

Company Registration No. 200303284M

Koon Holdings Limited and its subsidiaries

Annual Financial Statements
31 December 2015

Koon Holdings Limited and its Subsidiaries

General information

Directors

Ang Sin Liu
Ang Ah Nui
Yuen Kai Wing
Oh Koon Sun
Oh Keng Lim
Heather Chong (appointed on 31 December 2015)
Glenda Mary Sorrell-Saunders
Ko Chuan Aun
Christopher Chong Meng Tak (resigned on 31 December 2015)

Company Secretaries

Ong Beng Hong
Tan Swee Gek

Registered Office

11 Sixth Lok Yang Road
Singapore 628109
Tel: (65) 62615788
Fax: (65) 62660117
Website: www.koon.com.sg

Auditor

Ernst & Young LLP
Partner-in-charge: Terry Wee Hiang Bing
(Appointment with effect from financial year ended 31 December 2014)

Principal Bankers

United Overseas Bank Limited
DBS Bank Limited
RHB Bank Berhad
Standard Chartered Bank

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Koon Holdings Limited and its Subsidiaries

Directors' statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Koon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Ang Sin Liu
Ang Ah Nui
Yuen Kai Wing
Oh Koon Sun
Oh Keng Lim
Heather Chong
Glenda Mary Sorrell-Saunders
Ko Chuan Aun

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Koon Holdings Limited and its Subsidiaries

Directors' statement

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of directors and companies in which interests are held	Shareholdings registered in the name of director		
	At the beginning of year or date of appointment	At the end of year	At 21 January 2016
Ordinary shares of the Company			
Ang Sin Liu	12,860,800	12,860,800	12,860,800
Ang Ah Nui	122,571,819	122,571,819	122,571,819
Oh Keng Lim	10,159,996	10,159,996	10,159,996
Oh Koon Sun	7,205,378	7,205,378	7,205,378
Christopher Chong Meng Tak ⁽¹⁾	160,000	160,000	–
Heather Chong ⁽²⁾	120,000	120,000	120,000

Note:

- (1) Christopher Chong Meng Tak resigned as director on 31 December 2015. His shareholding included 120,000 shares held in joint name with Heather Chong.
- (2) Heather Chong was appointed as director on 31 December 2015. Her shareholding is held in joint name with Christopher Chong Meng Tak.

By virtue of section 7 of the Singapore Companies Act, Ang Ah Nui is deemed to have an interest in all the related corporations of the Company.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Employee performance share plan

(a) Terms and conditions of the Koon Holdings Employee Performance Share Plan ("Koon EPSP")

The Koon EPSP was approved by the Shareholders of the Company at an Extraordinary General Meeting held on 12 October 2009.

The terms of the Koon EPSP include the following:

(1) *Eligibility*

- (i) Employees who are eligible to participate in the Koon EPSP must:
 - be confirmed in his employment with the Group;
 - have attained the age of 21 years on or before the date of award; and
 - not be an un-discharged bankrupt.
- (ii) An executive director who meets the eligibility criteria above is eligible to participate in the Koon EPSP. However, controlling shareholders (including controlling shareholders who are executive directors) and their associates are not eligible to participate in the Koon EPSP.
- (iii) Non-executive directors are not eligible to participate in the Koon EPSP.

(2) *Awards*

- (i) Awards represent the right of a participant to receive fully paid-up shares free of charge, provided certain prescribed performance target(s) are met and upon the expiry of the prescribed vesting periods (if any).
- (ii) The Remuneration Committee shall decide, in relation to each award to be granted to a Participant:
 - the date on which the award will be granted;
 - the number of shares which are the subject of the award;
 - the prescribed performance targets;
 - the performance period during which the prescribed performance targets are to be satisfied;
 - the imposition of a vesting period and the duration of this vesting period, if any;
 - the extent to which the shares under that award shall be released on the or prescribed performance target(s) being satisfied (whether fully or partially) exceeded, as the case may be, at the end of the prescribed performance period and upon the expiry of the prescribed vesting period; and
 - such other conditions as the Remuneration Committee may deem appropriate, in its absolute discretion.

Employee performance share plan (cont'd)

- (a) Terms and conditions of the Koon Holdings Employee Performance Share Plan ("Koon EPSP") (cont'd)

(3) *Selection of Participants*

The Koon EPSP is administrated by the Remuneration Committee whose members are:

Ko Chuan Aun - Chairman
Glenda Mary Sorrell-Saunders
Ang Ah Nui

A participant of the Koon EPSP who is a member of the Remuneration Committee shall not be involved in the deliberation of the Award to be granted to that member of the Remuneration Committee.

The selection of a participant and the number of shares which are the subject of each award to be granted to a participant in accordance with the Koon EPSP shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort required to achieve the performance target within the performance period.

(4) *Timing*

Awards may be granted at any time in the course of a financial year. Any Award made but prior to the vesting shall lapse, inter alia, if any of the following events occur:

- (i) the misconduct of a participant;
- (ii) the termination of the employment of a participant;
- (iii) the bankruptcy of a participant;
- (iv) the retirement, ill health, injury, disability or death of a participant;
- (v) the participant, being an executive director, ceasing to be a director of the Company for any reason whatsoever;
- (vi) a winding-up of the Company; and
- (vii) any other event approved by the Remuneration Committee.

(5) *Size and Duration of the Koon EPSP*

The total number of shares which may be granted under the Koon EPSP shall not exceed 5% of the issued ordinary shares of the Company on the day preceding the relevant date of award. In line with the SGX-ST Listing Manual requirements, in the event the Company establishes any other share plan(s) or any other option scheme(s), the aggregate of shares under all such share plan(s) and options granted under all such option scheme(s) will not exceed 15%.

Employee performance share plan (cont'd)

- (a) Terms and conditions of the Koon Holdings Employee Performance Share Plan ("Koon EPSP") (cont'd)

(5) *Size and Duration of the Koon EPSP (cont'd)*

The Company may also deliver shares pursuant to awards granted under the Koon EPSP in the form of existing shares purchased from the market or from shares held in treasury. Such methods will not be subject to any limit as they do not involve the issuance of any new shares. The Company shall obtain shareholders' approval through a Share Buyback Mandate prior to purchasing its shares from the market.

The Koon EPSP will continue in force at the discretion of the Remuneration Committee up to a maximum of 10 years commencing from the date of its adoption by the Company provided that the Koon EPSP may continue beyond this stipulated period with the approval of its shareholders in a general meeting and the required approval by relevant authorities.

Notwithstanding the expiry or termination of the Koon EPSP, any award made prior to expiry or termination will remain valid.

(6) *Operation of the Koon EPSP*

Awards granted under the Koon EPSP to whom they are given shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the approval of the Remuneration Committee. However the Shares granted to a Participant pursuant to a grant of the Award may be transferred, charged, assigned, pledged otherwise disposed of, in whole or in part.

The terms of employment or appointment of a Participant in the Koon EPSP shall not be affected by any Award to be made therein.

Koon Holdings Limited and its Subsidiaries

Directors' statement

Employee performance share plan (cont'd)

(b) There was no grant of awards during the year. The Remuneration Committee has previously approved a total grant of awards of 1,579,000 shares as follows:

- (i) 994,000 shares awarded and vested in 2009;
- (ii) 330,000 shares awarded in 2010 which were vested equally over three years with 110,000 shares each issued in 2011 to 2013; and
- (iii) 360,000 shares awarded in 2011 of which 105,000 shares were forfeited due to the resignation of employees. Of the balance awards of 255,000 shares, 165,000 shares were vested in 2013 and 90,000 shares were vested in 2014.

Nil (2014: 90,000) ordinary shares were issued during the year pursuant to the Koon EPSP.

Accumulated shares awarded were as follows:

	Number of shares			
	Not issued		Issued	
	2015	2014	2015	2014
Directors				
Tan Thiam Hee (resigned on 31 July 2013)	–	–	140,000	140,000
Oh Koon Sun	–	–	104,000	104,000
Oh Keng Lim	–	–	100,000	100,000
	–	–	344,000	344,000
Other members of key management	–	–	380,000	380,000
Other employees	–	–	855,000	855,000
Total number of shares granted under the Koon EPSP	–	–	1,579,000	1,579,000

(c) At the end of the financial year, there were no unissued shares of the Company or any corporations in the Group under option.

Audit and Risk Committee

The Audit and Risk Committee of the Company is chaired by Heather Chong who replaced Christopher Chong Meng Tak on 31 December 2015 and includes Glenda Mary Sorrell-Saunders and Ko Chuan Aun. They are also independent directors of the Company. The Audit and Risk Committee has met three times in 2015 and had reviewed the following, where relevant, with the executive directors and external auditors of the Company:

- (a) the audit plans of the internal and external auditors;
- (b) the reports of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (c) the Group's financial and operating results and accounting policies;

Koon Holdings Limited and its Subsidiaries

Directors' statement

Audit and Risk Committee (cont'd)

- (d) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditors' report on those financial statements;
- (e) the half-yearly and annual announcements as well as the related press release on the results and financial position of the Company and the Group;
- (f) the co-operation and assistance given by the management to the Group's external auditors; and
- (g) the re-appointment of the external auditors of the Group.

The Audit and Risk Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit and Risk Committee.

Further details regarding the Audit and Risk Committee are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,



Yuen Kai Wing
Director



Oh Koon Sun
Director

Singapore
21 March 2016

Koon Holdings Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2015**

Independent auditor's report to the members of Koon Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages 10 to 92, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

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

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

Koon Holdings Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2015**


Independent auditor's report to the members of Koon Holdings Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the 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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

21 March 2016

Koon Holdings Limited and its Subsidiaries

**Consolidated statement of comprehensive income
For the financial year ended 31 December 2015**

	Note	2015 \$'000	2014 \$'000
Revenue	5	236,342	163,917
Cost of sales		(200,415)	(137,271)
Gross profit		35,927	26,646
Other income	6	1,542	3,796
Distribution costs		(8,596)	(5,308)
Administrative and other expenses		(21,114)	(17,472)
Finance costs	7	(2,615)	(1,888)
Share of loss of associate	19	(111)	(81)
Share of profit of joint ventures	20	3,603	963
Profit before income tax	8	8,636	6,656
Income tax	9	(889)	(348)
Profit for the year		7,747	6,308
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on fair value changes of available-for-sale investments		–	193
Net fair value changes on available-for-sale investments reclassified to profit or loss		212	–
Exchange loss on translation of foreign operations		(2,875)	(1,541)
Other comprehensive loss, net of tax		(2,663)	(1,348)
Total comprehensive income for the year		5,084	4,960
Profit/(Loss) for the year attributable to:			
Owners of the Company		7,991	5,824
Non-controlling interests		(244)	484
		7,747	6,308
Total comprehensive income/(loss) attributable to:			
Owners of the Company		5,564	4,683
Non-controlling interests		(480)	277
		5,084	4,960
Earnings per share (cents per share):			
- Basic	10	3.04	2.21
- Diluted	10	3.04	2.21

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Koon Holdings Limited and its Subsidiaries

**Balance sheets
As at 31 December 2015**

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	26,702	17,094	190	449
Pledged fixed deposits	11	194	800	–	–
Trade receivables	12	44,954	44,117	–	–
Other receivables	13	8,353	9,226	9,161	9,494
Inventories	14	8,591	6,873	–	–
Contract work-in-progress	15	23,744	10,334	–	–
Held for trading investments	16	30	36	–	–
Total current assets		112,568	88,480	9,351	9,943
Non-current assets					
Other receivables	13	116	239	–	–
Properties held for development	17	14,188	16,388	–	–
Subsidiaries	18	–	–	55,426	59,302
Associates	19	*	*	–	–
Joint ventures	20	4,971	1,332	–	–
Property, plant and equipment	21	99,015	61,152	539	254
Available-for-sale investments	22	–	731	–	731
Goodwill	23	–	3,536	–	–
Total non-current assets		118,290	83,378	55,965	60,287
Total assets		230,858	171,858	65,316	70,230

Koon Holdings Limited and its Subsidiaries

Balance sheets As at 31 December 2015

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	25	54,690	44,409	–	–
Other payables	27	14,324	12,631	16,566	16,699
Contract work-in-progress	15	8,747	1,910	–	–
Bank loans and bills payable	24	31,211	21,660	–	–
Finance leases	28	12,107	15,016	17	54
Income tax payable		1,033	528	88	4
Total current liabilities		122,112	96,154	16,671	16,757
Non-current liabilities					
Bank loans	24	5,595	8,920	–	–
Finance leases	28	40,710	8,681	37	101
Other payables	27	90	89	–	–
Deferred tax liabilities	29	919	1,261	–	–
Total non-current liabilities		47,314	18,951	37	101
Capital and reserves					
Share capital	30	25,446	25,446	25,446	25,446
Capital reserve	31	8,802	8,663	13,006	13,006
Fair value reserve		–	(212)	–	(212)
Accumulated profits		29,461	21,470	10,156	15,132
Translation reserve		(5,923)	(3,284)	–	–
Equity attributable to owners of the Company		57,786	52,083	48,608	53,372
Non-controlling interests		3,646	4,670	–	–
Total equity		61,432	56,753	48,608	53,372
Total liabilities and equity		230,858	171,858	65,316	70,230

* Less than \$1,000.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Koon Holdings Limited and its Subsidiaries

**Statements of changes in equity
For the financial year ended 31 December 2015**

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
Opening balance at 1 January 2014	25,433	8,663	(405)	15,646	(1,950)	47,387	4,393	51,780
Profit for the year	–	–	–	5,824	–	5,824	484	6,308
Other comprehensive income/(loss) for the year, net of tax	–	–	193	–	(1,334)	(1,141)	(207)	(1,348)
Total comprehensive income/(loss) for the year	–	–	193	5,824	(1,334)	4,683	277	4,960
<u>Contributions by and distributions to owners</u>								
Issue of share capital (Note 30)	13	–	–	–	–	13	–	13
Total transactions with owners in their capacity as owners	13	–	–	–	–	13	–	13
Closing balance at 31 December 2014	25,446	8,663	(212)	21,470	(3,284)	52,083	4,670	56,753

Koon Holdings Limited and its Subsidiaries

**Statements of changes in equity
For the financial year ended 31 December 2015**

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
Opening balance at 1 January 2015	25,446	8,663	(212)	21,470	(3,284)	52,083	4,670	56,753
Profit/(loss) for the year	-	-	-	7,991	-	7,991	(244)	7,747
Other comprehensive income/(loss) for the year, net of tax	-	-	212	-	(2,639)	(2,427)	(236)	(2,663)
Total comprehensive income/(loss) for the year	-	-	212	7,991	(2,639)	5,564	(480)	5,084
<u>Contributions by and distributions to owners</u>								
Acquisition of non-controlling interest without a change in control	-	139	-	-	-	139	(359)	(220)
Dividends	-	-	-	-	-	-	(185)	(185)
Total transactions with owners in their capacity as owners	-	139	-	-	-	139	(544)	(405)
Closing balance at 31 December 2015	25,446	8,802	-	29,461	(5,923)	57,786	3,646	61,432

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Koon Holdings Limited and its Subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2015

	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
Company					
Opening balance at 1 January 2014	25,433	13,006	(405)	15,486	53,520
Loss for the year	–	–	–	(354)	(354)
Other comprehensive income for the year, net of tax	–	–	193	–	193
Total comprehensive income/(loss) for the year	–	–	193	(354)	(161)
<u>Contributions by and distributions to owners</u>					
Issue of share capital (Note 30)	13	–	–	–	13
Total transactions with owners in their capacity as owners	13	–	–	–	13
Balance at 31 December 2014 and 1 January 2015	25,446	13,006	(212)	15,132	53,372
Loss for the year	–	–	–	(4,976)	(4,976)
Other comprehensive income for the year, net of tax	–	–	212	–	212
Total comprehensive income/(loss) for the year	–	–	212	(4,976)	(4,764)
Closing balance at 31 December 2015	25,446	13,006	–	10,156	48,608

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Koon Holdings Limited and its Subsidiaries**Consolidated statement of cash flows
For the financial year ended 31 December 2015**

	2015	2014
	\$'000	\$'000
Operating activities		
Profit before income tax	8,636	6,656
<u>Adjustments for:</u>		
Allowance/(Reversal of allowance) for doubtful debts (net)	707	(113)
Depreciation of property, plant and equipment	15,619	9,541
Dividend income	*	(1,500)
Fair value loss/(gain) on held for trading investments	6	(3)
Loss on disposal of available-for-sale investments	228	–
Impairment of goodwill	3,536	–
Impairment of property, plant and equipment	77	–
Interest expense	2,615	1,888
Interest income	(94)	(118)
Inventories written down	831	1,078
Properties held for development written down	86	–
Net gain on disposal of property, plant and equipment	(428)	(327)
Reversal of foreseeable loss on contract work-in-progress	(75)	(111)
Reversal of provision	–	(600)
Share of profit of joint ventures/associate (net)	(3,492)	(882)
Unrealised exchange gain	(429)	(389)
Operating cash flows before changes in working capital	27,823	15,120
<u>Changes in working capital:</u>		
Contract work-in-progress (net)	(6,497)	1,792
Trade receivables	(833)	(899)
Other receivables	(11)	(3,347)
Inventories	(2,548)	2,930
Trade payables	10,280	(7,377)
Other payables	155	(1,650)
Cash flows from operations	28,369	6,569
Income tax paid	(367)	(443)
Net cash flows from operating activities	28,002	6,126

Koon Holdings Limited and its Subsidiaries**Consolidated statement of cash flows
For the financial year ended 31 December 2015**

	2015	2014
	\$'000	\$'000
Investing activities		
Capital contribution to a joint venture	–	(800)
Dividend received from investee company	*	1,500
Proceeds from disposal of available-for-sale investments	715	–
Proceeds from disposal of property, plant and equipment	514	662
Purchase of property, plant and equipment (Note A)	(14,811)	(3,487)
Interest received	90	118
Net cash flows used in investing activities	(13,492)	(2,007)
Financing activities		
Repayment of obligations under finance leases	(9,142)	(7,916)
Proceeds from bank loans	11,400	2,400
Repayment of bank loans	(10,303)	(3,419)
Proceeds from bills payable	72,717	32,583
Repayment of bills payable	(67,581)	(32,369)
Interest paid	(2,437)	(1,849)
Decrease in pledged fixed deposits	606	1,760
Net cash flows used in financing activities	(4,740)	(8,810)
Net increase/(decrease) in cash and cash equivalents	9,770	(4,691)
Effects of exchange rate changes on cash and cash equivalents	(162)	(3)
Cash and cash equivalents at 1 January	17,094	21,788
Cash and cash equivalents at 31 December	26,702	17,094

Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$54,899,000 (2014: \$7,431,000) of which \$38,838,000 (2014: \$3,944,000) was acquired under finance lease arrangement and \$1,250,000 (2014: nil) was still outstanding as at balance sheet date. Cash payment of \$14,811,000 (2014: \$3,487,000) was made for the purchase of property, plant and equipment.

* Less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

1. Corporate information

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 principal activities of the subsidiaries are disclosed in Note 18 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

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

2.2 *Changes in accounting policy*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 111 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
(b) Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
(c) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to FRS 7 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

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

2.3 Standards issued but not yet effective (cont'd)

Except for FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments*, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below:

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combination and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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

2.4 ***Basis of consolidation and business combinations (cont'd)***

(b) ***Business combination and goodwill (cont'd)***

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(c) ***Business combinations achieved in stages***

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

2.5 ***Transactions with non-controlling interests***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings	–	30 to 50 years
Leasehold buildings	–	4 to 10 years (over the term of the lease)
Leasehold improvements	–	10 years or over leasehold period (if shorter)
Plant and machinery	–	2 to 25 years or end of project life (if shorter)
Barges and dredgers	–	6 to 10 years
Dump trucks and motor vehicles	–	3 to 10 years or end of project life (if shorter)
Office equipment, furniture and fittings	–	2 to 15 years

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.7 *Property, plant and equipment (cont'd)*

Freehold land has an unlimited useful life and therefore is not depreciated.

Assets under construction are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) Joint operations

The Group recognises in relation to its interest in a joint operation,

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.11.

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

2.11 *Joint ventures and associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

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

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

2.12 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

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

2.12 Financial instruments (cont'd)

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

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

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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

2.12 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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

2.13 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial asset has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

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

2.13 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and on hand which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. These costs are assigned by using the weighted average cost formula.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

2.16 Properties held for development

Properties held for development are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Properties held for development are held as inventories and are measured at the lower of cost and net realisable value.

Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Construction contracts

The Group principally operates fixed price construction contracts. Construction contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

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

2.18 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, under "Other income".

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

2.21 Employee benefits

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(c) Share-based payments

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.22 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.23 Revenue (cont'd)

(b) Construction contracts revenue

Revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

(c) Rental of machinery and equipment

Revenue from the rental of machinery and equipment is recognised on a straight-line basis over the lease term.

(d) Power station capacity credits

Power station capacity credits are notional units of capacity that are valid for a particular reserve capacity year and are allocated to a specific generating plant by the Independent Market Operator in Australia. Capacity credits revenue is recognised in the month when the benefits are derived.

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment has been established.

(f) Interest income

Interest income is recognised using the effective interest method.

(g) Service income

Service income is recognised when the services are performed.

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.24 Taxes (cont'd)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

2.24 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

2.25 **Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment results are regularly reviewed by management in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 **Share capital and share issue expenses**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

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

2.27 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements 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.

(a) Judgements made in applying accounting policies

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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

(b) *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 financial statements 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.

(i) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the specialists.

The carrying amounts of assets and liabilities arising from construction contracts as at 31 December 2015 are \$23,744,000 and \$8,747,000 respectively (31 December 2014: \$10,334,000 and \$1,910,000 respectively). Management has performed cost studies, taking into account the costs to date and costs to complete each project, and evaluated exposures to liquidated damages. Based on these studies and evaluation, management considers that the above amounts relating to contract work in progress are fairly stated.

If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been \$4,330,000 (2014: \$2,778,000) lower and \$848,000 (2014: \$806,000) higher respectively.

(ii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

(b) *Key sources of estimation uncertainty (cont'd)*

(ii) Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables (excluding cash and bank balances) as at 31 December 2015 is \$52,110,000 (2014: \$52,429,000).

If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by \$5,211,000 (2014: increase by \$5,243,000).

(iii) Impairment of goodwill

As disclosed in Note 23 to the financial statements, the recoverable amount of the cash generating unit which goodwill has been allocated to is determined based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 23 to the financial statements.

The carrying amount of goodwill as at 31 December 2015 is nil (2014: \$3,536,000).

(vi) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective countries of the Group's domicile.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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 year, the Group entered into the following transactions with related parties at terms agreed between the parties:

	Group	
	2015	2014
	\$'000	\$'000
<u>Parties related to a substantial shareholder of the Group</u>		
Equipment rental income	–	*
Sale of property, plant and equipment	*	(795)
Secondment fee income	(348)	(348)
Sale of scrap metal	–	(87)
Subcontract labour income	(419)	–
Other expenses	5	–
Subcontract award/purchase of precast components	25,552	10,408
Equipment rental and charter expenses	1,314	217
Marine transport expenses	5,065	2,547
Agency fee charges	2,044	833
Secondment fee expenses	209	230
Purchase of equipment	2,200	–
Consultancy fee expenses	152	–
<u>Party related to a director of the Company</u>		
Professional fee	59	61
<u>Party related to a director of a subsidiary</u>		
Professional fee	31	34

* Less than \$1,000

A joint venture of the Group had the following transactions with related parties (related by way of common shareholder) that are not members of the Group:

	Group	
	2015	2014
	\$'000	\$'000
Land rental expenses	936	743
Marine transport expenses	56	–
Purchase of equipment	–	1,743
Service charges	12	10

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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 year were as follows:

	Group	
	2015	2014
	\$'000	\$'000
Short-term benefits	2,215	2,413
Defined contribution plans	54	78
	<u>2,269</u>	<u>2,491</u>

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

5. Revenue

	Group	
	2015	2014
	\$'000	\$'000
Construction contracts revenue	159,579	90,012
Sale of goods	58,695	63,759
Power station capacity credits	4,994	7,538
Rental of machinery and equipment	12,762	2,608
Service income	312	–
	<u>236,342</u>	<u>163,917</u>

6. Other income

	Group	
	2015	2014
	\$'000	\$'000
Gain on disposal of property, plant and equipment	428	386
Interest income from fixed deposits	94	118
Dividend income	*	1,500
Sale of scrap metal	120	419
Reversal of allowance for doubtful debts	–	193
Secondment fees for a director	348	348
Supply of labour	182	–
Government grants	338	766
Others	32	66
	<u>1,542</u>	<u>3,796</u>

* Less than \$1,000

Koon Holdings Limited and its Subsidiaries**Notes to the financial statements
For the financial year ended 31 December 2015****7. Finance costs**

	Group	
	2015	2014
	\$'000	\$'000
Interest expense on:		
Bank loans and bills payable	1,205	732
Finance leases	1,410	1,156
	2,615	1,888

8. Profit before income tax

The following items have been included in arriving at profit before income tax:

	Group	
	2015	2014
	\$'000	\$'000
Depreciation of property, plant and equipment	15,619	9,541
Inventories written down, included in cost of sales	831	1,078
Employee benefits expense (including directors)	32,218	26,952
Directors' remuneration:		
- directors of the Company	1,639	1,613
- directors of subsidiaries	39	336
Defined contribution plans included in employee benefits expense (including directors)	1,347	1,149
Audit fees:		
- paid to auditor of the Company	281	237
- paid to other auditors	58	55
Foreign exchange (gain)/loss, net	(2)	66
Allowance/(Reversal of allowance) for doubtful debts (net)	707	(113)
Reversal of foreseeable losses, included in cost of sales	(75)	(111)
Gain on disposal of property, plant and equipment (net)	(428)	(327)
Impairment of property, plant and equipment	77	-
Impairment of goodwill	3,536	-
Loss on disposal of available-for-sale investments	228	-
Properties held for development written down	86	-

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

9. Income tax

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	2014
	\$'000	\$'000
Current income tax:		
- Current income taxation	1,243	476
- Over provision in respect of previous years	(38)	(115)
Deferred income tax:		
- Origination and reversal of temporary differences	(431)	322
- Under/(Over) provision in respect of previous years	115	(335)
Income tax expense recognised in profit or loss	889	348

Statement of comprehensive income:

	Group	
	2015	2014
	\$'000	\$'000
Deferred tax expense related to other comprehensive income:		
- Translation differences	(26)	(32)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

9. Income tax (cont'd)

Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015 \$'000	2014 \$'000
Profit before income tax	8,636	6,656
Tax at domestic rates applicable to profits in the countries where the Group operates	1,408	1,524
Income not subject to taxation	(218)	(597)
Non-deductible expenses	1,469	328
Tax effect of share of results of joint venture/associate	(544)	(150)
Under/(Over) provision in previous years (net)	77	(450)
Deferred tax assets not recognised	–	295
Utilisation of previously unrecognised deferred tax assets	(1,248)	(569)
Effect of partial tax exempt income	(121)	(57)
Others	66	24
Income tax expense recognised in profit or loss	889	348

Unrecognised tax losses and deductible temporary differences

At the end of the reporting period, the Group has tax losses and deductible temporary differences of approximately \$16,786,000 (2014: \$24,124,000) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Tax consequences of proposed dividends

There are no income tax consequences (2014: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 39).

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

10. Earnings per share

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

Diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2015 \$'000	2014 \$'000
Profit for the year attributable to owners of the Company used in the computation of basic earnings per share	7,991	5,824

	Group	
	2015 No. of shares '000	2014 No. of shares '000
Weighted average number of ordinary shares:		
Basic earnings per share computation	263,098	263,098
Diluted earnings per share computation	263,098	263,098

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

11. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	24,211	14,733	190	449
Fixed deposits	2,685	3,161	–	–
Cash and bank balances	26,896	17,894	190	449
Less: Pledged fixed deposits	(194)	(800)	–	–
Cash and cash equivalents	26,702	17,094	190	449

The Group has certain fixed deposits amounting to \$194,000 (2014: \$800,000) pledged to banks for bank loan facilities granted (see Notes 24 and 33). The pledged fixed deposits have an average tenure of approximately 198 days (2014: approximately 162 days) and earn interest at average effective rate of 2.11% (2014: 1.10%) per annum. Management expects the pledge on the fixed deposits to be discharged within the next 12 months. Accordingly, the pledged fixed deposits have been presented under current assets.

The non-pledged fixed deposits have an average tenure of approximately 30 days (2014: approximately 61 days) and earn interest at average effective rate of 2.11% (2014: 2.32%) per annum.

As at 31 December 2015, the Group and the Company have the following cash and cash equivalents which are denominated in foreign currencies:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Australian Dollars	50	43	50	43

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

12. Trade receivables

	Group	
	2015	2014
	\$'000	\$'000
Amounts due from external parties	33,643	30,980
Amounts due from related parties	–	81
Retention monies receivable	6,310	4,923
Unbilled receivables	6,705	9,837
Less: Allowance for impairment	(1,704)	(1,704)
	<u>44,954</u>	<u>44,117</u>

Retention monies held by customers are included in current assets as they are expected to be realised in the normal operating cycle upon completion of contract work.

The average credit period on the outstanding trade receivables is 30 days (2014: 30 days). No interest is charged on overdue balances.

Amounts due from related parties are unsecured, non-interest bearing and are repayable within the next 12 months.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$13,993,000 (2014: \$13,301,000) which are past due at the reporting date for which the Group has not provided for any impairment allowance. These overdue balances include \$12,369,000 (2014: \$12,369,000), which arise from back-to-back contract arrangements under which the Group will not be making payment for the same amount included as trade payables in Note 25 if the trade receivable is not settled. Management expects that as there has not been a significant change in the credit quality and the amounts are still considered recoverable, no impairment allowance is necessary. The Group does not hold any collateral over these balances.

The table below is an analysis of trade receivables:

	Group	
	2015	2014
	\$'000	\$'000
Not past due and not impaired	30,961	30,816
Past due but not impaired	13,993	13,301
	<u>44,954</u>	<u>44,117</u>
Impaired receivables - individually assessed	1,704	1,704
Less: Allowance for impairment	(1,704)	(1,704)
	<u>–</u>	<u>–</u>
Total trade receivables (net)	<u>44,954</u>	<u>44,117</u>

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

12. Trade receivables (cont'd)

The table below is an analysis of age of debts which are past due but not impaired:

	Group	
	2015	2014
	\$'000	\$'000
3 months to 6 months	344	267
6 months to 12 months	343	627
12 months to 24 months	919	38
>24 months	12,387	12,369
	<hr/>	<hr/>
	13,993	13,301

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 reporting date. Management believes that no further allowance for impairment is necessary.

The trade receivables that are neither past due nor impaired related to customers that the Group has assessed to be creditworthy, based on the credit evaluation process performed by management.

As at 31 December 2015, the Group and the Company do not have any trade receivables which are denominated in foreign currencies.

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Trade receivables – nominal amounts	1,704	1,704
Less: Allowance for impairment	(1,704)	(1,704)
	<hr/>	<hr/>
	–	–
<i>Movement in allowance for impairment:</i>		
At 1 January	1,704	1,817
Charge for the year	–	80
Reversed during the year	–	(193)
	<hr/>	<hr/>
At 31 December	1,704	1,704

Trade receivables that are individually 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. These receivables are not secured by any collateral or credit enhancements.

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

13. Other receivables

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Receivable for disposal of property, plant and equipment	806	839	–	–
Other deposits	681	472	–	–
Prepayments	560	518	71	48
Amounts due from associates	29	141	–	–
Amounts due from related parties	2,947	1,791	643	151
Amounts due from joint ventures	1	3,445	–	–
Amounts due from subsidiaries	–	–	8,580	8,540
Tax recoverable	138	357	–	–
Sales tax receivable	615	278	–	–
Convertible loan receivable (Note 36(d))	–	661	–	661
Loan receivable	707	–	707	–
Others	2,692	963	12	239
	9,176	9,465	10,013	9,639
Less: Allowance for impairment				
- Loan receivable	(707)	–	(707)	–
- Due from a subsidiary	–	–	(145)	(145)
	8,469	9,465	9,161	9,494
Analysed as:				
Current	8,353	9,226	9,161	9,494
Non-current	116	239	–	–
	8,469	9,465	9,161	9,494

Amounts due from related parties and subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Amounts due from joint ventures and associates are unsecured, non-interest bearing and are expected to be repayable in the next 12 months.

At 31 December 2014, the convertible loan receivable was secured against unquoted equity shares in a privately-held company and was interest bearing at 8% per annum if no conversion takes place. At 31 December 2015, the amount has been classified as loan receivable as it is no longer convertible.

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

13. Other receivables (cont'd)

Included in others are loan receivables from an ex-employee of \$116,000 (2014: \$136,000) owing to Tesla Group and nil (2014: \$239,000) owing to the Company respectively. The loan receivable by Tesla Group is unsecured, non-interest bearing and payable upon dividend distribution by Tesla Group. The loan receivable by the Company is secured against the equity shares of Tesla Group with fixed terms of repayment and interest bearing at an amount equal to the dividend distribution by Tesla Group. The loan was repaid during 2015 (Note 31).

At the end of the reporting period, the Group and Company have provided an allowance of \$707,000 (2014: nil) and \$852,000 (2014: \$145,000) respectively for impairment of other receivables. The impairment loss provided for the loan receivable by the Group has been recognised in profit or loss under the line item "Administrative and other expenses". The impairment losses of the Company comprise the loan receivable and the unsecured loan to a subsidiary company. The movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired 2015 \$'000	2014 \$'000	Individually impaired 2015 \$'000	2014 \$'000
Other receivables – nominal amounts :				
- Loan receivable	707	–	707	–
- Due from a subsidiary	–	–	428	636
	707	–	1,135	636
Less: Allowance for impairment	(707)	–	(852)	(145)
	–	–	283	491

Movement in allowance for impairment:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	–	–	145	145
Charge for the year	707	–	707	–
At 31 December	707	–	852	145

The Group and the Company have the following other receivables which are denominated in foreign currencies:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Australian Dollars	–	239	–	239
United States Dollars	–	661	–	661

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2015

14. Inventories

	Group	
	2015	2014
	\$'000	\$'000
Balance sheet:		
Raw materials	1,386	2,231
Finished goods	7,205	4,642
	8,591	6,873
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	79,566	61,288
Inclusive of the following charge:		
- Inventories written down	831	1,078
	831	1,078

15. Contract work-in-progress

	Group	
	2015	2014
	\$'000	\$'000
Contract costs incurred to date	602,532	449,738
Foreseeable losses	(47)	(122)
Recognised profits less recognised losses to date	29,657	19,690
	632,142	469,306
Progress billings	(617,145)	(460,882)
	14,997	8,424

Represented as:

Gross amount due from customers for contract work-in-progress	23,744	10,334
Gross amount due to customers for contract work-in-progress	(8,747)	(1,910)
	14,997	8,424

Movements in provision for specific foreseeable losses:

Balance at beginning of year	122	233
Reversed to profit or loss during the year	(75)	(111)
	47	122

Retention sums on construction contracts included in trade receivables	791	286
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Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

16. Held for trading investments

	Group	
	2015	2014
	\$'000	\$'000
Quoted equity shares	30	36

17. Properties held for development

	Group	
	2015	2014
	\$'000	\$'000
Properties held for development	14,188	16,388

Properties held for development mainly comprise plots of vacant freehold land located in Malaysia.

Description and Location	Site Area (square metre)	Interest held by the Group	
		2015 %	2014 %
Lot 150205, Mukim Plentong, Johor Bahru, Malaysia	1,416	100	100
Lot 150216-150225, Mukim Plentong, Johor Bahru, Malaysia	1,807	100	100
Lot 68319, Mukim Plentong, Johor Bahru, Malaysia*	42,938	100	100

* Freehold land at Lot 68319 is pledged as security for a bank loan of a subsidiary (Note 24)

During the year, the Group recorded a write-down of \$86,000 (2014: nil) on its properties held for development. The impairment loss was recognised in profit or loss under the line item "Administrative and other expenses".

18. Subsidiaries

	Company	
	2015	2014
	\$'000	\$'000
Unquoted equity shares, at cost	48,880	48,230
Deemed investment in a subsidiary*	17,000	17,000
Less: Allowance for impairment losses	(10,454)	(5,928)
	<u>55,426</u>	<u>59,302</u>

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

18. Subsidiaries (cont'd)

* This represents funds provided by the Company to a subsidiary which are deemed to be additional capital contributions in the subsidiary, for it to acquire shares in its subsidiaries.

	Company	
	2015	2014
	\$'000	\$'000
<i>Movement in allowance for impairment:</i>		
At 1 January	5,928	5,928
Charge for the year	4,526	–
At 31 December	10,454	5,928

(a) Composition of the Group

The Group has the following investments in subsidiaries:

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		2015	2014
		(%)	(%)
<u>Held by the Company:</u>			
Entire Engineering Pte Ltd ⁽¹⁾	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte Ltd ⁽¹⁾	Contractors for civil and engineering works (Singapore)	100	100
Econ Precast Pte Ltd ⁽¹⁾	Manufacturing and trading of precast components and reinforced concrete piles (Singapore)	100	100
Koon Properties Pte Ltd ⁽¹⁾	Investment holding (Singapore)	100	100
Koon Construction & Transport Co. Pte Ltd ⁽¹⁾	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Tesla Holdings Pty Ltd ⁽²⁾	Investment holding (Australia)	74	71

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2015

18. Subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		2015 (%)	2014 (%)
<u>Held through subsidiaries:</u>			
Bukit Intan Pte Ltd ⁽¹⁾	Trading of precast components (Singapore)	100	100
Contech Precast Pte Ltd ⁽¹⁾	Manufacturing and trading of precast components (Singapore)	100	100
Econ Precast Sdn. Bhd. ⁽³⁾	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	100
Koon Construction & Transport Sdn. Bhd. ⁽³⁾	Contractors for civil engineering and building works (Malaysia)	100	100
Metro Coast Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100
Tesla Corporation Pty Ltd ⁽²⁾	Holding company for electric power generation business (Australia)	74	71
Tesla Corporation Management Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	71
Tesla Geraldton Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	71
Tesla Kemerton Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	71

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2015

18. Subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		2015 (%)	2014 (%)
<u>Held through subsidiaries:</u> <u>(cont'd)</u>			
Tesla Northam Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	71
Triumph Heights Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100
Unison Progress Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100

Notes:

(1) Audited by Ernst & Young LLP, Singapore

(2) Tesla group of companies ("Tesla Group") are audited by a member firm of EY Global in Australia

(3) Audited by other firms of auditors

(b) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non- controlling interest	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			\$'000	\$'000	\$'000
31 December 2015:					
Tesla Group	Australia	26%	(244)	3,646	185
31 December 2014:					
Tesla Group	Australia	29%	484	4,670	-

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

18. Subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

	Tesla Group	
	2015	2014
	\$'000	\$'000
<i>Summarised balance sheet:</i>		
Current		
Assets	4,563	4,184
Liabilities	(4,610)	(13,628)
Net current liabilities	(47)	(9,444)
Non-current		
Assets	23,497	27,841
Liabilities	(8,950)	(1,990)
Net non-current assets	14,547	25,851
Net assets	14,500	16,407
<i>Summarised statement of comprehensive income:</i>		
Revenue	4,994	7,538
(Loss)/Profit before income tax	(1,230)	2,335
Income tax	380	(654)
(Loss)/Profit after income tax	(850)	1,681
Other comprehensive loss	(795)	(717)
Total comprehensive (loss)/income	(1,645)	964
<i>Other summarised information:</i>		
Net cash flows from operations	1,954	3,730
Acquisition of property, plant and equipment	18	27

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

19. Associates

	Group	
	2015	2014
	\$'000	\$'000
Unquoted equity shares, at cost	*	*

* Less than \$1,000.

Details of the associates at the end of the reporting period are as follows:

Name of associates (Country of incorporation/ operation)	Principal activities	Proportion of ownership interest/voting power held	
		2015	2014
		(%)	(%)
Mesco Sdn Bhd (Brunei)*	Dormant	50	50
Penta-Ocean/Hyundai/Koon Joint Venture (Singapore)*	Contractors for civil engineering and building work	20	20

* Audited by other firms of auditors.

Aggregate information about the Group's investment in associates that are not individually material are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Loss after tax	(111)	(81)
Other comprehensive income	-	-
Total comprehensive loss	(111)	(81)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2015

20. Joint arrangements

(a) Joint ventures

	Group	
	2015	2014
	\$'000	\$'000
Sindo-Econ Pte Ltd and its subsidiary	4,971	1,332
Others	*	*
Total	4,971	1,332

* No investment cost

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	
		2015 (%)	2014 (%)
<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

Aggregate information about the Group's investment in other joint ventures that are not individually material are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Profit after tax	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

20. Joint arrangements (cont'd)

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

Summarised financial information in respect of Sindo-Econ Pte Ltd and its subsidiary ("Sindo-Econ Group") based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Sindo-Econ Group	
	2015	2014
	\$'000	\$'000
<i>Summarised balance sheet:</i>		
Cash and cash equivalents	1,986	1,353
Trade receivables	13,382	5,246
Other receivables	3,299	1,138
Inventories	1,822	1,197
Current assets	20,489	8,934
Non-current assets	7,520	5,792
Total assets	28,009	14,726
Current liabilities	15,506	8,917
Non-current liabilities (excluding trade, other payables and provisions)	2,051	2,563
Total liabilities	17,557	11,480
Net assets	10,452	3,246
Proportion of the Group's ownership	50%	50%
Group's share of net assets	5,226	1,623
Eliminations	(255)	(291)
Carrying amount of the investment	4,971	1,332
<i>Summarised statement of comprehensive income:</i>		
Revenue	27,652	12,119
Interest income	1	1
Depreciation	(2,145)	(977)
Finance costs	(96)	(34)
Profit before income tax	9,369	2,390
Income tax	(2,163)	(464)
Profit after income tax, representing total comprehensive income for the year	7,206	1,926

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

20. Joint arrangements (cont'd)

(b) *Joint operation*

Details of the Group's joint operation 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	
		2015 %	2014 %
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 financial statements
For the financial year ended 31 December 2015

21. Property, plant and equipment

Group	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Leasehold improve- ments \$'000	Plant and machinery \$'000	Barges and dredgers \$'000	Dump trucks and motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Assets under construction \$'000	Total \$'000
Cost:										
At 1 January 2014	1,864	1,144	10,006	704	66,812	1,390	6,261	2,123	218	90,522
Additions	-	8	-	-	5,596	-	1,110	16	701	7,431
Disposals	-	-	-	(6)	(2,218)	-	(22)	(273)	-	(2,519)
Write-offs	-	-	-	-	-	-	-	(1)	(58)	(59)
Transfers	-	73	-	-	3	-	-	-	(84)	(8)
Exchange difference	(40)	-	-	-	(692)	-	-	39	-	(693)
At 31 December 2014	1,824	1,225	10,006	698	69,501	1,390	7,349	1,904	777	94,674
Additions	-	-	-	-	54,108	-	713	54	24	54,899
Disposals	-	-	-	-	(2,965)	-	(372)	-	-	(3,337)
Write-offs	-	-	-	(469)	(746)	-	-	(32)	-	(1,247)
Transfers	-	-	-	157	560	-	-	-	(717)	-
Exchange difference	(45)	(3)	-	-	(1,430)	-	-	1	-	(1,477)
At 31 December 2015	1,779	1,222	10,006	386	119,028	1,390	7,690	1,927	84	143,512

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2015

21. Property, plant and equipment (cont'd)

Group	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Barges and dredgers \$'000	Dump trucks and motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Assets under construction \$'000	Total \$'000
Accumulated depreciation:										
At 1 January 2014	-	135	1,227	491	18,494	750	3,036	1,261	-	25,394
Depreciation	-	60	1,098	194	6,258	199	1,335	397	-	9,541
Disposals	-	-	-	(4)	(1,439)	-	(21)	(271)	-	(1,735)
Write-offs	-	-	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	288	-	-	34	-	322
At 31 December 2014	-	195	2,325	681	23,601	949	4,350	1,421	-	33,522
Depreciation	-	51	1,003	43	13,211	198	916	197	-	15,619
Disposals	-	-	-	-	(2,951)	-	(263)	-	-	(3,214)
Write-offs	-	-	-	(469)	(746)	-	-	(32)	-	(1,247)
Exchange difference	-	(1)	-	-	(257)	-	-	(2)	-	(260)
At 31 December 2015	-	245	3,328	255	32,858	1,147	5,003	1,584	-	44,420
Impairment:										
At 1 January 2014	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	(77)	(77)
At 31 December 2015	-	-	-	-	-	-	-	-	(77)	(77)
Carrying amount:										
At 31 December 2015	1,779	977	6,678	131	86,170	243	2,687	343	7	99,015
At 31 December 2014	1,824	1,030	7,681	17	45,900	441	2,999	483	777	61,152

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

21. Property, plant and equipment (cont'd)

Property, plant and equipment of the Group with carrying amount of \$89,025,000 (2014: \$49,469,000) are pledged as security for finance leases and bank loans.

During the year, an impairment loss of \$77,000 (2014: nil), representing the write-down of these assets to the recoverable amount was recognised in profit or loss under the line item "Administrative and other expenses".

	Motor vehicles	Office equipment, furniture and fittings	Total
	\$'000	\$'000	\$'000
Company			
Cost:			
At 1 January and 31 December 2014	640	134	774
Additions	442	–	442
Disposals	(260)	–	(260)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	822	134	956
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
At 1 January 2014	258	128	386
Depreciation	128	6	134
	<hr/>	<hr/>	<hr/>
At 31 December 2014	386	134	520
Depreciation	90	–	90
Disposals	(193)	–	(193)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	283	134	417
	<hr/>	<hr/>	<hr/>
Carrying amount:			
At 31 December 2015	539	–	539
	<hr/>	<hr/>	<hr/>
At 31 December 2014	254	–	254
	<hr/>	<hr/>	<hr/>

Motor vehicles of the Company with carrying amount of \$99,000 (2014: \$250,000) are pledged as securities for finance leases.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

22. Available-for-sale investments

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Unquoted equity shares, at cost (a)	500	500	–	–
Less: Allowance for impairment	(500)	(500)	–	–
	–	–	–	–
Quoted equity shares, at fair value (b)	–	731	–	731
	–	731	–	731

(a) The investment in unquoted equity shares represents investment in a company that is engaged in construction projects.

In estimating the carrying amount, management determined that no future cash flow is expected from this investee.

(b) The investment in quoted equity shares represents investment in GPS Alliance Holdings Limited. The investment was disposed during the year.

23. Goodwill

	Group	
	2015 \$'000	2014 \$'000
Cost at beginning of year	3,536	3,536
Less: Impairment loss	(3,536)	–
Carrying amount at end of year	–	3,536

Goodwill is allocated to the cash generating unit (“CGU”) identified that is expected to benefit from the business combination. The carrying amount of goodwill is attributed to the Electric Power Generation CGU.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

23. Goodwill (cont'd)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU have been determined based on value in use calculations using cash flow projections from financial budget and forecast approved by management covering more than 5-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections are as follows:

	2015	2014
Growth rate	2.5%	5.0%
Pre-tax discount rate	9.0%	8.5%

Key assumptions used in value in use calculations

The calculations of value in use for the CGU are most sensitive to the following assumptions:

- (i) Growth rate – The forecasted growth rate is based on published industry research and does not exceed the long-term average growth rate for the industry.
- (ii) Pre-tax discount rate – Discount rate represents the current market assessment of the risk specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and the Electrical Power Generation segment and derived from its weighted average cost of capital (WACC) based on the capital asset pricing model.

Sensitivity to changes in assumption

With regards to the assessment of value in use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of goodwill. The impairment loss of \$3,536,000 (2014: nil) has been recognised in profit or loss under the line item "Administrative and other expenses".

In determining the recoverable amount of the CGU, the Group has taken into consideration the current market situation on oversupply of power generation capacity, the proposed reforms by the Western Australia government to the reserve capacity mechanism and the likely response by the industry to these reforms as well as the resultant forecast reserve capacity prices.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

24. Bank loans and bills payable

	Group	
	2015	2014
	\$'000	\$'000
Current portion	31,211	21,660
Non-current portion	5,595	8,920
Total bank loans and bills payable	36,806	30,580

Bank loans and bills payable comprise:

	Effective interest rate		Maturity dates	Group	
	2015	2014		2015	2014
				\$'000	\$'000
Loan A - secured	3.40%	3.40%	2015	–	333
Loan B ⁽²⁾	5.30%	5.30%	2015 - 2016	114	627
Loan C - secured	6.85%	7.40%	2016	22	78
Loan D ⁽²⁾	3.57% to 3.92%	3.29%	2016	159	404
Loan E - secured	7.98%	7.42%	2017	5	11
Loan F - secured	3.90%	3.41%	2018	3,276	4,435
Loan G ⁽²⁾	2.69%	2.15%	2016	4,000	4,000
Loan H - secured	2.00% to 2.30%	2.00% to 2.30%	2018	5,800	5,800
Loan I - secured	3.35%	2.60%	2016	2,400	2,400
Loan J - secured	3.35%	–	2016	3,400	–
				19,176	18,088
Bills payable ⁽¹⁾⁽²⁾				17,630	12,492
Total				36,806	30,580

⁽¹⁾ Bills payable are interest bearing with an average effective interest of 2.84% (2014: 2.11%) per annum.

⁽²⁾ The Company has provided corporate guarantees for the loans and bills payable.

Loan A is fully repaid as at 31 December 2015. The loan was secured by a charge over certain subsidiaries' plant and machinery and motor vehicle with a carrying amount of \$51,000 as of 31 December 2014.

Loan C is secured by way of first legal charge over a subsidiary's freehold land with a carrying amount of \$859,000 as at 31 December 2015 (2014: \$859,000).

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

24. Bank loans and bills payable (cont'd)

Loan E is secured by a corporate guarantee from the Company and all assets under the Tesla Group of companies.

Loan F is secured by a corporate guarantee from the Company and mortgage of a leasehold building of a subsidiary with a carrying amount of \$6,678,000 (2014: \$7,679,000).

Loans H to J are secured by mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of \$12,846,000 as at 31 December 2015 (2014: \$14,750,000).

25. Trade payables

	Group	
	2015	2014
	\$'000	\$'000
Amounts due to external parties	42,086	38,091
Amounts due to related parties	12,604	6,318
	<hr/>	<hr/>
	54,690	44,409
	<hr/>	<hr/>

Trade payables include an amount of \$12,369,000 (2014: \$12,369,000) which will not be settled unless receivables for the same amount, included in trade receivables (Note 12), is received.

The average credit period on the outstanding trade payables is 60 days (2014: 60 days). No interest is payable on overdue balances.

Amounts due to related parties are unsecured, non-interest bearing and are repayable within the next 12 months.

The Group has the following trade payables which are denominated in foreign currencies:

	Group	
	2015	2014
	\$'000	\$'000
Euro	–	104,000
United States Dollars	41,000	–
	<hr/>	<hr/>

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

26. Provision

	Group	
	2015	2014
	\$'000	\$'000
At beginning of year	–	600
Reversed during the year	–	(600)
At end of year	–	–

The provision represents management's estimation of losses on sales commitments as a result of the difference between the committed selling price and the estimated cost of sales for the unfulfilled sales quantities committed. The provision was reversed upon the completion of the contract.

27. Other payables

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Accrued expenses	4,811	3,470	1,243	873
Advance from investee company	350	350	–	–
Advance from customers	2,390	1,939	–	–
Payable for acquisition of non-controlling interest of a subsidiary	–	2,500	–	2,500
Sales tax payable	1,161	730	50	45
Amounts due to related parties	193	219	–	8
Amounts due to subsidiaries	–	–	14,914	13,074
Amounts due to joint ventures	200	2,444	–	–
Payable for purchase of property, plant and equipment	1,583	–	–	–
Others	3,726	1,068	359	199
	<u>14,414</u>	<u>12,720</u>	<u>16,566</u>	<u>16,699</u>
Analysed as:				
Current	14,324	12,631	16,566	16,699
Non-current	90	89	–	–
	<u>14,414</u>	<u>12,720</u>	<u>16,566</u>	<u>16,699</u>

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

27. Other payables (cont'd)

The amount payable for acquisition of non-controlling interest of a subsidiary was unsecured and fully repaid in 2015.

Except for the amount payable for acquisition of non-controlling interest of a subsidiary, the other payables are unsecured, non-interest bearing and repayable on demand.

The Group and the Company do not have any other payables which are denominated in foreign currencies.

28. Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Group				
Amounts payable under finance leases:				
Not later than one year	13,636	15,943	12,107	15,016
Later than one year but not later than five years	42,891	9,007	40,710	8,681
Total minimum lease payments	56,527	24,950	52,817	23,697
Less: Amounts representing finance charges	(3,710)	(1,253)	N/A	N/A
Present value of minimum lease payments	52,817	23,697	52,817	23,697
Less: Amounts due for settlement within 12 months			(12,107)	(15,016)
Amounts due for settlement after 12 months			40,710	8,681

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

28. Finance leases (cont'd)

	Minimum lease payments		Present value of minimum lease payments	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Company				
Amounts payable under finance leases:				
Not later than one year	19	60	17	54
Later than one year but not later than five years	39	105	37	101
Total minimum lease payments	58	165	54	155
Less: Amounts representing finance charges	(4)	(10)	N/A	N/A
Present value of minimum lease payments	54	155	54	155
Less: Amounts due for settlement within 12 months			(17)	(54)
Amounts due for settlement after 12 months			37	101

These obligations are secured by charges over the leased property, plant and equipment (Note 21). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

Group

The average lease term is 5 years (2014: 4 years). The effective borrowing rates ranged between 2.35% and 5.85% (2014: 2.51% and 5.85%) per annum.

Company

The average lease term is 5 years (2014: 5 years). The effective borrowing rate is 4.33% (2014: 4.00%) per annum.

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

29. Deferred tax liabilities

	Group	
	2015	2014
	\$'000	\$'000
Deferred tax liabilities	919	1,261

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Fair value adjustment on property, plant and equipment	Accelerated tax depreciation	R&D tax credit	Tax losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
At 1 January 2014	(302)	(1,227)	223	–	(1,306)
Credit/(charge) to profit or loss	256	(1,918)	1,675	–	13
Translation differences	–	175	(143)	–	32
	(46)	(2,970)	1,755	–	(1,261)
At 31 December 2014	21	201	43	51	316
Credit to profit or loss	–	107	(82)	1	26
Translation differences	(25)	(2,662)	1,716	52	(919)
At 31 December 2015					

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the year, undistributed earnings of foreign subsidiaries which would be subject to tax when distributed amounted to \$1,746,000 (2014: \$1,112,000). No deferred tax liability has been recognised as the Group is in a position to control the dividend policy of the subsidiaries and there is no intent to distribute these retained earnings in the foreseeable future.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

30. Share capital

	Number of ordinary shares 2015	Group and Company Share Capital 2015 \$'000	Number of ordinary shares 2014	Share capital 2014 \$'000
Issued and paid up:				
At beginning of year	263,097,800	25,446	263,007,800	25,433
Shares issued during the year	-	-	90,000	13
At end of year	263,097,800	25,446	263,097,800	25,446

The Company has one class of ordinary shares which carry one vote per share, has no par value and carries a right to dividend as and when declared by the Company.

The Company has an Employee Performance Share Plan ("Koon EPSP") which applies to the executive directors of the Company and the employees of the Group. However, controlling shareholders, including controlling shareholders who are executive directors and their associates are not eligible to participate in the Koon EPSP.

Koon EPSP is administrated by the Remuneration Committee.

There was no grant of awards during the year. The Remuneration Committee has previously approved a total grant of awards of 1,579,000 shares as follows:

- (i) 994,000 shares awarded and issued in 2009;
- (ii) 330,000 shares awarded in 2010 which were vested equally over three years with 110,000 shares each issued in 2011 to 2013; and
- (iii) 360,000 shares awarded in 2011 of which 105,000 shares were forfeited due to the resignation of employees. Of the balance awards of 255,000 shares, 165,000 shares were vested in 2013 and 90,000 shares were vested in 2014. In 2014, the shares were valued based on the five day average prevailing share price of \$0.148 before the date of issue.

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

30. Share capital (cont'd)

Accumulated shares awarded were as follows:

	Number of shares			
	Not vested		Vested and issued (Accumulated)	
	2015	2014	2015	2014
Directors	–	–	344,000	344,000
Other members of key management	–	–	380,000	380,000
Other employees	–	–	855,000	855,000
Total number of shares granted under the Koon EPSP	–	–	1,579,000	1,579,000

31. Capital reserve

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Capital reserve arising from:				
Restructuring exercise	13,006	13,006	13,006	13,006
Share-based payment	283	283	–	–
Acquisition of non-controlling interests in subsidiaries	(4,487)	(4,626)	–	–
	8,802	8,663	13,006	13,006

Restructuring Exercise

On 10 April 2003, pursuant to a Restructuring Exercise, the shareholders of Koon Construction & Transport Co. Pte Ltd (“KCTC”) transferred their entire equity interest comprising 16,006,400 ordinary shares of \$1 each in KCTC to the Company in exchange for 59,999,998 ordinary shares of \$0.05 each in the Company. As a result, KCTC became a wholly-owned subsidiary of the Company.

Capital reserve of \$13,006,000 represents the difference between the par value of the 59,999,998 ordinary shares of \$0.05 issued and cost of investment in KCTC.

31. Capital reserve (cont'd)

Share-based payment

The share-based payment relates to the issuance of 200,000 shares of a subsidiary, Tesla Holdings Pty Ltd ("Tesla"), to three directors of the subsidiary in March 2012 at no consideration in recognition of their services to Tesla. This has been accounted for as share-based payment expense of AUD200,000 (\$283,000) based on a value of AUD1 per share offered to other shareholders during a capital raising exercise.

Acquisition of non-controlling interests in subsidiaries, without loss of control

In 2013, the Group acquired the remaining 25% equity interest of Econ Precast Pte Ltd and its subsidiaries at a consideration of \$5,500,000. The negative amount of \$4,626,000 in capital reserve represents the excess of the consideration paid over the non-controlling interest of \$874,000 that was eliminated through the acquisition.

In 2015, the Group increased its investments in Tesla by 2.9% by way of acceptance of Tesla's dividend re-investment plan and shares conversion resulting from loan repayment by an ex-employee of Tesla. The difference of \$139,000 between the consideration and the carrying value of the additional interest accounted has been recognised as "Capital reserve" within equity.

32. 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.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

32. Operating segment information (cont'd)

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

Segment revenues and results

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

	Revenue		Results	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Construction	172,696	93,352	8,880	5,091
Precast	97,928	72,577	4,266	1,677
Property	–	–	(26)	55
Electric Power Generation	4,994	7,538	(549)	3,228
	275,618	173,467	12,571	10,051
Elimination	(39,276)	(9,550)	(6,354)	(6,185)
Total	236,342	163,917	6,217	3,866
Other income			1,542	3,796
Share of profit of joint ventures/associate (net)			3,492	882
Finance costs			(2,615)	(1,888)
Profit before income tax			8,636	6,656
Income tax			(889)	(348)
Profit for the year			7,747	6,308

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

32. Operating segment information (cont'd)

Consolidated revenue of \$236,342,000 (2014: \$163,917,000) after elimination of inter-segmental sales comprise revenue from construction segment of \$172,035,000 (2014: \$92,619,000), precast segment of \$59,313,000 (2014: \$63,760,000), property segment of nil (2014: nil) and electric power generation segment of \$4,994,000 (2014: \$7,538,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Performance is measured based on segment results before allocation of other income, share of results of joint ventures and associate, finance costs and income tax expense, as included in internal management reports. Segment results are used by management for the purposes of resource allocation and assessment of segment performance.

Segment assets

	Group	
	2015	2014
	\$'000	\$'000
Construction	160,115	92,979
Precast	56,744	48,411
Property	21,960	20,722
Electric Power Generation	28,057	32,022
	<hr/>	<hr/>
Elimination	266,876 (38,225)	194,134 (25,164)
	<hr/>	<hr/>
Total segment assets	228,651	168,970
Unallocated corporate assets	2,207	2,888
	<hr/>	<hr/>
Total assets	230,858	171,858

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

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

32. Operating segment information (cont'd)

Other segment information

	Depreciation		Additions to property, plant and equipment	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Construction	9,855	4,444	53,927	3,569
Precast	2,741	3,725	954	3,835
Property	—	—	—	—
Electric Power Generation	3,023	1,372	18	27
	15,619	9,541	54,899	7,431

The Construction segment includes reversal of provision for foreseeable losses amounting to \$75,000 (2014: \$111,000).

The Precast segment includes inventories written down amounting to \$831,000 (2014: \$1,078,000).

The Precast segment includes allowance for doubtful debts (net) amounting to nil (2014: reversal of allowance \$113,000).

The Precast segment includes a write-down of assets under construction amounting to \$77,000 (2014: nil).

The Construction and Precast segments include investments in joint ventures and associates amounting to \$4,971,000 (2014: \$1,332,000).

The Property segment includes a write-down of \$86,000 (2014: nil) on its properties held for development.

The Electric Power Generation segment includes an impairment loss of \$3,536,000 (2014: nil) to write-down the carrying amount of goodwill.

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	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore	229,695	154,913	80,530	38,412
Australia	4,994	7,538	23,380	27,603
Malaysia	1,653	1,466	14,264	16,393
Total	236,342	163,917	118,174	82,408

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

32. Operating segment information (cont'd)

Non-current assets information presented above consist of properties held for development, associates, joint ventures, property, plant and equipment and goodwill as presented in the consolidated balance sheets.

Information about major customer

Revenue from two major customers amount to \$149,210,000 (2014: \$70,580,000) arising from sales by the construction and precast segments.

33. Bank guarantees, performance bonds and commitments

As at 31 December 2015, the Company has provided corporate guarantees totalling \$112,900,000 (2014: \$82,604,000) and \$1,282,000 (2014: \$1,596,000) to financial institutions in respect of credit facilities utilised by the subsidiaries and a joint venture respectively.

34. Operating lease arrangements – as lessee

	Group	
	2015	2014
	\$'000	\$'000
Minimum lease payments under operating leases recognised as an expense in the year	2,682	2,970

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group	
	2015	2014
	\$'000	\$'000
Within one year	3,517	2,094
In the second to fifth year inclusive	2,522	3,368
In the sixth to tenth year inclusive	684	1,098
	<u>6,723</u>	<u>6,560</u>

Operating lease payments represent rentals payable by the Group for rental of office, equipment, yard premises and accommodation. Leases are negotiated for an average term of 3 years (2014: 3 years).

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
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35. Categories of financial instruments

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial assets:				
<u>Fair value through profit or loss</u>				
- Held for trading investments	30	36	-	-
<u>At cost less impairment</u>				
- Convertible loan receivable	-	661	-	661
<u>Loans and receivables</u>				
- Trade receivables	44,954	44,117	-	-
- Other receivables (excluding prepayments, tax recoverable, sales tax receivable and convertible loan receivable)	7,156	7,651	9,090	8,785
- Pledged fixed deposits	194	800	-	-
- Cash and cash equivalents	26,702	17,094	190	449
	79,006	69,662	9,280	9,234
<u>Available-for-sale financial assets</u>				
- Available-for-sale investments	-	731	-	731
Total financial assets	79,036	71,090	9,280	10,626
Financial liabilities:				
<u>Financial liabilities at amortised cost</u>				
- Bank loans and bills payable	36,806	30,580	-	-
- Trade payables	54,690	44,409	-	-
- Other payables (excluding advance from customers and sales tax payable)	10,863	10,051	16,516	16,654
	102,359	85,040	16,516	16,654
Finance leases	52,817	23,697	54	155
Total financial liabilities	155,176	108,737	16,570	16,809

36. 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 in 2014 and 2015.

(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 financial year:

	Group 2015 \$'000			
	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
<i>Assets measured at fair value</i>				
Financial assets:				
<u>Held for trading</u>				
<u>financial assets (Note 16)</u>				
- Quoted equity instruments	30	–	–	30

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2015

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

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

	Group 2014 \$'000			
	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>Held for trading</u>				
<u>financial assets (Note 16)</u>				
- Quoted equity instruments	36	-	-	36
<u>Available-for-sale</u>				
<u>financial assets (Note 22)</u>				
- Quoted equity instruments	731	-	-	731

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not the reasonable approximation of fair values are as follows:

	Group 2015 \$'000		Group 2014 \$'000	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
Financial assets				
Unquoted equity investments (i)	-	-	-	-
Financial liabilities				
Finance leases (non-current) (ii)	(40,710)	(33,698)	(8,681)	(8,260)
Bank loans (non-current), fixed rate (ii)	(3,520)	(3,572)	(5,607)	(5,551)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

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

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)*

- (i) Unquoted equity investment represents 50% (2014: 50%) of total ordinary shares in Koon-Zinkon Pte Ltd which has been fully impaired in prior years.
- (ii) The fair value of finance lease liabilities and interest-bearing bank loans with fixed interest rates are determined using discounted future principal and interest at the market interest rate at the end of the reporting period. The estimated future cash flows are projected based on management's best estimates.

(d) *Fair value of convertible loan receivable*

Included in other receivables (Note 13) was a convertible loan receivable amounting to \$661,000 as at 31 December 2014. The convertible loan receivable was carried at cost less impairment because its fair value could not be reliably determined. The variability in the range of reasonable fair value estimates was significant and the probabilities of the various estimates within the range of reasonable inputs were not sufficiently reliable to determine its fair value.

37. Financial risks management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

37. Financial risks management objectives and policies (cont'd)

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- A nominal amount of \$1,282,000 (2014: \$1,596,000) relating to a corporate guarantee provided by the Company to the financial institution in respect of credit facilities utilised by a joint venture.

Credit risk concentration profile

Concentration of credit risk exists when economic, industry or geographical factors similarly affect the Group's counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group's customers are mainly located in Singapore. The Group has significant concentration of credit risk in that its top 5 debtors accounted for \$36,825,000 (2014: \$36,201,000) or 82% (2014: 82%) of the net trade receivables balance at year end.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade receivables).

37. Financial risks management objectives and policies (cont'd)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. Future routine working capital requirements are expected to be funded with cash and cash equivalents, internally generated cash flows and several credit lines to draw on for routine working capital requirements.

Credit lines are reviewed with providers of credit facilities from time to time. Based on these evaluations, management expects that there will be sufficient liquidity for the Group's operations in the next financial year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

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37. Financial risks management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
Group				
2015				
Financial assets:				
Held for trading investments	30	–	–	30
Trade receivables	44,954	–	–	44,954
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	7,040	116	–	7,156
Pledged fixed deposits	194	–	–	194
Cash and cash equivalents	26,702	–	–	26,702
Total undiscounted financial assets	78,920	116	–	79,036
Financial liabilities:				
Bank loans and bills payable	31,689	5,728	–	37,417
Trade payables	54,690	–	–	54,690
Other payables (excluding advance from customers and sales tax payable)	10,773	90	–	10,863
Finance leases	13,636	42,891	–	56,527
Total undiscounted financial liabilities	110,788	48,709	–	159,497
Total net undiscounted financial liabilities	(31,868)	(48,593)	–	(80,461)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
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37. Financial risks management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
2014				
Financial assets:				
Held for trading investments	36	–	–	36
Trade receivables	44,117	–	–	44,117
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	8,073	239	–	8,312
Pledged fixed deposits	800	–	–	800
Cash and cash equivalents	17,094	–	–	17,094
Available-for-sale investments	–	731	–	731
Total undiscounted financial assets	70,120	970	–	71,090
Financial liabilities:				
Bank loans and bills payable	22,074	9,226	–	31,300
Trade payables	44,409	–	–	44,409
Other payables (excluding advance from customers and sales tax payable)	9,962	89	–	10,051
Finance leases	15,943	9,007	–	24,950
Total undiscounted financial liabilities	92,388	18,322	–	110,710
Total net undiscounted financial liabilities	(22,268)	(17,352)	–	(39,620)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
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37. Financial risks management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
Company				
2015				
Financial assets:				
Other receivables (excluding prepayments)	9,090	–	–	9,090
Cash and cash equivalents	190	–	–	190
Total undiscounted financial assets	9,280	–	–	9,280
Financial liabilities:				
Other payables (excluding sales tax payable)	16,516	–	–	16,516
Finance leases	19	39	–	58
Total undiscounted financial liabilities	16,535	39	–	16,574
Total net undiscounted financial liabilities	(7,255)	(39)	–	(7,294)
2014				
Financial assets:				
Other receivables (excluding prepayments)	9,446	–	–	9,446
Cash and cash equivalents	449	–	–	449
Available-for-sale investments	–	731	–	731
Total undiscounted financial assets	9,895	731	–	10,626
Financial liabilities:				
Other payables (excluding sales tax payable)	16,654	–	–	16,654
Finance leases	60	106	–	166
Total undiscounted financial liabilities	16,714	106	–	16,820
Total net undiscounted financial (liabilities)/assets	(6,819)	625	–	(6,194)

37. Financial risks management objectives and policies (cont'd)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Interest-yielding financial assets are mainly bank balances, fixed deposit and loan to investee company. The interest rates for finance leases, loan to investee company and certain bank loans are fixed on the date of inception. Any variation in the short-term interest rates will not have a material impact on the results of the Group.

The Group is exposed to the effect of changes of interest rates on bank borrowings and bills payable totalling \$30,892,000 (2014: \$24,153,000). Management has assessed that the effect of any reasonably possible changes in interest rates will not have a significant impact on the Group's operating results.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 1% (2014: 1%) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been \$309,000 (2014: \$242,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) *Foreign exchange risk*

The activities of the Company and the subsidiaries are mainly conducted in the functional currencies of the respective entities. Management considers the Group's exposure to foreign exchange risk to be low.

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on SGX-ST and ASX in Singapore and Australia respectively are classified as held for trading or available-for-sale financial assets. Management considers the Group's exposure to equity price risk to be low. The Group does not have exposure to commodity price risk.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2015

38. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of relative proportions of debt and equity.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital includes equity attributable to the owners of the Company excluding the fair value adjustment reserve.

The Group is in compliance with externally imposed financial covenants as at 31 December 2015 and 31 December 2014.

	Group	
	2015	2014
	\$'000	\$'000
Bank loans and borrowings	89,623	54,277
Less: Cash and bank balances (Note 11)	(26,896)	(17,894)
Net debt	62,727	36,383
Equity attributable to the owners of the Company	57,786	52,083
Add: Fair value adjustment reserve	–	212
Total capital	57,786	52,295
Net gearing ratio	109%	70%

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2015**

39. Dividends

	Group	
	2015	2014
	\$'000	\$'000
Proposed but not recognised as a liability as at 31 December:		
<i>Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:</i>		
- Final exempt (one-tier) dividend for 2015: 0.50 cents (2014: nil cents) per share	1,315	–

40. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 21 March 2016.