

Company Registration No. 200303284M

## Koon Holdings Limited and its subsidiaries

Interim Financial Information  
For the six months ended 30 June 2018



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**Koon Holdings Limited and its subsidiaries**

**Statement by directors**

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On behalf of the Board of Directors, we, Yuen Kai Wing and Oh Koon Sun, being two of the directors of Koon Holdings Limited, do hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the accompanying interim financial information for the six months ended 30 June 2018 to be false or misleading.

On behalf of the board of directors:

Yuen Kai Wing  
Director



Oh Koon Sun  
Director



Singapore  
30 August 2018

**Koon Holdings Limited and its subsidiaries**

**Report on review of interim financial information  
For the six-month period ended 30 June 2018**

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

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**Introduction**

We have reviewed the accompanying condensed interim financial information of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months period then ended, selected notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 25.

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

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not presented fairly, in all material respects, in accordance with SFRS(I) 1-34.



Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore

30 August 2018

**Koon Holdings Limited and its subsidiaries**

**Interim consolidated statement of comprehensive income  
For the six months ended 30 June 2018**

	<b>Note</b>	<b>30.6.2018</b> \$'000 (Unaudited)	<b>30.6.2017</b> \$'000 (Unaudited)
<b>Revenue</b>		71,578	81,764
Cost of sales		(61,767)	(72,754)
<b>Gross profit</b>		9,811	9,010
Other income	5	3,840	1,505
Distribution costs		(7)	(9)
Administrative and other expenses		(7,696)	(6,223)
Finance costs		(1,431)	(1,380)
Share of losses of associate		—	(16)
Share of losses of joint ventures		(3,423)	(2,516)
<b>Profit before tax</b>		1,094	371
Taxation	6	(757)	(247)
<b>Profit for the period</b>		337	124
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange (loss)/gain on translation of foreign operations		(81)	105
Other comprehensive (loss)/income, net of tax		(81)	105
<b>Total comprehensive income for the period</b>		256	229
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		232	193
Non-controlling interests		105	(69)
		337	124
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		269	250
Non-controlling interests		(13)	(21)
		256	229
<b>Earnings per share (cents per share):</b>			
- Basic	7	0.09	0.07
- Diluted	7	0.09	0.07

See accompanying notes to the interim financial information.

**Koon Holdings Limited and its subsidiaries**

**Interim consolidated statement of financial position as at 30 June 2018**

	<b>Note</b>	<b>30.6.2018</b> \$'000 (Unaudited)	<b>31.12.2017</b> \$'000 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	11	7,285	7,495
Pledged fixed deposits		19	18
Trade receivables		42,929	48,245
Other receivables		24,441	26,896
Inventories		2,857	2,774
Contract assets		40,919	31,767
Investment securities		26	26
Assets held for sale		—	1,761
<b>Total current assets</b>		<b>118,476</b>	<b>118,982</b>
<b>Non-current assets</b>			
Other receivables		99	117
Properties held for development		14,526	14,139
Associates		*	*
Joint ventures	8	173	163
Property, plant and equipment	9	85,382	93,599
Investment securities		*	*
Goodwill	10	—	—
Deferred tax assets		72	231
<b>Total non-current assets</b>		<b>100,252</b>	<b>108,249</b>
<b>Total assets</b>		<b>218,728</b>	<b>227,231</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables		40,457	48,376
Other payables		25,994	21,525
Contract liabilities		405	2,105
Loans and borrowings	12	35,835	34,559
Finance lease obligations		24,768	16,188
Provision for share of a joint venture's losses	8	7,375	3,961
Income tax payable		762	1,138
<b>Total current liabilities</b>		<b>135,596</b>	<b>127,852</b>
<b>Non-current liabilities</b>			
Finance lease obligations		19,259	35,859
Other payables		165	167
Deferred tax liabilities		1,468	1,369
<b>Total non-current liabilities</b>		<b>20,892</b>	<b>37,395</b>
<b>Capital and reserves</b>			
Share capital	13	25,446	25,446
Capital reserve		8,802	8,802
Accumulated profits		30,364	30,132
Translation reserve		(5,826)	(5,863)
Equity attributable to owners of the Company		58,786	58,517
Non-controlling interests		3,454	3,467
<b>Total equity</b>		<b>62,240</b>	<b>61,984</b>
<b>Total liabilities and equity</b>		<b>218,728</b>	<b>227,231</b>

\*Less than \$1,000

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

Interim consolidated statement of changes in equity  
For the six months ended 30 June 2018

	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
<b>Opening balance at 1 January 2017</b>	<b>25,446</b>	<b>8,802</b>	<b>30,009</b>	<b>(6,083)</b>	<b>58,174</b>	<b>3,505</b>	<b>61,679</b>
Profit/(loss) for the period	-	-	193	-	193	(69)	124
Other comprehensive income for the period, net of tax	-	-	-	57	57	48	105
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>193</b>	<b>57</b>	<b>250</b>	<b>(21)</b>	<b>229</b>
<b>Balance at 30 June 2017 and 1 July 2017</b>	<b>25,446</b>	<b>8,802</b>	<b>30,202</b>	<b>(6,026)</b>	<b>58,424</b>	<b>3,484</b>	<b>61,908</b>
(Loss)/profit for the period	-	-	(70)	-	(70)	47	(23)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	163	163	(64)	99
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(70)</b>	<b>163</b>	<b>93</b>	<b>(17)</b>	<b>76</b>
<b>Balance at 31 December 2017 and 1 January 2018</b>	<b>25,446</b>	<b>8,802</b>	<b>30,132</b>	<b>(5,863)</b>	<b>58,517</b>	<b>3,467</b>	<b>61,984</b>
Profit for the period	-	-	232	-	232	105	337
Other comprehensive income/(loss) for the period, net of tax	-	-	-	37	37	(118)	(81)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>232</b>	<b>37</b>	<b>269</b>	<b>(13)</b>	<b>256</b>
<b>Closing balance at 30 June 2018</b>	<b>25,446</b>	<b>8,802</b>	<b>30,364</b>	<b>(5,826)</b>	<b>58,786</b>	<b>3,454</b>	<b>62,240</b>

See accompanying notes to the interim financial information.

**Koon Holdings Limited and its subsidiaries**

**Interim consolidated statement of cash flows**  
**For the six months ended 30 June 2018**

	<b>30.6.2018</b>	<b>30.6.2017</b>
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Profit before tax	1,094	371
<u>Adjustments for:</u>		
Allowance for impairment of doubtful debts (net)	44	–
Inventories written down	19	–
Gain on disposal of assets held for sale	(3,192)	–
Depreciation of property, plant and equipment	8,986	10,738
Net gain on disposal of property, plant and equipment	(148)	(477)
Property, plant and equipment written off	11	–
Interest expense	1,431	1,380
Interest income	(35)	(33)
Share of losses of joint ventures/associate	3,423	2,532
Unrealised exchange gain	(379)	(50)
Impairment of property, plant and equipment	–	83
(Reversal of provision)/provision for onerous contracts	(17)	1
Operating cash flows before changes in working capital	11,237	14,545
<u>Changes in working capital:</u>		
Contract assets (net)	(10,835)	(4,787)
Trade receivables	5,290	(110)
Other receivables	2,548	(6,345)
Inventories	(102)	197
Trade payables	(7,919)	293
Other payables	4,681	(3,400)
<b>Cash flows from operations</b>	4,900	393
Income tax paid	(887)	(345)
<b>Net cash flows from operating activities</b>	4,013	48
<b>Investing activities</b>		
Purchase of property, plant and equipment (Note A)	(204)	(75)
Proceeds from disposal of property, plant and equipment	142	1,108
Proceeds on disposal of assets held for sale	4,474	–
Proceeds from government grant	–	482
Interest received	30	30
<b>Net cash flows from investing activities</b>	4,442	1,545



**Koon Holdings Limited and its subsidiaries****Interim consolidated statement of cash flows**  
**For the six months ended 30 June 2018**

	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Financing activities</b>		
Increase in pledged fixed deposits	(1)	(2)
Interest paid	(1,315)	(1,217)
Repayment of obligations under finance leases	(8,482)	(8,751)
Proceeds from bank loans	30,950	7,800
Repayment of bank loans	(34,489)	(9,591)
Proceeds from bills payable	36,033	28,055
Repayment of bills payable	(36,397)	(25,442)
<b>Net cash flows used in financing activities</b>	<b>(13,701)</b>	<b>(9,148)</b>
Net decrease in cash and cash equivalents	(5,246)	(7,555)
Effect of exchange rate changes on cash and cash equivalents	(143)	72
Cash and cash equivalents at 1 January	5,174	14,997
<b>Cash and cash equivalents at 30 June (Note 11)</b>	<b>(215)</b>	<b>7,514</b>

**Note A**

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with an aggregate cost of \$1,595,000 (30 June 2017: \$4,658,000) of which \$291,000 (30 June 2017: \$3,360,000) was acquired under finance lease arrangements and \$1,100,000 (30 June 2017: \$1,223,000) remained outstanding. Cash payments of \$204,000 (30 June 2017: \$75,000) were made for the purchase of property, plant and equipment.

*See accompanying notes to the interim financial information.*

**Koon Holdings Limited and its subsidiaries****Notes to the interim financial information  
For the six months ended 30 June 2018****1. General**

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

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

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.18 %	31.12.17 %
<b><u>Held by the Company:</u></b>			
Entire Engineering Pte Ltd	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte Ltd	Contractors for civil and engineering works (Singapore)	100	100
Econ Precast Pte Ltd	Manufacturing and trading of precast components and reinforced concrete piles (Singapore)	100	100
Green LCT Pte. Ltd.	Chartering of ships, barges and boats with crew (freight) (Singapore)	100	—
Koon Properties Pte Ltd	Investment holding (Singapore)	100	100
Koon Construction & Transport Co. Pte Ltd	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Petra I Pte. Ltd.	Chartering of ships, barges and boats with crew (freight) and marine construction (Singapore)	100	100
Reem Island Pte Ltd	Chartering of ships, barges and boats with crew (freight) (Singapore)	100	100
Tesla Holdings Pty Ltd	Investment holding (Australia)	74	74

**Koon Holdings Limited and its subsidiaries**

**Notes to the interim financial information  
For the six months ended 30 June 2018**

**1. General (cont'd)**

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.18 %	31.12.17 %
<b><u>Held through subsidiaries:</u></b>			
Bukit Intan Pte Ltd	Trading of precast components (Singapore)	100	100
Contech Precast Pte Ltd	Manufacturing and trading of precast components (Singapore)	100	100
Econ Precast Sdn. Bhd.	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	100
Koon Construction & Transport Sdn. Bhd.	Contractors for civil engineering and building works (Malaysia)	100	100
Metro Coast Sdn. Bhd.	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd.	Property development (Malaysia)	100	100
Tesla Corporation Pty Ltd	Holding company for electric power generation business (Australia)	74	74
Tesla Corporation Management Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Geraldton Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Kemerton Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Northam Pty Ltd	Owns and operates power plant (Australia)	74	74
Triumph Heights Sdn. Bhd.	Property development (Malaysia)	100	100
Unison Progress Sdn. Bhd.	Property development (Malaysia)	100	100

**2. Basis of preparation and changes in accounting policies**

The interim financial information for the six months ended 30 June 2018 has been prepared in accordance with SFRS(I) 1-34, *Interim Financial Reporting*.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

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

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

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations which are effective for annual periods beginning on or after 1 January 2018. The adoption of these standards did not have any material impact on the financial performance or position of the Group.

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

**3. Significant accounting judgements and estimates**

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

**(i) Judgements made in applying accounting policies**

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

**(ii) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the interim financial information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

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

(a) *Construction contracts*

The Group recognises construction contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period (also known as the percentage of completion method), when the outcome of a construction contract can be estimated reliably. The Group measures its progress using the cost-based input method that reflects the over-time transfer of control to its customers.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work to the extent that it is probable that they will result in revenue and they are capable of being reliably measured

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

The carrying amounts of contract assets and contract liabilities arising from construction contracts at the end of the reporting period are \$40,919,000 and \$405,000 respectively (31 December 2017: \$31,767,000 and \$2,105,000 respectively).

(b) *Impairment of loans and receivables*

FRS 109 requires the Group to record expected credit losses on all of its loans and receivables measured at amortised cost. For loans and receivables, the Group measures loss allowance at an amount equal to lifetime expected credit loss based on estimates of the amount and timing of future cash flows. The carrying amount of the Group's loans and receivables (excluding cash and bank balances) as at 30 June 2018 is \$66,775,000 (31 December 2017: \$74,068,000).

## Koon Holdings Limited and its subsidiaries

### Notes to the interim financial information For the six months ended 30 June 2018

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#### 4. Related party transactions

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

	30.6.2018	30.6.2017
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<u>Parties related to a substantial shareholder of the Group</u>		
Equipment rental income	(115)	(376)
Marine transport income	(236)	(134)
Sale of scrap metal	–	(55)
Sale of property, plant and equipment	–	(19)
Secondment fee income	(174)	(174)
Subcontract income	(2,411)	(2,396)
Equipment rental and charter expenses	240	1,014
Marine transport expenses	4	2
Purchase of equipment and engineering services	556	1,394
Purchase of property, plant and equipment	1,100	18
Yard and dormitory rental expenses	265	259
Consultancy fee expenses	101	–
Agency fee expenses	*	1
<u>Joint Venture of the Group</u>		
Marine transport income	(1,727)	(1,761)
Subcontract award/purchase of precast components	12,835	17,744
Sale of property, plant and equipment	(82)	–
Purchase of raw materials	9	30
Equipment rental expenses	–	77
<u>Parties related to directors of the Company</u>		
Professional fee	28	29

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\*Less than \$1,000

**Koon Holdings Limited and its subsidiaries****Notes to the interim financial information  
For the six months ended 30 June 2018****4. Related party transactions (cont'd)**

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

	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Land rental expenses	780	972
Marine transport expenses	968	2,585
Service charges	–	14

***Compensation of directors and key management personnel***

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

	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term benefits	1,290	1,415
Deferred contribution plans	41	27

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

**5. Other income**

	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Secondment fees for a director	174	174
Interest income from fixed deposits	35	33
Sale of scrap metal	56	158
Gain on disposal of assets held for sale	3,192	–
Gain on disposal of property, plant and equipment (net)	148	477
Government grants	32	158
Rental income from leasehold properties	–	149
Property tax refund	–	155
Supply of labour	95	180
Others	108	21
	<b>3,840</b>	<b>1,505</b>

**Koon Holdings Limited and its subsidiaries**

**Notes to the interim financial information  
For the six months ended 30 June 2018**

**6. Taxation**

	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax:		
- Current income taxation	412	336
- Under provision in respect of previous years	92	44
Deferred income tax:		
- Origination and reversal of temporary differences	253	(107)
- Over provision in respect of previous years	—	(26)
Taxation recognised in profit or loss	<u>757</u>	<u>247</u>

**7. Earnings per share**

	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period attributable to owners of the Company used in the computation of basic and diluted earnings per share	<u>232</u>	<u>193</u>
	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>No of shares</b>	<b>No of shares</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of ordinary shares:		
Basic earnings per share computation	263,098	263,098
Diluted earnings per share computation	<u>263,098</u>	<u>263,098</u>



# Koon Holdings Limited and its subsidiaries

## Notes to the interim financial information For the six months ended 30 June 2018

### 8. Joint arrangements

#### (a) Joint ventures

	30.6.2018 \$'000 (Unaudited)	31.12.2017 \$'000 (Audited)
Represented as:		
<u>Investment in joint ventures</u>		
- PT. Koon Construction Indonesia	173	163
- Others	*	*
	<u>173</u>	<u>163</u>
<u>Provision for share of joint venture's losses</u>		
- Sindo-Econ Pte Ltd and its subsidiary	<u>(7,375)</u>	<u>(3,961)</u>

\* No investment cost

The Group provided for its share of further losses in Sindo-Econ Pte Ltd and its subsidiary during the period in excess of its interest in the joint venture as the Group has given an undertaking to provide financial support for the joint venture to meet its liabilities as and when they fall due.

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

Name of joint ventures	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.18 %	31.12.17 %
<b><u>Held through Econ Precast Pte Ltd:</u></b>			
Sindo-Econ Pte Ltd	Investment holding and provision of management and consultancy services (Singapore)	50	50
<b><u>Held through Sindo-Econ Pte Ltd:</u></b>			
PT. Sindomas Precas	Manufacture of precast components (Indonesia)	50	50
<b><u>Held through Koon Construction &amp; Transport Co. Pte Ltd:</u></b>			
PT. Koon Construction Indonesia	Contractors for civil engineering and building works (Indonesia)	67	67

**Koon Holdings Limited and its subsidiaries**

**Notes to the interim financial information  
For the six months ended 30 June 2018**

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**8. Joint arrangements (cont'd)**

*(b) Joint operation*

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

Name of joint operation	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.18 %	31.12.17 %
POC-K JV	Contractor for infrastructure and civil engineering works (Singapore)	50	50

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

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information  
For the six months ended 30 June 2018

9. Property, plant and equipment

	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Barges and dredgers \$'000	Trucks and motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
<b>Cost:</b>									
At 1 January 2018	928	102	9,432	50	113,695	27,800	13,068	1,954	167,029
Additions	–	–	–	–	325	1,100	167	3	1,595
Disposals	–	–	–	–	(1,108)	–	(131)	–	(1,239)
Write-off	–	–	–	–	–	–	–	(94)	(94)
Exchange difference	(30)	–	–	–	(1,074)	–	–	(2)	(1,106)
At 30 June 2018	898	102	9,432	50	111,838	28,900	13,104	1,861	166,185
<b>Accumulated depreciation:</b>									
At 1 January 2018	–	14	4,757	50	52,743	6,474	7,417	1,891	73,346
Depreciation	–	1	501	–	5,561	2,044	848	31	8,986
Disposals	–	–	–	–	(1,018)	–	(127)	(9)	(1,154)
Write-off	–	–	–	–	–	–	–	(83)	(83)
Exchange difference	–	–	–	–	(374)	–	–	(2)	(376)
At 30 June 2018	–	15	5,258	50	56,912	8,518	8,138	1,828	80,719
<b>Impairment:</b>									
At 1 January 2018	–	84	–	–	–	–	–	–	84
Additions	–	–	–	–	–	–	–	–	–
At 30 June 2018	–	84	–	–	–	–	–	–	84
<b>Carrying amount:</b>									
At 30 June 2018 (Unaudited)	898	3	4,174	–	54,926	20,382	4,966	33	85,382
At 31 December 2017 (Audited)	928	4	4,675	–	60,952	21,326	5,651	63	93,599

**Koon Holdings Limited and its subsidiaries**

**Notes to the interim financial information  
For the six months ended 30 June 2018**

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**9. Property, plant and equipment (cont'd)**

Property, plant and equipment of the Group with carrying amount of \$72,116,000 (31 December 2017: \$78,672,000) are pledged as security for finance lease obligations and bank loans.

**10. Goodwill**

	<b>30.6.2018</b>	<b>31.12.2017</b>
	\$'000	\$'000
	(Unaudited)	(Audited)
Cost at beginning of period/year	3,536	3,536
Less: Impairment loss	(3,536)	(3,536)
Carrying amount at end of period/year	<u>—</u>	<u>—</u>

Goodwill is allocated to the Electric Power Generation cash generating unit ("CGU") which is also a reportable operating segment.

**11. Cash and cash equivalents**

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

	<b>30.6.2018</b>	<b>31.12.2017</b>
	\$'000	\$'000
	(Unaudited)	(Audited)
Cash and bank balances	7,285	7,495
Less: Bank overdrafts (Note 12)	(7,500)	(2,321)
Cash and cash equivalents	<u>(215)</u>	<u>5,174</u>

Notes to the interim financial information  
For the six months ended 30 June 2018

30.6.2018	31.12.2017
\$'000	\$'000
(Unaudited)	(Audited)

Bank loans and bills payable	35,835	34,559
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	Effective interest rate			30.6.2018	31.12.2017
				\$'000	\$'000
	30.6.2018	31.12.2017	Maturity dates	(Unaudited)	(Audited)
Loan A – secured	4.45%	4.12%	2018	164	816
Loan B	3.22%	3.13%	2018	300	2,000
Loan C – secured	–	2.30%	2018	–	1,187
Loan D – secured	3.87%	3.77% to 3.78%	2018	5,800	5,800
Loan E	3.64%	3.23%	2018	500	500
Loan F – secured	3.65%	3.25%	2018	800	800
Bank overdrafts	5.25%-6.00%	6.00%	On demand	7,500	2,321
				15,064	13,424
Bills payable <sup>(1)</sup>				20,771	21,135
Total				35,835	34,559

Loans C and D are secured by mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of \$13,186,000 as at 30 June 2018 (31 December 2017: \$12,835,000).

No new shares were issued to the participants of the Koon Employee Performance Share Plan during the six-month ended 30 June 2018 (year ended 31 December 2017: nil shares).

## Koon Holdings Limited and its subsidiaries

### Notes to the interim financial information For the six months ended 30 June 2018

#### 14. Operating segment information

*Products and services from which reportable segments derive their revenues*

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

- Construction
- Precast
- Property
- Electric Power Generation

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

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

#### **Segment revenues and results**

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

	Revenue		Results	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Construction	51,413	57,153	2,715	4,285
Precast	18,379	22,099	(654)	(1,328)
Property	—	—	(53)	(151)
Electric Power Generation	2,267	2,561	693	(142)
	72,059	81,813	2,701	2,664
Elimination	(481)	(49)	(593)	114
Total	71,578	81,764	2,108	2,778
Other income			3,840	1,505
Share of losses of joint ventures/associate			(3,423)	(2,532)
Finance costs			(1,431)	(1,380)
Profit before tax			1,094	371
Taxation			(757)	(247)
Profit for the period			337	124

**Koon Holdings Limited and its subsidiaries****Notes to the interim financial information  
For the six months ended 30 June 2018****14. Operating segment information (cont'd)**

Consolidated revenue of \$71,578,000 (30 June 2017: \$81,764,000) after elimination of inter-segmental sales comprise revenue from Construction segment of \$51,411,000 (30 June 2017: \$57,153,000), Precast segment of \$17,900,000 (30 June 2017: \$22,050,000), and Electric Power Generation segment of \$2,267,000 (30 June 2017: \$2,561,000).

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

**Segment assets**

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Construction	161,270	157,688
Precast	44,166	49,473
Property	17,798	17,393
Electric Power Generation	27,239	28,376
	250,473	252,930
Elimination	(34,194)	(28,479)
Total segment assets	216,279	224,451
Unallocated corporate assets	2,449	2,780
Total assets	218,728	227,231

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

**Other segment information**

	<b>Depreciation</b>		<b>Additions to property, plant and equipment</b>	
	<b>30.6.2018</b>	<b>30.6.2017</b>	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Construction	7,698	8,498	1,590	427
Precast	742	731	4	4,229
Property	1	1	—	—
Electric Power Generation	545	1,508	1	2
Total	8,986	10,738	1,595	4,658

## Koon Holdings Limited and its subsidiaries

### Notes to the interim financial information For the six months ended 30 June 2018

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#### 14. Operating segment information (cont'd)

##### Segment results

The Construction segment results include reversal of provision for onerous contracts amounting to \$17,000 (30 June 2017: provision of \$1,000), and reversal of allowance for impairment of doubtful debts (net) amounting to \$61,000 (30 June 2017: nil).

The Precast segment results include inventories written down amounting to \$19,000 (30 June 2017: \$nil), and allowance for impairment of doubtful debts (net) amounting to \$91,000 (30 June 2017: nil).

The Electric Power Generation segment results include allowance for impairment of doubtful debts (net) amounting to \$14,000 (30 June 2017: nil).

##### Segment assets

The Construction segment assets include investments in joint venture amounting to \$173,000 (31 December 2017: \$163,000).

##### ***Geographical information***

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

	Revenue		Non-current assets	
	30.6.2018	30.6.2017	30.6.2018	31.12.2017
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Singapore	69,311	78,961	63,928	70,871
Malaysia	—	242	14,529	14,143
Australia	2,267	2,561	21,451	22,724
Total	71,578	81,764	99,908	107,738

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

##### ***Information about major customers***

Revenue from two major customers amounted to \$23,695,000 (30 June 2017: \$41,591,000 from Construction and Precast segments) arising from sales by Construction and Precast segments.

#### 15. Bank guarantees, performance bonds and commitments

As at 30 June 2018, the Company has provided corporate guarantees totalling \$116,970,000 and \$997,000 (31 December 2017: \$122,310,000 and \$1,249,000 respectively) to financial institutions in respect of credit facilities utilised by the subsidiaries and a joint venture respectively.



**Koon Holdings Limited and its subsidiaries**

**Notes to the interim financial information  
For the six months ended 30 June 2018**

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**16. Operating lease arrangements – as lessee**

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Minimum lease payments under operating leases recognised as an expense during the period	1,373	2,093

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

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Not later than one year	1,945	2,178
Later than one year but not later than five years	3,978	4,677
	5,923	6,855

Operating lease payments represent rentals payable by the Group for rental of office, equipment, yard premises and accommodation. Leases are negotiated for an average term of 3 years (31 December 2017: 3 years).

**17. Fair value of assets and liabilities**

*(a) Fair value hierarchy*

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

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

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

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy in 30 June 2018 and 31 December 2017.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information  
For the six months ended 30 June 2018

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

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

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

30.06.2018 \$'000 (Unaudited)				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets measured at fair value</b>				
<b>Financial assets:</b>				
<u>Investment securities</u>				
- Quoted equity instruments	26	—	—	26
31.12.2017 \$'000 (Audited)				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets measured at fair value</b>				
<b>Financial assets:</b>				
<u>Investment securities</u>				
- Quoted equity instruments	26	—	—	26

**Koon Holdings Limited and its subsidiaries**

**Notes to the interim financial information  
For the six months ended 30 June 2018**

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

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

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

	<b>30.6.2018</b> (Unaudited)		<b>31.12.2017</b> (Audited)	
	<b>Carrying amount</b>	<b>Fair value (Level 3)</b>	<b>Carrying Amount</b>	<b>Fair value (Level 3)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Unquoted equity investment (i)	—	—	—	—
<b>Financial liabilities</b>				
Finance lease obligations (non- current) (ii)	(19,259)	(19,423)	(35,859)	(35,999)

- (i) Unquoted equity investment represents 50% (31 December 2017: 50%) of total ordinary shares in Koon-Zinkon Pte. Ltd. which has been fully impaired in prior years.
- (ii) The fair value of finance lease obligations with fixed interest rates are determined using discounted future principal and interest at the market interest rate at the end of the reporting period. The estimated future cash flows are projected based on management's best estimates.

**18. Dividends**

No dividend was issued during the periods from 1 January 2018 to 30 June 2018 and 1 January 2017 to 30 June 2017 in respect of financial years ended 31 December 2017 and 31 December 2016 respectively.