

Company Registration No. 200303284M

Koon Holdings Limited and its subsidiaries

Interim Financial Information
For the six months ended 30 June 2019

Koon Holdings Limited and its subsidiaries

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Koon Holdings Limited and its subsidiaries

Statement by directors

On behalf of the Board of Directors, we, Oh Koon Sun and Oh Keng Lim, being two of the directors of Koon Holdings Limited, do hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the accompanying interim financial information for the six months ended 30 June 2019 to be false or misleading.

On behalf of the board of directors:



Oh Koon Sun
Director



Oh Keng Lim
Director

Singapore
30 August 2019

Koon Holdings Limited and its subsidiaries

**Report on review of interim financial information
For the six months ended 30 June 2019**

Independent auditor's review report to the Members of Koon Holdings Limited

Introduction

We have reviewed the accompanying condensed interim financial information of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months period then ended, selected notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 27.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Singapore Financial Reporting Standard (International) 1-34, *Interim Financial Reporting* ("SFRS(I) 1-34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Koon Holdings Limited and its subsidiaries

**Report on review of interim financial information
For the six months ended 30 June 2019**

Independent auditor's review report to the Members of Koon Holdings Limited

Basis for Disclaimer of Conclusion

As disclosed in Note 2.2 to the interim financial information, the Group incurred a net loss of \$49,975,000 for the six months financial period ended 30 June 2019, and as at 30 June 2019, the Group's current liabilities exceeded its current assets by \$20,553,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

Notwithstanding the above, the directors are of the view that it is appropriate to prepare the interim financial information on a going concern basis after taking into consideration of the factors as disclosed in Note 2.2 to the interim financial information.

The validity of the going concern basis on which the interim financial information is prepared is dependent on certain assumptions and the successful outcome of the Group's various efforts as disclosed in Note 2.2 to the interim financial information. The assumptions are premised on future events, the outcome of which are inherently uncertain.

We have not been able to obtain sufficient information to complete our assessment on the appropriateness of the use of going concern assumption in the preparation of the interim financial information. Consequently, we are unable to determine whether any adjustment in respect of the Group's interim financial information for the six months financial period ended 30 June 2019 is necessary.

The interim financial information did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the interim financial information.

Disclaimer of Conclusion

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we have not been able to obtain sufficient information to form a conclusion on the accompanying interim financial information. Accordingly, we do not express a conclusion on the interim financial information.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 August 2019

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of comprehensive income
For the six months ended 30 June 2019**

	Note	30.6.2019 \$'000 (Unaudited)	30.6.2018 \$'000 (Unaudited)
Revenue		66,992	71,578
Cost of sales		(82,198)	(61,767)
Gross (loss)/profit		(15,206)	9,811
Other income	5	5,243	3,840
Distribution costs		(62)	(7)
Administrative and other expenses		(8,527)	(7,652)
Finance costs		(1,566)	(1,431)
Impairment losses on financial assets		(26,705)	(44)
Share of losses of joint ventures		(2,794)	(3,423)
(Loss)/Profit before tax		(49,617)	1,094
Taxation	6	(358)	(757)
(Loss)/Profit for the period		(49,975)	337
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange loss on translation of foreign operations		(145)	(81)
Other comprehensive loss, net of tax		(145)	(81)
Total comprehensive (loss)/income for the period		(50,120)	256
(Loss)/Profit for the period attributable to:			
Owners of the Company		(50,160)	232
Non-controlling interests		185	105
		(49,975)	337
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(50,249)	269
Non-controlling interests		129	(13)
		(50,120)	256
Earnings per share (cents per share):			
- Basic	7	(19.07)	0.09
- Diluted	7	(19.07)	0.09

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

Interim consolidated statement of financial position as at 30 June 2019

	Note	30.6.2019 \$'000 (Unaudited)	31.12.2018 \$'000 (Audited)
ASSETS			
Current assets			
Cash and bank balances	12	3,835	2,921
Pledged fixed deposits		19	19
Trade receivables		14,832	29,725
Other receivables		43,017	39,203
Inventories		2,153	3,053
Contract assets		39,609	55,579
Investment securities (quoted)		21	18
Assets held for sale	10	39,490	–
Total current assets		142,976	130,518
Non-current assets			
Other receivables		94	95
Properties held for development		–	14,173
Joint ventures	8	171	174
Property, plant and equipment	9	43,106	81,672
Right-of-use assets	11	4,087	–
Total non-current assets		47,458	96,114
Total assets		190,434	226,632
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		42,791	39,239
Other payables		36,257	33,843
Contract liabilities		18,116	7,704
Loans and borrowings	13	33,030	33,246
Provision for onerous contract		435	–
Finance lease obligations		18,776	16,505
Lease liabilities		865	–
Provision for share of a joint venture's losses	8	13,205	10,430
Income tax payable		54	113
Total current liabilities		163,529	141,080
Non-current liabilities			
Finance lease obligations		10,653	22,764
Lease liabilities		3,246	–
Other payables		188	177
Deferred tax liabilities		1,811	1,484
Total non-current liabilities		15,898	24,425
Capital and reserves			
Share capital	14	25,446	25,446
Capital reserve		8,802	8,802
Accumulated (losses)/profits		(26,156)	24,004
Translation reserve		(626)	(537)
Equity attributable to owners of the Company		7,466	57,715
Non-controlling interests		3,541	3,412
Total equity		11,007	61,127
Total liabilities and equity		190,434	226,632

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of changes in equity
For the six months ended 30 June 2019**

	Share capital \$'000	Capital reserve \$'000	Accumulated profits/(losses) \$'000	Translation reserve \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
Opening balance at 1 January 2018 (FRS framework)	25,446	8,802	30,132	(5,863)	58,517	3,467	61,984
Cumulative effects of adopting SFRS (I)	-	-	(6,387)	6,083	(304)	-	(304)
Opening balance at 1 January 2018 (SFRS(I) framework)	25,446	8,802	23,745	220	58,213	3,467	61,680
Profit for the period	-	-	232	-	232	105	337
Other comprehensive income/(loss) for the period, net of tax	-	-	-	37	37	(118)	(81)
Total comprehensive income/(loss) for the period	-	-	232	37	269	(13)	256
Balance at 30 June 2018 and 1 July 2018	25,446	8,802	23,977	257	58,482	3,454	61,936
Profit for the period	-	-	27	-	27	118	145
Other comprehensive loss for the period, net of tax	-	-	-	(794)	(794)	(160)	(954)
Total comprehensive income/(loss) for the period	-	-	27	(794)	(767)	(42)	(809)
Balance at 31 December 2018 and 1 January 2019	25,446	8,802	24,004	(537)	57,715	3,412	61,127
Loss for the period	-	-	(50,160)	-	(50,160)	185	(49,975)
Other comprehensive loss for the period, net of tax	-	-	-	(89)	(89)	(56)	(145)
Total comprehensive (loss)/income for the period	-	-	(50,160)	(89)	(50,249)	129	(50,120)
Closing balance at 30 June 2019	25,446	8,802	(26,156)	(626)	7,466	3,541	11,007

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries**Interim consolidated statement of cash flows
For the six months ended 30 June 2019**

	30.6.2019 \$'000 (Unaudited)	30.6.2018 \$'000 (Unaudited)
Operating activities		
(Loss)/Profit before tax	(49,617)	1,094
<u>Adjustments for:</u>		
Impairment losses on trade and other receivables	627	44
Impairment losses on contract assets	26,078	–
Inventories written down	761	19
Gain on disposal of assets held for sale	–	(3,192)
Depreciation of property, plant and equipment	9,677	8,986
Depreciation of right-of-use assets	807	–
Net gain on disposal of property, plant and equipment	(2,350)	(148)
Property, plant and equipment written off	55	11
Impairment of property, plant and equipment	777	–
Interest expense	1,566	1,431
Interest income	(20)	(35)
Share of losses of joint ventures	2,794	3,423
Fair value gain on investment securities	(3)	–
Unrealised exchange loss/(gain)	44	(379)
Provision/(Reversal of provision) for onerous contracts	435	(17)
Operating cash flows before changes in working capital	(8,369)	11,237
<u>Changes in working capital:</u>		
Contract assets (net)	304	(10,835)
Trade receivables	14,284	5,290
Other receivables	(3,861)	2,548
Inventories	136	(102)
Trade payables	1,037	(7,919)
Other payables	2,431	4,681
Cash flows from operations	5,962	4,900
Income tax paid	(84)	(887)
Net cash flows from operating activities	5,878	4,013
Investing activities		
Purchase of property, plant and equipment (Note A)	(76)	(204)
Proceeds from disposal of property, plant and equipment	9,986	142
Proceeds from disposal of assets held for sale	–	4,474
Interest received	20	30
Net cash flows from investing activities	9,930	4,442

Koon Holdings Limited and its subsidiaries**Interim consolidated statement of cash flows
For the six months ended 30 June 2019**

	30.6.2019 \$'000 (Unaudited)	30.6.2018 \$'000 (Unaudited)
Financing activities		
Increase in pledged fixed deposits	–	(1)
Interest paid	(1,493)	(1,315)
Repayment of obligations under finance leases	(12,245)	(8,482)
Repayment of lease liabilities	(856)	–
Proceeds from bank loans	20,871	30,950
Repayment of bank loans	(22,655)	(34,489)
Proceeds from bills payable	33,791	36,033
Repayment of bills payable	(33,626)	(36,397)
Net cash flows used in financing activities	(16,213)	(13,701)
Net decrease in cash and cash equivalents	(405)	(5,246)
Effect of exchange rate changes on cash and cash equivalents	(85)	(143)
Cash and cash equivalents at 1 January	(2,399)	5,174
Cash and cash equivalents at 30 June (Note 12)	(2,889)	(215)

Note A

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with an aggregate cost of \$5,136,000 (30 June 2018: \$1,595,000) of which \$2,543,000 (30 June 2018: \$291,000) was acquired under finance lease arrangements and \$2,517,000 (30 June 2018: \$1,100,000) remained outstanding. Cash payments of \$76,000 (30 June 2018: \$204,000) were made for the purchase of property, plant and equipment.

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

1. General

The Company (Registration No. 200303284M) is incorporated in Singapore with its registered office and principal place of business at 11 Sixth Lok Yang Road, Singapore 628109. The Company is listed on the Australian Securities Exchange Limited ("ASX") and on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding. The details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.2019 %	31.12.2018 %
<i>Held by the Company:</i>			
Entire Engineering Pte Ltd	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte Ltd	Contractors for civil and engineering works (Singapore)	100	100
Econ Precast Pte Ltd	Manufacturing and trading of precast components and reinforced concrete piles (Singapore)	100	100
Green LCT Pte. Ltd.	Chartering of ships, barges and boats with crew (freight) (Singapore)	100	100
Koon Properties Pte Ltd	Investment holding (Singapore)	100	100
Koon Construction & Transport Co. Pte Ltd	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Petra I Pte. Ltd.	Chartering of ships, barges and boats with crew (freight) and marine construction (Singapore)	100	100
Reem Island Pte Ltd	Chartering of ships, barges and boats with crew (freight) (Singapore)	100	100
Tesla Holdings Pty Ltd	Investment holding (Australia)	74	74

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2019**

1. General (cont'd)

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.2019 %	31.12.2018 %
<u>Held through subsidiaries:</u>			
Bukit Intan Pte Ltd	Trading of precast components (Singapore)	100	100
Contech Precast Pte Ltd	Manufacturing and trading of precast components (Singapore)	100	100
Econ Precast Sdn. Bhd.	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	100
Koon Construction & Transport Sdn. Bhd.	Contractors for civil engineering and building works (Malaysia)	100	100
Metro Coast Sdn. Bhd.	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd.	Property development (Malaysia)	100	100
Tesla Corporation Pty Ltd	Holding company for electric power generation business (Australia)	74	74
Tesla Corporation Management Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Geraldton Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Kemerton Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Northam Pty Ltd	Owns and operates power plant (Australia)	74	74
Triumph Heights Sdn. Bhd.	Property development (Malaysia)	100	100
Unison Progress Sdn. Bhd.	Property development (Malaysia)	100	100

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

2. Summary of significant accounting policies

2.1 Basis of preparation and changes in accounting policies

The interim financial information for the six months ended 30 June 2019 has been prepared in accordance with SFRS(I) 1-34, *Interim Financial Reporting*.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

The interim financial information has been prepared under the historical cost basis except as disclosed in the accounting policies below.

The interim financial information are presented in Singapore Dollars ("SGD" or "\$"), which is the functional currency of the Company, and the presentation currency for the interim financial information. All values are rounded to the nearest thousand (\$'000), except when otherwise indicated.

2.2 Going concern assumption

The Group recognised a net loss of \$49,975,000 during the six months period ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by \$20,553,000. As at 30 June 2019, the Group's total loans and borrowings and finance lease obligations amounted to \$62,459,000, of which \$51,806,000 were classified as current liabilities and exceeded the Group's cash and bank balances of \$3,835,000. These factors and the challenging conditions affecting the construction and precast sectors in Singapore indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the above, the directors are of the view that it is appropriate to prepare the interim financial information on a going concern basis.

The Group has embarked on a major restructuring and realignment exercise. The Group has appointed various professionals to advise on the financial impact of such restructuring and realignment exercise and the potential options available to the Group, including the sale of its two non-core businesses, namely the Property and Electric Power Generation divisions. Non-productive or idling plant and equipment have also been disposed of or have been scheduled to be disposed. These will free up cash which is needed as working capital for existing projects as well as for repayment of existing creditors. In this regard, the Group has started talking to creditors to put in place instalment plans for its existing liabilities and most of these creditors have remained supportive.

In order to return to being profitable and improve operating cashflow, the Group has undergone various costs-cutting measures such as reduction of its headcount and streamlining of its operating processes to improve efficiency and effectiveness. The Group also intends to continue to secure more Construction and Precast projects, albeit more selectively, and has started discussions with various strategic parties on possible alliances and corporate exercises.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.2 *Going concern assumption (cont'd)*

The ability of the Group to continue as a going concern is dependent on the ability of the Group to successfully execute the above restructuring and realignment exercise. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the interim financial information.

2.3 *Changes in accounting policies*

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations which are effective for annual periods beginning on or after 1 January 2019.

The Group has adopted SFRS(I) 16 *Leases* on 1 January 2019, using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model on lessees. The rationale of the change is to better reflect the economic substance of lease transactions. It requires a lessee to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in SFRS(I) 16. The Group applied the practical expedient to grandfather the definition of lease on transition. This means that SFRS(I) 16 will be applied to all contracts entered into before 1 January 2019 which previously have been identified as "operating leases" under the principles of FRS17 *Leases*.

ROU asset and its corresponding lease liability are recognised at the date of which the leased asset is available for use by the Group. They are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In applying SFRS(I) 16 for the first time, the Group has used certain practical expedients permitted by the standard. On the adoption of SFRS(I) 16, the Group recognised ROU assets and the corresponding lease liabilities of \$4,894,000 for the leases previously classified as operating leases. A depreciation expense on ROU assets of \$807,000 and finance cost of \$73,000 were charged to the statement of comprehensive income of the Group for the period ended 30 June 2019.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

3. Significant accounting judgements and estimates

The preparation of the Group's interim financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(i) *Judgements made in applying accounting policies*

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the interim financial information.

(ii) *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 are discussed below. The Group based its assumptions and estimates on parameters available when the interim financial information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Construction contracts revenue*

Construction contract revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract.

Management has determined that a cost-based input method for these services provides a faithful depiction of the Group's performance in transferring control of the goods and services promised to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the contract. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the performance obligation within the contract.

The estimated total contract costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project managers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in the Group's other similar construction contracts for the past 3 to 5 years.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The carrying amounts of contract assets and contract liabilities arising from construction contracts at the end of the reporting period are \$23,648,000 and \$31,000 respectively (31 December 2018: \$48,299,000 and \$88,000 respectively).

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information

For the six months ended 30 June 2019

3. Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(b) Provision for expected credit loss on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amount of the Group's trade receivables and contract assets as at 30 June 2019 are \$14,832,000 and \$39,609,000 (31 December 2018: \$29,725,000 and \$55,579,000) respectively.

(c) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Group's property, plant and equipment as at 30 June 2019 is \$43,106,000 (31 December 2018: \$81,672,000).

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information

For the six months ended 30 June 2019

4. Related party transactions

Some of the Group's transactions and arrangements are with related parties that are not members of the Group. During the period, the Group entered into the following transactions with related parties at terms agreed between the parties:

	30.6.2019	30.6.2018
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<u>Parties related to a substantial shareholder of the Group</u>		
Equipment rental income	–	(115)
Marine transport income	(179)	(236)
Sale of scrap metal	(88)	–
Secondment fee income	(174)	(174)
Subcontract income	(2,313)	(2,411)
Equipment rental and charter expenses	1,217	240
Marine transport expenses	20	4
Purchase of equipment and engineering services	1,117	556
Purchase of property, plant and equipment	–	1,100
Yard and dormitory rental expenses	237	265
Consultancy fee expenses	101	101
Agency fee expenses	–	*
Drydocking and repair expenses	7,638	–
<u>Joint Venture of the Group</u>		
Marine transport income	(1,533)	(1,727)
Subcontract award/purchase of precast components	20,901	12,835
Sale of property, plant and equipment	–	(82)
Purchase of raw materials	–	9
<u>Parties related to directors of the Company</u>		
Professional fee	27	28

*Less than \$1,000

Sindo-Econ Pte Ltd and its subsidiary ("Sindo-Econ Group") had entered into the following transactions with related parties (related by way of common shareholder) that are not members of the Group:

	30.6.2019	30.6.2018
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Land rental expenses	775	780
Marine transport expenses	1,175	968

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

4. Related party transactions (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	30.6.2019	30.6.2018
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,244	1,290
Deferred contribution plans	30	41

The remuneration of directors and key management personnel is determined by the Remuneration Committee having regard to the performance of the individuals and market trends.

5. Other income

	30.6.2019	30.6.2018
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Secondment fees for a director	174	174
Interest income from fixed deposits	20	35
Sale of scrap metal	43	56
Gain on disposal of assets held for sale	–	3,192
Gain on disposal of property, plant and equipment (net)	2,350	148
Government grants	169	32
Supply of labour	–	95
Reversal of impairment on financial assets	107	–
Insurance claim	861	–
Others	1,519	108

6. Taxation

	30.6.2019	30.6.2018
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
- Current income taxation	5	412
- Under provision in respect of previous years	26	92
Deferred income tax:		
- Origination and reversal of temporary differences	327	253

Taxation recognised in profit or loss

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information

For the six months ended 30 June 2019

7. Earnings per share

	30.6.2019 \$'000 (Unaudited)	30.6.2018 \$'000 (Unaudited)
(Loss)/Profit for the period attributable to owners of the Company used in the computation of basic and diluted earnings per share	(50,160)	232
	30.6.2019 No of shares '000 (Unaudited)	30.6.2018 No of shares '000 (Unaudited)
Weighted average number of ordinary shares:		
Basic earnings per share computation	263,098	263,098
Diluted earnings per share computation	263,098	263,098

8. Joint arrangements

(a) *Joint ventures*

	30.6.2019 \$'000 (Unaudited)	31.12.2018 \$'000 (Audited)
Represented as:		
<u>Investment in joint ventures</u>		
- PT. Koon Construction Indonesia	171	174
- Others	*	*
	171	174
<u>Provision for share of joint venture's losses</u>		
- Sindo-Econ Pte Ltd and its subsidiary	(13,205)	(10,430)

* No investment cost

The Group provided for its share of further losses in Sindo-Econ Pte Ltd and its subsidiary during the year in excess of its interest in the joint venture as the Group has obligations for the joint venture.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2019**

8. Joint arrangements (cont'd)

(a) *Joint ventures (cont'd)*

Details of the Group's material joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.2019 %	31.12.2018 %
<u>Held through Econ Precast Pte Ltd:</u>			
Sindo-Econ Pte Ltd	Investment holding and provision of management and consultancy services (Singapore)	50	50
<u>Held through Sindo-Econ Pte Ltd:</u>			
PT. Sindomas Precas	Manufacture of precast components (Indonesia)	50	50
<u>Held through Koon Construction & Transport Co. Pte Ltd:</u>			
PT. Koon Construction Indonesia	Contractors for civil engineering and building works (Indonesia)	67	67

(b) *Joint operation*

Details of the Group's joint operation at the end of the reporting period are as follows:

Name of joint operation	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.2019 %	31.12.2018 %
POC-K JV	Contractor for infrastructure and civil engineering works (Singapore)	50	50

The above joint arrangements are strategic to the Group's activities. The Group jointly controls the above arrangements with partners under the contractual agreements which require unanimous consent for all major decisions over their relevant activities.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information
For the six months ended 30 June 2019

9. Property, plant and equipment

	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Barges and dredgers \$'000	Trucks and motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
Cost:									
At 1 January 2019	859	102	9,432	50	110,963	32,841	13,054	1,876	169,177
Additions	-	-	-	-	2,591	2,517	28	-	5,136
Disposals	-	-	-	-	(21,062)	-	(1,094)	-	(22,156)
Write-off	-	-	-	-	(3,116)	-	-	(74)	(3,190)
Exchange difference	(12)	-	-	-	(473)	-	-	(1)	(486)
Reclassification to Assets held for sale (Note 10)	-	-	-	-	(12,037)	(32,899)	-	(9)	(44,945)
At 30 June 2019	847	102	9,432	50	76,866	2,459	11,988	1,792	103,536
Accumulated depreciation and impairment loss:									
At 1 January 2019	-	100	5,759	50	60,315	10,589	8,855	1,837	87,505
Depreciation	-	1	501	-	6,090	2,276	805	4	9,677
Impairment loss	-	-	-	-	777	-	-	-	777
Disposals	-	-	-	-	(13,498)	-	(1,022)	-	(14,520)
Write-off	-	-	-	-	(3,062)	-	-	(73)	(3,135)
Exchange difference	-	-	-	-	(189)	-	-	(1)	(190)
Reclassification to Assets held for sale (Note 10)	-	-	-	-	(8,319)	(11,359)	-	(6)	(19,684)
At 30 June 2019	-	101	6,260	50	42,114	1,506	8,638	1,761	60,430
Carrying amount:									
At 30 June 2019 (Unaudited)	847	1	3,172	-	34,752	953	3,350	31	43,106
At 31 December 2018 (Audited)	859	2	3,673	-	50,648	22,252	4,199	39	81,672

Property, plant and equipment of the Group with carrying amount of \$35,555,000 (31 December 2018: \$67,505,000) are pledged as security for finance lease obligations and bank loans.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2019**

10. Assets held for sale

	Plant and machinery \$'000	Barges and dredgers \$'000	Office equipment, furniture and fittings \$'000	Properties held for development \$'000	Total \$'000
At 1 January 2019	–	–	–	–	–
Reclassification from Property, plant and equipment (Note 9)	3,718	21,540	3	–	25,261
Reclassification from Properties held for development	–	–	–	14,229	14,229
At 30 June 2019 (Unaudited)	3,718	21,540	3	14,229	39,490

Assets held for sale of the Group with carrying amount of \$38,612,000 (31 December 2018: nil) are pledged as security for finance lease obligations and bank loans.

Subsequent to period end, two vessels were sold for \$15,800,000. Their carrying amount as at 30 June 2019 amounted to \$14,600,000.

11. Right-of-use assets

	30.6.2019 \$'000 (Unaudited)
Cost:	
At 1 January 2019 and 30 June 2019	4,894
Accumulated depreciation:	
At 1 January 2019	–
Depreciation	807
At 30 June 2019	807
Carrying amount:	
At 30 June 2019	4,087

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2019**

12. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and equivalents comprise the following at the end of the reporting period:

	30.6.2019 \$'000 (Unaudited)	31.12.2018 \$'000 (Audited)
Cash and bank balances	3,835	2,921
Less: Bank overdrafts (Note 13)	(6,724)	(5,320)
Cash and cash equivalents	<u>(2,889)</u>	<u>(2,399)</u>

13. Loans and borrowings

	30.6.2019 \$'000 (Unaudited)	31.12.2018 \$'000 (Audited)
Bank loans and bills payable	33,030	33,246

Loans and borrowings comprise:

	Effective interest rate		Maturity dates	30.6.2019 \$'000 (Unaudited)	31.12.2018 \$'000 (Audited)
	30.6.2019	31.12.2018			
Loan A – secured	4.17%	4.17%	2019	5,800	5,800
Loan B	3.93%	3.93%	2019	–	500
Loan C – secured	3.58%	3.76%	2019	600	800
Loan D – secured	6.25%	6.25%	2019	1,078	2,163
Bank overdrafts	5.25% to 6.00%	5.25% to 6.00%	On demand	6,724	5,320
Bills payable ⁽¹⁾				14,202 18,828	14,583 18,663
Total				<u>33,030</u>	<u>33,246</u>

⁽¹⁾ Bills payable are interest bearing with an average effective rate of 3.66% (31 December 2018: 2.85%) per annum.

The Company has provided corporate guarantees for the bank loans, bank overdrafts and bills payable.

Loan A is secured by mortgage of a property held for development by a subsidiary with an aggregated carrying amount of \$12,749,000 (31 December 2018: \$12,866,000).

Loan C is secured by mortgage of a leasehold building of a subsidiary with a carrying amount of \$3,172,000 (31 December 2018: \$3,673,000).

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

13. Loans and borrowings (cont'd)

Loan D is a factoring loan secured by contract proceeds of the Group's construction projects. During the year, the Group has transferred the collection right of certain trade receivables to a financial institution under factoring agreements, but such transfer does not qualify for de-recognition of the financial assets as the Group has not transferred the significant risks and rewards relating to the transferred assets to the financial institution. Accordingly, the transferred assets continue to be recognised in its entirety and the consideration received is recognised as a liability. The carrying amount of trade receivables transferred under factoring agreements amounted to \$1,827,000 (31 December 2018: \$1,649,000) as at 30 June 2019.

14. Share capital

No new shares were issued to the participants of the Koon Employee Performance Share Plan during the six months ended 30 June 2019 (year ended 31 December 2018: nil shares).

15. Operating segment information

Products and services from which reportable segments derive their revenues

For management reporting purpose, the Group's reportable segments are as follows:

- Construction
- Precast
- Property
- Electric Power Generation

- I. The "Construction" segment relates to construction projects for civil engineering and infrastructure construction works including land reclamation, roads and bridges, shore protection, terminal and port projects.
- II. The "Precast" segment relates to the supply and manufacturing of precast components and reinforced concrete piles.
- III. The "Property" segment relates to property development activities.
- IV. The "Electric Power Generation" segment relates to the ownership and operation of electricity power generation plants.

Information regarding the Group's reportable segments is presented below.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2019**

15. Operating segment information (cont'd)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Results	
	30.6.2019 \$'000 (Unaudited)	30.6.2018 \$'000 (Unaudited)	30.6.2019 \$'000 (Unaudited)	30.6.2018 \$'000 (Unaudited)
Construction	39,149	51,413	(48,097)	2,715
Precast	25,384	18,379	(3,121)	(654)
Property	–	–	(80)	(53)
Electric Power Generation	2,646	2,267	1,297	693
	67,179	72,059	(50,001)	2,701
Elimination	(187)	(481)	(499)	(593)
Total	66,992	71,578	(50,500)	2,108
Other income			5,243	3,840
Share of losses of joint ventures			(2,794)	(3,423)
Finance costs			(1,566)	(1,431)
(Loss)/Profit before tax			(49,617)	1,094
Taxation			(358)	(757)
(Loss)/Profit for the period			(49,975)	337

Consolidated revenue of \$66,992,000 (30 June 2018: \$71,578,000) after elimination of inter-segmental sales comprise revenue from Construction segment of \$39,149,000 (30 June 2018: \$51,411,000), Precast segment of \$25,197,000 (30 June 2018: \$17,900,000), and Electric Power Generation segment of \$2,646,000 (30 June 2018: \$2,267,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment results before allocation of other income, share of results of joint ventures and associate, finance costs and taxation, as included in internal management reports. Segment results are used by management for the purposes of resource allocation and assessment of segment performance.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2019**

15. Operating segment information (cont'd)

Segment assets

	30.6.2019	31.12.2018
	\$'000	\$'000
	(Unaudited)	(Audited)
Construction	105,633	163,062
Precast	71,523	52,336
Property	17,481	17,407
Electric Power Generation	23,816	23,721
	<hr/>	<hr/>
Elimination and unallocated corporate assets	218,453 (28,019)	256,526 (29,894)
	<hr/>	<hr/>
Total assets	190,434	226,632

All assets are allocated to reportable segments other than all assets of the Company and those eliminated at consolidation.

Other segment information

	Depreciation of property, plant and equipment		Additions to property, plant and equipment	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Construction	8,504	7,698	2,545	1,590
Precast	660	742	2,591	4
Property	1	1	-	-
Electric Power Generation	512	545	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total	9,677	8,986	5,136	1,595

Segment results

The Construction segment results include provision for onerous contracts amounting to \$435,000 (30 June 2018: reversal of provision of \$17,000), impairment losses on trade and other receivables amounting to \$627,000 (30 June 2018: reversal of impairment losses of \$61,000), impairment losses on contract assets of \$26,078,000 (30 June 2018: \$nil) and inventories written down amounting to \$680,000 (30 June 2018: \$nil).

The Precast segment results include inventories written down amounting to \$81,000 (30 June 2018: \$19,000), and impairment losses on trade and other receivables amounting to \$nil (30 June 2018: \$91,000).

The Electric Power Generation segment results include impairment losses on trade and other receivables amounting to \$nil (30 June 2018: \$14,000).

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

15. Operating segment information (cont'd)

Segment assets

The Construction segment assets include investments in joint venture amounting to \$171,000 (31 December 2018: \$174,000).

Geographical information

In presenting information based on geographical segments, segment revenue is based on geographical location of the customers and segment assets are based on geographical location of the assets as follows:

	Revenue		Non-current assets	
	30.6.2019 \$'000 (Unaudited)	30.6.2018 \$'000 (Unaudited)	30.6.2019 \$'000 (Unaudited)	31.12.2018 \$'000 (Audited)
Singapore	64,346	69,311	28,162	61,652
Malaysia	—	—	—	20,018
Australia	2,646	2,267	19,296	14,175
Total	66,992	71,578	47,458	95,845

Non-current assets information presented above consist of property, plant and equipment as presented in the consolidated statement of financial position.

Information about major customers

Revenue from two major customers amounted to \$14,954,049 (30 June 2018: \$23,695,000 from Construction and Precast segments) arising from sales by Construction and Precast segments.

16. Bank guarantees, performance bonds and commitments

As at 30 June 2019, the Company has provided corporate guarantees totalling \$102,116,000 (31 December 2018: \$115,365,000) to financial institutions in respect of credit facilities utilised by the subsidiaries and a joint venture.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2019

17. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period ended 30 June 2019 and the year ended 31 December 2018.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of financial instruments measured at fair value at the end of the reporting period:

	30.6.2019			
	\$'000			
	(Unaudited)			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
<u>Equity securities at fair value through profit or loss</u>				
- Investment securities (quoted)	21	-	-	21

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2019**

17. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value (cont'd)*

	31.12.2018			
	\$'000			
	(Audited)			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
<u>Equity securities at fair value through profit or loss</u>				
- Investment securities (quoted)	18	-	-	18

18. Dividends

No dividend was issued during the periods from 1 January 2019 to 30 June 2019 and 1 January 2018 to 30 June 2018 in respect of financial years ended 31 December 2018 and 31 December 2017 respectively.