KOON HOLDINGS LIMITED
AND ITS SUBSIDIARIES
(Registration No. 200303284M)

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

KOON HOLDINGS LIMITED
AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

CONTENTS

KOON HOLDINGS LIMITED
AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2013.

1 DIRECTORS

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

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

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in name of director		
Name of directors and companies in which interests are held	At beginning of year	At end of year	At January 21, 2014
Koon Holdings Limited (Ordinary shares)			
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	10,139,996	10,159,996	10,159,996
Oh Koon Sun	7,185,378	7,205,378	7,205,378
Christopher Chong Meng Tak	160,000	160,000	160,000

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.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

5 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 October 12, 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).

5 EMPLOYEE PERFORMANCE SHARE PLAN (cont'd)

(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.

(3) Selection of Participants

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

Christopher Chong Meng Tak - 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.

5 EMPLOYEE PERFORMANCE SHARE PLAN (cont'd)

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%.

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.

5 EMPLOYEE PERFORMANCE SHARE PLAN (cont'd)

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.

(b) In 2010, the Remuneration Committee approved the grant of awards comprising 330,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of three years starting 2011.

In 2011, the Remuneration Committee approved the grant of awards comprising 360,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of two years starting 2013. During the year, 75,000 shares (2012 : 30,000 shares) were forfeited due to the resignation of employees.

During the year, 275,000 (2012 : $110,000) ordinary shares have been issued pursuant to the Koon EPSP.

Accumulated shares awarded were as follows:

	Number of shares			
	Not issued		Issued	
	2013	2012	2013	2012
Directors:				
Tan Thiam Hee				
(resigned on July 31, 2013)	-	30,000	140,000	110,000
Oh Koon Sun	-	20,000	104,000	84,000
Oh Keng Lim	-	20,000	100,000	80,000
	-	70,000	344,000	274,000

5 EMPLOYEE PERFORMANCE SHARE PLAN (cont'd)

	Number of shares			
	Not issued		Issued	
	2013	2012	2013	2012
Other members of key management	15,000	165,000	365,000	260,000
Other employees	75,000	205,000	780,000	680,000
Total number of shares granted under the Koon EPSP	90,000	440,000	1,489,000	1,214,000

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

6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Christopher Chong Meng Tak and includes Glenda Mary Sorrell-Saunders and Ang Ah Nui. Christopher Chong Meng Tak and Glenda Mary Sorrell-Saunders are independent directors. The Audit Committee has met five times in 2013 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;

(d) the statement of financial position 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.

6 AUDIT COMMITTEE (cont'd)

The Audit 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 Committee.

ON BEHALF OF THE DIRECTORS

....
Yuen Kai Wing

....
Oh Koon Sun

March 21, 2014

KOON HOLDINGS LIMITED
AND ITS SUBSIDIARIES

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 11 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....
Yuen Kai Wing

....
Oh Koon Sun

March 21, 2014

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INDEPENDENT AUDITORS' 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 (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 11 to 98.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

Deloitte & Touche LLP (Unique Entity No. T08LL0721A) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A).

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

KOON HOLDINGS LIMITED

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

Wong - Yeo Siew Eng
Partner
Appointed on May 14, 2013

March 21, 2014

KOON HOLDINGS LIMITED
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
December 31, 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	21,788	18,543	355	2,275
Pledged fixed deposits	6	2,560	3,885	-	-
Trade receivables	7	43,105	58,086	-	-
Other receivables	8	4,637	6,759	8,790	15,151
Inventories	9	10,881	14,120	-	-
Contract work-in-progress	10	10,870	20,949	-	-
Held for trading investments	11	33	23	-	-
Total current assets		93,874	122,365	9,145	17,426
Non-current assets					
Other receivables	8	351	8,384	-	1,500
Properties held for development	12	17,183	16,973	-	-
Subsidiaries	13	-	-	59,302	56,802
Associate	14	*	*	-	-
Joint ventures	15	-	-	-	-
Property, plant and equipment	16	65,128	76,077	388	483
Available-for-sale investments	17	538	150	538	-
Goodwill on consolidation	18	3,536	5,438	-	-
Deferred income tax	24	225	3,188	-	-
Total non-current assets		86,961	110,210	60,228	58,785
Total assets		180,835	232,575	69,373	76,211

KOON HOLDINGS LIMITED
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STATEMENTS OF FINANCIAL POSITION (cont'd)
December 31, 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Current portion of long-term bank loans and bills payable	19	20,575	26,266	-	-
Trade payables	20	51,786	71,706	-	-
Provision for loss on sales commitments	21	600	600	-	-
Other payables	22	11,935	15,461	13,146	18,809
Contract work-in-progress	10	765	1,164	-	-
Current portion of finance leases	23	7,841	5,504	51	80
Income tax payable		245	606	-	6
Total current liabilities		93,747	121,307	13,197	18,895
Non-current liabilities					
Long-term bank loans	19	10,810	7,749	-	-
Finance leases	23	20,467	25,348	156	201
Other payables	22	2,500	93	2,500	-
Deferred income tax	24	1,531	2,049	-	-
Total non-current liabilities		35,308	35,239	2,656	201
Capital and reserves					
Share capital	25	25,433	25,373	25,433	25,373
Capital reserve	26	8,663	13,305	13,006	13,006
Fair value reserve		(405)	-	(405)	-
Accumulated profits		15,646	31,230	15,486	18,736
Translation reserve		(1,950)	(523)	-	-
Equity attributable to owners of the Company		47,387	69,385	53,520	57,115
Non-controlling interests		4,393	6,644	-	-
Total equity		51,780	76,029	53,520	57,115
Total liabilities and equity		180,835	232,575	69,373	76,211

* Less than $1,000

See accompanying notes to financial statements.

KOON HOLDINGS LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended December 31, 2013

	Note	2013 $'000	2012 $'000
Continuing operations:			
Revenue	27	219,961	187,599
Cost of sales		(207,385)	(171,220)
Gross profit		12,576	16,379
Other income	28	1,944	2,258
Distribution costs		(3,633)	(3,150)
Administrative and other operating expenses		(18,590)	(17,679)
Finance costs	29	(2,530)	(1,493)
Share of loss of associate		-	(76)
Share of profit of joint ventures	15	230	-
Loss before income tax	30	(10,003)	(3,761)
Income tax	31	(2,266)	2,519
Loss for the year from continuing operations		(12,269)	(1,242)
Discontinued operation:			
Profit for the year from discontinued operation	35	1,062	1,265
(Loss) Profit for the year		(11,207)	23

KOON HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)
Year ended December 31, 2013

	Note	2013 $'000	2012 $'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Fair value loss on available for sale investments		(405)	-
Exchange loss on translation of foreign operation, net of tax		(1,949)	(672)
Other comprehensive loss, net of tax		(2,354)	(672)
Total comprehensive loss for the year		(13,561)	(649)
(Loss) Profit for the year attributable to:			
Owners of the Company		(10,209)	46
Non-controlling interests		(998)	(23)
		(11,207)	23
Total comprehensive loss attributable to:			
Owners of the Company		(12,041)	(416)
Non-controlling interests		(1,520)	(233)
		(13,561)	(649)
(Loss) Earnings per share (cents):	32		
From continuing and discontinued operations:			
- Basic		(3.88)	0.03
- Diluted		(3.88)	0.03
From continuing operations:			
- Basic		(4.69)	(0.35)
- Diluted		(4.69)	(0.35)

See accompanying notes to financial statements.

KOON HOLDINGS LIMITED
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STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2013

	Share capital	Capital reserve	Fair value reserve	Accumulated profits	Translation reserve	Attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Balance at January 1, 2012	7,030	13,006	-	32,826	(61)	52,801	2,538	55,339
Total comprehensive income for the year								
Profit for the year	-	-	-	46	-	46	(23)	23
Other comprehensive loss for the year	-	-	-	-	(462)	(462)	(210)	(672)
Total	-	-	-	46	(462)	(416)	(233)	(649)
Transactions with owners, recognised directly in equity								
Issue of share capital (Note 25)	18,343	-	-	-	-	18,343	-	18,343
Share-based payment (Note 26)	-	283	-	-	-	283	114	397
Acquisition of subsidiaries (Note 34)	-	-	-	-	-	-	4,188	4,188
Dividends (Note 39)	-	-	-	(1,642)	-	(1,642)	-	(1,642)
Effects of dilution of interest in a subsidiary	-	16	-	-	-	16	37	53
Total	18,343	299	-	(1,642)	-	17,000	4,339	21,339
Balance at December 31, 2012	25,373	13,305	-	31,230	(523)	69,385	6,644	76,029
Total comprehensive income for the year								
Loss for the year	-	-	-	(10,209)	-	(10,209)	(998)	(11,207)
Other comprehensive loss for the year	-	-	(405)	-	(1,427)	(1,832)	(522)	(2,354)
Total	-	-	(405)	(10,209)	(1,427)	(12,041)	(1,520)	(13,561)
Transactions with owners, recognised directly in equity								
Issue of share capital (Note 25)	60	-	-	-	-	60	-	60
Acquisition of non-controlling interest	-	(4,626)	-	-	-	(4,626)	(874)	(5,500)
Disposal of subsidiaries (Note 35)	-	(16)	-	-	-	(16)	143	127
Dividends (Note 39)	-	-	-	(5,375)	-	(5,375)	-	(5,375)
Total	60	(4,642)	-	(5,375)	-	(9,957)	(731)	(10,688)
Balance at December 31, 2013	25,433	8,663	(405)	15,646	(1,950)	47,387	4,393	51,780

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STATEMENTS OF CHANGES IN EQUITY (cont'd)
Year ended December 31, 2013

	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total $'000
Company					
Balance at January 1, 2012	7,030	13,006	-	20,787	40,823
Loss for the year, representing total comprehensive loss for the year	-	-	-	(409)	(409)
Transactions with owners, recognised directly in equity					
Issue of share capital (Note 25)	18,343	-	-	-	18,343
Dividends (Note 39)	-	-	-	(1,642)	(1,642)
Total	18,343	-	-	(1,642)	16,701
Balance at December 31, 2012	25,373	13,006	-	18,736	57,115
Total comprehensive income for the year					
Profit for the year	-	-	-	2,125	2,125
Other comprehensive loss for the year	-	-	(405)	-	(405)
Total	-	-	(405)	2,125	1,720
Transactions with owners, recognised directly in equity					
Issue of share capital (Note 25)	60	-	-	-	60
Dividends (Note 39)	-	-	-	(5,375)	(5,375)
Total	60	-	-	(5,375)	(5,315)
Balance at December 31, 2013	25,433	13,006	(405)	15,486	53,520

See accompanying notes to financial statements.

KOON HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2013

	2013 $'000	2012 $'000
Operating activities		
Loss before income tax	(8,941)	(2,409)
Adjustments for:		
Depreciation expense	12,050	10,010
Provision for anticipated losses on projects	4,202	1,465
(Reversal of allowance) Allowance for doubtful receivables	(425)	2,242
Allowance for inventories	195	2,660
Provision for loss on sales commitment	-	600
Impairment loss on property, plant and equipment	-	147
Net loss on disposal of property, plant and equipment	778	621
Interest income	(653)	(740)
Interest expense	2,534	1,496
Fair value gain on held for trading investments	(10)	-
Gain on disposal of held for trading investments	-	(7)
Share-based payment expense	1,903	397
Share of loss of associate	-	76
Share of profit of joint ventures	(230)	-
Gain on disposal of subsidiaries	(3,159)	-
Gain on deemed disposal of previously held interest in associate	-	(561)
Operating cash flows before movements in working capital	8,244	15,997
Trade receivables	5,005	(24,950)
Other receivables	8,614	3,770
Contract work-in-progress	5,399	(14,722)
Inventories	3,025	(6,157)
Trade payables	(11,639)	15,495
Other payables	(1,893)	608
Cash generated from (used in) operations	16,755	(9,959)
Income tax (paid) refunded	(97)	617
Net cash from (used in) operating activities	16,658	(9,342)

KOON HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
Year ended December 31, 2013

	2013 $'000	2012 $'000
Investing activities		
Acquisition of subsidiaries	-	3,333
Disposal of subsidiaries	(410)	-
Deposit paid for acquisition of non-controlling interest (Note B)	-	(1,500)
Acquisition of non-controlling interest (Note B)	(1,500)	-
Acquisition of interest in joint venture	(108)	-
Proceeds on disposal of property, plant and equipment	2,845	720
Purchase of property, plant and equipment (Note C)	(1,815)	(16,134)
Purchase of properties held for development	(239)	(16,973)
Proceeds on disposal of held for trading investment	-	20
Dilution of equity shares	-	37
Loan to investee company	-	(598)
Interest received	653	308
Net cash used in investing activities	(574)	(30,787)
Financing activities		
Issue of share capital	-	18,343
Advance from non-controlling interest	-	1,400
Repayment of obligations under finance lease (Note C)	(7,351)	(2,549)
Proceeds from bank loans	9,800	15,889
Repayment of bank loans	(2,669)	(7,295)
Proceeds from bills payable	49,354	64,196
Repayment of bills payable	(58,831)	(48,832)
Interest paid	(2,534)	(1,496)
Decrease in pledged fixed deposits	1,325	544
Dividend paid	(1,315)	(1,642)
Net cash (used in) from financing activities	(12,221)	38,558
Net increase (decrease) in cash and cash equivalents	3,863	(1,571)
Cash and cash equivalents at beginning of year	18,543	19,620
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(618)	494
Cash and cash equivalents at end of year	21,788	18,543

KOON HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
Year ended December 31, 2013

Note A

The consolidated statement of cash flows includes cash flows from continued and discontinued operations.

Note B

During the year, the Group acquired non-controlling interest in subsidiaries for a consideration of $5,500,000 of which $1,500,000 was deposited as at December 31, 2012, $1,500,000 was paid in 2013 and $2,500,000 remains unpaid as at December 31, 2013.

Note C

During the year, the Group acquired property, plant and equipment with an aggregate cost of $9,136,000 (2012 : $39,135,000) of which $7,321,000 (2012 : $23,001,000) was acquired under finance lease arrangement. Cash payment of $1,815,000 (2012 : $16,134,000) was made for the purchase of property, plant and equipment.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200303284M) is incorporated in Singapore with its registered office and principal place of business at 11 Sixth Lok Yang Road, Singapore 628109. The Company is listed on the Australian Stock Exchange 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 13 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2013 were authorised for issue by the Board of Directors on March 21, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in accounting policies note below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2013, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to FRS 1 Presentation of Items of Other Comprehensive Income retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statements of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to FRS 107 *Disclosures - Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to FRS 107 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to FRS 107 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 113 Fair Value Measurement

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the Group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

At the date of authorisation of these financial statements, the following FRS and amendments to FRS that are relevant to the Group were issued but not effective:

- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 36 *Impairment of Assets*
- FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*
- FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures*

Consequential amendments were also made to various standards as a result of the new standard/revised standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial application except for the following:

Amendments to FRS 32 *Financial Instruments: Presentation*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

Management does not anticipate that the application of these amendments to FRS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to FRS 36 *Impairment of Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

The amendments to FRS 36 are effective for annual periods beginning on or after 1 January 2014.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 110 *Consolidated Financial Statements* and FRS *27 Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation -Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after 1 January 2014, with full retrospective application.

Management does not anticipate that the adoption of FRS 110 and FRS 27 to have a material impact to the Group's consolidated financial statements. Management will perform a more detailed review to quantify the impact on application of FRS 110 and FRS 27.

FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.*

FRS 111 classifies joint arrangements either as joint operations or joint ventures based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

The joint venturer should use the equity method under the revised FRS 28 Investments in Associates and Joint Ventures to account for a joint venture. The option to use proportionate consolidation method has been removed. For joint operations, the Group directly recognises its rights to the assets, liabilities, revenues and expenses of the investee in accordance with applicable FRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 111 will take effect from financial years beginning on or after 1 January 2014, with full retrospective application.

When the Group adopts FRS 111, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. For arrangements that are joint ventures and were previously proportionately consolidated as jointly controlled entities, the Group will have to adopt equity accounting.

Management does not anticipate that the adoption of FRS 111 and FRS 28 to have a material impact to the Group's consolidated financial statements. Management will perform a more detailed review to quantify the impact on application of FRS 111 and FRS 28.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries, associates and joint venture are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - The accounting treatment adopted for subsidiaries acquired pursuant to the Restructuring Exercise is described in Note 26 to the financial statements. Other than the effect of the Restructuring Exercise, the acquisition of subsidiaries is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquire, and equity interest issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 3. Where reliable fair value estimates are not available, these investments are stated at cost less any impairment losses. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been incurred principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 Financial instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 3 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to insignificant changes in fair value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 Financial instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4 to the financial statements.

Other financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest-bearing bank loans and bills payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described below.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

CONSTRUCTION CONTRACTS - Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT - Leasehold building for production, rental or administrative purposes, are carried at cost, less depreciation and any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is stated at cost, except in the case where an impairment is deemed to have occurred. Loss on the impairment is recognised in profit or loss. Other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land and capital work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	-	3.3%
Leasehold buildings	-	7% (over the terms of lease)
Leasehold improvements	-	10% or over leasehold period (if shorter)
Plant and machinery	-	10% to 20%
Barges and tugboats	-	6.7%
Dump trucks and motor vehicles	-	10%
Office equipment, furniture and fittings	-	10% to 33%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

PROPERTIES HELD FOR DEVELOPMENT- Properties held for development are stated at the lower of cost and estimated net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cost comprises costs that relate directly to the development, such as acquisition costs, and related costs that are attributable to development activities and can be allocated to the development project, including attributable borrowings costs (see accounting policy for borrowing costs below).

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INTERESTS IN JOINT VENTURE - A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in joint venture are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provision for losses on sales commitments represents the estimated losses arising from the difference between the committed selling price and estimated cost of sales for the unfulfilled sales quantities committed at the end of the reporting period.

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.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Long-term construction contracts

Revenue and profits from long-term construction contracts are recognised based on the percentage of completion as at the end of the reporting period by reference to the proportion of cost incurred to date in relation to the estimated total costs for the respective contracts, provided that the work is at least 20% completed and the outcome can be reliably estimated.

Provision is made in full for estimated losses on uncompleted contracts and liquidated damages in the year in which such losses are anticipated, regardless of the stage of completion of the contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Supply of services and personnel, including real estate brokerage services

Revenue from the supply of services and personnel is recognised when services are rendered.

Supply of machinery and equipment

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

Charter income

Charter income is recognised on a straight-line basis over the term of the charter agreement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'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.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

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

Dividend income

Dividend income is recognised when the shareholders' right to receive the payment have been established.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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.

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

(i) Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements, except for those relating to accounting estimates which are disclosed below.

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Revenue, cost and carrying amounts of contract work-in-progress

As described in Note 2 to the financial statements, revenue and costs associated with a project are recognised on a percentage completion basis referenced to the proportion of cost incurred to date relative to the estimated total costs for the respective contracts, provided that the work is at least 20% completed and the outcome can be reliably estimated. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately.

Estimates of total cost to complete the projects impact estimates of percentage completion; the percentage completion revenue (Note 27) and the cost of sales recognised in the profit or loss statement; and the carrying amount of contract work-in-progress (Note 10) which includes recognised profits and anticipated losses. These computations are based on the presumption that the outcome of a project can be estimated reliably. 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Recoverable amount of trade and other receivables

Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the receivables may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Any future change in such estimates will impact the carrying value of trade and other receivables and doubtful debt expense in the year in which the estimates change. The carrying amounts of the trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

(c) Allowance for inventories

Inventories are valued at the lower of the actual cost or net realisable value. Net realisable value is generally the merchandise's selling price, less costs to sell. Management reviews inventory levels and usage patterns in order to identify slow-moving and obsolete items and to identify those inventories which are impaired in value. The carrying amount of the inventories after write down is disclosed in Note 9 to the financial statements.

(d) Recoverable amounts of property, plant and equipment

Management reassesses the estimated useful lives and residual value of property, plant and equipment at the end of each reporting period.

Arising from the losses incurred by the construction and precast segments, management has evaluated the reasons for these losses, considered the future net cash flows from projects on hand and made assumptions relating to future projects. Such net cash flows were discounted to present value to estimate the recoverable amounts. Management has concluded that the carrying amount of property, plant and equipment can be recovered from future net cash flows.

Any significant future change in estimates of useful lives and residual values of the property plant and equipment and projected net cash flows of the cash generating units to which the property, plant and equipment belong may significantly impact the recoverable amounts of the property, plant and equipment. The carrying amount of property, plant and equipment is disclosed in Note 16 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(e) Recoverable amount of investment in subsidiaries by the Company

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of those investments. The value-in-use calculation requires management to project the future net cash flows expected from these investments and an appropriate discount rate in order to calculate the present value of the future cash flows. Management made assumptions regarding the future businesses of these subsidiaries taking into consideration prospects for the industry and are of the view that the investments in subsidiaries (Note 13) are recoverable.

(f) Recoverable amount of goodwill on consolidation

Determining whether goodwill on consolidation is impaired requires an estimation of the value in use of the cash-generating units to which such goodwill has been allocated. The value-in-use calculation requires the Group to project the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future net cash flows. Management made assumptions regarding the businesses of these cash-generating units taking into consideration prospects for the industry and are of the view that the carrying amount of goodwill in Note 18 is recoverable.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group does not use derivative financial instruments such as foreign exchange forward contracts to hedge certain exposures. The Group does not hold or issue derivative financial instruments for speculative purposes.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(a) *Categories of financial instruments*

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial assets				
Fair value through profit or loss (FVTPL):				
Held for trading	33	23	-	-
Loans and receivables (including cash and cash equivalents)	82,510	112,046	9,091	17,383
Available-for-sale financial assets	538	150	538	-
	83,081	112,219	9,629	17,383
Financial liabilities				
Borrowings and payables at amortised cost	125,914	152,127	15,853	19,090

(b) *Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements*

The Group and Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

(c) *Financial risk management policies and objectives*

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. Financial risk management covers market risk (including foreign exchange risk, interest rate risk and equity price risk), credit risk and liquidity risk.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages these risks with the exception of increased focus on the management of liquidity risk as discussed in Note 4(c)(v).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(i) Foreign exchange risk management

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

(ii) Interest rate risk management

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 payables totalling $29,433,000 (2012 : $31,099,000). 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 and consequently has not provided any analysis of sensitivity to changes in interest rates.

(iii) Equity price risk management

Equity investment held by the Group amounted to $571,000 (2012 : $173,000). Changes in prices of these equity investments will not have a significant impact on the operating results of the Group.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management annually.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

The Group's bank balances are placed with credit-worthy financial institutions.

Concentration of credit risk exists when economic, industry or geographical factors similarly affect Group 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 and Australia. The Group has significant concentration of credit risk in that its top 5 debtors accounted for $12,911,000 (2012 : $28,307,000) or 30% (2012 : 37%) of the gross trade receivables balance at year end.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

(v) Liquidity risk management

The Group had net current assets of $127,000 at December 31, 2013 (2012 : $1,058,000). During the year, positive operating cash flows before working capital changes was $8,244,000 (2012 : $15,997,000) and cash generated from operations after working capital changes was $16,755,000 (2012 : cash used in operations of $9,959,000). 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.

Management reviews the order book, evaluate business prospects, business plans and budgets and also reviews corresponding cash flow projections as part of liquidity management.

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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Group						
2013						
Non-interest bearing	-	66,221	-	-	-	66,221
Finance lease liability (fixed rate)	4.45	8,859	21,644	-	(2,195)	28,308
Bank loan (fixed rate)	4.50	1,397	649	-	(94)	1,952
Variable interest rate instruments	1.87	19,451	10,471	-	(489)	29,433
		95,928	32,764	-	(2,778)	125,914
2012						
Non-interest bearing	-	87,260	-	-	-	87,260
Finance lease liability (fixed rate)	6.81	7,382	28,539	-	(5,069)	30,852
Bank loan (fixed rate)	4.50	1,915	1,205	-	(204)	2,916
Variable interest rate instruments	1.77	23,913	6,850	904	(568)	31,099
		120,470	36,594	904	(5,841)	152,127

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Company						
2013						
Non-interest bearing	-	15,646	-	-	-	15,646
Finance lease liability (fixed rate)	4.00	58	166	-	(17)	207
		15,704	166	-	(17)	15,853
2012						
Non-interest bearing	-	18,809	-	-	-	18,809
Finance lease liability (fixed rate)	3.70	89	211	-	(19)	281
		18,898	211	-	(19)	19,090

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets, other than available-for-sale financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Group						
2013						
Non-interest bearing	-	79,983	-	-	-	79,983
Fixed deposits (fixed rate)	1.53	2,599	-	-	(39)	2,560
		82,582	-	-	(39)	82,543
2012						
Non-interest bearing	-	100,973	-	-	-	100,973
Fixed deposits (fixed rate)	3.35	4,490	-	-	(145)	4,345
Other fixed interest rate instruments	6.50	-	7,428	-	(677)	6,751
		105,463	7,428	-	(822)	112,069
Company						
2013						
Non-interest bearing	-	9,091	-	-	-	9,091
2012						
Non-interest bearing	-	17,383	-	-	-	17,383

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(vi) Fair value of financial assets and financial liabilities

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

Group

The held for trading investments of $33,000 (2012 : $23,000) disclosed in Note 11 and the available-for-sale investments of $538,000 (2012 : $Nil) disclosed in Note 17 are classified as level 1 instruments in the fair value hierarchy. The fair values are determined based on quoted bid prices in an active market.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy in 2012 and 2013.

Company

The available-for-sale investments of $538,000 (2012 : $Nil) disclosed in Note 17 are classified as level 1 instruments in the fair value hierarchy. The fair values are determined based on quoted bid prices in an active market.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy in 2012 and 2013.

(d) Capital risk management policies and objectives

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital, accumulated profits and other reserves. As a result of losses and asset impairment charges, a subsidiary's net equity falls short of the minimum equity specified in a financial covenant for an unsecured short term bank credit facility. Amounts owing to the bank are classified as current liabilities (Note 19).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Management has considered the overall level of several credit lines yet to be utilised and is satisfied that the credit lines are adequate for the Group's operations.

The Group's overall strategy remains unchanged from prior year.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free, repayable on demand and expected to be settled in cash unless stated otherwise.

During the year, the Group entered into the following transactions with parties related to a substantial shareholder of the Group:

	Group	
	2013	2012
	$'000	$'000
Other income	(1,434)	(364)
Secondment fees for a director	(348)	(87)
Rental income	(214)	(228)
Purchase of goods	2,536	-
Charter expenses	354	532
Rental expenses	87	218
Subcontract costs	-	29
Hire of equipment	42	-
Marine transport expenses	252	-
Agency fee charges	127	-
Other expenses	65	76

5 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	
	2013	2012
	$'000	$'000
Short-term benefits	2,504	2,392
Post-employment benefits	57	57
Share-based payment expense	5	20
	2,566	2,469

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

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at bank and on hand	21,788	18,083	355	2,275
Fixed deposits	2,560	4,345	-	-
	24,348	22,428	355	2,275
Less: Pledged fixed deposits	(2,560)	(3,885)	-	-
Cash and cash equivalents	21,788	18,543	355	2,275

The Group has certain fixed deposits amounting to $2,560,000 (2012 : $3,885,000) pledged to banks for bank loans facilities granted (see Notes 19 and 37). The pledged fixed deposits have an average tenure of approximately 145 days (2012 : approximately 80 days) and earn interest at average effective rate of 1.53% (2012 : 3.74%) per annum. Management expects the pledge on the fixed deposits to be discharged within the next twelve months. Accordingly, the pledged fixed deposits have been presented under current assets.

6 CASH AND CASH EQUIVALENTS (cont'd)

In 2012, other fixed deposits bore interest at an average effective rate of 0.05% per annum and for a tenure of approximately 92 days.

These fixed deposits are considered as cash and cash equivalents as management is of the view that these deposits may be withdrawn as and when required without having to incur penalty.

7 TRADE RECEIVABLES

	Group	
	2013	2012
	$'000	$'000
Outside parties	29,829	51,065
Retention monies receivable	4,163	3,528
Related parties (Note 5)	147	91
Unbilled receivables	10,783	5,644
Less: Allowance for doubtful debts	(1,817)	(2,242)
	43,105	58,086

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

Movements in allowance for doubtful debts:

	Group	
	2013	2012
	$'000	$'000
Balance at beginning of year	2,242	-
(Credit) Charge to profit or loss	(425)	2,242
Balance at end of year	1,817	2,242

The average credit period on the outstanding trade receivables is 30 days (2012 : 30 days). No interest is charged on trade receivables.

7 TRADE RECEIVABLES (cont'd)

Included in the Group's trade receivable balance are debtors with a carrying amount of $11,820,000 (2012 : $12,455,000) which are past due at the reporting date for which the Group has not provided for any impairment allowance. These overdue balances include $11,072,000 (2012 : $11,072,000), 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 20 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	
	2013	2012
	$'000	$'000
Not past due and not impaired	31,285	43,914
Past due but not impaired	11,820	12,455
	43,105	56,369
Impaired receivables - individually assessed	1,817	3,959
Less: Allowance for impairment	(1,817)	(2,242)
	-	1,717
Total trade receivables, net	43,105	58,086

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

3 months to 6 months	427	1,064
6 months to 12 months	6	319
12 months to 24 months	315	2,473
24 months to 36 months	11,072	8,599
	11,820	12,455

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 the doubtful receivables is necessary.

7 TRADE RECEIVABLES (cont'd)

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.

8 OTHER RECEIVABLES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Receivable for sale of property, plant and equipment	33	700	-	-
Deposit paid for acquisition of non-controlling interest	-	1,500	-	1,500
Other deposits	699	1,136		-
Prepayments	801	1,587	54	43
Loan to investee company (Note 17b)	-	6,751	-	-
Interest receivable on loan to investee company (Note 17b)	-	485	-	-
Advance to suppliers	-	1,473	-	-
Payment on behalf	1,314	-	-	-
Related parties (Note 5)	913	131	-	-
Subsidiaries (Note 13)	-	-	8,400	14,647
Others	1,228	1,380	481	461
Less: Allowance for doubtful receivables from a subsidiary	-	-	(145)	-
	4,988	15,143	8,790	16,651
Analysed as:				
Current	4,637	6,759	8,790	15,151
Non-current	351	8,384	-	1,500
	4,988	15,143	8,790	16,651

In 2012, loan to investee company was unsecured and bore fixed interest rate of 6.50% per annum.

In 2013, the Group disposed its interest in the GPS Alliance Holdings Limited and its subsidiaries (Note 35) and the loan was repaid.

9 INVENTORIES

	Group 2013	Group 2012
	$'000	$'000
Raw materials	3,715	5,912
Finished goods	7,166	8,208
	10,881	14,120

During the year, the write down of inventories to net realisable value amounted to $195,000 (2012 : $2,660,000).

10 CONTRACT WORK-IN-PROGRESS

	Group 2013	Group 2012
	$'000	$'000
Costs and recognised profit of uncompleted contracts in excess of related billings (included in current assets):		
Accumulated costs	376,163	305,228
Recognised profits	13,259	13,352
Anticipated loss	(151)	(287)
Accumulated billings	(378,401)	(297,344)
	10,870	20,949
Billings in excess of costs and recognised profit on uncompleted contracts (included in current liabilities):		
Accumulated billings	37,038	28,542
Recognised (profits) losses	1,939	(538)
Anticipated loss	82	110
Accumulated costs	(38,294)	(26,950)
	765	1,164

10 CONTRACT WORK-IN-PROGRESS (cont'd)

	Group	
	2013	2012
	$'000	$'000
Movements in provision for specific anticipated loss:		
Balance at beginning of year	397	1,046
Charge to profit or loss	4,202	1,465
Amount utilised	(4,366)	(2,114)
Balance at end of year	233	397

11 HELD FOR TRADING INVESTMENTS

	Group	
	2013	2012
	$'000	$'000
Quoted equity shares:		
At cost	80	80
Cumulative fair value adjustments	(47)	(57)
At fair value	33	23

Movements in cumulative fair value adjustments:

	2013	2012
Balance at beginning of year	57	80
Credit to profit or loss	(10)	-
Disposal	-	(23)
Balance at end of year	47	57

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity nor coupon rate. The fair value of these securities are based on the quoted closing market prices on the last market day of the financial year.

12 PROPERTIES HELD FOR DEVELOPMENT

Properties held for development mainly comprises vacant freehold land located in Malaysia which was acquired in 2012.

13 SUBSIDIARIES

	Company 2013 $'000	Company 2012 $'000
Unquoted equity shares, at cost	48,230	45,730
Deemed investment in subsidiary	17,000	17,000
Allowance for impairment loss	(5,928)	(5,928)
	59,302	56,802

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

Name of subsidiaries	Principal activity (Country of incorporation/operation)	Proportion of ownership interest/voting power held 2013 %	Proportion of ownership interest/voting power held 2012 %
Bukit Intan Pte Ltd [4]	Trading of precast components (Singapore)	100	-
Contech Precast Pte Ltd	Manufacturing and trading of precast components (Singapore)	100	75
Entire Engineering Pte Ltd	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte Ltd	Contractors for civil and engineering works (Singapore)	100	100
Econ Precast Pte Ltd	Manufacturing and trading of reinforced concrete piles and precast components and supply of high tensile deformed baseline rods (Singapore)	100	75
Econ Precast Sdn Bhd [2]	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	75

13 SUBSIDIARIES (cont'd)

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

Name of subsidiaries	Principal activity (Country of incorporation/operation)	Proportion of ownership interest/voting power held 2013 %	2012 %
GPS Alliance Holdings Limited [5] [8]	Investments holding (Australia)	-	-
GPS Alliance Holdings Pte Ltd [5]	Investment holding (Singapore)	-	51
Global Property Strategic Alliance Pte Ltd [5]	Provision of services as real-estate agency (Singapore)	-	51
GPS Alliance Home Solutions Pte Ltd [5]	Provision for home interior solutions (Singapore)	-	51
GPS Alliance IT Pte Ltd [5]	Provision of IT solutions and services (Singapore)	-	51
GPS Alliance Development & Investment Pte Ltd [5]	Provision of real estate consultancy and investment (Singapore)	-	51
GPS Alliance International Pte Ltd (formerly known as GPS Alliance Appraisals Pte Ltd [5]	Provision of services as real estate agency (Singapore)	-	51
GE Development Pte Ltd [5] [6]	Provision of business consultancy and property investments and development (Singapore)	-	26
Koon Construction & Transport Co. Pte Ltd	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Koon Construction & Transport Sdn. Bhd. [1]	Contractors for civil engineering and building works (Malaysia)	100	100

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activity (Country of incorporation/operation)	Proportion of ownership interest/voting power held 2013 %	2012 %
Koon Properties Pte Ltd	Provision of tugboats and barges services (Singapore)	100	100
Koon-Top Pave Joint Venture [3]	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Muse Living Pte Ltd [5] [7]	Wholesale of furniture, home furnishings and other household equipment (Singapore)	-	43
Metro Coast Sdn. Bhd. [3]	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd. [3]	Property development (Malaysia)	100	100
Triumph Heights Sdn. Bhd. [3]	Property development (Malaysia)	100	100
Tesla Holdings Pty Ltd [1]	Investment holding (Australia)	71	71
Tesla Corporation Pty Ltd [1]	Holding company for electric power generation business (Australia)	71	71
Tesla Corporation Management Pty Ltd [1]	Owns and operates power plant (Australia)	71	71
Tesla Northam Pty Ltd [1]	Owns and operates power plant (Australia)	71	71
Tesla Geraldton Pty Ltd [1]	Owns and operates power plant (Australia)	71	71
Tesla Kemerton Pty Ltd [1]	Owns and operates power plant (Australia)	71	71
Unison Progress Sdn. Bhd. [3]	Property development (Malaysia)	100	100

13 SUBSIDIARIES (cont'd)

Notes:

The above subsidiaries are audited by Deloitte & Touche LLP, Singapore other than those mentioned below.

(1) Audited by Overseas Practices of Deloitte Touche Tohmatsu.

(2) Audited by SJ Grant Thornton.

(3) Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

(4) Incorporated during the year.

(5) Disposed during the year (Note 35).

(6) This represents the effective equity interest held by the Group. The entity is a subsidiary of GPS Alliance Development & Investment Pte Ltd.

(7) This represents the effective equity interest held by the Group. The entity is a subsidiary of GPS Alliance Home Solutions Pte Ltd.

(8) The entity was incorporated as a subsidiary in 2013 and converted to an available-for-sale investment (Note 17) upon partial disposal of the equity stake by the Group during the year (Note 35).

14 ASSOCIATE

	Group	
	2013	2012
	$'000	$'000
Unquoted ordinary equity shares, at cost	*	*

* Less than $1,000.

14 ASSOCIATE (cont'd)

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

Name of associate	Place of incorporation and operation	Proportion of ownership interest/voting power held		Principal activity
		2013	2012	
		%	%	
Mesco Sdn Bhd	Brunei	50	50	Dormant

15 JOINT VENTURES

	Group	
	2013	2012
	$'000	$'000
Unquoted ordinary equity shares, at cost	108	-
Share of profit	230	-
Cash received	(483)	-
	(145)	-
Analysed as:		
Joint ventures	-	-
Other payable (Note 22)	(145)	-
Total	(145)	-

The Group's share of loss of $253,000 of Sindo-Econ Pte Ltd and its subsidiary, PT Sindomas Precas exceeds the Group's interest in this joint venture of $108,000. The Group has obligations in respect of these losses and the excess of $145,000 is recognised as a liability.

15 JOINT VENTURES (cont'd)

Details of the joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Place of incorporation and operation	Proportion of ownership interest/voting power held 2013 %	2012 %	Principal activity
Penta-Ocean/Hyundai/ Koon Joint Venture	Singapore	20	20	Contractors for civil engineering and building work
Sindo-Econ Pte Ltd	Singapore	50	-	Provision of management and consultancy services
PT Sindomas Precas	Indonesia	50	-	Manufacture of reinforced concrete piles and precast components

Summarised financial information in respect of the Group's joint ventures is set out below:

	Group 2013 $'000	2012 $'000
Statement of financial position		
Total assets	3,810	-
Total liabilities	(4,100)	-
Net liabilities	(290)	-
Group's share of joint ventures' net liabilities	(145)	-
Statement of comprehensive income		
Revenue	7,462	-
Profit for the year	1,909	-
Group's share of joint venture's profit for the year	230	-

16 PROPERTY, PLANT AND EQUIPMENT

Group	Capital work-in-progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Barges and tugboats $'000	Dump trucks and motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost:										
At January 1, 2012	1,322	859	955	630	521	25,931	1,390	3,738	1,491	36,837
Additions	13,013	-	165	-	64	22,121	-	2,761	1,011	39,135
Acquired on acquisition of subsidiaries (Note 34)	15,369	1,307	-	-	-	8,144	-	-	34	24,854
Disposals	-	-	-	-	-	(4,279)	-	(310)	(100)	(4,689)
Transfer	(20,151)	-	-	-	-	20,151	-	-	-	-
Exchange difference	-	(175)	(9)	-	-	(1,235)	-	-	(2)	(1,421)
At December 31, 2012	9,553	1,991	1,111	630	585	70,833	1,390	6,189	2,434	94,716
Additions	546	-	18	61	184	7,590	-	385	352	9,136
Disposals	(41)	-	-	-	(225)	(5,924)	-	(313)	(217)	(6,720)
Disposals of subsidiaries (Note 35)	-	-	-	-	(365)	-	-	-	(444)	(809)
Write-off	-	-	-	-	-	(1,792)	-	-	-	(1,792)
Transfer	(9,840)	-	-	9,315	525	-	-	-	-	-
Exchange difference	-	(127)	15	-	-	(3,895)	-	-	(2)	(4,009)
At December 31, 2013	218	1,864	1,144	10,006	704	66,812	1,390	6,261	2,123	90,522

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Capital work-in-progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Barges and tugboats $'000	Dump trucks and motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Accumulated depreciation:										
At January 1, 2012	-	-	44	198	86	7,513	352	2,169	792	11,154
Depreciation	-	-	37	156	156	8,529	199	559	374	10,010
Disposals	-	-	-	-	-	(2,373)	-	(257)	(18)	(2,648)
Exchange difference	-	-	-	-	-	(23)	-	-	(1)	(24)
At December 31, 2012	-	-	81	354	242	13,646	551	2,471	1,147	18,492
Depreciation	-	-	50	873	461	9,266	199	747	454	12,050
Disposals	-	-	-	-	(208)	(3,542)	-	(182)	(196)	(4,128)
Disposals of subsidiaries (Note 35)	-	-	-	-	(4)	-	-	-	(141)	(145)
Write-off	-	-	-	-	-	(761)	-	-	-	(761)
Exchange difference	-	-	4	-	-	(115)	-	-	(3)	(114)
At December 31, 2013	-	-	135	1,227	491	18,494	750	3,036	1,261	25,394
Impairment:										
Impairment recognised in 2012 and balance at December 31, 2012	-	-	-	-	147	-	-	-	-	147
Disposals of subsidiaries (Note 35)	-	-	-	-	(147)	-	-	-	-	(147)
At December 31, 2013	-	-	-	-	-	-	-	-	-	-
Carrying amount:										
At December 31, 2013	218	1,864	1,009	8,779	213	48,318	640	3,225	862	65,128
At December 31, 2012	9,553	1,991	1,030	276	196	57,187	839	3,718	1,287	76,077

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

In 2012, interest on bank loans amounting to $490,000 was capitalised.

Property, plant and equipment of the Group with carrying amount of $57,100,000 (2012 : $46,871,000) are pledged as securities for finance lease agreements and bank loans.

	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000
Company			
Cost:			
At January 1, 2012	514	139	653
Additions	260	1	261
At December 31, 2012	774	140	914
Additions	170	1	171
Disposal	(304)	(7)	(311)
At December 31, 2013	640	134	774
Accumulated depreciation:			
At January 1, 2012	162	118	280
Depreciation	142	9	151
At December 31, 2012	304	127	431
Depreciation	132	8	140
Disposal	(178)	(7)	(185)
At December 31, 2013	258	128	386
Carrying amount:			
At December 31, 2013	382	6	388
At December 31, 2012	470	13	483

Motor vehicles with carrying amount of $335,000 (2012 : $382,000) are pledged under finance lease agreement.

17 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost (a)	500	500	-	-
Less: Allowance for impairment loss	(500)	(500)	-	-
	-	-	-	-
Unquoted equity shares, at cost (b)	-	150	-	-
Quoted equity share at fair value (c)	538	-	538	-
Net	538	150	538	-

Movement in allowance for impairment loss:

Balance at beginning and end of year	500	500	-	-

(a) The investment in unquoted equity shares represents an investment in a company that is engaged in construction projects. Management has determined that the Group does not have significant influence over the investee.

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

(b) The investment in unquoted equity shares represents investment in a company that is engaged in property development. The investment was disposed during the year, through disposal of subsidiaries (Note 35).

(c) The investment in quoted equity shares represents investment in GPS Alliance Holdings Limited (Note 35). The fair value is determined based on the quoted price of the investee.

18 GOODWILL ON CONSOLIDATION

	Group	
	2013	2012
	$'000	$'000
Balance at beginning of year	5,438	1,902
Arising from acquisition of subsidiaries (Note 34)	-	3,536
Disposal during the year (Note 35)	(1,902)	-
Balance at end of year	3,536	5,438

Goodwill is allocated to cash generating units ("CGU") identified that are expected to benefit from the business combination. The carrying amounts of goodwill of each CGU are as follows:

	Group	
	2013	2012
	$'000	$'000
Property	-	1,902
Electric power generation	3,536	3,536
	3,536	5,438

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for the next 24 years (2012 : 25 years) using discount rate of 12.82% (2012 : 12.82%) being the CGU's internal rate of return and a growth rate of 5% per annum (2012 : 5% per annum).

Management estimates that any reasonable changes in the estimates and assumptions used in the discounted cash flow model would not change the conclusion on the goodwill impairment assessment.

19 BANK LOANS AND BILLS PAYABLE

	Group	
	2013 $'000	2012 $'000
Long-term bank loans and bills payable	31,385	34,015
Less: Current portion	(20,575)	(26,266)
Non-current portion	10,810	7,749

Bank loans and bills payable comprise:

Loan A	817	1,298
Loan B	1,135	1,618
Loan C	124	176
Loan D	641	869
Loan E	11	335
Loan F	5,578	6,717
Loan G	4,000	1,000
Loan H	5,800	-
Loan I	1,000	-
Bills payable	12,279	22,002
	31,385	34,015

Loan A bears fixed interest of 3.40 % per annum (2012 : 3.40% per annum). It is repayable in 48 monthly instalments commencing September 2011. The loan is secured by a charge over subsidiaries' plant and machinery and motor vehicle with a carrying amount of $216,000 (2012 : $514,000) as at the end of the reporting period.

Loan B bears fixed interest of 5.30% per annum (2012 : 5.30% per annum). It is repayable in 48 monthly instalments commencing December 2012 and June 2013. The loan is covered by a corporate guarantee of the Company.

Loan C is repayable in 96 monthly instalments commencing April 2008 and bears interest at the following rates:

(i) 1st year : 3.48% per annum;
(ii) 2nd year : 1.00% per annum below the bank's base lending rate; and
(iii) 3rd year onwards : 0.80% per annum above the bank's base lending rate.

19 BANK LOANS AND BILLS PAYABLE (cont'd)

The effective interest rate during the year is 7.40% per annum (2012 : 7.10% per annum). The loan is secured by way of first legal charge over a subsidiary's freehold land with a carrying amount of $859,000 (2012 : $859,000) and is guaranteed by another subsidiary.

Loan D is repayable in 48 monthly instalments commencing June 2012 and January 2013 and bears interest at 1.33% per annum below the bank's prevailing Enterprise Base Rate. The effective interest rate during the year is 3.27% per annum (2012 : 3.27% per annum). The loan is covered by a corporate guarantee of the Company.

Loan E bears effective interest of 8.36% per annum (2012 : 8.57% per annum). It is repayable in 72 monthly instalments commencing August 2011. The loan is used to finance the construction of the power plants in Australia. The loan is covered by a corporate guarantee from the Company and all assets under the Tesla group of companies (Note 13).

Loan F relates to a mortgage loan for the purchase of leasehold properties and is repayable in 72 monthly instalments commencing October 2012. The loan bears interest at the following rates:

(i) 1st year : 0.7% per annum above the prevailing 3-month SIBOR;
(ii) 2nd year : 0.9% per annum above the prevailing 3-month SIBOR; and
(iii) 3rd year onwards : 3% per annum above the prevailing 3-month SIBOR.

The effective interest during the year is 1.09% per annum (2012 : 1.09% per annum).

It is covered by a corporate guarantee from the Company and secured by a mortgage of a leasehold building with a carrying amount of $8,684,000 (2012 : capital work-in-progress with a carrying amount of $9,370,000).

Loan G bears effective interest rate of 1.90% (2012 : 1.55%) per annum during the year, unsecured and is repayable by January 21, 2014. The loan can be rolled over upon its maturity.

Loan H is repayable in 45 monthly instalments after 18 months from date of loan taken in June 2013 and bears interest at the following rates:

(i) 1st and 2nd year : 2.00% per annum
(ii) 3rd year onwards : 2.50% per annum

Loan I bears effective interest of 2.55% per annum and secured and is repayable by January 30, 2014. The loan can be rolled over upon its maturity.

Loan H and I are secured by the mortgage of the properties held for development with a carrying amount of $15,588,000 as at December 31, 2013.

19 BANK LOANS AND BILLS PAYABLE (cont'd)

Bills payable relates to import financing facility provided by banks. The facility limit is $48,500,000 (2012 : $51,200,000). The interest rate for credit advance range between 1.75% swap offer rate and 2.11% above swap offer rate (2012 : range between 1.77% swap offer rate and 2.40% above swap offer rate). The bills payable bears effective interest rate of 2.84% (2012 : 2.01%) per annum during the year. This facility is covered by a corporate guarantee from the Company.

The Group is in compliance with externally imposed capital requirements with the exception of a subsidiary whose net equity falls short of the minimum equity specified in a financial covenant of a bank. Bills payable to this bank as at December 31, 2013 amounted to $3,473,000 and are included in current liabilities.

20 TRADE PAYABLES

	Group	
	2013	2012
	$'000	$'000
Outside parties	50,111	71,552
Related parties (Note 5)	1,675	154
	51,786	71,706

Trade payables included $11,072,000 (2012 : $11,072,000) which will not be settled unless receivables for the same amount, included in trade receivables (Note 7), is received.

The average credit period on the outstanding trade payables is 60 days (2012 : 60 days). No interest is payable on overdue balances.

21 PROVISION FOR LOSS ON SALES COMMITMENTS

	Group	
	2013	2012
	$'000	$'000
At beginning of year	600	-
Charge to profit or loss	-	600
At end of year	600	600

21 PROVISION FOR LOSS ON SALES COMMITMENTS (cont'd)

The provision for losses on long term sales commitments represents management's estimation of the losses as a result of the difference between the committed selling price and estimated cost of sales for the unfulfilled sales quantities committed at the end of the reporting period. The estimated cost of sales is based on costing estimated by the production department.

22 OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Accrued expenses	2,335	5,071	768	718
Advance from investee company (Note 17a)	1,850	1,250	-	-
Advance from a non-controlling interest	-	1,400	-	-
Deposits received	3,658	4,070	26	24
Payable for acquisition of non-controlling interest of a subsidiary	2,500	-	2,500	-
Related parties (Note 5)	674	30	-	-
Subsidiaries (Note 13)	-	-	12,095	17,820
Joint Ventures (Note 15)	145	-	-	-
Others	3,273	3,733	257	247
	14,435	15,554	15,646	18,809
Analysed as:				
Current	11,935	15,461	13,146	18,809
Non-current	2,500	93	2,500	-
	14,435	15,554	15,646	18,809

The advances from investee company and non-controlling interest and the payables to subsidiaries (representing advance from subsidiaries) are unsecured, interest-free and repayable on demand.

The amount payable for acquisition of non-controlling interest of a subsidiary is due on April 1, 2015. In the event the Group fails to pay on due date, an interest capped at $150,000 will be charged for the period from April 2, 2014 to April 1, 2015.

23 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Group				
Amounts payable under finance leases:				
Within one year	8,859	7,458	7,841	5,504
In the second to fifth years inclusive	21,644	28,463	20,467	25,348
	30,503	35,921	28,308	30,852
Less: Future finance charges	(2,195)	(5,069)	N/A	N/A
Present value of lease obligations	28,308	30,852	28,308	30,852
Less: Amount due for settlement within 12 months			(7,841)	(5,504)
Amount due for settlement after 12 months			20,467	25,348
Company				
Amounts payable under finance leases:				
Within one year	58	89	51	80
In the second to fifth years inclusive	166	211	156	201
	224	300	207	281
Less: Future finance charges	(17)	(19)	N/A	N/A
Present value of lease obligations	207	281	207	281
Less: Amount due for settlement within 12 months			(51)	(80)
Amount due for settlement after 12 months			156	201

It is the Group's and Company's policy to lease certain of its plant and equipment under finance leases. All leases were on a fixed repayment basis and no arrangement had been entered into for contingent rental payments.

The fair value of the Group's and Company's lease obligations approximated their carrying amount.

23 FINANCE LEASES (cont'd)

The Group's and Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Group

The average lease term is 4 years (2012 : 4 years). The effective borrowing rates ranged between 2.41% and 5.85% (2012 : 2.50% and 8.54%) per annum. Interest rates are fixed at contract date, and thus expose the Group to fair value interest rate risk.

Company

The average lease term is 5 years (2012 : 5 years). The effective bearing rate is 4.00% (2012 : 3.70%) per annum. Interest rates are fixed at contract date and thus the Company is exposed to fair value interest rate risk.

24 DEFERRED INCOME TAX ASSETS (LIABILITIES)

	Group	
	2013	2012
	$'000	$'000
Deferred income tax assets	225	3,188
Deferred income tax liabilities	(1,531)	(2,049)
Net	(1,306)	1,139

24 DEFERRED INCOME TAX ASSETS (LIABILITIES) (cont'd)

The following are the major deferred tax (liabilities) assets 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	Provision for anticipated losses	R & D tax credit	Tax losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
At January 1, 2012	(567)	(936)	79	-	549	(875)
Credit (Charge) to profit or loss	180	(179)	(15)	-	2,240	2,226
Effects of amount transferred under Group Relief	-	-	-	-	(212)	(212)
At December 31, 2012	(387)	(1,115)	64	-	2,577	1,139
Credit (Charge) to profit or loss	85	(109)	-	223	107	306
Disposal of subsidiaries	-	(3)	-	-	-	(3)
Derecognition of deferred tax assets	-	-	(64)	-	(2,684)	(2,748)
At December 31, 2013	(302)	(1,227)	-	223	-	(1,306)

At the end of the year, undistributed earnings of foreign subsidiaries which would be subject to tax when distributed amounted to $2,039,000 (2012 : $423,000). 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.

25 SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of year	262,732,800	164,098,000	25,373	7,030
Issued during the year:				
Issue of shares pursuant to rights issue exercise, net of expense	-	98,524,800	-	18,318
Other shares issued	275,000	110,000	60	25
At end of year	263,007,800	262,732,800	25,433	25,373

25 SHARE CAPITAL (cont'd)

In 2012, the Company issued 98,524,800 ordinary shares at $0.19 each in connection with a rights issue. Share issue expenses incurred for the rights issue amounting to $402,000 were set off against share capital.

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.

In 2010, the Remuneration Committee approved the grant of awards comprising 330,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of three years starting from 2011.

In 2011, the Remuneration Committee approved the grant of awards comprising 360,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of two years starting from 2013.

In 2013, 275,000 (2012 : $110,000) ordinary shares were issued pursuant to the Koon EPSP. The shares were valued based on the five-day average prevailing share prices of $0.22 (2012 : $0.23) before the date of issue.

In 2013, 75,000 shares (2012 : 30,000 shares) were forfeited due to the resignation of employees.

Accumulated shares awarded were as follows:

	Number of shares			
	Not vested		Vested and issued	
	2013	2012	2013	2012
Directors	-	70,000	344,000	274,000
Other members of key management	15,000	165,000	365,000	260,000
Other employees	75,000	205,000	780,000	680,000
Total number of shares granted under the Koon EPSP	90,000	440,000	1,489,000	1,214,000

26 CAPITAL RESERVE

	Group	
	2013	2012
	$'000	$'000
Capital reserve arising from		
Restructuring exercise	13,006	13,006
Share-based payment	283	283
Acquisition of non-controlling interest in subsidiaries	(4,626)	-
Others	-	16
Net	8,663	13,305

Restructuring Exercise

On April 10, 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.

Share-based payment

The share-based payment relates to the issuance of 200,000 shares of a subsidiary, Tesla Holdings Pty Ltd ("Tesla"), to 3 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 interest in subsidiaries

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.

27 REVENUE

	Continuing operations		Discontinued operation		Group	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from contracts	145,123	94,559	-	-	145,123	94,559
Sale of goods	64,742	87,915	-	-	64,742	87,915
Real estate brokerage income	-	-	11,408	25,125	11,408	25,125
Power station capacity credits	9,077	3,392	-	-	9,077	3,392
Rental of equipment machinery and equipment	989	1,657	-	-	989	1,657
Rendering of services	30	76	-	-	30	76
	219,961	187,599	11,408	25,125	231,369	212,724

28 OTHER INCOME

	Continuing operations		Discontinued operation		Group	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Gain on deemed disposal of previously held interest in associate (Note 34)	-	561	-	-	-	561
Fair value gain on held for trading investments	10	-	-	-	10	-
Gain on disposal of held for trading investment	-	7	-	-	-	7
Rental income from leasehold properties	11	220	-	-	11	220
Rental income from office premises	-	-	-	218	-	218
Interest income:						
Loan to investee company	-	-	255	485	255	485
Fixed deposits	398	251	-	4	398	255
Sale of scrap	384	312	-	-	384	312
Foreign exchange gain - net	-	23	-	-	-	23
Liquidated damages	-	407	-	-	-	407
Diesel and fuel rebates	-	194	-	-	-	194
Reversal of allowance for doubtful receivables	425	-	-	-	425	-
Secondment fees for a director	348	87	-	-	348	87
Others	368	196	58	29	426	225
	1,944	2,258	313	736	2,257	2,994

29 FINANCE COSTS

	Continuing operations		Discontinued operation		Group	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Interest on:						
Bank loans and bills payables	1,674	712	-	-	1,674	712
Bank overdraft	-	-	3	2	3	2
Finance leases	856	781	1	1	857	782
	2,530	1,493	4	3	2,534	1,496

30 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging (crediting):

	Continuing operations		Discontinued operation		Group	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expense (including directors' remuneration)	34,423	25,189	1,124	2,006	35,547	27,195
Directors' remuneration:						
- directors of the Company	1,728	1,692	-	-	1,728	1,692
- directors of a subsidiary	-	49	267	480	267	529
Cost of defined contribution plans included in employee benefits expense	1,242	1,054	117	220	1,359	1,274
Audit fees:						
- paid to auditors of the Company	307	167	14	35	321	202
- paid to other auditors	10	52	-	-	10	52
Non-audit fees paid to auditors of the Company	73	64	-	-	73	64
Foreign exchange adjustment loss (gain)	*	(23)	*	-	*	(23)
Provision for anticipated losses (Note 10), included in cost of sales	4,202	1,465	-	-	4,202	1,465
Loss on disposal of property plant and equipment	778	621	-	-	778	621
Cost of inventories recognised as an expense	75,219	85,464	-	-	75,219	85,464

* Less than $1,000

31 INCOME TAX

	Continuing operations		Discontinued operation		Group	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Current tax	291	630	-	61	291	691
Overprovision of current tax in prior years	(467)	(897)	-	-	(467)	(897)
Deferred tax	(306)	(1,619)	-	26	(306)	(1,593)
Overprovision of deferred tax in prior years	-	(633)	-	-	-	(633)
Derecognition of deferred tax assets due to continued losses	2,748	-	-	-	2,748	-
Income tax for the year	2,266	(2,519)	-	87	2,266	(2,432)

Domestic income tax is calculated at 17% (2012 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax for the year can be reconciled to the accounting loss as follows:

	Group	
	2013	2012
	$'000	$'000
Loss before income tax	(8,941)	(2,409)
Tax expense at the statutory income tax rate of 17%	(1,520)	(410)
Tax effect of income not taxable and expenses not deductible - net	603	(408)
Tax effect of different tax rate of subsidiary operating in other jurisdiction	347	(17)
Tax effect of share of results of joint venture/associate	39	13
Overprovision in prior years - net	(467)	(1,530)
Derecognition of previously recognised deferred tax assets due to continued losses	2,748	-
Deferred tax benefit not recognised	435	56
Effect of partial tax exempt income	(10)	(73)
Others	91	(63)
Income tax for the year	2,266	(2,432)

31 INCOME TAX (cont'd)

The Group has tax loss carryforwards available for offsetting against future taxable income as follows:

	Group	
	2013	2012
	$'000	$'000
At beginning of year	1,777	1,447
Amount arising during the year	2,559	330
Derecognition of previously recognised deferred tax assets due to continued losses	15,788	-
At end of year	20,124	1,777
Deferred tax benefit on above not recorded	3,421	302

No deferred tax asset has been recognised in respect of the above tax loss carryforwards due to the unpredictability of future profit streams.

The realisation of the future income tax benefits from tax loss carryforwards is available for an unlimited future period subject to the conditions imposed by the relevant tax authorities.

32 EARNINGS PER SHARE

	2013	2012
From continuing and discontinued operations		
Loss from continuing operations (in $'000)	(12,342)	(610)
(Loss) Profit attributable to owners of the company (Note 35)	(1,026)	656
Gain on disposal of real estate agency operations (Note 35)	3,159	-
Profit from discontinued operation (in $'000)	2,133	656
(Loss) Profit for the year attributable to owners of the Company (in $'000)	(10,209)	46
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	262,996	172,418
Effect of dilutive potential ordinary shares:		
Employee performance share plan (in '000)	90	440
Weighted average number of ordinary shares for the purpose of Diluted earnings per share (in '000)	263,086	172,858

32 EARNINGS PER SHARE (cont'd)

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is 0.81 cents per share (2012 : 0.38 cents per share) and 0.81 cents per share (2012 : 0.38 cents per share) respectively, based on the profit from the year from the discontinued operation of $2,133,000 (2012 : $656,000) and the denominators detailed above for basic and diluted earnings per share.

33 ACQUISITION OF ASSETS

In 2012, the Group acquired the entire issued share capital of Metro Coast Sdn. Bhd., Triumph Heights Sdn. Bhd., Unison Progress Sdn. Bhd, and Seven Star Development Sdn. Bhd. (Note 13) which own the entire interest in four plots of land in Malaysia for a consideration of $16,973,000. The transaction was determined by management to be an acquisition of assets rather than a business combination as defined in FRS 103 *Business Combinations*.

The development activities have not commenced and the land acquired is recorded under properties held for development as at the end of the reporting period (Note 12).

34 ACQUISITION OF SUBSIDIARIES

On March 9, 2012, the Group's shareholding interest and voting power held in Tesla increased from 48.9% to approximately 71.2%, resulting in Tesla becoming a subsidiary of the Group.

The effective date of the completion of the acquisition, as determined by management, is March 9, 2012.

34 ACQUISITION OF SUBSIDIARIES (cont'd)

The net assets acquired in the transaction, and the goodwill arising in 2012 were as follows:

	Acquiree's carrying amount after combination
	$'000
Property, plant and equipment	24,854
Trade receivables	209
Other receivables	4,174
Cash and cash equivalents	1,902
Pledged deposits	4,359
Inventories	74
Trade payables	(14,885)
Other payables	(5,903)
Bank loans	(456)
Finance lease	(6,283)
Net assets acquired	8,045
Cash proceeds from new shares issued	6,685
Fair value of assets acquired	14,730

Total consideration for the acquisition

Non-controlling interest	4,188
Fair value of previously held interest	4,011
Conversion of preference shares	4,813
Cash consideration for subscription of new shares	5,254
	18,266

Goodwill arising on acquisition

Total consideration for the acquisition	18,266
Less: Fair value of the identified net assets acquired	(14,730)
Goodwill	3,536

Net cash inflow from acquisition

Cash consideration for subscription of new shares	(5,254)
Cash acquired and proceeds from new shares issued	8,587
	3,333

34 ACQUISITION OF SUBSIDIARIES (cont'd)

Previously held interest

The previously held equity interest of 48.9% and preference shares in Tesla were previously recorded as investment in associate. They were re-measured at fair values at the date of acquisition. The difference between the fair value of $8,824,000 and the carrying amount of $8,263,000 of the shares prior to the date of acquisition was $561,000. This was recognised as other income in 2012 (Note 28).

Non-controlling interest

The non-controlling interest recognised at the acquisition date has been measured at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

The fair values of the previously held interest on March 9, 2012 have been determined on the basis of valuations carried out by an independent valuer not connected with the Group, by using the Multi Period Excess Earning Method. The valuation conforms to International Valuation Standards.

Tesla contributed $3,392,000 to the Group's revenue and contributed a gain of $594,000 to the Group's loss after tax for the period between the date of acquisition and December 31, 2012.

If the acquisition had been completed on January 1, 2012, total Group's revenue would increase from $212,724,000 (Note 36) to $213,057,000 and profit for the year of $23,000 will increase by $8,000 to $31,000.

The related cost of acquisition was recognised as an expense in 2012.

35 DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

GPS Alliance Holdings Limited ("GPS Australia") was incorporated as a 51% held subsidiary in 2013. In March 2013, the Group, together with the minority shareholders carried out a share swap and shares in GPS Alliance Holdings Pte Ltd ("GPS Singapore") was transferred to GPS Australia in exchange for shares in GPS Australia. The exercise resulted in GPS Singapore becoming a wholly-owned subsidiary of GPS Australia.

35 DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (cont'd)

In April 2013, GPS Australia issued 7,446,460 new shares to the minority shareholders in recognition of the past services rendered by the minority shareholders to GPS Group.

On June 11, 2013, the Group distributed 17,093,960 shares in its subsidiary, GPS Australia to the shareholders as a dividend in specie (Note 39). This resulted in a loss of control in GPS Australia, classification of residual interest in GPS Australia as an available-for-sale investment (Note 17) and classification of the operations of the GPS Australia and its subsidiaries as a discontinued operation for the Group.

The results of discontinued real estate agency operation for the period from January 1, 2013 to June 10, 2013 and the year ended December 31, 2012 were as follows:

	June 10, 2013	December 31, 2012
	$'000	$'000
Discontinued operation:		
Revenue	11,408	25,125
Cost of sales	(9,573)	(20,906)
Gross profit	1,835	4,219
Other income	313	736
Administrative expense	(3,956)	(3,312)
Distribution costs	(285)	(288)
Finance costs	(4)	(3)
(Loss) Profit before income tax	(2,097)	1,352
Income tax	-	(87)
(Loss) Profit for the period, representing total comprehensive income for the period	(2,097)	1,265
(Loss) Profit for the period, representing total comprehensive income for the period attributable to:		
- Owners of the Company	(1,026)	656
- Non-controlling interests	(1,071)	609
	(2,097)	1,265

35 DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (cont'd)

Book values of net assets over which control was lost

	June 10, 2013
	$'000
Non-current assets	
Available-for-sale investment	150
Property, plant and equipment	517
Deferred tax assets	3
Total non-current assets	670
Current assets	
Trade receivables	10,401
Other receivables	8,470
Cash and cash balances	410
Contract work-in-progress less progress billings	79
Inventories	20
Total current assets	19,380
Non-current liabilities	
Term loan	(6,416)
Finance lease	(50)
Total non-current liabilities	(6,466)
Current liabilities	
Trade payables	(8,281)
Other payables and accruals	(3,253)
Term loan	(246)
Provision for taxation	(53)
Finance lease	(34)
Total current liabilities	(11,867)
Attributable goodwill	1,902
Net asset derecognised	3,619

35 DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (cont'd)

	June 10, 2013
	$'000
Gain on disposal:	
Recognition of fair value of shares in GPS Alliance Holdings Limited*	4,060
Net assets derecognised	(3,619)
Capital reserve derecognised	(256)
Non-controlling interest derecognised	2,031
Fair value of retained interest recognised as available-for-sale investment (Note 17)	943
Gain	3,159

* These shares were subsequently distributed to shareholders of Koon Holdings Limited (Note 39).

The profit for the period from the discontinued operation is as follows:

	June 10, 2013	2012
	$'000	$'000
(Loss) Profit from real estate agency operation	(2,097)	1,265
Gain on disposal of real estate agency operation	3,159	-
Net	1,062	1,265

In 2013, operating cash outflow for the discontinued operation was $2,946,000; and cash outflows for investing activities and financing activities were $168,000 and $125,000 respectively.

36 OPERATING SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the functionality of services provided. The Group's reportable segments are as follows:

- Construction
- Precast
- Property
- Electric power generation

The "Construction" segment relates to construction projects for land reclamation, roads and bridges.

The "Precast" segment relates to the supply and manufacturing of reinforced concrete piles and precast components and the supply of high tensile deformed bars/wire rods.

The "Property" segment relates to property development activities (2012 : property development activities and real estate agency).

The "Electric power generation" segment relates to the operation of electricity power stations.

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

36 OPERATING SEGMENT INFORMATION (cont'd)

Segment revenues and results

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

	Revenue		Results	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Continuing operations:				
Construction	146,516	96,453	(3,630)	1,578
Precast	77,605	92,614	(6,411)	(3,646)
Property	-	-	(272)	723
Electric power generation	9,077	3,392	3,878	605
	233,198	192,459	(6,435)	(740)
Elimination	(13,237)	(4,860)	(3,212)	(3,710)
Total	219,961	187,599	(9,647)	(4,450)
Unallocated corporate income			1,944	1,697
Share of profit (loss) of associate/joint ventures			230	(76)
Gain on deemed disposal of previously held interest in associate			-	561
Finance costs			(2,530)	(1,493)
Loss before income tax			(10,003)	(3,761)
Income tax			(2,266)	2,519
Loss for the year			(12,269)	(1,242)
Discontinued operation:				
Property (real estate agency)	11,451	25,125	(2,393)	1,295
Elimination	(43)	-	(13)	(676)
Total	11,408	25,125	(2,406)	619
Unallocated corporate income			3,472	736
Finance costs			(4)	(3)
Profit before income tax			1,062	1,352
Income tax expenses			-	(87)
Profit for the year			1,062	1,265
Consolidated revenue for the year	231,369	212,724		
Consolidated profit for the year			(11,207)	23

36 OPERATING SEGMENT INFORMATION (cont'd)

Consolidated revenue of $231,369,000 (2012 : $212,724,000) after elimination of inter-segmental sales comprise revenue from construction : $146,142,000 (2012 : $96,292,000); precast : $64,742,000 (2012 : $87,915,000); property : $11,408,000 (2012 : $25,125,000) and electric power generation : $9,077,000 (2012 : $3,392,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of other income, share of profit (loss) of associate/joint ventures, gain on deemed disposal of previously held interest in associate, impairment loss on investments, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets

	2013 $'000	2012 $'000
Construction	107,719	103,786
Precast	81,564	79,484
Property	28,264	42,447
Electric power generation	34,403	42,419
	251,950	268,136
Elimination	(73,156)	(43,511)
Total segment assets	178,794	224,625
Unallocated corporate assets	2,041	7,950
Total assets	180,835	232,575

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than deferred income tax asset of the Group and all assets of Koon Holdings Limited other than those eliminated at consolidation.

36 OPERATING SEGMENT INFORMATION (cont'd)

Other segment information

	Depreciation		Additions to property, plant and equipment and development properties	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Continuing operations:				
Construction	3,608	2,730	6,118	14,601
Precast	6,861	6,513	2,735	11,643
Property	-	-	210	16,972
Electric power generation	1,473	572	73	37,499
	11,942	9,815	9,136	80,715
Discontinued operation:				
Property (real estate agency)	108	195	210	283
Total	12,050	10,010	9,346	80,998

The Construction segment includes provision of anticipated losses amounting to $4,202,000 (2012 : $1,465,000).

The Precast segment includes allowance for inventories amounting to $195,000 (2012 : $2,660,000), allowance for doubtful debts amounting to $Nil (2012 : $2,242,000), and a provision for loss on sales commitments amounting $Nil (2012 : $600,000).

36 OPERATING SEGMENT INFORMATION (cont'd)

Geographical information

The Group mainly operates in three principal geographical areas - Singapore (country of domicile of holding company), Australia and Malaysia.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in associates, finance lease receivables and "other" financial assets) by geographical location are detailed below.

	Revenue from external customers		Non-current assets	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Based on location of customer				
Singapore	219,818	208,298	39,121	57,269
Australia	9,077	3,392	30,546	35,892
Malaysia	2,474	1,034	17,294	17,049
Total	231,369	212,724	86,961	110,210

Information about major customer

The Group's largest customer contributed revenue of $83,287,000 (2012 : $31,892,000) to the construction segment in Singapore.

37 BANK GUARANTEES, PERFORMANCE BONDS AND COMMITMENTS

As at the end of the reporting period, the Group has:

(a) given unsecured letters of indemnity and performance bonds amounting to $19,372,000 (2012 : $18,687,000) to third parties in the ordinary course of business in respect of construction contracts undertaken;

(b) obtained secured bankers guarantee issued in favour to third parties amounting to $10,926,000 (2012 : $22,186,000) in the ordinary course of business in respect of construction contracts undertaken;

37 BANK GUARANTEES, PERFORMANCE BONDS AND COMMITMENTS (cont'd)

The Company has provided guarantees totalling $128,984,000 to financial institutions which provide credit facilities to the subsidiaries. At December 31, 2013, facilities utilised (including performance bonds) totalled $60,742,000. The earliest period that any of the guarantees can be called upon is within one year from the end of the reporting period. Management considers that it is more likely than not that no amount will be payable in connection with the guarantees.

No adjustment was required in the separate financial statements of the Company to recognise the financial guarantee liability.

38 OPERATING LEASE ARRANGEMENTS

Lessee

	Group	
	2013	2012
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	4,943	5,118

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

	Group	
	2013	2012
	$'000	$'000
Within one year	2,330	2,720
In the second to fifth year inclusive	2,087	3,190
In the sixth to tenth year inclusive	1,583	1,773
	6,000	7,683

Operating lease payments represent rentals payable by the Group for rental of office and yard premises. Leases are negotiated for an average term of 4 years (2012 : 4 years).

Lessor

In 2012, the Group rented out part of its premises under certain non-cancellable operating leases with the rental income earned amounted to $438,000.

39 DIVIDENDS

	Group	
	2013	2012
	$'000	$'000
Final dividend of $0.005 per share on 164,208,000 ordinary shares in respect of financial year ended December 31, 2011	-	821
Interim dividend of $0.005 per share on 164,208,000 ordinary shares in respect of financial year ended December 31, 2012	-	821
Final dividend of $0.005 per share on 263,007,800 ordinary shares in respect of financial year ended December 31, 2012	1,315	-
Dividend in specie comprising distribution of shares in GPS Alliance Holdings Limited to the shareholders of Koon Holdings Limited (Note 35)	4,060	-
	5,375	1,642