5 cents per share totalling $1,745,884 in respect of the financial year ended March 31, 2012.

On August 16, 2012, the directors of the Company declared and paid a final one-tier tax exempt dividend of 1.0 cents per share totalling $3,491,769 in respect of the financial year ended March 31, 2012.

On December 5, 2012, the directors of the Company declared and paid an interim one-tier tax exempt dividend of 0.5 cents per share totalling $1,745,884 in respect of the financial year ended March 31, 2013.

## 35 DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises forward foreign exchange contracts to manage its exchange rate exposure.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contract to which the Group is committed are as follows:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Forward foreign exchange contracts | 1,113,200 | 1,662,400 |

As at March 31, 2013, the fair value loss of the derivative financial instruments of $357 (2012 : gain of $13,533) was not recognised in the profit or loss as it was not significant.

## 36 COMMITMENTS AND CONTINGENT LIABILITIES

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Corporate guarantees given to banks in respect of credit facilities utilised by the associates | 114,310,545 | 59,828,665 |
| Letter of guarantee given in favour of The Controller of Residential Property in respect of land held by associates | 4,211,034 | 4,211,034 |

The maximum amount that the Group and Company could be forced to settle under the financial guarantee contracts are $118.5 million and $137.8 million (2012 : $64.0 million and $73.3 million) respectively. The Group and Company consider that it is more likely than not that no amount will be payable under the arrangement.

## 37 OPERATING LEASE ARRANGEMENTS

**The Group as lessor**

The Group rents out part of its leasehold and investment properties in Singapore under operating leases.

The investment property has been disposed of in the prior financial year. Rental income earned during the year was $1,020,624 (2012 : $1,273,966).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Within one year | 391,111 | 300,923 |

Operating lease payments represents rental receivable from tenants by the Group. Leases are negotiated for an average term of 1 year (2012 : 1 year) and rentals are fixed for an average of 1 year (2012 : 1 year).

**37 OPERATING LEASE ARRANGEMENTS (cont'd)**
**The Group as lessee**

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Minimum lease payments under operating leases included in profit or loss | 230,030 | 280,645 |

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Within one year | 234,404 | 225,340 |
| In the second to fifth years inclusive | 937,617 | 901,361 |
| After five years | 693,130 | 891,669 |
| Total | 1,865,151 | 2,018,370 |

Operating lease payments represent rentals payable by the Group for land spaces where its leasehold property is located. The lease is negotiated for a term of 30 years and rental is fixed annually. The rental commitment is computed based on the existing rate as at March 31, 2013.

## 38 SEGMENT INFORMATION

**Business segments**

The segment information reported externally was analysed on the basis of the types of products and services provided by the Group's operating segments. The information reported to the Group's chief operating decision maker for the purposes of resources allocation and assessment of segment performance is focused on these operating segments. The reportable segments under FRS 108 are plumbing and sanitary, electrical, toilet rental and investment holdings.

Plumbing and sanitary - Provision of plumbing and sanitary services includes the design and installation of water distribution systems and pipe network for sewage and waste water drainage.

Electrical - Provision of electrical engineering services includes the design and installation of electricity distribution systems, fire protection, alarm systems, communications and security systems as well as air conditioning and mechanical ventilation systems.

Toilet rental - Renting and operating of mobile lavatories and other facilities.

Investment holdings - Group's investment in associates.

Others - For those other activities which do not fall into the above categories.

Segment revenue and results are the operating revenue and results reported in the Group's statement of comprehensive income that are directly attributable to a segment and the relevant portion of such revenue and results that can be allocated on a reasonable basis to a segment.

Inter-segment sales relates to sales between business segments and are stated at prevailing market prices. These sales are eliminated on consolidation.

Segment assets include all operating assets used by a segment and consist principally of cash, trade receivables, construction work-in-progress and property, plant and equipment. Unallocated assets comprise investment property and other assets that are not directly attributable to the segment. Capital expenditure includes the total cost incurred to acquire property, plant and equipment directly attributable to the segment.

Segment liabilities include all operating liabilities and consist principally of trade payables, provision for contract costs and accrued expenses. Unallocated liabilities comprise bank borrowings, finance leases, income tax payable, deferred tax liabilities and other liabilities that are not directly attributable to the segment.

Information regarding the Group's reportable segments is presented below. The measurement basis of the Group's reportable segments is in accordance with its accounting policy.

**38 SEGMENT INFORMATION (cont'd)**

**Group Segmental Reporting**

Group reportable segment

| | Plumbing and sanitary | | Electrical | | Toilet rental | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ | $ | $ |
| **REVENUE** | | | | | | |
| External sales | 51,602,049 | 33,510,944 | 11,820,305 | 21,232,749 | 2,888,823 | 2,470,696 |
| **RESULTS** | | | | | | |
| Segment result | 4,600,713 | 3,540,452 | 2,231,923 | 4,257,834 | 111,555 | 12,944 |
| Unallocated expenses | | | | | | |
| Net other operating income | | | | | | |
| Finance costs | | | | | | |
| Profit before income tax | | | | | | |
| Income tax | | | | | | |
| Profit for the year | | | | | | |
| Other information | | | | | | |
| Capital expenditure additions | 19,334 | 31,390 | 19,334 | 31,390 | 40,634 | 376,660 |
| Fee income from financial guarantee to associates | - | - | - | - | - | - |
| Depreciation ** | 20,931 | 20,404 | 20,931 | 20,404 | 175,417 | 180,480 |
| (Reversal of) allowance for doubtful debts | (488,493) | (165,170) | (250,050) | 166,568 | (4,628) | (22,965) |

** Includes depreciation expense of $6,929 (2012 : $9,696) allocated to construction work-in-progress.

| Investment holdings | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|
| 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| $ | $ | $ | $ | $ | $ | $ | $ |
| - | - | | - | (6,556) | (2,539) | 66,304,621 | 57,211,850 |
| 225,886 | 7,266,627 | - | - | 904,332 | 1,014,070 | 8,074,409 | 16,091,927 |
| | | | | | | (2,791,090) | (3,085,959) |
| | | | | | | 3,530,224 | 3,255,011 |
| | | | | | | (228,031) | (237,087) |
| | | | | | | 8,585,512 | 16,023,892 |
| | | | | | | (1,533,322) | (2,014,763) |
| | | | | | | 7,052,190 | 14,009,129 |
| 346,618 | 655,169 | - | - | - | - | 425,920 | 1,094,609 |
| 538,396 | - | - | - | (117,839) | - | 420,557 | - |
| 786,963 | 965,876 | - | - | - | - | 1,004,242 | 1,187,164 |
| - | - | - | - | - | - | (743,171) | (21,567) |

**38 SEGMENT INFORMATION (cont'd)**

**Group Segmental Reporting**

Group reportable segment

| | Plumbing and sanitary | | Electrical | | Toilet |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 |
| | $ | $ | $ | $ | $ |
| **ASSETS** | | | | | |
| Segment assets | 16,331,510 | 11,992,715 | 3,557,633 | 5,863,698 | 4,084,547 |
| Unallocated assets | | | | | |
| Consolidated total assets | | | | | |
| **LIABILITIES** | | | | | |
| Segment liabilities | 13,633,935 | 7,001,063 | 12,264,934 | 7,552,909 | 3,966,917 |
| Unallocated liabilities | | | | | |
| Consolidated total liabilities | | | | | |

| rental | Investment holdings | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|
| 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| $ | $ | $ | $ | $ | $ | $ |
| 3,921,304 | 82,639,310 | 53,735,967 | (2,001,076) | (2,001,076) | 104,611,924 | 73,512,608 |
| | | | | | 21,249,916 | 33,514,461 |
| | | | | | 125,861,840 | 107,027,069 |
| 4,568,015 | 2,966,937 | 370,719 | (3,695,474) | (4,370,352) | 29,137,249 | 15,122,354 |
| | | | | | 11,854,432 | 8,267,550 |
| | | | | | 40,991,681 | 23,389,904 |

**38 SEGMENT INFORMATION (cont'd)**

**Geographical segments**

The Group operates mainly in Singapore, People's Republic of China and Thailand. Revenue is reported based on the location of customers regardless of where the goods are produced or services rendered. Assets and capital expenditure are shown by the geographical areas in which these assets are located.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| Singapore | 66,304,621 | 57,211,850 | 65,841,606 | 31,645,821 |
| People's Republic of China | - | - | 523,175 | 327,629 |
| Thailand | - | - | - | 25,623,845 |
| | 66,304,621 | 57,211,850 | 66,364,781 | 57,597,295* |

* Representing the Group's investments in its Thailand associates.

**Information about major customer**

There is no revenue from transactions with a single external customer that amounts to 10% or more of the Group's revenue.

**39 EVENTS AFTER THE REPORTING PERIOD**

The Company's wholly-owned subsidiary, King Wan Development Pte Ltd has increased its investment in its associate, Meadows Bright Development Pte Ltd ("MBD") from $350,000 comprising 350,000 ordinary shares to $800,000 comprising 800,000 ordinary shares by way of cash subscription of $450,000 for an additional 450,000 new ordinary shares. With this additional investment, the Group's equity interest in MBD will increase from 35% to 40%. MBD will remain an associate of the Group.

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF KING WAN CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

*The information in this Appendix III has been reproduced from the annual report of King Wan Corporation Limited for the financial year ended 31 March 2014 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.*

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF KING WAN CORPORATION LIMITED

**Report on the Financial Statements**

We have audited the accompanying financial statements of King Wan Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at March 31, 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 64.

**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 (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 profit and loss accounts and balance sheets 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 the 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 KING WAN CORPORATION LIMITED

**Opinion**

In our opinion, the 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 state of affairs of the Group and of the Company as at March 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**DELOITTE & TOUCHE LLP**
Public Accountants and
Chartered Accountants
Singapore

July 14, 2014

# STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2014

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | | $ | $ | $ | $ |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 6 | 11,219,322 | 16,712,439 | 4,029,204 | 5,235,498 |
| Trade receivables | 7 | 9,335,580 | 7,808,456 | - | - |
| Other receivables and prepayments | 8 | 158,909 | 259,593 | 9,701 | 8,050 |
| Amount due from subsidiaries | 9 | - | - | 16,956,012 | 17,013,402 |
| Held-for-trading investments | 10 | 480,519 | 457,645 | 37,315 | - |
| Inventories | 11 | 1,013,781 | 1,132,952 | - | - |
| Construction work-in-progress | 12 | 15,694,127 | 11,483,202 | - | - |
| | | 37,902,238 | 37,854,287 | 21,032,232 | 22,256,950 |
| Non-current assets classified as held for sale | 13 | 21,642,772 | 21,642,772 | 9,840,000 | 9,840,000 |
| Total current assets | | 59,545,010 | 59,497,059 | 30,872,232 | 32,096,950 |
| **Non-current assets** | | | | | |
| Other receivables | 8 | 67,622,180 | 49,059,489 | - | - |
| Property, plant and equipment | 14 | 5,626,840 | 5,263,286 | 14,755 | - |
| Investment in subsidiaries | 15 | - | - | 35,268,954 | 35,088,297 |
| Investment in associates and a joint venture | 16 | 2,166,295 | 12,042,006 | 1,981,181 | 1,420,303 |
| Total non-current assets | | 75,415,315 | 66,364,781 | 37,264,890 | 36,508,600 |
| **Total assets** | | 134,960,325 | 125,861,840 | 68,137,122 | 68,605,550 |

# STATEMENTS OF FINANCIAL POSITION (cont'd)

MARCH 31, 2014

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | | $ | $ | $ | $ |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank borrowings | 17 | 12,673,931 | 7,624,745 | - | - |
| Construction work-in-progress | 12 | 505,560 | 4,144,535 | - | - |
| Trade payables and bills payables | 18 | 26,309,983 | 20,738,536 | - | - |
| Other payables | 19 | 5,308,059 | 5,459,417 | 3,472,641 | 3,600,006 |
| Current portion of finance leases | 20 | 244,290 | 55,658 | - | - |
| Amount due to a subsidiary | 21 | - | - | 992,454 | 6,037,599 |
| Provision for rectification costs | 22 | 986,864 | 1,062,119 | - | - |
| Income tax payable | | 1,686,260 | 1,657,989 | 75,000 | 92,835 |
| Total current liabilities | | 47,714,947 | 40,742,999 | 4,540,095 | 9,730,440 |
| **Non-current liabilities** | | | | | |
| Finance leases | 20 | 601,707 | 53,823 | - | - |
| Deferred tax liabilities | 24 | 214,859 | 194,859 | - | - |
| Total non-current liabilities | | 816,566 | 248,682 | - | - |
| **Capital and reserves** | | | | | |
| Share capital | 25 | 46,813,734 | 46,813,734 | 46,813,734 | 46,813,734 |
| Retained earnings | | 41,493,592 | 39,995,988 | 16,783,293 | 12,061,376 |
| Foreign currency translation reserve | 26 | (1,878,514) | (1,939,563) | - | - |
| Total equity | | 86,428,812 | 84,870,159 | 63,597,027 | 58,875,110 |
| **Total liabilities and equity** | | 134,960,325 | 125,861,840 | 68,137,122 | 68,605,550 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2014

| | Note | Group 2014 $ | 2013 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 27 | 95,386,907 | 66,304,621 |
| Cost of sales | | (82,044,539) | (54,935,363) |
| Gross profit | | 13,342,368 | 11,369,258 |
| Other operating income | 28 | 3,899,331 | 3,415,627 |
| Administrative expenses | | (8,515,685) | (6,315,066) |
| Share of profit (loss) of associates | 16 | 65,732 | (567,082) |
| Finance costs | 29 | (523,251) | (228,031) |
| Profit before income tax | | 8,268,495 | 7,674,706 |
| Income tax expense | 30 | (1,533,238) | (1,533,322) |
| Profit for the year from continuing operations | 31 | 6,735,257 | 6,141,384 |
| Discontinued operation | | | |
| Profit for the year from discontinued operation – share of profit of associates | 16 | - | 910,806 |
| **Total profit for the year** | 31 | 6,735,257 | 7,052,190 |
| **Other comprehensive income (expense):** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translation of foreign operations (associates) | | 61,049 | (581,543) |
| **Total comprehensive income for the year** | | 6,796,306 | 6,470,647 |
| **Earnings per share (cents)** | | | |
| From continuing and discontinued operations | | | |
| Basic | 32 | 1.93 | 2.02 |
| Diluted | 32 | 1.93 | 2.02 |
| From continuing operations | | | |
| Basic | 32 | 1.93 | 1.76 |
| Diluted | 32 | 1.93 | 1.76 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2014

| | Share capital $ | Retained earnings $ | Foreign currency translation reserve $ | Total $ |
|---|---|---|---|---|
| **Group** | | | | |
| Balance at April 1, 2012 | 46,813,734 | 38,181,451 | (1,358,020) | 83,637,165 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | 7,052,190 | - | 7,052,190 |
| Other comprehensive expense for the year | - | - | (581,543) | (581,543) |
| Total | - | 7,052,190 | (581,543) | 6,470,647 |
| Transactions recognised directly in equity | | | | |
| Dividends (Note 33) | - | (5,237,653) | - | (5,237,653) |
| Balance at March 31, 2013 | 46,813,734 | 39,995,988 | (1,939,563) | 84,870,159 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | 6,735,257 | - | 6,735,257 |
| Other comprehensive income for the year | - | - | 61,049 | 61,049 |
| Total | - | 6,735,257 | 61,049 | 6,796,306 |
| Transactions recognised directly in equity | | | | |
| Dividends (Note 33) | - | (5,237,653) | - | (5,237,653) |
| Balance at March 31, 2014 | 46,813,734 | 41,493,592 | (1,878,514) | 86,428,812 |

# STATEMENTS OF CHANGES IN EQUITY (cont'd)

YEAR ENDED MARCH 31, 2014

| | Share capital $ | Retained earnings $ | Total $ |
|---|---|---|---|
| **Company** | | | |
| Balance at April 1, 2012 | 46,813,734 | 14,545,561 | 61,359,295 |
| Profit for the year, representing total comprehensive income for the year | - | 2,753,468 | 2,753,468 |
| Transactions recognised directly in equity | | | |
| Dividends (Note 33) | - | (5,237,653) | (5,237,653) |
| Balance at March 31, 2013 | 46,813,734 | 12,061,376 | 58,875,110 |
| Profit for the year, representing total comprehensive income for the year | - | 9,959,570 | 9,959,570 |
| Transactions recognised directly in equity | | | |
| Dividends (Note 33) | - | (5,237,653) | (5,237,653) |
| Balance at March 31, 2014 | 46,813,734 | 16,783,293 | 63,597,027 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| **Operating activities** | | |
| Profit before income tax (Note 30) | 8,268,495 | 8,585,512 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,074,193 | 997,313 |
| Net allowance (reversal of allowance) for doubtful trade receivables | 357,194 | (743,171) |
| Bad debts written off on trade receivables | 3,313 | 10,268 |
| Net allowance (reversal of allowance) for inventories obsolescence | 171,854 | (366) |
| Change in fair value of held-for-trading investments | 15,939 | (155,707) |
| Interest income | (1,771,372) | (1,421,883) |
| Interest expense | 523,251 | 228,031 |
| Loss on disposal of property, plant and equipment | 4,630 | 47,982 |
| Dividend income from held-for-trading investments | (12,602) | (11,665) |
| Share of associates' profit | (65,732) | (343,724) |
| Inventories written off | 30,246 | - |
| (Reversal of) provision for rectification costs | (54,893) | 295,437 |
| Fee income from financial guarantee to associates | (753,311) | (420,557) |
| Operating cash flows before movements in working capital | 7,791,205 | 7,067,470 |
| Trade receivables | (1,887,631) | 2,210,277 |
| Other receivables and prepayments | (500,632) | (206,810) |
| Construction work-in-progress | (7,846,816) | (3,137,735) |
| Inventories | (82,929) | 136,914 |
| Trade payables and bills payables | 5,571,447 | 10,431,614 |
| Other payables | 601,953 | (381,704) |
| Provision for rectification costs | (20,362) | (27,251) |
| Cash generated from operations | 3,626,235 | 16,092,775 |
| Income taxes paid | (1,484,967) | (1,828,824) |
| Interest paid | (523,251) | (228,031) |
| Net cash from operating activities | 1,618,017 | 14,035,920 |

# CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

YEAR ENDED MARCH 31, 2014

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| **Investing activities** | | |
| Interest received | 104,749 | 214,138 |
| Investment in an associate | (450,000) | (30,000) |
| Investment in a joint venture | (500) | - |
| Advances to associates | (5,890,000) | (30,161,021) |
| Dividends received from held-for-trading investments | 12,602 | 11,665 |
| Dividends received from associates | - | 3,667,678 |
| Purchase of property, plant and equipment (Note A) | (583,149) | (425,920) |
| Purchase of held-for-trading investments | (38,813) | - |
| Proceeds from the disposal of property, plant and equipment | 33,548 | 26,738 |
| Advance received from sale of associates | - | 2,595,728 |
| Net cash used in investing activities | (6,811,563) | (24,100,994) |
| **Financing activities** | | |
| Dividends paid | (5,237,653) | (5,237,653) |
| Repayments of obligations under finance leases (Note A) | (111,104) | (55,658) |
| Proceeds from bank borrowings | 2,875,255 | 3,380,483 |
| Net cash used in financing activities | (2,473,502) | (1,912,828) |
| Net decrease in cash and cash equivalents | (7,667,048) | (11,977,902) |
| Cash and cash equivalents at the beginning of the year | 16,712,439 | 28,690,341 |
| **Cash and cash equivalents at end of the year (Note 6)** | 9,045,391 | 16,712,439 |

**Note A:**
During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,479,009 (2013 : $425,920) of which $847,620 (2013 : $Nil) was acquired under finance lease arrangements. Deposits amounting to $48,240 had been made in the last financial year and was included in non-current other receivables.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 1 GENERAL

The Company (Registration No. 200001034R) is incorporated in Singapore with its registered office and principal place of business at No. 8 Sungei Kadut Loop, Singapore 729455. The Company is listed on the mainboard of Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding. The subsidiaries and associates in the Group are principally engaged in activities as disclosed in Notes 15 and 16 to the financial statements respectively.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended March 31, 2014 were authorised for issue by the Board of Directors on July 14, 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On April 1, 2013, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

**Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income***

Under the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*, the Group grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

| | |
|---|---|
| - FRS 27 (Revised) | Separate Financial Statements |
| - FRS 28 | Investments in Associates and Joint Ventures |
| - FRS 110 | Consolidated Financial Statements |
| - FRS 111 | Joint Arrangements |
| - FRS 112 | Disclosure of Interests in Other Entities |
| - FRS 110, FRS 111 and FRS 112 | Transition Guidance |
| - Amendments to FRS 32 | Financial Instruments: Presentation |
| - Amendments to FRS 36 | Impairment of Assets |

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

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

**FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements***

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 Consolidation - Special Purpose Entities.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

**FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures***

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

The joint venturer should use the equity method under the revised FRS 28 *Investments in Associates and Joint Ventures* to account for a joint venture. The option to use proportionate consolidation method has been removed. For joint operations, the Group directly recognises its rights to the assets, liabilities, revenues and expenses of the investee in accordance with applicable FRSs.

FRS 111 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

When the Group adopts FRS 111, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement.

The Group is currently estimating the effects of FRS 111 on its investments in the period of initial adoption.

**FRS 112 *Disclosure of Interests in Other Entities***

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014.

The Group is currently estimating the extent of additional disclosures needed.

***Amendments to FRS 32 Financial Instruments: Presentation***

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

The management does not anticipate that the application of these amendments to FRS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

***Amendments to FRS 36 Impairment of Assets***

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In the Company's financial statements, investments in subsidiaries, associates and a joint venture are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

BUSINESS COMBINATIONS - Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments*: *Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (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. Income and expense are recognised on an effective interest basis for debt instruments.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured 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.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Loans and receivables

Trade and other receivables and amount due from subsidiaries that 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 method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

For financial assets measured at amortised cost, 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 financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the 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.

Financial liabilities

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

Interest-bearing bank loans and overdrafts 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 borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values, and subsequently at the higher of the amount of 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*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates. Further details of derivative financial instruments are disclosed in Note 34 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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

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

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

The Group as lessor

Rental income from operating leases 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 use 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 asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets 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 directly to the profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to the 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 asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE – Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally 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 (or disposal group) 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 (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES - Inventories comprising raw materials and consumables are stated at the lower of cost and net realisable value. Cost includes all cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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 reporting period, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, 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 the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will 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 FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

| | | |
|---|---|---|
| Leasehold property | - | over the terms of the lease which is 3⅓% |
| Plant and machinery | - | 5% to 20% |
| Office equipment | - | 10% to 33⅓% |
| Motor vehicles | - | 10% to 20% |
| Portable toilets | - | 20% |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

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.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Associates' below.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

IMPAIRMENT OF TANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 tangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

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.

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 the profit or loss.

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual 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 in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

INTERESTS IN JOINT VENTURES - A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results and assets and liabilities of joint venture is incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investment in joint venture is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) 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 reporting period, 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.

Dividends to the shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

Accrual for profit sharing

The Group recognises a liability and an expense for profit sharing if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provision for rectification costs

The Group recognises a liability and an expense for rectification costs upon completion of the construction work and the obligation is made based on management's best estimates of the expected costs which are to be incurred pending the finalisation of the final account between the Group and its respective sub-contractors based on past experience and assessment of the projects.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or losses in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight-line basis.

Rendering of services

Revenue from rendering of services of short-term nature is recognised when the services are completed.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see above).

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

Management fee income

Management fee income is recognised in profit or loss as and when the services are rendered.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. 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 retirement benefit plan.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income 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 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 reporting period.

Deferred tax is recognised on the 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. 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, associates and interests in a joint venture, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of 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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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 reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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 reporting period. 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, if any, are recognised in other comprehensive income and accumulated in the Group's foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the accumulated exchange differences in respect of that operation in the Group's currency translation reserve, are reclassified to profit or loss.

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), are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand, cash at bank, fixed deposits and bank overdrafts and are subject to an insignificant risk of changes in value.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 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 is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

**Critical judgements in applying the entity's accounting policies**

Management is of the opinion that there are no instances of application of judgements of the use of estimation techniques which may have a significant effect on the amounts recognised in the financial statements apart from those involving estimates, which are dealt with below.

**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 within the next financial year, are discussed below.

Investment in subsidiaries

In determining whether there is any indication that the investment in certain subsidiaries has suffered an impairment loss, it is necessary for management to exercise certain degree of judgement. Based on management's review of their order books and cash flow projections, management is of the view that there are no indication of impairment in the net investment in subsidiaries amounting to $35,268,954 (2013 : $35,088,297) as at March 31, 2014.

Investment in associates

The Group assesses annually whether its investment in associates has any indication of impairment in accordance with the accounting policy. Management made assessment based on existing financial performance as well as operating profit forecasts of certain associates. The carrying value of the investment in associates is disclosed in Note 16 to the financial statements.

Allowances for doubtful debts

The Group and the Company makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables and amount due from subsidiaries. Allowances are applied to trade and other receivables and amount due from subsidiaries when events or changes in circumstances indicate that the balance may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and on-going dealings with them. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and amount due from subsidiaries in the period in which such estimate has been charged. The carrying amount of trade and other receivables and amount due from subsidiaries are disclosed in Notes 7, 8 and 9 to the financial statements respectively.

Construction contracts

Revenue and profit recognition on uncompleted projects are dependent on estimating the total outcome of the construction contract, as well as work done to date. Actual outcome in terms of actual costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. As at March 31, 2014, management considered that all costs to complete and revenue can be reliably estimated. As at March 31, 2014, the carrying amount of the Group's net construction work-in-progress amounted to $15,188,567 (2013 : $7,338,667) as disclosed in Note 12 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**

Provision for rectification costs

Provision for rectification costs were made by the Group in respect of completed projects during the year. These provisions were made based on management's best estimates of the expected costs which are to be incurred pending the finalisation of the final account between the Group and its respective sub-contractors based on past experience and assessment of the projects. For the financial year ended March 31, 2014, the Group has provided rectification costs of $986,864 (2013 : $1,062,119) in respect of certain completed projects as disclosed in Note 22 to the financial statements.

Provision for foreseeable losses

The Group reviews its construction work-in-progress to determine whether there is any indication of foreseeable losses. Provision for foreseeable losses were made based on management's assessment on total estimated contract costs that exceed total contract revenue. Management estimates total contract costs based on contracted amounts with subcontractors, and in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration current market conditions and historical trends of the amounts incurred.

Identified foreseeable losses are recognised immediately in profit or loss when it is probable that total contract costs will exceed total contract revenue. For the financial years ended March 31, 2014 and 2013, the Group has assessed that no provision for foreseeable losses is necessary (see Note 12).

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) Categories of financial instruments

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| **FINANCIAL ASSETS** | | | | |
| Loans and receivables (including cash and cash equivalents): | | | | |
| - Cash and cash equivalents | 11,219,322 | 16,712,439 | 4,029,204 | 5,235,498 |
| - Trade receivables | 9,335,580 | 7,808,456 | - | - |
| - Other receivables (excluding prepayments) | 67,724,224 | 49,271,411 | 51 | - |
| - Amount due from subsidiaries | - | - | 16,956,012 | 17,013,402 |
| - Amount due from customers for contracts-in-progress | 15,694,127 | 11,483,202 | - | - |
| | 103,973,253 | 85,275,508 | 20,985,267 | 22,248,900 |
| Fair value through profit and loss (FVTPL): | | | | |
| - Held for trading | 480,519 | 457,645 | 37,315 | - |
| **FINANCIAL LIABILITIES** | | | | |
| Amortised cost: | | | | |
| - Bank borrowings | 12,673,931 | 7,624,745 | - | - |
| - Trade payables and bills payables | 26,309,983 | 20,738,536 | - | - |
| - Other payables | 5,308,059 | 5,459,417 | 3,472,641 | 3,600,006 |
| - Amount due to a subsidiary | - | - | 992,454 | 6,037,599 |
| - Finance leases | 845,997 | 109,481 | - | - |
| | 45,137,970 | 33,932,179 | 4,465,095 | 9,637,605 |

### (b) Financial risk management policies and objectives

The Group's overall risk management programme seeks to minimise potential adverse effects of the financial performance of the Group.

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates.

The Group does not hold or issue derivative financial instruments for speculative purposes.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below:

(i) Foreign exchange risk management

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in their respective functional currencies. These transactions are from the Group's ordinary course of business.

The Group's subsidiaries operate mainly in Singapore and transact mainly in Singapore dollars. Exposures to foreign currency risks are minimal. The Group's associates operate mainly in Singapore and People's Republic of China ("PRC"). The Group is exposed to currency translation risk on the net assets in foreign operations mainly in PRC (Renminbi).

No sensitivity analysis is prepared as the Group and the Company does not expect any material effect on the Group and the Company's profit or loss and/or equity arising from the effects of reasonably possible changes to foreign currency risk at the end of the reporting period.

The Group uses forward exchange contracts to manage their exposure to foreign currency risk arising from trade payables for the purchase of raw materials. Further details on the forward exchange derivative instruments are found in Note 34 to the financial statements.

(ii) Interest rate risk management

Interest rate risk refers to the risk faced by the Group as a result of fluctuation in interest rates.

The Group is exposed to cash flow interest rate risk in relation to bank borrowings and bills payables and the effective interest rates are disclosed in Note 4(b)(v). The interest rate payable for the finance lease is fixed at the inception of the finance lease. Interest rate of the finance lease is disclosed in Note 20 to the financial statements. The Group does not have interest rate hedging policy and management monitors interest rate exposure closely.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings from financial institutions in Singapore at the end of the reporting period. For floating rates liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 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 reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended March 31, 2014 would decrease/increase by $126,614 (2013 : $74,723).

(iii) Equity price risk management

The Group's exposure to equity risks arising from equity investments classified as held-for-trading is minimal. Further details of these equity investments can be found in Note 10 to the financial statements.

In respect of held-for-trading equity investments, if equity prices had been 10% higher/lower and all other variables were held constant, the Group's profit for the year ended March 31, 2014 would increase/decrease by $48,052 (2013 : $45,765).

The Group's sensitivity to equity prices has not changed significantly from the prior year.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed periodically by the management.

The Group maintains an allowance for doubtful debts account based upon the recoverability of all accounts receivables and the customers' financial conditions. Concentration of credit risk with respect to trade receivables in the construction industry in which the Group operates does exist in view of the limited number of main contractors that the Group has been dealing with, and in respect of other receivables, the Group has a balance from associates of $67,578,180 (2013 : $48,965,249) and the Company has a balance from subsidiaries of $16,956,012 (2013 : $17,013,402).

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables, and financial guarantees are disclosed in Notes 7, 8, 9 and 35 to the financial statements respectively.

(v) Liquidity risk management

Liquidity risk arises when the Group is unable to meet its obligations towards other counterparties.

The Group manages its liquidity risk by matching the payment and receipt cycle. The directors of the Group are of the opinion that liquidity risk is contained given that the Group has sufficient equity funds to finance its operations and that if required, financing can be obtained from its lines of banking credit facilities.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

*Liquidity and interest risk analyses*

*Non-derivative financial assets*

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

| | Weighted average effective interest rate % | On demand or within 1 year $ | Within 2 to 5 years $ | After 5 years $ | Adjustment $ | Total $ |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2014** | | | | | | |
| Non-interest bearing | - | 28,560,171 | 17,944,031 | - | - | 46,504,202 |
| Fixed interest rate instruments | 3.01 | 7,880,576 | 51,249,320 | - | (1,660,845) | 57,469,051 |
| | | 36,440,747 | 69,193,351 | - | (1,660,845) | 103,973,253 |
| **2013** | | | | | | |
| Non-interest bearing | - | 26,180,639 | 25,929,021 | - | - | 52,109,660 |
| Fixed interest rate instruments | 3.41 | 10,268,905 | 25,540,534 | - | (2,643,591) | 33,165,848 |
| | | 36,449,544 | 51,469,555 | - | (2,643,591) | 85,275,508 |
| **Company** | | | | | | |
| **2014** | | | | | | |
| Non-interest bearing | - | 17,208,154 | - | - | - | 17,208,154 |
| Fixed interest rate instruments | 1.62 | 3,779,110 | - | - | (1,997) | 3,777,113 |
| | | 20,987,264 | - | - | (1,997) | 20,985,267 |
| **2013** | | | | | | |
| Non-interest bearing | - | 18,149,093 | - | - | - | 18,149,093 |
| Fixed interest rate instruments | 2.05 | 4,102,545 | - | - | (2,738) | 4,099,807 |
| | | 22,251,638 | - | - | (2,738) | 22,248,900 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

*Non-derivative financial liabilities*

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

| | Weighted average effective interest rate % | On demand or within 1 year $ | Within 2 to 5 years $ | After 5 years $ | Adjustment $ | Total $ |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2014** | | | | | | |
| Non-interest bearing | - | 18,161,899 | - | - | - | 18,161,899 |
| Variable interest rate instruments | 2.44 | 25,511,478 | - | - | (188,717) | 25,322,761 |
| Finance lease liability (fixed rate) | 2.96 | 265,870 | 624,296 | - | (44,169) | 845,997 |
| Financial guarantee contract | - | 130,720,728 | - | - | (129,913,415) | 807,313 |
| | | 174,659,975 | 624,296 | - | (130,146,301) | 45,137,970 |
| **2013** | | | | | | |
| Non-interest bearing | - | 17,253,624 | - | - | - | 17,253,624 |
| Variable interest rate instruments | 2.35 | 15,004,448 | - | - | (59,862) | 14,944,586 |
| Fixed interest rate instruments | 5.00 | 634,822 | - | - | (10,077) | 624,745 |
| Finance lease liability (fixed rate) | 13.49 | 60,600 | 59,699 | - | (10,818) | 109,481 |
| Financial guarantee contract | - | 118,521,579 | - | - | (117,521,836) | 999,743 |
| | | 151,475,073 | 59,699 | - | (117,602,593) | 33,932,179 |
| **Company** | | | | | | |
| **2014** | | | | | | |
| Non-interest bearing | - | 3,619,276 | - | - | - | 3,619,276 |
| Financial guarantee contract | - | 158,639,794 | - | - | (157,793,975) | 845,819 |
| | | 162,259,070 | - | - | (157,793,975) | 4,465,095 |
| **2013** | | | | | | |
| Non-interest bearing | - | 8,607,588 | - | - | - | 8,607,588 |
| Financial guarantee contract | - | 137,763,009 | - | - | (136,732,992) | 1,030,017 |
| | | 146,370,597 | - | - | (136,732,992) | 9,637,605 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

*Derivative financial instruments*

The Group enters into forward foreign exchange contracts to manage its exchange rate exposure between the Australian dollars and its functional currency, which is the Singapore dollar. As at March 31, 2014, there are no outstanding forward foreign exchange contracts. As at March 31, 2013, the total notional amount of outstanding forward foreign exchange contracts for the period from May to December 2013 to which the Company is committed to is $1,113,200.

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, bank borrowings and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

| | Total<br>$ |
|---|---|
| **Group** | |
| **2014** | |
| **Financial assets** | |
| Fair value through profit or loss (FVTPL): | |
| Held-for-trading investments | 480,519 |
| **2013** | |
| **Financial assets** | |
| Fair value through profit or loss (FVTPL): | |
| Held-for-trading investments | 457,645 |
| **Company** | |
| **2014** | |
| **Financial assets** | |
| Fair value through profit or loss (FVTPL): | |
| Held-for-trading investments | 37,315 |
| **2013** | |
| **Financial assets** | |
| Fair value through profit or loss (FVTPL): | |
| Held-for-trading investments | - |

The fair values of the held-for-trading investments are based on quoted bid prices in active markets.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

The fair value is based upon valuations provided by the financial institution.

| | Maturity dates | Contract or notional amount<br>$ | Forward fair value adjustment<br>$ |
|---|---|---|---|
| **Group** | | | |
| **2013** | | | |
| Forward currency contracts | May to December 2013 | 1,113,200 | 971 |

The net fair values of the forward currency contracts were not included in the profit or loss as the amounts in prior year were not significant.

The Group's forward currency contracts are measured at fair value whereby future cash flows are estimated based on contracted rates and observable forward rates at the end of the reporting period, discounted at a rate that reflects the credit risk of the counterparty.

The Group and the Company have no financial instruments under Level 2 in 2014.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Company have no financial instruments under Level 3.

There were no transfers of financial instruments between the levels of the fair value hierarchy in 2013 and 2014.

**(c) Capital risk management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 17 and 18 to the financial statements, and equity attributable to owners of the parent, comprising issued capital and retained earnings. The Group is required to maintain a minimum Group's net worth, a maximum gearing ratio and a minimum current ratio in order to comply with the financial covenants in the loan agreements with the banks.

Management has reviewed the Group's compliance with the financial covenants for its bank facilities and is satisfied that the Group has complied with them.

Management reviews the capital structure on a yearly basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through the payment of dividends, new share as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2013.

The Group monitors capital based on the Group's gross gearing and net gearing. The Group's gross gearing is calculated as total borrowings divided by total equity, whilst net gearing is calculated as net borrowings divided by total equity. Net borrowings are calculated as total bank borrowings, bills payables and finance leases as disclosed in Notes 17, 18 and 20 to the financial statements respectively, less cash and bank balances as disclosed in note 6 to the financial statements.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Total borrowings | 26,168,758 | 15,527,282 |
| Total equity | 86,428,812 | 84,870,159 |
| Gross gearing (times) | 0.30 | 0.18 |
| Net borrowings | 14,949,436 | - |
| Total equity | 86,428,812 | 84,870,159 |
| Net gearing (times) | 0.17 | - |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, the Group entered into the following transactions with related parties:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Rental income from an associate | (15,119) | (3,696) |
| Interest income from an associate | (1,666,623) | (1,207,745) |
| Management fee income from an associate | (105,357) | (71,089) |
| Advances to associates | 5,890,000 | 30,161,021 |

In the prior financial year ended March 31, 2013, the Group had received 5% of the consideration for disposal of shares amounting to $2,595,728 from a related party, Kaset Thai Industry Sugar Company Limited in cash (Note 13).

In the current financial year ended March 31, 2014, loans amounting to $2.4 million (2013: $4.2 million) were advanced to associates of the Group to enter into sale and purchase agreements with another associate of the Group, Dalian Shicheng Property Development Co., Ltd to purchase property units (Note 8).

**Compensation of directors and key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Directors' and key management's remuneration: | | |
| - Short-term benefits | 3,166,896 | 3,055,204 |
| - Post-employment benefits | 101,150 | 103,250 |
| | 3,268,046 | 3,158,454 |
| Directors' fees | 176,000 | 176,000 |
| | 3,444,046 | 3,334,454 |

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank balances and fixed deposits as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Cash and bank balances | 6,780,634 | 11,460,984 | 252,091 | 1,135,691 |
| Fixed deposits | 4,438,688 | 5,251,455 | 3,777,113 | 4,099,807 |
| | 11,219,322 | 16,712,439 | 4,029,204 | 5,235,498 |
| Less: bank overdrafts (Note 17) | (2,173,931) | - | - | - |
| Cash and cash equivalents in the statement of cash flows | 9,045,391 | 16,712,439 | 4,029,204 | 5,235,498 |

Bank balances and cash comprise cash held by the Group and short-term bank deposits. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest rate ranging from 1.50% to 2.20% per annum (2013 : 0.43% to 2.05% per annum) and for a tenure of approximately 14 days (2013 : 14 to 91 days).

Interest is earned on the cash balances held with certain banks amounting to $3,396,333 (2013 : $4,981,843) at an interest rate ranging from 1.00% to 3.00% (2013 : 1.00% to 3.00%).

## 7 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Accrued trade receivables for construction contracts | 5,532,007 | 5,728,346 |
| Amounts receivable from construction contract customers | 3,955,220 | 2,640,383 |
| Amounts receivable from rendering of services | 861,778 | 746,326 |
| Less: Allowance for doubtful debts | (1,013,425) | (1,306,599) |
| Net | 9,335,580 | 7,808,456 |

Accrued trade receivables represent the remaining balances of the contract sum on the construction contracts to be billed. In accordance with the Group's accounting policy, revenue is recognised on the progress of the construction work. Upon completion of the construction work, the balance of the contract sum to be billed is included as accrued trade receivables.

The average credit period is 30 days (2013 : 30 days). No interest is charged on overdue trade receivables.

An allowance has been made for the estimated irrecoverable amounts from the rendering of services (including construction services). The allowance has been individually determined by reference to past default experience.

Before accepting any new customer, the Group performs a background search on the credit worthiness and litigation status. The credit limit of the customers is reviewed periodically by the management.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**7 TRADE RECEIVABLES (cont'd)**

Included in the Group's trade receivables balance are debtors with a carrying amount of $720,985 (2013 : $560,193) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 50 days (2013 : 51 days). The above analysis does not include the accrued trade receivables for construction contracts of $5,532,007 (2013 : $5,728,346) as these amounts have not been billed to the customers yet. The accrued trade receivables are pending the finalisation of the final account with the customers before billings are rendered.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Concentration of credit risk with respect of trade receivables in the construction industry does exist in view of the limited number of main contractors that the Group has dealings with. Management believes that there is no further credit allowances required in excess of the allowance for doubtful debts.

Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. The allowances recognised represent the difference between the carrying amount of the specific trade receivables and present value of the expected future cash flows. The Group does not hold any collateral over these balances. The Group's trade receivables comprises 7 debtors (2013 : 8 debtors) that individually represent more than 5% of the total balance of trade receivables.

At March 31, 2014, retention monies held by customers for contract work amounted to $949,704 (2013 : $1,001,213). Retention sum of $265,085 (2013 : $359,250) are due for settlement after more than 12 months. They have been classified as current because they are expected to be realised in the normal operating cycle of the Group.

**Aging of receivables that are past due but not impaired:**

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| < 3 months | 498,986 | 541,729 |
| 3 months to 6 months | 221,999 | 18,464 |
| | 720,985 | 560,193 |

**Movement in the allowance for doubtful debts:**

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Balance at beginning of the year | 1,306,599 | 2,049,770 |
| Amounts written off during the year | (650,368) | - |
| Increase (Decrease) in allowance recognised in profit or loss (Note 31) | 357,194 | (743,171) |
| Balance at end of the year | 1,013,425 | 1,306,599 |

As at March 31, 2013, reversal of allowance for doubtful debts amounting to $743,171 was a result of subsequent repayments made by certain customers.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 8 OTHER RECEIVABLES AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Current: | | | | |
| Other receivables | 45,234 | 15,717 | 51 | - |
| Prepayments | 56,865 | 47,671 | 9,650 | 8,050 |
| Advances to staff | 300 | 300 | - | - |
| Deposits | 56,510 | 195,905 | - | - |
| | 158,909 | 259,593 | 9,701 | 8,050 |
| Non-current: | | | | |
| Advances to associates (Notes 5 and 16) | 67,578,180 | 48,965,249 | - | - |
| Deposits | 44,000 | 94,240 | - | - |
| | 67,622,180 | 49,059,489 | - | - |

Loans to associates amounting to $53,554,029 (2013 : $22,932,550) are unsecured, repayable on demand and bear an interest of 0.12% to 5.25% (2013 : 2.50% to 5.25%) per annum. The remaining loans to associates are unsecured, interest-free and repayable on demand. The management does not expect the loans to associates amounting to $67,578,180 (2013 : $48,965,249) will be repaid within the next 12 months. Management has assessed that the interest charged to associates approximate the market rates. Hence, the carrying amounts of these assets approximate their fair values.

In determining the recoverability of loans to associates, the Group considers the financial strength and performance of the associates. Accordingly, the management believes that no allowance for doubtful debts is required.

## 9 AMOUNT DUE FROM SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Subsidiaries - non-trade (Note 16) | 16,956,012 | 17,013,402 |

The loans granted to the subsidiaries are interest-free, unsecured and repayable on demand.

In determining the recoverability of loans to subsidiaries, the Company considers the financial strength and performance of the subsidiaries. Accordingly, the management believes that no allowance for doubtful debts is required.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 10 HELD-FOR-TRADING INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| Balance at beginning of the year | 457,645 | 301,938 | - | - |
| Additions during the year | 38,813 | - | 38,813 | - |
| Fair value change on held-for-trading investments (Note 31) | (15,939) | 155,707 | (1,498) | - |
| Balance at end of the year | 480,519 | 457,645 | 37,315 | - |

Held-for-trading investments are investments in quoted equity securities that offer the Group and the Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the quoted securities are based on quoted bid market prices on the last market day of the financial year.

## 11 INVENTORIES

| | Group | |
|---|---|---|
| | 2014 $ | 2013 $ |
| Raw materials and consumables | 1,326,096 | 1,273,413 |
| Less: Allowance for inventories obsolescence | (312,315) | (140,461) |
| | 1,013,781 | 1,132,952 |
| **Movement in the allowance for inventories obsolescence:** | | |
| Balance at beginning of the year | 140,461 | 140,827 |
| Increase (Decrease) in allowance recognised in profit or loss (Note 31) | 171,854 | (366) |
| Balance at end of the year | 312,315 | 140,461 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 12 CONSTRUCTION WORK-IN-PROGRESS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Contract costs incurred plus recognised profits (less recognised losses to date) | 116,383,850 | 78,946,746 |
| Less: Progress billing | (101,195,283) | (71,608,079) |
| | 15,188,567 | 7,338,667 |
| Contracts-in-progress at end of the reporting period: | | |
| Amounts due from contract customers | 15,694,127 | 11,483,202 |
| Amounts due to contract customers | (505,560) | (4,144,535) |
| | 15,188,567 | 7,338,667 |

During the financial years ended March 31, 2014 and March 31, 2013, no provision for foreseeable losses has been recognised in profit or loss.

## 13 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On April 25, 2012, the Company entered into a share sale agreement with a related party, Kaset Thai Industry Sugar Company Limited ("Kaset Thai") to sell its entire 20% shareholding interest in an associate, Environmental Pulp & Paper Company Ltd ("EPPCO") for a consideration of THB 918,000,000 (equivalent to approximately $37.66 million).

On April 25, 2012, the Company's wholly owned subsidiary, King Wan Industries Pte Ltd ("KWI") entered into a share sale agreement with Kaset Thai to sell its entire 20% shareholding interest in an associate, Ekarat Pattana Company Limited ("EPC") for a consideration of THB 305,800,000 (equivalent to approximately $12.54 million).

The shareholders of the Company approved the disposal of shares in both associates, EPPCO and EPC, during the Extraordinary General Meeting held on June 23, 2012.

In the prior financial year, the Group had received 5% of the consideration amounting to $2,595,728 from Kaset Thai in cash (Note 19). The remaining 95% of the consideration for the proposed disposal will be paid by way of listed shares of Kaset Thai in accordance with the share sale agreements.

The management expected the share sale transactions to be completed within 12 months. Accordingly, the Group and the Company had classified the investment in these Thailand associates amounting to $21,642,772 as a disposal group held for sale as at March 31, 2013.

The proceeds of disposal are expected to exceed the carrying amount of the investment in associates and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

Kaset Thai was not listed on the stock Exchange of Thailand ("SET") at the end of the current reporting period. Management assessed and deemed that the delay in listing KTIS on SET to complete the sale does not preclude the investment in EPPCO and EPC from being classified as held for sale as the delay is caused by circumstances beyond the Group's control.

Subsequent to year end, Kaset Thai was listed on the Stock Exchange of Thailand on April 28, 2014. The Group was allotted a total of 116,318,000 ordinary shares in Kaset Thai with a market value of THB 1,163,180,000 (approximately $45.4 million). The net gain to be recognised from the completion of the share sale agreements is approximately $24 million.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold buildings and properties $ | Plant and machinery $ | Office equipment $ | Motor vehicles $ | Portable toilets $ | Total $ |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Cost: | | | | | | |
| At April 1, 2012 | 8,279,323 | 1,298,247 | 1,348,858 | 3,734,572 | 1,580,567 | 16,241,567 |
| Additions | - | 39,646 | 52,264 | 294,355 | 39,655 | 425,920 |
| Disposals | - | (214,860) | (44,538) | (167,711) | - | (427,109) |
| At March 31, 2013 | 8,279,323 | 1,123,033 | 1,356,584 | 3,861,216 | 1,620,222 | 16,240,378 |
| Additions | - | 50,844 | 175,251 | 1,230,169 | 22,745 | 1,479,009 |
| Disposals | - | (102,299) | (187,665) | (365,459) | (2,109) | (657,532) |
| At March 31, 2014 | 8,279,323 | 1,071,578 | 1,344,170 | 4,725,926 | 1,640,858 | 17,061,855 |
| Accumulated depreciation: | | | | | | |
| At April 1, 2012 | 5,075,811 | 932,511 | 911,478 | 1,931,372 | 1,474,067 | 10,325,239 |
| Depreciation for the year [1] | 357,043 | 51,740 | 107,914 | 424,783 | 62,762 | 1,004,242 |
| Disposals | - | (153,905) | (35,171) | (163,313) | - | (352,389) |
| At March 31, 2013 | 5,432,854 | 830,346 | 984,221 | 2,192,842 | 1,536,829 | 10,977,092 |
| Depreciation for the year [1] | 357,553 | 47,282 | 119,676 | 517,409 | 35,357 | 1,077,277 |
| Disposals | - | (83,459) | (173,063) | (360,723) | (2,109) | (619,354) |
| At March 31, 2014 | 5,790,407 | 794,169 | 930,834 | 2,349,528 | 1,570,077 | 11,435,015 |
| Carrying amount: | | | | | | |
| At March 31, 2014 | 2,499,916 | 277,409 | 413,336 | 2,376,398 | 70,781 | 5,626,840 |
| At March 31, 2013 | 2,846,469 | 292,687 | 372,363 | 1,668,374 | 83,393 | 5,263,286 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**14 PROPERTY, PLANT AND EQUIPMENTS (cont'd)**

| | Office equipment $ | Total $ |
|---|---|---|
| **Company** | | |
| Cost: | | |
| At April 1, 2012 and March 31, 2013 | - | - |
| Additions | 15,350 | 15,350 |
| At March 31, 2014 | 15,350 | 15,350 |
| Accumulated depreciation: | | |
| At April 1, 2012 and March 31, 2013 | - | - |
| Depreciation for the year | (595) | (595) |
| At March 31, 2014 | (595) | (595) |
| Carrying amount: | | |
| At March 31, 2014 | 14,755 | 14,755 |
| At March 31, 2013 | - | - |

The Group's certain plant and equipment with carrying amount of $1,102,835 (2013 : $327,588) are secured under finance leases.

(1) Included herein are depreciation expenses amounting to $3,084 (2013 : $6,929) which have been allocated to and recorded under the construction work-in-progress (Note 12).

Details of the leasehold property held by the Group are set out below:

| Location | Description | Area | Tenure |
|---|---|---|---|
| 8 Sungei Kadut Loop Singapore 729455 | Single storey build warehouse with a 3-storey ancillary office block on leased land from JTC | 12,494 sq metre | Lease term of 30 years from March 16, 1991 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 15 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Unquoted equity shares - at cost | 34,940,187 | 34,940,187 |
| Deemed investment arising from financial guarantees provided to banks on behalf of subsidiaries | 328,767 | 148,110 |
| | 35,268,954 | 35,088,297 |

Assessment of impairment in investment in subsidiaries is carried out at the end of each reporting period. Management has assessed that no allowance for impairment was required in 2013 and 2014.

The subsidiaries of the Company are set out below:

| Name of subsidiaries | Principal activities/ Place of operation and country of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | % | % |
| King Wan Construction Pte Ltd [1] | Provision of mechanical and electrical (M&E) engineering services/ Singapore | 100 | 100 |
| K & W Mobile Loo Services Pte Ltd [1] | Owner, renters and operators of mobile lavatories and other facilities/ Singapore | 100 | 100 |
| King Wan Industries Pte Ltd [1] | Investment holding/ Singapore | 100 | 100 |
| King Wan Development Pte Ltd [1] | Investment holding/ Singapore | 100 | 100 |
| Gold Topaz Pte. Ltd. [1] | Investment holding/ Singapore | 100 | 100 |

[1] Audited by Deloitte & Touche LLP, Singapore.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 16 INVESTMENT IN ASSOCIATES AND A JOINT VENTURE

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| Unquoted equity shares | | | | |
| - at cost | 11,265,846 | 10,815,346 | - | - |
| Share of post-acquisition accumulated results net of dividends received | (11,364,854) | (2,155,587) | - | - |
| Share of foreign currency translation reserve | 123,162 | 62,113 | - | - |
| Excess of nominal value over fair value of advances given to associates | 160,960 | 1,899,831 | - | - |
| Deemed investment arising from financial guarantees provided to banks on behalf of Group's associates | 1,981,181 | 1,420,303 | 1,981,181 | 1,420,303 |
| Net | 2,166,295 | 12,042,006 | 1,981,181 | 1,420,303 |

Carrying value as at year end includes goodwill on acquisition amounting to $424,633 (2013 : $424,633).

Assessment of impairment in associates and the joint venture is carried out at the end of each reporting period. Management has assessed that allowance for impairment was not required in 2013 and 2014.

The associates of the Group are set out below:

| Name of associates | Principal activities/ place of operation and country of incorporation | Proportion of ownership interest and voting power held 2014 % | 2013 % |
|---|---|---|---|
| Held by the Company | | | |
| Environment Pulp & Paper Company Ltd [1] [2] | Production and sale of chemically bleached bagasse pulp/ Thailand | 20 | 20 |
| Held through the subsidiaries | | | |
| Ekarat Pattana Company Ltd [1] [2] | Production, distribution and sale of ethanol/ Thailand | 20 | 20 |
| Meadows Bright Development Pte Ltd [3] [9] | Property development/ Singapore | 40 | 35 |
| Gold Hyacinth Development Pte. Ltd. [3] | Chartering of vessels/ Singapore | 30 | 30 |
| Meadows Property (S'pore) Pte Ltd [4] | Property development/ Singapore | 35.6 | 35 |
| Dalian Shicheng Property Development (S) Pte. Ltd. [5] | Property development and investment holding/ Singapore | 36.6 | 36.6 |
| Dalian Shicheng Property Development Co., Ltd [5] | Development, marketing, sale and management of residential and commercial properties/ People's Republic of China | 36.6 | 36.6 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**16 INVESTMENT IN ASSOCIATES AND A JOINT VENTURE (cont'd)**

| Name of associates | Principal activities/ place of operation and country of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|---|
| | | 2014 % | 2013 % |
| Held through the subsidiaries (cont'd) | | | |
| S.I. Property Co., Ltd. [6] | Owner and rental of office and commercial space/ Thailand | 30 | 30 |
| Soon Li Investments Pte. Ltd. [7] | Investment holding/ Singapore | 49 | 49 |
| Chang Li Investments Pte. Ltd. [7] | Investment holding/ Singapore | 49 | 49 |
| Li Ta Investments Pte. Ltd. [7] | Investment holding/ Singapore | 49 | 49 |

| Name of joint venture | Principal activities/ place of operation and country of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|---|
| | | 2014 % | 2013 % |
| Soon Zhou Investments Pte. Ltd. [7] [8] | Investment holding/ Singapore | 50 | - |

(1) Audited by PriceWaterHouseCoopers ABAS Ltd, Thailand.

(2) The investment in associates is classified as non-current assets held for sale when the approval to sell the Group's entire 20% shareholding interest to the related party, Kaset Thai Industry Sugar Company Limited was obtained from the shareholders during the Extraordinary General Meeting held on June 23, 2012.

Matters relating to investments in Environment Pulp & Paper Company Ltd and Ekarat Pattana Co. Ltd are fully described in Note 13 to the financial statements.

(3) Audited by Deloitte & Touche LLP, Singapore.

(4) 88.9% owned by the Group's associate, Meadows Bright Development Pte Ltd. Audited by Deloitte & Touche LLP, Singapore.

During the current financial year, an additional 125,000 shares of Meadows Property (S'pore) Pte Ltd were issued to an external party, resulting in a non-controlling interest of 11.1%.

(5) Dalian Shicheng Property Development Co., Ltd ("DSPC") is 100% owned by the Group's associate, Dalian Shicheng Property Development (S) Pte. Ltd ("DSPS"). 100% shareholdings in DSPC are pledged to a financial institution for banking facilities granted to Dalian Shicheng Property Development (S) Pte. Ltd.

DSPC is audited by Deloitte Touche Tohmatsu CPA Co., Ltd. DSPS is audited by Deloitte & Touche LLP, Singapore.

(6) Audited by another firm of auditors, Thanapan & Associates, Certified Public Accountants, Thailand.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**16 INVESTMENT IN ASSOCIATES AND A JOINT VENTURE (cont'd)**

(7) Audited by Chan Leng Leng & Co, Singapore.

(8) Soon Zhou Investments Pte. Ltd. ("SZI") was incorporated in November 2013. SZI is 50% owned by the Company's subsidiary, King Wan Industries Pte Ltd.

(9) In April 2013, the Group increased its shareholding in the associate from 35% to 40% by subscribing for 450,000 ordinary shares in the associate for a consideration of $450,000.

Summarised financial information in respect of the Group's associates is set out below:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Total assets | 349,965,625 | 328,278,671 |
| Total liabilities | (359,736,616) | (309,328,274) |
| Net (liabilities) assets | (9,770,991) | 18,950,397 |
| Group's share of associates' net (liabilities) assets | (3,211,286) | 6,559,605 |
| Revenue | 46,985,492 | 43,881,627 |
| Loss for the financial year | (3,378,158) | (6,740,049) |
| Group's share of associates' profit (loss) for the financial year: | | |
| Continuing operations | 65,732 | (567,082) |
| Discontinued operations | - | 910,806 |
| | 65,732 | 343,724 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 17 BANK BORROWINGS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Bank overdrafts | 2,173,931 | - |
| Short-term bank borrowings | 10,500,000 | 7,000,000 |
| Long-term bank borrowings: | | |
| Non-current | - | 624,745 |
| | 12,673,931 | 7,624,745 |

The bank overdrafts are unsecured and repayable on demand. The bank overdrafts bear interest at rates ranging from 5.00% to 5.25% per annum and are arranged at floating rates.

The short-term bank borrowings extended by the banks to a subsidiary of the Company, King Wan Construction Pte Ltd, are on a 3 to 6 months revolving basis and are borrowed for the purpose of short- term cash commitments. The borrowings are guaranteed by the Company and bear interest at rates ranging from 1.79% to 3.11% (2013 : 2.23% to 3.20%) per annum and are arranged at floating rates and thus exposing the Group to cash flow interest rate risks.

The long-term bank borrowings extended by the banks to a subsidiary are for a term of 4 years and are repayable over 48 monthly instalments. These are borrowed for the purpose of financing on-going construction projects. The borrowings are guaranteed by the Company and bear fixed interest at rate of 5% per annum. They have been fully repaid during the current financial year.

The carrying amounts of these borrowings approximate fair value as the interest rate approximates the prevailing market rate.

## 18 TRADE PAYABLES AND BILLS PAYABLES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Bills payables | 12,648,830 | 7,793,056 |
| Outside parties | 9,882,807 | 7,944,586 |
| Accrual for subcontractor costs | 3,778,346 | 5,000,894 |
| | 26,309,983 | 20,738,536 |

Bills payables are repayable between 3 to 5 months (2013 : 2 to 5 months) from the date the bills are first issued. The carrying amount of the bills payables approximates its fair value due to its short- term maturity. Bills payables bear interest at rates ranging from 1.79% to 2.20% (2013 : 1.77% to 2.34%) per annum and are supported by a corporate guarantee given by the Company.

The average credit period on purchases of goods from outside parties is 3 months (2013 : 3 months). No interest is charged on overdue trade payables. Trade payables principally comprise amounts outstanding for trade purchases.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 19 OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Other payables | 1,096,064 | 992,959 | 189,659 | 122,779 |
| Related parties (Notes 5 and 13) | 2,387,580 | 2,595,728 | 1,791,270 | 1,947,432 |
| Associates (Note 16) | 371,209 | 371,209 | - | - |
| Directors | 221,430 | 46,690 | 221,430 | 46,690 |
| Accrual for profit sharing | 424,463 | 453,088 | 424,463 | 453,088 |
| Financial guarantees | 807,313 | 999,743 | 845,819 | 1,030,017 |
| | 5,308,059 | 5,459,417 | 3,472,641 | 3,600,006 |

The amounts due to the related parties, associates and directors are unsecured, interest-free and repayable on demand.

Included in the Group's and Company's non-trade payables at the end of the reporting period were unamortised financial guarantee fee income of $807,313 and $845,819 (2013 : $999,743 and $1,030,017) respectively. The Company issued financial guarantees to financial institutions for credit facilities obtained by its subsidiary and certain associates, and recorded a deemed financial guarantee fee income in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiary and associates. The full amount of the guarantee fee is deemed to be the additional investment in the associates and subsidiaries.

## 20 FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| **Group** | | | | |
| Amounts payable under finance leases: | | | | |
| Within one year | 265,870 | 60,600 | 244,290 | 55,658 |
| In the second to fifth years inclusive | 624,296 | 59,699 | 601,707 | 53,823 |
| | 890,166 | 120,299 | 845,997 | 109,481 |
| Less: Future finance charges | (44,169) | (10,818) | N/A | N/A |
| Present value of lease obligations | 845,997 | 109,481 | 845,997 | 109,481 |
| Less: Amount due for settlement within 12 months | | | (244,290) | (55,658) |
| Amount due for settlement after 12 months | | | 601,707 | 53,823 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**20 FINANCE LEASES (cont'd)**

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 years (2013 : 4.5 years). For the financial year ended March 31, 2014, the average effective borrowing rate was 2.96% (2013 : 4.19%) per annum. Interest rates are fixed at the contract date, and thus exposing the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 14).

**21 AMOUNT DUE TO A SUBSIDIARY**

The amount due to a subsidiary was unsecured, interest-free and repayable on demand.

**22 PROVISION FOR RECTIFICATION COSTS**

The provision for rectification costs represents management's best estimate of the expected costs which are to be incurred pending the finalisation of the final account between the Group and its respective subcontractors, based on past experience and assessment of the projects.

**Movement for provision for rectification costs:**

| | | |
|---|---|---|
| At beginning of the year | 1,062,119 | 793,933 |
| (Credit) Charge to profit or loss | (54,893) | 295,437 |
| Payments | (20,362) | (27,251) |
| At end of the year | 986,864 | 1,062,119 |

**23 DEFINED CONTRIBUTION PLANS**

The employees of the Company and its subsidiaries that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of $635,038 (2013 : $591,665) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at March 31, 2014, contributions of $80,238 (2013 : $70,039) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 24 DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| At beginning of financial year | 194,859 | 89,859 |
| Charge to profit or loss (Note 30) | 20,000 | 105,000 |
| At end of financial year | 214,859 | 194,859 |

This represented tax effect of accelerated tax over book depreciation and temporary difference.

## 25 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | Number of ordinary shares | | $ | $ |
| Issued and paid-up: | | | | |
| At beginning and end of financial year | 349,176,870 | 349,176,870 | 46,813,734 | 46,813,734 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

## 26 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of Group's presentation currency.

## 27 REVENUE

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Amounts recognised from construction contracts | 91,666,467 | 63,393,679 |
| Rendering of services | 3,720,440 | 2,910,942 |
| | 95,386,907 | 66,304,621 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 28 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Rental income | 1,129,330 | 1,020,624 |
| Sundry income | 33,066 | 35,849 |
| Jobs credit scheme | - | 48,816 |
| Wage credit scheme | 41,054 | - |
| Special Employment Credit | 53,239 | - |
| Management fee income (Note 5) | 105,357 | 71,089 |
| Interest income from: | | |
| - Associates | 1,666,623 | 1,207,745 |
| - External parties | 104,749 | 214,138 |
| Fee income from financial guarantee to associates | 753,311 | 420,557 |
| Net foreign exchange gain | - | 229,437 |
| Dividend income from held-for-trading investments | 12,602 | 11,665 |
| Change in fair value of held-for-trading investments | - | 155,707 |
| | 3,899,331 | 3,415,627 |

## 29 FINANCE COSTS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Interest expense from: | | |
| Bank borrowings | 512,525 | 223,089 |
| Finance leases | 10,726 | 4,942 |
| Total | 523,251 | 228,031 |

## 30 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Current tax | 1,619,746 | 1,572,870 |
| Deferred tax (Note 24) | 20,000 | 105,000 |
| Overprovision of current tax in prior years | (106,508) | (144,548) |
| | 1,533,238 | 1,533,322 |

Domestic income tax is calculated at 17% (2013 : 17%) of the estimated assessable profit for the year.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**30 INCOME TAX EXPENSE (cont'd)**

The total charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Profit before income tax: | | |
| Continuing operations | 8,268,495 | 7,674,706 |
| Discontinued operations | - | 910,806 |
| | 8,268,495 | 8,585,512 |

**Numerical reconciliation of income tax expense**

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Profit before income tax | 8,268,495 | 8,585,512 |
| Income tax expense calculated at 17% (2013 : 17%) | 1,405,644 | 1,459,537 |
| Non-allowable items | 614,818 | 552,671 |
| Non-taxable items | (157,793) | (216,461) |
| Tax effect of share of results of associates | (11,175) | (58,433) |
| Tax exemptions | (124,946) | (85,736) |
| Deferred tax benefits not recognised | - | 83,277 |
| Utilisation of deferred tax benefits not recognised | (51,664) | - |
| Corporate tax rebate | (93,753) | (89,873) |
| Others | 58,615 | 32,888 |
| | 1,639,746 | 1,677,870 |
| Over provision in prior years: | | |
| - Current tax | (106,508) | (144,548) |
| | 1,533,238 | 1,533,322 |

The Group has temporary differences available for offsetting against future taxable income as follows:

| | **Accelerated tax depreciation** | **Provisions** | **Net** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Balance at April 1, 2012 | (435,528) | 549,354 | 113,826 |
| Movement during the year | (22,900) | 512,765 | 489,865 |
| Balance at March 31, 2013 | (458,428) | 1,062,119 | 603,691 |
| Movement during the year | (228,651) | (75,255) | (303,906) |
| Balance at March 31, 2014 | (687,079) | 986,864 | 299,785 |

| | |
|---|---|
| Net deferred tax benefits not recorded: | |
| - March 31, 2014 | 50,963 |
| - March 31, 2013 | 102,627 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**30 INCOME TAX EXPENSE (cont'd)**

The realisation of the future income tax benefits from temporary differences is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

No deferred tax asset has been recognised in respect of the temporary differences due to the unpredictability of future income streams of the relevant entities in the Group.

**31 PROFIT FOR THE FINANCIAL YEAR**

Profit for the financial year is arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Directors' remuneration: | | |
| Company | 1,734,993 | 1,570,078 |
| Subsidiaries | 571,111 | 582,201 |
| Directors' fees: | | |
| Company | 176,000 | 176,000 |
| Staff costs (including directors' remuneration) | 12,041,404 | 10,381,973 |
| Costs of defined contribution plans included in staff costs | 635,038 | 591,665 |
| Net allowance (reversal of allowance) for doubtful trade receivables | 357,194 | (743,171) |
| Bad debts written off on trade receivables | 3,313 | 10,268 |
| Net allowance (reversal of allowance) for inventories obsolescence | 171,854 | (366) |
| Inventories written off | 30,246 | - |
| Cost of inventories recognised as expense | 33,621,516 | 21,367,524 |
| Net foreign exchange loss (gain) | 148,799 | (229,437) |
| Change in fair value of held-for-trading investments | 15,939 | (155,707) |
| Loss on disposal of property, plant and equipment | 4,630 | 47,982 |
| Audit fees: | | |
| Paid to auditors of the Company | 147,600 | 139,900 |

There were no non-audit fees paid to the auditors of the Company.

**32 EARNINGS PER SHARE (CENTS)**

The basic earnings per ordinary share is calculated by dividing the Group's profit for the financial year, $6,735,257 (2013 : $6,141,384) from continuing operations and $Nil (2013 : $910,806) from discontinued operations by the weighted average number of ordinary shares of 349,176,870 (2013 : 349,176,870) in issue during the financial year. Basic and diluted earnings per ordinary share from continuing and discontinued operations are 1.93 cents (2013 : 1.76 cents) and Nil cents (2013 : 0.26 cents) respectively.

The fully diluted earnings per share is calculated using the same weighted number of ordinary shares as there are no dilutive potential ordinary shares.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 33 DIVIDENDS

On August 16, 2012, the directors of the Company declared and paid a final one-tier tax exempt dividend of 1.0 cents per share totalling $3,491,769 in respect of the financial year ended March 31, 2012.

On December 5, 2012, the directors of the Company declared and paid an interim one-tier tax exempt dividend of 0.5 cents per share totalling $1,745,884 in respect of the financial year ended March 31, 2013.

On August 16, 2013, the directors of the Company declared and paid a final one-tier tax exempt dividend of 1.0 cents per share totalling $3,491,769 in respect of the financial year ended March 31, 2013.

On December 12, 2013, the directors of the Company declared and paid an interim one-tier tax exempt dividend of 0.5 cents per share totalling $1,745,884 in respect of the financial year ended March 31, 2014.

## 34 DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises forward foreign exchange contracts to manage its exchange rate exposure.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contract to which the Group is committed are as follows:

| | Group<br>2013<br>$ |
|---|---|
| Forward foreign exchange contracts | 1,113,200 |

As at March 31, 2013, the fair value loss of the derivative financial instruments of $357 was not recognised in the profit or loss as it was not significant.

## 35 COMMITMENTS AND CONTINGENT LIABILITIES

| | Group | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| Corporate guarantees given to banks in respect of credit facilities utilised by the associates | 126,509,694 | 114,310,545 |
| Letter of guarantee given in favour of The Controller of Residential Property in respect of land held by associates | 4,211,034 | 4,211,034 |

The maximum amount that the Group and Company could be forced to settle under the financial guarantee contracts are $130.7 million and $158.6 million (2013 : $118.5 million and $137.8 million) respectively. The Group and Company consider that it is more likely than not that no amount will be payable under the arrangement.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 36 OPERATING LEASE ARRANGEMENTS

### The Group as lessor

The Group rents out part of its leasehold property in Singapore under operating leases. Rental income earned during the year was $1,129,330 (2013 : $1,020,624).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Within one year | 293,256 | 391,111 |
| 2 to 5 years | 3,065 | - |
| | 296,321 | 391,111 |

Operating lease payments represents rental receivable from tenants by the Group. Leases are negotiated for an average term of 1 year (2013 : 1 year) and rentals are fixed for an average of 1 year (2013 : 1 year).

### The Group as lessee

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Minimum lease payments under operating leases included in profit or loss | 239,286 | 230,030 |

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Within one year | 243,778 | 234,404 |
| In the second to fifth years inclusive | 975,113 | 937,617 |
| After five years | 477,072 | 693,130 |
| Total | 1,695,963 | 1,865,151 |

Operating lease payments represent rentals payable by the Group for land spaces where its leasehold property is located. The lease is negotiated for a term of 30 years and rental is fixed annually. The rental commitment is computed based on the existing rate as at March 31, 2014.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

## 37 SEGMENT INFORMATION

**Business segments**

The segment information reported externally was analysed on the basis of the types of products and services provided by the Group's operating segments. The information reported to the Group's chief operating decision maker for the purposes of resources allocation and assessment of segment performance is focused on these operating segments. The reportable segments under FRS 108 are plumbing and sanitary, electrical, toilet rental and investment holdings.

Plumbing and sanitary - Provision of plumbing and sanitary services includes the design and installation of water distribution systems and pipe network for sewage and waste water drainage.

Electrical - Provision of electrical engineering services includes the design and installation of electricity distribution systems, fire protection, alarm systems, communications and security systems as well as air conditioning and mechanical ventilation systems.

Toilet rental - Renting and operating of mobile lavatories and other facilities.

Investment holdings - Group's investment in associates.

Others - For those other activities which do not fall into the above categories.

Segment revenue and results are the operating revenue and results reported in the Group's statement of comprehensive income that are directly attributable to a segment and the relevant portion of such revenue and results that can be allocated on a reasonable basis to a segment.

Inter-segment sales relates to sales between business segments and are stated at prevailing market prices. These sales are eliminated on consolidation.

Segment assets include all operating assets used by a segment and consist principally of cash, trade receivables, construction work-in-progress and property, plant and equipment. Unallocated assets comprise investment property and other assets that are not directly attributable to the segment. Capital expenditure includes the total cost incurred to acquire property, plant and equipment directly attributable to the segment.

Segment liabilities include all operating liabilities and consist principally of trade payables, provision for rectification costs and accrued expenses. Unallocated liabilities comprise bank borrowings, finance leases, income tax payable, deferred tax liabilities and other liabilities that are not directly attributable to the segment.

Information regarding the Group's reportable segments is presented below. The measurement basis of the Group's reportable segments is in accordance with its accounting policy.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**37 SEGMENT INFORMATION (cont'd)**

| | Plumbing and sanitary | | Electrical | | Toilet rental | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ | $ | $ |
| **REVENUE** | | | | | | |
| External sales | 59,707,964 | 51,602,049 | 31,958,503 | 11,820,305 | 3,724,577 | 2,888,823 |
| **RESULTS** | | | | | | |
| Segment result | 3,433,582 | 4,600,713 | 2,917,900 | 2,231,923 | 586,549 | 111,555 |
| Unallocated expenses | | | | | | |
| Net other operating income | | | | | | |
| Finance costs | | | | | | |
| Profit before income tax | | | | | | |
| Income tax | | | | | | |
| Profit for the year | | | | | | |
| Other information | | | | | | |
| Capital expenditure additions | 25,422 | 19,334 | 25,422 | 19,334 | 978,517 | 40,634 |
| Fee income from financial guarantee to associates | - | - | - | - | - | - |
| Depreciation * | 18,678 | 20,931 | 18,678 | 20,931 | 202,806 | 175,417 |
| Net allowance (reversal of) allowance for doubtful debts | 206,529 | (488,493) | 154,473 | (250,050) | (3,808) | (4,628) |

* Includes depreciation expense of $3,084 (2013 : $6,929) allocated to construction work-in-progress.

| Investment holdings | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|
| 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| $ | $ | $ | $ | $ | $ | $ | $ |
| - | - | - | - | (4,137) | (6,556) | 95,386,907 | 66,304,621 |
| 65,732 | 343,724 | - | - | 924,000 | 904,332 | 7,927,763 | 8,192,247 |
| | | | | | | (3,064,554) | (2,791,090) |
| | | | | | | 3,928,537 | 3,412,386 |
| | | | | | | (523,251) | (228,031) |
| | | | | | | 8,268,495 | 8,585,512 |
| | | | | | | (1,533,238) | (1,533,322) |
| | | | | | | 6,735,257 | 7,052,190 |
| 15,350 | - | 434,298 | 346,618 | - | - | 1,479,009 | 425,920 |
| - | - | (925,733) | (538,396) | 172,422 | 117,839 | (753,311) | (420,557) |
| 595 | - | 836,520 | 786,963 | - | - | 1,077,277 | 1,004,242 |
| - | - | - | - | - | - | 357,194 | (743,171) |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**37 SEGMENT INFORMATION (cont'd)**

| | Plumbing and sanitary | | Electrical | | Toilet |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 |
| | $ | $ | $ | $ | $ |
| **ASSETS** | | | | | |
| Segment assets | 20,375,411 | 16,331,510 | 4,947,199 | 3,557,633 | 5,278,903 |
| Unallocated assets | | | | | |
| Consolidated total assets | | | | | |
| **LIABILITIES** | | | | | |
| Segment liabilities | 16,403,885 | 13,633,935 | 10,877,887 | 12,264,934 | 4,628,442 |
| Unallocated liabilities | | | | | |
| Consolidated total liabilities | | | | | |

| rental | Investment holdings | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|
| 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| $ | $ | $ | $ | $ | $ | $ |
| 4,084,547 | 91,387,247 | 82,639,310 | (2,001,958) | (2,001,076) | 119,986,802 | 104,611,924 |
| | | | | | 14,973,523 | 21,249,916 |
| | | | | | 134,960,325 | 125,861,840 |
| 3,966,917 | 2,758,299 | 2,966,937 | (3,471,657) | (3,695,474) | 31,196,856 | 29,137,249 |
| | | | | | 17,334,657 | 11,854,432 |
| | | | | | 48,531,513 | 40,991,681 |

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

**37 SEGMENT INFORMATION (cont'd)**

**Geographical segments**

The Group operates mainly in Singapore, People's Republic of China and Thailand. Revenue is reported based on the location of customers regardless of where the goods are produced or services rendered. Assets and capital expenditure are shown by the geographical areas in which these assets are located.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Singapore | 95,386,907 | 66,304,621 | 74,990,722 | 65,841,606 |
| Thailand | - | - | 424,593 | 523,175 |
| | 95,386,907 | 66,304,621 | 75,415,315 | 66,364,781 |

**Information about major customer**

There is no revenue from transactions with a single external customer that amounts to 10% or more of the Group's revenue.

**38 EVENTS AFTER THE REPORTING PERIOD**

(a) On April 18, 2014, the Office of Securities and Exchange Commission in Thailand ("SEC") officially approved Kaset Thai's Initial Public Offering ("IPO") filing and Kaset Thai's shares were opened for subscription between April 21, 2014 to April 23, 2014. Kaset Thai's shares commenced trading on the SET on April 28, 2014. The Group was allotted a total of 116,318,000 ordinary shares in Kaset Thai with a market value of THB 1,163,180,000 (approximately $45.4 million), representing approximately 3.01% of Kaset Thai's issued common shares after the IPO. The net gain to be recognised from the completion of the share sale agreements to sell off the Group's entire 20% shareholding interests in EPPCO and EPC will be approximately $24 million.

(b) In May 2014, the Company invested in a wholly-owned subsidiary, Harmony Investment Holding Pte Ltd ("Harmony"). Harmony will be used as an investment vehicle to take up the Group's 19% stake in a consortium formed together with two external parties, TA Corporation Ltd and SKM Development Pte Ltd. The consortium has successfully secured a land tender awarded by the Jurong Town Corporation for $113.9 million that will be developed into a workers' dormitory. The site will enable the consortium to design, develop and operate one of the largest workers' dormitory in Singapore. The dormitory will cater mainly to foreign workers in the marine, process and manufacturing industries. The dormitory is targeted to commence operations by 2016.

# UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT OF KING WAN CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

*The information in this Appendix IV has been reproduced from the unaudited first quarter financial statements announcement for the financial period ended 30 June 2014 of King Wan Corporation Limited and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.*

**KING WAN CORPORATION LIMITED**

Incorporated in Singapore (Company Registration No. 200001034R)

**First Quarter – Financial Statement And Related Announcement**

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

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

**KING WAN CORPORATION LIMITED**
**STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME**
**FINANCIAL PERIOD ENDING 30 JUNE 2014**

| | Note | GROUP 3 MONTHS & QUARTER ENDED 30.6.2014 | 30.6.2013 | Increase/ (Decrease) |
|---|---|---|---|---|
| | | S$ | S$ | |
| **Revenue** | | 17,443,484 | 25,145,703 | -31% |
| **Cost of Sales** | | (13,098,487) | (21,271,780) | -38% |
| **Gross Profit** | | 4,344,997 | 3,873,923 | 12% |
| **Other Operating Income** | | | | |
| Dividend Income | 1 | 1,336,571 | 12,594 | 10513% |
| Gain on Disposal of Plant & Equipment | | - | 8,394 | n.m |
| Gain on Disposal of Associates | 2 | 24,134,088 | - | n.m |
| Interest Income | | 420,674 | 431,912 | -3% |
| Management Fees Income | | 26,303 | 26,231 | 0% |
| Rental Income | | 242,224 | 279,628 | -13% |
| Fee Income from financial guarantees to associates | | 135,443 | 159,378 | -15% |
| Sundry Income | | 1,093 | 2,219 | -51% |
| | | 26,296,396 | 920,356 | 2757% |
| **Administrative Expenses** | 3 | (3,805,761) | (1,815,189) | 110% |
| **Share of Associates' Results** | 4 | (118,619) | 300,181 | -140% |
| **Finance Costs** | | (185,834) | (109,260) | 70% |
| **Profit Before Income Tax** | | **26,531,179** | **3,170,011** | 737% |
| **Income Tax Expense** | 5 | (627,183) | (600,000) | 5% |
| **Profit For The Financial Period** | | **25,903,996** | **2,570,011** | 908% |
| **Other comprehensive (expense) income:** | | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | | |
| Exchange differences on translation of foreign operations | | (2,654) | 209,294 | -101% |
| Reclassification adjustment of cumulative exchange differences to profit or loss upon disposal of associates | | 1,974,740 | - | n.m |
| Available for sale investments | 6 | (3,152,218) | - | n.m |
| **Total Comprehensive Income attributable to equity holders of the Company** | | **24,723,864** | **2,779,305** | 790% |

**First Quarter (1Q2015) and 3 Months (FY2015) ended 30 June 2014**

**Note 1 -** The higher dividend income was received from the Group's shareholding in Kaset Thai International Sugar Corporation Public Company Limited ("KTIS").

**Note 2** – The income has arisen from the disposal and realisation of the gains from the disposal of the Group's two Thailand associates, Environment Pulp & Paper Company Ltd ("EPPCO) and Ekarat Pattana Company Ltd (EPC).

**Note 3 -** Included in administration expenses are the following:

| | | GROUP 3 MONTHS & QUARTER ENDED | | |
|---|---|---|---|---|
| | | **30.6.2014 S$** | **30.6.2013 S$** | **Increase/ (Decrease) S$** |
| Net allowance (reversal of allowance( for doubtful trade receivables | | 1,933 | (10,199) | 12,132 |
| Loss (gain) on disposal of plant and equipment | | 20,780 | (8,394) | 29,174 |
| Change in fair value and gain on disposal of held-for-trading investments | | 485 | 10,344 | (9,859) |
| JTC rental | | 62,093 | 59,719 | 2,374 |
| Property tax | | 32,500 | 32,785 | (285) |
| Exchange loss | | 150,467 | 90,514 | 59,953 |
| Directors remuneration | i | 2,349,791 | 501,125 | 1,848,666 |
| Directors fees | | 44,000 | 44,000 | - |
| Staff related expenses | | 326,833 | 370,928 | (44,095) |
| Withholding tax | ii | 134,983 | 3,537 | 131,446 |
| Depreciation | | 286,994 | 244,975 | 42,019 |

i. The increase was due mainly to higher provision for profit sharing for Executive Directors in view of the higher net profit before income tax achieved in the current quarter.

ii. Withholding tax has been imposed on the dividends declared and paid by KTIS in Thailand.

**Note 4 –** There were lower contributions from the Group's property development associates, which had experienced a slowdown in property sales in the last year.

**Note 5 –** The lower effective tax rate was due to adjustments made for gains that are not taxable.

**Note 6 –** The comprehensive income from the revaluation of investments available for sale was a result of marking the KTIS shares (listed on the Stock Exchange of Thailand) held by the Group to market values as at period end.

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

**KING WAN CORPORATION LIMITED (GROUP)**
**STATEMENT OF FINANCIAL POSITION**

| | As at 30.6.2014 S$ | As at 31.3.2014 S$ |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | 15,054,416 | 11,219,322 |
| Trade receivables | 7,754,922 | 9,335,580 |
| Other receivables and prepayments | 81,641 | 158,909 |
| Construction work-in-progress | 17,257,642 | 15,694,127 |
| Inventories | 1,191,037 | 1,013,781 |
| Available-for-sale investments | 42,211,802 | 0 |
| Held for trading investments | 730,034 | 480,519 |
| | 84,281,494 | 37,902,238 |
| Non-current assets classified as held for sale | - | 21,642,772 |
| Total current assets | 84,281,494 | 59,545,010 |
| **Non-current assets** | | |
| Property, plant and equipment | 5,345,436 | 5,626,840 |
| Other receivables | 70,104,324 | 67,622,180 |
| Investment in associates and a joint venture | 2,215,467 | 2,166,295 |
| Total non-current assets | 77,665,227 | 75,415,315 |
| **Total assets** | 161,946,721 | 134,960,325 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Bank borrowings | 15,596,301 | 12,673,931 |
| Trade payables | 11,214,186 | 13,661,153 |
| Bills payables | 14,089,407 | 12,648,830 |
| Provision for rectification costs | 986,864 | 986,864 |
| Other payables | 5,102,395 | 5,308,059 |
| Construction work-in-progress | 500,209 | 505,560 |
| Income tax payable | 2,308,564 | 1,686,260 |
| Current portion of finance leases | 237,305 | 244,290 |
| Total current liabilities | 50,035,231 | 47,714,947 |
| **Non-current liabilities** | | |
| Finance leases | 543,955 | 601,707 |
| Deferred tax liabilities | 214,859 | 214,859 |
| Total non-current liabilities | 758,814 | 816,566 |
| **Capital and reserves** | | |
| Share capital | 46,813,734 | 46,813,734 |
| Retained earnings | 67,397,588 | 41,493,592 |
| Foreign currency translation reserve | 93,572 | -1,878,514 |
| Revaluation reserve | -3,152,218 | 0 |
| Total equity | 111,152,676 | 86,428,812 |
| **Total liabilities and equity** | 161,946,721 | 134,960,325 |

**KING WAN CORPORATION LIMITED (COMPANY)**

**STATEMENT OF FINANCIAL POSITION**

| | As at 30.6.2014 S$ | As at 31.3.2014 S$ |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | 4,956,960 | 4,029,204 |
| Amount due from subsidiaries | 16,958,937 | 16,956,012 |
| Held-for-trading investments | 38,669 | 37,315 |
| Available-for–sale investments | 31,669,194 | 0 |
| Other receivables and prepayments | 51 | 9,701 |
| | 53,623,811 | 21,032,232 |
| Non-current assets classified as held for sale | 0 | 9,840,000 |
| Total current assets | 53,623,811 | 30,872,232 |
| **Non-current assets:** | | |
| Investment in subsidiaries | 35,268,956 | 35,268,954 |
| Investment in associates and a joint venture | 2,151,627 | 1,981,181 |
| Property, plant and equipment | 13,476 | 14,755 |
| Total non-current assets | 37,434,059 | 37,264,890 |
| **Total assets** | 91,057,870 | 68,137,122 |
| **LIABILITIES & EQUITY** | | |
| **Current liabilities:** | | |
| Other payables | 3,547,012 | 3,472,641 |
| Income tax payable | 75,000 | 75,000 |
| Amount due to a subsidiary | 1,694,061 | 992,454 |
| Total current liabilities | 5,316,073 | 4,540,095 |
| **Capital and reserves:** | | |
| Share capital | 46,813,734 | 46,813,734 |
| Retained earnings | 41,292,999 | 16,783,293 |
| Revaluation reserve | -2,364,936 | 0 |
| Total equity | 85,741,797 | 63,597,027 |
| **Total liabilities and equity** | 91,057,870 | 68,137,122 |

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

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

| 30.6.2014 | | 31.3.2014 | |
|---|---|---|---|
| **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| $237,305 | $29,685,708 | $244,290 | $25,322,761 |

**Amount repayable after 1 year**

| 30.6.2014 | | 31.3.2014 | |
|---|---|---|---|
| **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| $543,955 | $0 | $601,707 | $0 |

**Details of any collateral**

Secured liabilities refer to assets purchased under finance lease agreements. Unsecured liabilities refer to banking facilities guaranteed by the Company.

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

**KING WAN CORPORATION LIMITED**
**STATEMENT OF CASHFLOWS**
**FOR THE 3 MONTHS ENDED**

| | Note | GROUP 3 MONTHS & QUARTER ENDED 30.6.2014 S$ | 30.6.2013 S$ |
|---|---|---|---|
| **Operating Activities** | | | |
| ***Profit before income tax*** | | 26,531,180 | 3,170,011 |
| Adjustments for | | | |
| Loss (Gain) on disposal of plant and equipment | | 20,780 | (8,394) |
| Bad debts written off on trade receivables | | 1,933 | (10,199) |
| Change in fair values and gain on sale of investments held for trading | | 485 | 10,342 |
| Depreciation | | 286,994 | 244,975 |
| Dividend income from other investments | | (1,336,571) | (12,594) |
| Gain on disposal of associates | | (24,134,088) | - |
| Interest expense | | 185,834 | 109,260 |
| Interest income | | (420,674) | (431,912) |
| Reversal of provision for rectification costs | | - | (5,629) |
| Share of associates' results | | 118,619 | (300,181) |
| Fee income from financial guarantee to associates | | (135,443) | (159,378) |
| ***Operating profit before working capital changes*** | | 1,119,049 | 2,606,301 |
| Construction work-in-progress | | (1,568,866) | (6,810,747) |
| Inventories | | (177,256) | (148,591) |
| Other payables | | 2,146,915 | 461,742 |
| Other receivables and prepayments | | 77,267 | 38,137 |
| Trade payables and bill payables | | (1,006,391) | 1,733,215 |
| Trade receivables | | 1,578,725 | (588,376) |
| ***Cash from (used in) operations*** | | 2,169,443 | (2,708,319) |
| Income tax paid | | (4,879) | (40,000) |
| Interest paid | | (185,834) | (109,260) |
| Net cash from (used in) operating activities | | 1,978,730 | (2,857,579) |
| **Investing activities** | | | |
| Investment in associates | | - | (450,000) |
| Advances to associates | | (2,079,366) | (2,615,790) |
| Dividends received from held for trading investments | | 1,336,571 | 12,594 |
| Interest received | | 17,895 | 28,341 |
| Purchase of held for trading investments | | (250,000) | - |
| Proceeds from the disposal of property, plant and equipment | | - | 10,500 |
| Purchase of plant and equipment | | (26,370) | (109,106) |
| Net cash used in investing activities | | (1,001,270) | (3,123,461) |
| **Financing activities** | | | |
| Repayments of finance leases | | (64,737) | (13,915) |
| Proceeds from / (repayment of) bank borrowings | | 3,500,000 | (288,810) |
| Net cash from (used in) financing activities | | 3,435,263 | (302,725) |
| **Net change in cash and cash equivalents** | | 4,412,723 | (6,283,765) |
| **Cash and cash equivalents at beginning of period** | | 9,045,391 | 16,712,439 |
| **Cash and cash equivalents at end of period** | **a** | 13,458,114 | 10,428,674 |

**Note a**

Cash and cash equivalents consist of cash, bank balances and fixed deposits, less bank overdrafts as follows:

| | | 30.6.2014 | 30.6.2013 |
|---|---|---|---|
| | | S$ | S$ |
| Cash and Bank Balances | | *10,767,729* | *5,855,716* |
| Fixed Deposits | | *4,286,686* | *4,572,958* |
| Bank Overdrafts | | *(1,596,301)* | - |
| **Net** | | ***13,458,114*** | ***10,428,674*** |

**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**

**STATEMENT OF CHANGES IN EQUITY**

| GROUP | SHARE CAPITAL | RETAINED EARNINGS | INVESTMENT REVALUATION RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | TOTAL |
|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ |
| Balance as at 1 April 2013 | 46,813,734 | 39,995,988 | - | (1,939,563) | 84,870,159 |
| Total Comprehensive Income for the Period | - | 2,570,011 | - | 209,294 | 2,779,305 |
| Balance as at 30 June 2013 | 46,813,734 | 42,565,999 | - | (1,730,269) | 87,649,464 |
| Balance as at 1 April 2014 | 46,813,734 | 41,493,592 | - | (1,878,514) | 86,428,812 |
| Total Comprehensive Income for the Period | - | 25,903,996 | (3,152,218) | 1,972,086) | 24,723,864 |
| Balance as at 30 June 2014 | 46,813,734 | 67,397,588 | (3,152,218) | 93,572 | 111,152,676 |

| COMPANY | SHARE CAPITAL | RETAINED EARNINGS | INVESTMENT REVALUATION RESERVE | TOTAL |
|---|---|---|---|---|
| | S$ | S$ | S$ | S$ |
| Balance as at 1 April 2013 | 46,813,734 | 12,061,376 | - | 58,875,110 |
| Total Comprehensive Income for the Period | - | (481,153) | - | (481,153) |
| Balance as at 30 June 2013 | 46,813,734 | 11,580,223 | - | 58,393,957 |
| Balance as at 1 April 2014 | 46,813,734 | 16,783,293 | - | 63,597,027 |
| Total Comprehensive Income for the Period | - | 24,509,706 | (2,364,936) | 22,144,770 |
| Balance as at 30 June 2014 | 46,813,734 | 41,292,999 | (2,364,936) | 85,741,797 |

**1(d)(ii) Details of any changes in the company's share capital arising from rights 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, 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.**

There are no changes in the Company's share capital since the end of the previous period reported on. As at 30 June 2014, the Company does not have any outstanding convertibles or treasury shares (as at 30 June 2013 : Nil). The total number of issued shares as at 30 June 2014 is 349,176,870 (as at 30 June 2013 : 349,176,870).

**1(d)(iii) To show the total 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.**

The total number of issued shares as at the end of 30 June 2014 is 349,176,870 (as at 31 March 2014 : 349,176,870).

**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.**

As at 30 June 2014, the Company does not have any treasury shares (as at 30 June 2013 : Nil).

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited or reviewed.

**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**

The Group has applied the same accounting policies and methods of computation in this announcement as those of the audited financial statements for the financial year ended 31 March 2014, as well as all the applicable Financial Reporting Standards ("FRS") which became effective for the financial year beginning on or after 1 April 2014. The adoption of those new and revised FRSs has no material effect on the current financial statements for the current period.

**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 the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2014. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current period or prior years.

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

| | Group | |
|---|---|---|
| | 3 months and Quarter ended | |
| | 30.6.2014 | 30.6.2013 |
| (i) Basic earnings per share (in cents) | 7.42 | 0.74 |
| Weighted Average Number of Shares | 349,176,870 | 349,176,870 |
| | | |
| (ii) Diluted earnings per share (in cents) | 7.42 | 0.74 |
| Weighted Average Number of Shares | 349,176,870 | 349,176,870 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | As at | | As at | |
| | 30.6.2014 | 31.3.2014 | 30.6.2014 | 31.3.2014 |
| Net asset value per ordinary share (in cents) | 31.83 | 24.75 | 24.56 | 18.21 |
| Number of shares | 349,176,870 | 349,176,870 | 349,176,870 | 349,176,870 |

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**First Quarter ended 30 June 2014 (1Q2015)**

The Group's revenue for 1Q2015 recorded S$17.44 million, a decrease of 31% compared to the corresponding quarter last year (1Q2014). The decrease was due to lower recognition of revenue from Mechanical and Electrical (M&E) contracts.

The Group's net profit after income tax for 1Q2015 was S$25.9 million. If the one-time gain derived from the disposal of the two Thailand associates are excluded from this quarter, the net profit after tax for 1Q2015 would amount to S$3.70 million. This would be 44% higher than the profit after income tax of S$2.57 million achieved in 1Q2014. This increase was brought about by the dividend income from KTIS received during the current quarter.

The Group's gross profit margin for 1Q2015 was 24.9%, higher than the 15.4% achieved in 1Q2014.

**Earnings Per Share (EPS) and Net Asset Value Per Share (NAV)**

EPS for 1Q2015 increased to 7.42 cent from 0.74 cent in 1Q2014. The substantial increase was due mainly to the recognition a one-time gain from the disposal of the two Thai associates..

Correspondingly, NAV for the Group stood at 31.83 cents per share at 30 June 2014, an increase from 24.75 cents per share at 31 March 2014.

**Balance Sheet Review**

The Group's equity base stood at S$111.15 million as at 30 June 2014, an increase from S$86.43 million as at 31 March 2014.

Total current assets increased significantly by S$24.74 million from S$59.55 million to S$84.28 million. This increase was due mainly to the receipt of KTIS' shares as balance payment for the disposal of the Group's Thailand associates in the current quarter.

Non-current assets increased by S$2.25 million from S$75.42 million to S$77.67 million. The increase in non-current receivables was due to loans made to its associates during the period.

Current liabilities increased to S$50.04 million from S$47.71 million due mainly to higher bank borrowings and provision for income tax payable.

Due to the increase in shareholders' equity, the debt equity ratio has decreased to 0.27 as at 30 June 2014 as compared to 0.30 as at 31 March 2014.

**Cashflows & Liquidity**

**First Quarter ended 30 June 2014 (1Q2015)**

Net cash from operating activities for 1Q2015 amounted to S$1.98 million compared to a net cash outflow of S$2.86 million in 1Q2014. The higher net cash inflow was due mainly to an increase in trade and other payables during the quarter.

Net cash used in investing activities for 1Q2015 amounted to S$1.00 million, lower than the S$3.12 million used in 1Q2014. There were due to lower advances made to associates for property development business in the current quarter. Dividend income was also received from KTIS during the quarter.

Net cash from financing activities amounted to S$3.44 million in 1Q2015 compared to a net outflow of S$0.30 million in 1Q2014 due to net proceeds from term loans in the current quarter.

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

No forecast had been issued.

**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 construction industry outlook remains challenging in the next 12 months with increasing competition and increase in labour cost.

As at the date of this announcement, the Group has approximately S$164 million worth of M&E engineering contracts on hand, with completion dates ranging from years 2014 to 2017. S$25.5 million of these orders were secured in the last 5 months.

The Group expects the M&E business segment to contribute positively to the Group's results in the next 12 months.

**11. Dividend**

**(a) Current Financial Period Reported On**
**Any dividend declared for the current financial period reported on?**

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**
**Any dividend declared for the corresponding period of the immediately preceding financial year?**

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared or recommended.

**13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPTs"), 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 any interested person transaction and no IPT mandate has been obtained.

**NEGATIVE ASSURANCE CONFIRMATION ON INTERIM FINANCIAL RESULTS PURSUANT TO RULE 705(4) OF THE LISTING MANUAL**

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the three months ended 30 June 2014 to be false or misleading.

On behalf of the Board of Directors

| | |
|---|---|
| Chua Kim Hua | Chua Eng Eng |
| Executive Chairman | Managing Director |

11 August 2014

**BY ORDER OF THE BOARD**

Lim Bee Lian Eliza
Company Secretary