**KOON HOLDINGS LIMITED**

# EVOLVING **PROGRESSIVELY**

ANNUAL REPORT **2018**

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# CORPORATE **PROFILE**

Koon Holdings Limited (ASX stock code: KNH, SGX stock code: 5DL) is one of Singapore's leading infrastructure and civil engineering service providers specialising in reclamation and shore protection works.

With a history tracing back to 1975, Koon has been in the construction industry for four decades. Our core strengths lie in our focus on delivering quality projects, customer satisfaction as well as commitment to safety standards. These values have guided us well as we continue to strengthen our presence in our operating markets.

Over the years, Koon has grown from a company with a single focus in civil engineering into a construction player with businesses in civil engineering, precast and energy infrastructure.

# VISION & MISSION

To be an innovative builder creating value for all stakeholders.

We are dedicated to providing quality works, innovative solutions and effective professional services to our customers.

We strive to establish lasting relationships with our customers by exceeding their expectations and gaining their trust based on safety, quality, timely service and anticipation of their needs.

We respect and treat all employees fairly and encourage them to have initiative, be innovative and productive and nurture them to achieve their fullest potential.

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**SERVICE EXCELLENCE**

We provide services exceeding customers' expectations, safe and timely project delivery and at the same time we adopt corporate social responsibility.

**PARTNERSHIP – FORGE PARTNERSHIP WITH STAKEHOLDERS**

We strive to develop lasting win-win relationships with our stakeholders.

**INNOVATION**

We always look for ways to do things cheaper, faster and better.

**RESOURCE – PEOPLE DEVELOPMENT**

We believe everyone has their strength and we strive to develop our staff to their fullest potential to achieve organisation goals.

**INTEGRITY**

We uphold ourselves with professionalism, honesty and sincerity and deliver what we promised through adopting best practices.

**TEAMWORK AND UNITY**

We can achieve more together through mutual respect and trust, open sharing and communication.

# INFRASTRUCTURE CONSTRUCTION AND CIVIL ENGINEERING

The Group's wholly owned subsidiary, Koon Construction & Transport Co. Pte Ltd ("Koon") is a well-established civil engineering contractor in Singapore. Koon is registered with the Building and Construction Authority ("BCA") under the A1 grade – the highest grading for civil engineering category, which allows it to tender for public civil engineering projects of unlimited value in Singapore. Incorporated since 1979, Koon has build a strong portfolio in its niche operating market serving government-related bodies such as the Land Transport Authority ("LTA"), the Housing and Development Board ("HDB"), the Public Utilities Board ("PUB"), the Defence Science and Technology Agency ("DSTA"), JTC Corporation and PSA Corporation Limited. Koon has undertaken numerous infrastructure construction works encompassing land reclamation, shore protection and terminal & port projects. Depending on the nature of the project secured, Koon is able to spearhead the entire project as main contractor or collaborate with our long-time partners such as Penta-Ocean Construction Company Limited ("Penta-Ocean") and Hyundai Engineering & Construction Co. Ltd. ("Hyundai"). For more than two decades, Koon has taken part in various land reclamation works which have helped expand the land area of Singapore by about 20%. These completed projects now form the new coastal lines of Singapore:

- North: Punggol
- South: Marina Bay, Tanjung Rhu, Sentosa Cove & Pasir Panjang
- East: Changi
- West: Jurong Island & Tuas View

Over the past few years, we have executed and completed a high percentage of public civil infrastructure projects. Amongst the more noticeable ones are:

- Construction of container stacking yard for berths P36 to P41 at Pasir Panjang Terminal. Project value: S$99 million
- Construction of roads, drains, culverts and drainage outfall at Tuas South Boulevard. Project value: S$48 million
- Construction of roads, drains, sewers and vehicular bridge at Ayer Merbau Road further extension at Jurong Island. Project value: S$26 million
- Construction of Seletar Link Bridge and widening of the Tampines Expressway. Project value: S$41 million
- Rehabilitation and earthworks at Tampines Road. Project value: S$40 million
- Construction of container stacking yard for berth P26, P31 to P33 at PSA Pasir Panjang Terminal. Project value: S$97 million
- Construction Industries Park at Seletar. Project value: S$81 million
- Sand mining work at proposed reclamation at Tuas Finger One: Project value: S$20 million
- Rock work for caisson quay wall at proposed reclamation at Tuas Finger One: Project value: S$20 million

Among the current order book of Koon are:

(i) the land preparation works for the airport development project under a joint venture with Penta-Ocean
(ii) improvement to Sungei Pandan Kechil (West Coast Road to the sea)
(iii) construction and management of staging ground and infilling works at Tanah Merah Staging Ground
(iv) design and build vehicular bridge at Grade Road and other associated works at Pulau Punggol Barat
(v) earthworks and construction of roads, drains and sewers at Sengkang West
(vi) new road connections to Seletar Link and widening of Tampines Expressway between Jalan Kayu and Punggol West Flyovers

Aligning with industry benchmarks, Koon is ISO 9001:2015 (quality), ISO 14001:2015 (environment) and OHSAS 18001:2007 (safety) certified. Koon also won the BCA Construction Excellence Award 2012 in Civil Engineering for the technically-challenging Serangoon Reservoir project.

## COMMITMENT TO QUALITY PROJECT AND SAFE WORK ENVIRONMENT

Delivering quality works and at the same time creating a safe working environment for our people and partners have been our guiding principles. The Group is focused on cultivating a culture of safety by going beyond setting workplace rules. Regular interactions with both on-site and off-site staff to promote safety awareness remain our priority as we believe workplace safety is a collective responsibility.

Recognised for its commitment to incorporate safety as part of its business model, Koon has obtained the certification for BizSAFE Partner and the certification for attaining the BizSAFE Level STAR from the Workplace Safety and Health Council since 2009. Koon was also accorded certification of appreciation by PSA Corporation Limited for its good safety record consecutively from 2012 to 2016 relating to projects undertaken at Pasir Panjang Terminal.

## SUSTAINABLE APPROACH

The Group continues to adopt best practices including progressive efforts towards a more sustainable building approach. Testament to our efforts and progress on this front, Koon received the BCA Green and Gracious Builder Award (Merit category) in 2015.

# PRECAST

## Both Econ and Contech are approved precast works suppliers to the HDB projects with the highest grading (L6) from the BCA.

The Group moved into the upstream precast industry through the acquisitions of Econ Precast Pte Ltd ("Econ") and Contech Precast Pte Ltd ("Contech") in 2010.

With a combined track record of more than 30 years, both Econ and Contech are approved precast products suppliers to Housing and Development Board projects with the highest grading (L6) from the BCA, enabling them to tender for public precast works of unlimited value. Over the years, Econ and Contech have established themselves as one of the leading precast manufacturers in Singapore.

Operating casting yards in Singapore and Batam, Indonesia, the Precast division manufactures and markets a comprehensive range of precast products which include:

- prestressed and precast plank and beams
- reinforced concrete piles
- reinforced concrete structural components including columns, walls and staircases.
- architectural facade wall panels and external walls
- volumetric components such as space adding items, utility rooms and lift-wells used mainly in HDB's Main Upgrading Program and Lift Upgrading Program
- tunnel segments for cable and MRT tunnels
- prefabricated bathroom unit (PBU)
- prefabricated prefinished volumetric construction (PPVC)

Our extensive customer base includes the main contractors of HDB, PUB and LTA.

# ELECTRIC POWER GENERATION

## Tesla Group owns and operates four 9.9 MW diesel power generation plants that provide peak power electricity in Western Australia.


As part of the Group's business strategy to generate diversified streams of recurring income, the Group acquired a stake in Tesla Holdings Pty Ltd ("Tesla Group") in July 2010. The Group currently holds 74.1% equity interest in Tesla Group. Tesla Group is an Australian energy infrastructure company which has successfully attained capacity credit allocations from Australian Energy Market Operator (AEMO). These allocations provide Tesla Group an incentive by granting a recurring source of income for the initial capital investment of power generation plants. Tesla Group currently owns and operates a total of four diesel power generation plants of 9.9 MW each in Western Australia. Its first Picton plant was commissioned in August 2011 and the remaining three plants, namely Kermerton plant, Northam plant and Geraldton plant, were commissioned in late 2012.

Tesla Group's power generation plants are situated on the South West Interconnected System ("SWIS") electricity grid in Western Australia to provide peaking power to the SWIS under the Western Australian government capacity pricing mechanism. Tesla Group generates recurring revenue based on a two-tier revenue matrix (standby fee and actual usage fee) from the operation of its four power generation plants in Western Australia.

# FINANCIAL SUMMARY

## FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER (S$'000)

| | 2018 | 2017[(1)] | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenue | 116,853 | 163,800 | 202,726 | 236,342 | 163,917 |
| Gross Profit | 11,951 | 20,658 | 20,423 | 35,927 | 26,646 |
| Other Income | 13,467 | 4,933 | 2,515 | 1,542 | 3,796 |
| Administrative and Other Expenses | 14,587 | 13,132 | 15,422 | 21,114 | 17,472 |
| Profit before Tax | 995 | 1,463 | 1,511 | 8,636 | 6,656 |
| Profit after Tax | 482 | 101 | 1,676 | 7,747 | 6,308 |
| Profit Attributable to Shareholders | 259 | 123 | 1,863 | 7,991 | 5,824 |

## FINANCIAL POSITION (S$'000)

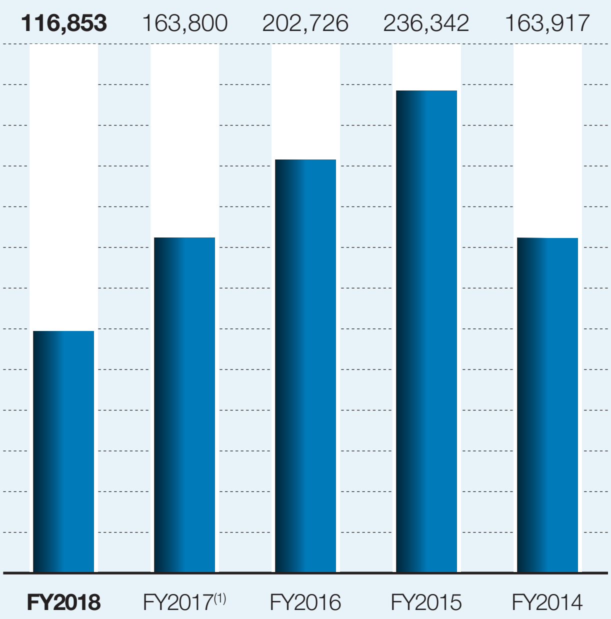
| | 2018 | 2017[(1)] | 2016[(1)] | 2015 | 2014 |
|---|---|---|---|---|---|
| Current Assets | 130,518 | 118,982 | 103,407 | 112,568 | 88,480 |
| Non-Current Assets | 96,114 | 108,249 | 121,726 | 118,290 | 83,378 |
| **Total Assets** | **226,632** | **227,231** | **225,133** | **230,858** | **171,858** |
| Current Liabilities | 141,080 | 127,852 | 120,238 | 122,112 | 96,154 |
| Non-Current Liabilities | 24,425 | 37,395 | 43,216 | 47,314 | 18,951 |
| **Total Liabilities** | **165,505** | **165,247** | **163,454** | **169,426** | **115,105** |
| Shareholders' Fund | 57,715 | 58,517 | 58,174 | 57,786 | 52,083 |
| Non-controlling interests | 3,412 | 3,467 | 3,505 | 3,646 | 4,670 |
| **Total Liabilities and Equity** | **226,632** | **227,231** | **225,133** | **230,858** | **171,858** |
| Current Assets to Current Liabilities | 92% | 93% | 86% | 92% | 92% |
| Net Gearing Ratio* | 121% | 135% | 114% | 109% | 70% |

(1) 2017 financial figures have been adjusted following the adoption of Singapore Financial Reporting Standards (International). 2016 financial figures were prepared in accordance with Singapore Financial Reporting Standards and certain amounts have been reclassified for comparability purposes.

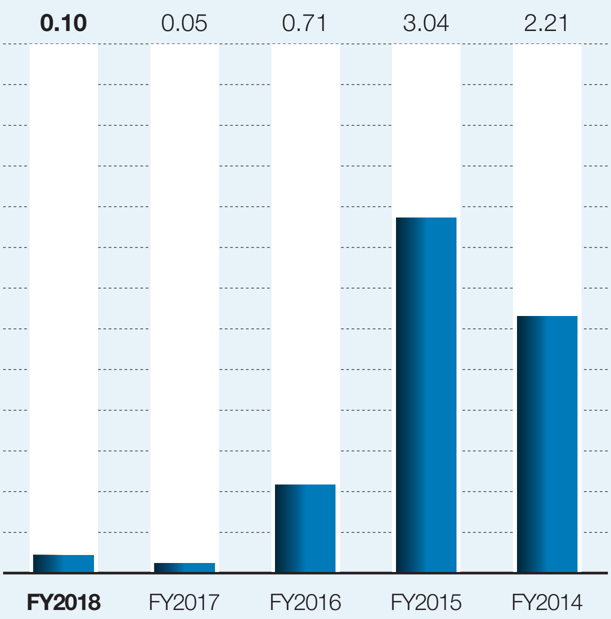
* Net Gearing Ratio = (Bills payable, bank loans and finance lease obligations less cash and bank balances)/shareholders' fund

# FINANCIAL SUMMARY

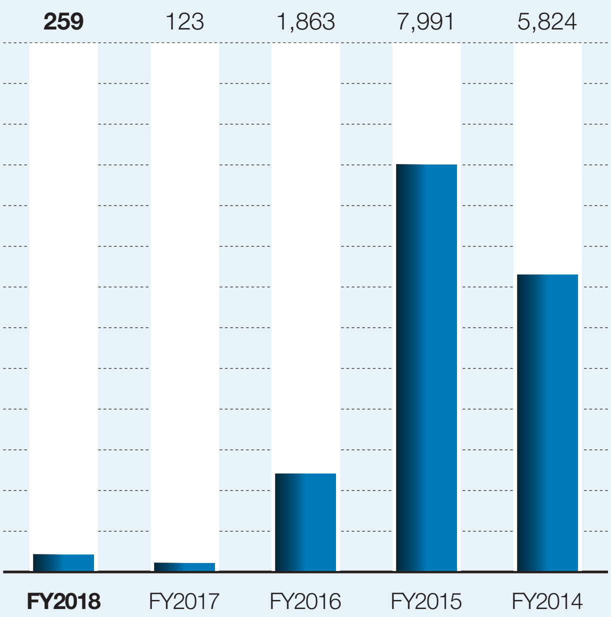
**REVENUE** (S$'000)



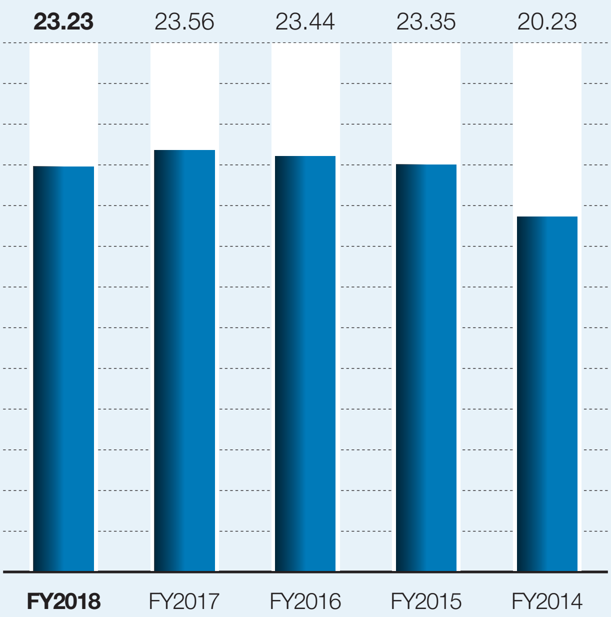

**BASIC EARNINGS PER SHARE** (CENTS)




**PROFIT ATTRIBUTABLE TO SHAREHOLDERS** (S$'000)




**NET TANGIBLE ASSETS PER SHARE** (CENTS)




[1] 2017 financial figures have been adjusted following the adoption of Singapore Financial Reporting Standards (International).

# MESSAGE FROM CHAIRMAN & MANAGING DIRECTOR

**"Construction demand will continue to be sustained by the public sector going forward. As at 31 December 2018 , the Group's Construction and Precast divisions have outstanding order books of approximately S$97.4 million and S$111.6 million respectively."**

**DEAR SHAREHOLDERS,**

## FACED WITH CHALLENGING TIMES

The challenging operating environment that we saw in the construction industry last year extended into the financial year ending 31 December 2018 ("FY2018"). The Group achieved revenue of S$116.9 million in FY2018, which was 28.7% lower than the year before. This was largely due to lower revenue recorded by all divisions – Construction, Precast and Electric Power Generation. Although the overall construction demand in Singapore was supported by the public sector, the Group faced stiff competition from overseas and local construction players.

The Group persevered. The Construction division remained the Group's largest revenue contributor. While it recorded lower revenue from some projects which had been substantially recognised in previous years the division recorded higher revenue from projects such as construction of roads, drains and sewers at Sengkang, road works at Seletar Link and Tampines Expressway, as well as design and build a vehicular bridge at Grade Road.

The Precast division recorded lower sales volume during the year. The decline in the revenue generated from the Electric Power Generation division was due to the relatively weaker Australian dollar against the Singapore dollar in FY2018.

Correspondingly, FY2018 gross profit declined 42.1% year-on-year to S$12.0 million. Despite this, gross profit margin declined slightly to 10.2% in FY2018, from 12.6% in the previous year. This was mainly due to lower gross profit recorded by the construction division, partially offset by the higher gross profit margins from the Precast and Electric Power Generation divisions.

Other income was higher due to higher dividend income, gain on disposal of scrap materials and assets held for sale.

The Group's share of losses from joint ventures improved to S$6.5 million in FY2018, from a loss of S$7.6 million a year ago. This mainly comprised the Group's 50% share of losses from the precast operation at Batam, Indonesia, under Sindo-Econ Pte Ltd and its subsidiary PT. Sindomas Precas. Higher sales price of precast products arising from improved market conditions helped to lower the losses in FY2018.

## BUSINESS OUTLOOK

The Construction industry in FY2019 is expected to remain challenging, amid intense competition and higher material costs. In July 2018, the Singapore government had announced further property cooling measures, which inevitably affected

# MESSAGE FROM
# CHAIRMAN & MANAGING DIRECTOR

ANG SIN LIU

YUEN KAI WING

construction demand from the private sector, resulting in more keen competition amongst construction players. Overall, construction demand in Singapore will continue to be sustained by the public sector. The Building and Construction Authority estimated that total construction demand in 2019 is expected to be between S$27.0 billion and S$32.0 billion, comparable to the value of contracts awarded in 2018. Of this amount, public sector projects are expected to account for about 60% of total demand, boosted by major infrastructure projects and a pipeline of major industrial building projects.

The precast business will continue to benefit from government policies and projects where precast concrete components are used, such as Build-to-Order flats and MRT tunnelling works. In the meantime, the Group will continue to focus on improving productivity at its casting yard at Batam, Indonesia.

The Group will continue to focus on its core businesses and leverage on its strong track record in civil engineering to secure more contracts. It is also committed to focus on enhancing its cost effectiveness and optimising efficiency of its on-going projects. As at 31 December 2018, the Group's Construction and Precast divisions have outstanding order books of approximately S$97.4 million and S$111.6 million respectively.

## IN APPRECIATION

We would like to take this opportunity to thank our Board of Directors ("Board"), management and staff for their hard work and contributions throughout the past year. On behalf of the Board, we would also like to express our gratitude to our customers, business associates and partners, for their continued support. Let us press ahead and continue to work together in these tough times, to grow the business and enhance shareholder value.

Yours Sincerely,

**ANG SIN LIU**
Non-Executive Chairman

**YUEN KAI WING**
Managing Director

# PERFORMANCE REVIEW

FY2018 revenue was S$116.9 million, 28.7% lower than the previous financial year. This was due to lower revenue contribution from all divisions.

Revenue from the Construction division decreased by 26.1% to S$82.3 million in FY2018, mainly due to lower revenue recognition from projects that have been completed or substantially completed, including (i) the Group's 50% share of revenue under the POC-K JV for the on-going land preparation works for the airport development project, (ii) sand mining work and rock work at caisson quarry wall at the proposed reclamation at Tuas Finger One, (iii) improvements to Sungei Pandan Kechil, and (iv) construction of container stacking yard for berths P36 to P41 at PSA Pasir Panjang Terminal. These were partially offset by higher revenue from projects including (v) earthwork and construction of roads, drains and and sewers at Sengkang West, (vi) new road connection at Seletar Link and widening of Tampines Expressway between Jalan Kayu and Punggol West Flyovers, and (vii) the proposed design and build vehicular bridge at Grade Road and other associated works at Pulau Punggol Barat.

Revenue from the Precast division decreased 36.0% year-on-year to S$30.9 million in FY2018, mainly due to lower sales volume of precast products during the year.

Revenue from the Electric Power Generation division decreased by 5.5% year-on-year to S$4.7 million in FY2018. This was mainly due to a weaker Australian dollar against the Singapore dollar, as compared to FY2017, and a marginal decrease in the reserve capacity pricing set by the Independent Market Operator of Western Australia.

Gross profit declined to S$12.0 million in FY2018, mainly due to lower gross profit from the Construction division, partially offset by higher gross profits from the Precast and Electric Power Generation divisions. The Precast division recorded higher gross profit margin in FY2018 as a result of improved market conditions. The Electric Power Generation division recorded higher gross profit margin as one of its power generation plants was fully depreciation in FY2017.

Other income increased from S$4.9 million in FY2017 to S$13.5 million in FY2018, mainly due to higher income from the sale of scrap material amounting to S$5.0 million, a gain on disposal of assets held for sale of S$3.0 million and dividend income from investment securities amounting to S$2.9 million. These were partially offset by the decrease in gain from disposal of property plant and equipment of S$2.3 million.

Administrative and other expenses increased by S$1.5 million to S$14.6 million in FY2018, mainly due to higher staff costs and higher realised foreign exchange loss arising from receipt of the sale proceeds from the disposal of assets in Malaysia. This was partially offset by a decrease in professional fees, due to higher consulting and sale process fees incurred in FY2017 under the Electric Power Generation division.

The Group's share of results of joint ventures and associates improved by S$1.1 million to S$6.5 million in FY2018. This comprised the Group's 50% share of losses from the precast operation at Batam, Indonesia under Sindo-Econ Pte Ltd and its subsidiary PT. Sindomas Precas ("Sindo-Econ Group"). The losses improved mainly due to higher selling prices of precast products achieved as market conditions improved.

# PERFORMANCE REVIEW

As a result, the Group's net profit attributable to shareholders in FY2018 was S$0.3 million, an increase from S$0.1 million in FY2017.

## BALANCE SHEET

The Group's total assets decreased slightly by S$0.6 million to S$226.6 million and total liabilities increased slightly by S$0.3 million to S$165.5 million as at 31 December 2018. Shareholder's equity decreased slightly by S$0.8 million to S$57.7 million, while net tangible asset per share was 23.23 Singapore cents as at 31 December 2018.

Current assets increased by S$11.5 million to S$130.5 million as at 31 December 2018, mainly due to increases in contract assets and other receivables relating to receivables from Sindo-Econ Group. These were partially offset by decreases in cash and bank balances, trade receivables and assets held for sale.

Non-current assets decreased by S$12.1 million to S$96.1 million as at 31 December 2018 mainly due to decrease in property, plant and equipment. This was mainly due to depreciation charges, net disposal of machinery and equipment under the Construction and Precast divisions and foreign translation exchange loss, partially offset by the purchase of new machinery and equipment under the Construction division.

Current liabilities increased by S$13.2 million to S$141.1 million as at 31 December 2018 mainly due to increase in the provision for share of a joint venture losses, and higher other payables and contract liabilities arising from advances received from customers.

Non-current liabilities decreased by S$13.0 million to S$24.4 million as at 31 December 2018 due to lower finance lease obligations.

## CASH FLOW

The Group generated net cash from operations of S$8.3 million in FY2018, compared with S$0.4 million a year ago. This was mainly due to lower trade receivables and higher other payables.

Net cash from investing activities amounted to S$7.4 million in FY2018, compared to S$6.4 million in FY2017. This was mainly attributable to cash proceeds from the disposal of assets held for sale under the Precast division and dividend income received, partially offset by the purchase of plant and equipment under the Construction division.

Net cash used in financing activities was higher at S$23.0 million in FY2018, mainly attributable to net repayments of bank loans, bills payables and finance lease obligations, and payment of interest.

As a result, the Group recorded negative cash and cash equivalents of S$2.4 million as at end FY2018.

# BOARD OF DIRECTORS

## ANG SIN LIU

**Non-Executive Chairman**

Mr Ang is the founder and advisor of ASL Marine Holdings Ltd listed on the Singapore Stock Exchange. Mr Ang is an astute businessman with diverse business interests including the trading of scrap steel material, building construction works, property leasing, shipbuilding and ship repair.

## YUEN KAI WING

**Managing Director**

Mr Yuen joined the Group in April 2012 and brought with him more than 24 years of experience in the construction industry. Before joining the Company, Mr Yuen was the Regional Manager of North East Asia, Van Oord N.V. and the General Manager of Van Oord (Shanghai) Dredging Co. Ltd. He was responsible for business and operations in the Region of North East Area including countries of Eastern Part of Russia, Japan, Korea and Greater China such as Taiwan, China, Macau and Hong Kong.

Mr Yuen has a Master of Business Administration from the China Europe International Business School in China and a Bachelor Degree in Civil Engineering from Hogeschool Utrecht in Netherlands.

## OH KOON SUN

**Executive Director**

Mr Oh and the late Mr Aw Joo Kim (his father) co-founded the predecessor to the Company in 1975. The predecessor was a sole proprietorship involved in the business of transporting stone and rocks. Mr Oh was in charge of that sole proprietorship, namely as a sub-contractor for Obayashi on the East Coast Phase V reclamation. Prior to founding the sole proprietorship, Mr Oh was involved in the family's trading business. His extensive hands-on experience in trading and deep familiarity of local businesses benefits Koon, as his principal task at the Company is the negotiation of quantity, quality and price of stone, rock, equipment, tugs & barges with selected sub-contractors and for the sourcing of consumables. Mr Oh is also the main contact person for Koon-Zinkcon.

# BOARD OF DIRECTORS

## OH KENG LIM

**Executive Director**

Mr Oh joined the predecessor to the Company in 1976, when the sole proprietorship was preparing for its conversion into a private partnership in 1977. Before this, Mr Oh was involved in several trading ventures. For over 27 years prior to 2003, Mr Oh has been involved in the project accounting, administration and risk controls of the Company. Since 2003, he has devolved many of his day-to-day duties and now primarily serves in a supervisory and oversight capacity. Mr Oh remains very familiar with all aspects of the Company's businesses, particularly with the Company's many suppliers.

## ANG AH NUI

**Member of the Remuneration Committee**

Mr Ang joined the Group in April 2012 and brought with him more than 30 years of extensive experience and knowledge of the marine industry. Mr Ang is the Deputy Managing Director of ASL Marine Holdings Ltd listed on the Singapore Stock Exchange. His core responsibilities in ASL Marine Group of companies include the setting of business strategies and direction, corporate plans and policies as well as general management and business development of its ship repair and conversion and ship chartering operations.

## GLENDA MARY SORRELL-SAUNDERS

**Non-Executive and Independent Director**

**Chairman of the Nominating Committee**

**Member of the Audit and Risk Committee, Remuneration Committee**

Glenda is the Managing Director of Matrix Management Group Pty Ltd, a Project Management and Quantity Surveying firm with operations in Victoria and Tasmania. Prior to founding Matrix Management Group, Glenda worked as a Director with Rawlinson (Aust) Pty. Ltd.

Glenda started her professional life with Farrow Laing and Partners in South Africa. Glenda has considerable experience in major industrial and civil projects including infrastructure works; steel-processing plants; and on coal, diamond & gold mines. Glenda also lectured at the University of the Witwatersrand in the Faculty of Architecture during the 1990's prior to her immigration to Australia.

Glenda has a Bachelor of Science (Honours) (Quantity Surveying) from the University of The Witwatersrand, South Africa. She is a member of the Australian Institute of Quantity Surveyors and a member of the Australian Institute of Company Directors.

# BOARD OF DIRECTORS

## KO CHUAN AUN

**Non-Executive and Independent Director**
**Chairman of the Remuneration Committee**
**Member of the Audit and Risk Committee, Nominating Committee**

Previously, Mr Ko was the President/Executive Director of KOP Limited. Prior to the reverse takeover, Mr Ko was the Group Chief Executive Officer/Executive Director of Scorpio East Holdings Ltd. Mr Ko has more than 15 years of working experience with the then Trade Development Board of Singapore ("TDB") (now known as Enterprise Singapore). His last appointment with the then TDB was Head of China Operations.

Mr Ko also holds chairmanships and directorships in various private and public companies. He is an independent director of KSH Holdings Ltd, Lian Beng Group Ltd, Pavillon Holdings Ltd and San Teh Ltd.

Mr Ko holds a diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Programme. In the past 29 years, Mr Ko was actively involved in business investments in the PRC market. He was previously appointed as a Member of the Steering Committee of the Network China. In addition, he served as the Chairman of the Tourism Sub-Committee under the Singapore-Sichuan Trade & Investment Committee as well as Investment Advisor to the Fushun Foreign Trade & Economic Co-operation Bureau, PRC respectively.

## HEATHER CHONG

**Non-Executive and Independent Director**
**Chairman of the Audit and Risk Committee**
**Member of the Nominating Committee**

Heather is one of our two Australian resident Directors. She is a Deputy Mayor on Clarence City Council and co-founder and Director of Qew Orchards, a large family owned orchard in Tasmania.

Heather is an accountant by training and has extensive experience in accounting and corporate governance. She has been an Independent Director on three other ASX listed companies. She also serves on a number of Not For Profit and Government Boards and Committees.

Heather has a Bachelor of Science (Hons), a Master of Business Administration, is a member of the Institute of Chartered Accountants of England and Wales and a Fellow of the Australian Institute of Company Directors.

Heather was the Chair of the Food Industry Council of Tasmania and Summerfruit Australia (the peak body that advises the Federal Government on concerns about growers of summerfruit in Australia) and the Tasmanian Government Representative on the national Food Safety Centre. Heather also has extensive Asia experience having served as Chief Accountant for one of Hong Kong's largest construction companies and as a senior executive in the Asian operations of what was then the world's second largest software house.

Heather is a previous recipient of the Rural Industries Research and Development Corporations Rural Women's Award for Tasmania, the Westpac Group Business Owners Award for Tasmania and the Telstra Tasmania Business Woman of the Year.

# KEY MANAGEMENT

## YEE MAY YO

### Chief Financial Officer

May joined the Group as Chief Financial Officer in December 2018. She oversees financial management, investor relations, human resource, statutory and regulatory compliance of the Group. Prior to joining the Group, she worked as a senior audit manager in a public accounting firm.

May is a member of CPA Australia and Institute of Singapore Chartered Accountants.

# OUR PEOPLE

The Group believes that a sustainable business is built upon the contribution of our people. Human capital development remains as our priority as we move forward to achieve our business objectives. We support our employees with professional training and development programs including those administered by BCA, e.g. Built Environment Apprenticeship programs for employees of our Construction division. Since 2011 Koon has been collaborating with BCA to provide sponsorships under the BCA-Industry Built Environment Undergraduate Sponsorship program. Set up under one of the Singapore Government's key plans to sustain productivity in the construction sector, this program aims to attract young talents and nurture them as future industry leaders.

# GENERAL **INFORMATION**

## BOARD OF DIRECTORS:

**Ang Sin Liu** (Non-Executive Chairman)
**Yuen Kai Wing** (Managing Director)
**Oh Keng Lim** (Executive Director)
**Oh Koon Sun** (Executive Director)
**Ang Ah Nui** (Non-Executive Director)
**Glenda Mary Sorrell-Saunders** (Non-Executive and Independent Director)
**Ko Chuan Aun** (Non-Executive and Independent Director)
**Heather Chong** (Non-Executive and Independent Director)

## SINGAPORE COMPANY SECRETARIES

Ong Beng Hong
Tan Swee Gek

## AUSTRALIA COMPANY SECRETARY

Leanne Ralph
(resigned on 28 February 2019)

## PERSON RESPONSIBLE FOR COMMUNICATION WITH ASX

Shiau-Lee Teoh
(appointed on 28 February 2019)

## AUSTRALIA REGISTERED OFFICE

Level 12, 225 George Street
Sydney NSW 2000, Australia

## SINGAPORE REGISTERED OFFICE

11, Sixth Lok Yang Road
Singapore 628109
Tel: +65 6261 5788
Fax: +65 6266 0117
Website: www.koon.com.sg.

## SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

## AUSTRALIA SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000, Australia

## AUDITOR

Ernst & Young LLP
Public Accountants and
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner: Sam Lo Geok Lim
(Appointment with effect from financial year ended 31 December 2017)

## PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Limited
RHB Bank Berhad

# CORPORATE **STRUCTURE**

AS AT 31 DECEMBER 2018

- **KOON CONSTRUCTION & TRANSPORT CO PTE LTD (100%)**
  - KOON ZINKCON PTE LTD (50%)
    - JURONG & TUAS ROCK CONTRACTORS JV (75%)
  - PENTA-OCEAN/KOON/HYUNDAI/VAN OORD JOINT VENTURE – JV1 (5%)
  - PENTA-OCEAN/KOON-HAM-DREDGING INTERNATIONAL-BOSKALIS JOINT VENTURE – JV2 (20%)
  - PENTA-OCEAN/KOON/DREDGING INTERNATIONAL/BOSKALIS/HAM JOINT VENTURE – JV3 (20%)
  - PENTA-OCEAN/HYUNDAI/KOON JOINT VENTURE – JV4 (20%)
  - PENTA-OCEAN/KOON JOINT VENTURE – JV5 (20%)
  - POC – K JV – JV6 (50%)
  - KOON CONSTRUCTION & TRANSPORT SDN BHD (100%)
  - PT KOON CONSTRUCTION INDONESIA (67%)
- **ENTIRE CONSTRUCTION PTE LTD (100%)**
- **ENTIRE ENGINEERING PTE LTD (100%)**
- **REEM ISLAND PTE LTD (100%)**
- **PETRA I PTE LTD (100%)**
- **GREEN LCT PTE LTD (100%)**
- **KOON PROPERTIES PTE LTD (FORMERLY KNOWN AS GEMS MARINE PTE LTD) (100%)**
  - METRO COAST SDN BHD (100%)
  - SEVEN STAR DEVELOPMENT SDN BHD (100%)
  - TRIUMPH HEIGHTS SDN BHD (100%)
  - UNISON PROGRESS SDN BHD (100%)
- **ECON PRECAST PTE LTD (100%)**
  - ECON PRECAST SDN BHD (100%)
  - CONTECH PRECAST PTE LTD (100%)
  - BUKIT INTAN PTE LTD (100%)
  - SINDO-ECON PTE LTD (50%)
    - (90%) PT. SINDOMAS PRECAS (50%)
  - (5%) PT. SINDOMAS PRECAS
- **TESLA HOLDINGS PTY LTD (74.1%)**
  - TESLA CORPORATION MANAGEMENT PTY LTD (100%)
  - TESLA CORPORATION PTY LTD (100%)
  - TESLA GERALDTON PTY LTD (100%)
  - TESLA KEMERTON PTY LTD (100%)
  - TESLA NORTHAM PTY LTD (100%)

# CORPORATE **GOVERNANCE STATEMENT**

The Board of Directors is committed to ensuring good corporate governance practices, to promote corporate transparency and to protect and enhance shareholder value. This statement outlines the main corporate governance practices currently in place for the Koon Group and whether these practices conform with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition). The Board believes the Group accords with the majority of the principles and recommendations of the ASX Corporate Governance Council and exceptions are outlined in the report.

The corporate governance policies and practices described below are those that have been in place for the 2018 financial year, or as at the date of this report where indicated. The Board continues to review the governance framework and practices of the Group to ensure they meet the interests of security holders.

All references to the Group's website are to: www.koon.com.sg.

**Functions and Responsibilities of the Board**

The Board of Directors is responsible for setting the strategic direction of the Group and for overseeing and monitoring the Group's businesses and affairs. The Directors are accountable to the shareholders for the Group's performance. Day-to-day management of the Group's affairs and the implementation of its strategy are delegated to the Executive Directors and senior executives. The Board operates under a formal charter, which can be viewed on the Group website, that details the responsibilities of the Board and those reserved for management.

**The principal functions of the Board include:**

(i) setting the corporate strategy and direction of the Group, including but not limited to approval of broad policies, strategies and financial objectives of the Group;

(ii) monitoring the implementation of the strategy, the business performance and the results and ensuring appropriate resources are available;

(iii) approving financial plans and key management recommendations;

(iv) appointing the Executive Directors and other key personnel and reviewing their performance;

(v) identifying and reviewing of risk and the establishment of monitoring and feedback systems with respect to risk management, internal controls, financial reporting and compliance; and

(vi) overseeing the management of occupational health & safety and environmental performance.

The Board's approval is required for matters such as the Group's financial plans and annual budget, key operational initiatives, acceptance of bank facilities, major investment and divestment proposals, material acquisitions and disposal of assets, interested person transactions of a material nature and release of the Group's half yearly and full year financial results to the Australian Securities Exchange Limited ("ASX") and the Singapore Exchange Securities Trading Limited ("SGX-ST"). Apart from matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits and delegates authority for transactions below those limits to management so as to optimise operational efficiency.

**Board's Composition and Balance**

The Board comprises eight Directors, two of whom are non-executive directors and three of whom are non-executive, independent directors. Whilst the majority of the Board is not comprised of independent directors, the Board believes that there is appropriate composition of skills amongst existing Directors and all Directors ensure that they approach their roles with independent judgement. In view of the scope and nature of the operations of the Group, the Board and the Nominating Committee are of the view that there is no individual or small group of individuals dominating the Board's decision-making process and the Board's current size is appropriate for facilitating effective decision-making.

# CORPORATE **GOVERNANCE STATEMENT**

All non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out key terms and conditions of their appointment, the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest and the disclosure obligations of the director, together with the details of the director's remuneration.

The Board comprises business leaders and professionals with industry and financial backgrounds. Its composition enables the Management to benefit from a diverse and objective external perspective on the issues raised before the Board.

To assist the Board in the execution of its responsibilities and to provide independent oversight of management, various Board Committees, namely the Audit and Risk Committee, Nominating Committee and Remuneration Committee, have been constituted with clear written terms of reference, all of which can be found on the Company's website. These Committees are made up mainly of independent non-executive Directors and the effectiveness of each Committee is constantly monitored by the Board.

No new directors were appointed during or after the financial year ended 31 December 2018. Any newly-appointed director will be given a formal letter and will be provided a full information file setting out their duties and obligations upon their appointment and will undergo an orientation program to be familiar with the Group's businesses and governance practices. Directors are also invited to sites to meet with management and gain a better understanding of the Group's business operations. To keep pace with regulatory changes, the director's own initiatives are supplemented from time to time with information updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies and regulations and guidelines from ASX and SGX-ST that affect the Company and/or the directors in discharging their duties. During the year, certain Directors had attended seminars on updates concerning guidance to the best practices of a director and the regulatory environment in Singapore and/or Australia.

**Chairman and Managing Director**

The Chairman is a non-executive director. The roles of the Chairman and Managing Director are separated. The separation of roles is to ensure that the working of the Board and the executive responsibility of the Group's business are kept distinct, increasing the accountability and capacity of the Board for independent decision-making. While the Chairman is not an independent director, the Board is confident that he remains free from bias in carrying out his role as Chairman, and is able to bring independent judgment to bear on Board decisions without interference from business or other relationships that could materially interfere with his independent judgment.

The Chairman and the Audit and Risk Committee Chairman share responsibility for scheduling meetings to enable the Board to discharge its duties and to coordinate the activities of the independent non-executive Directors and act as principal liaison between the independent non-executive Directors and the Managing Director on sensitive issues. The Chairman, with the assistance of the Management and the Executive Directors, prepares the agenda and other material for meetings and ensures that the information is of a sufficient quality and quantity to enable the Board to make informed decisions. The Executive Directors are responsible for ensuring compliance with the Group's guidelines on corporate governance.

The Chairman and the Audit and Risk Committee Chairman are also available to shareholders where they have concerns, and which contact through the normal channels of the Managing Director has failed to resolve or for which such contact is inappropriate.

**Company Secretary**

The Company Secretary acts as secretary of the Board, attending (in person or through a representative) all meetings of the Board and its committees as required. The Company Secretary is accountable to the Board through the Chairman on all corporate governance matters and the proper functioning of the Board.

# CORPORATE GOVERNANCE STATEMENT

**Board Membership**

The Nominating Committee shall, from time to time, make recommendations on the number and composition of the Board of Directors, subject to the conditions set out in the Company's Constitution.

The Nominating Committee currently comprises three members, all of whom are independent directors. It is chaired by Ms Glenda Mary Sorrell-Saunders and has as its members, Ms Heather Chong and Mr Ko Chuan Aun.

The Nominating Committee has a formal written Charter and, accordingly, is mainly responsible for:

(i) Monitoring the contribution and performance of the Directors and the Board.

(ii) Deciding how the Directors are enhancing long-term shareholder value.

(iii) Re-nominating and/or proposing new Directors.

For appointment of new directors to the Board, if a vacancy arises, the Nominating Committee will, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by evaluating the existing strengths and capabilities of the Board, assessing the likely future needs of the Board, assessing whether this need can be fulfilled by the appointment of one person and if not, consulting with the Board in respect of the appointment of two people, seeking likely candidates widely and sourcing resumes to review, undertaking background checks on the resumes received, narrowing the list of possible candidates to a short list and then inviting the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there is no expectation gap. The Nominating Committee will seek candidates widely and beyond people directly known to the directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any person. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

Every year, the Nominating Committee reviews and affirms the independence of the Company's independent non-executive Directors. Each director is required to complete a Director's independence checklist annually to confirm their independence. This checklist requires each director to assess whether they consider themselves independent despite not being involved in any relationship which would interfere or be reasonably perceived to interfere with the exercise of independent judgment in carrying out functions as an independent non-executive Director of the Company. Among the items included in the Checklist are disclosures pertaining to any employment, including compensation received from the Company or any of its related corporations, relationship to an Executive Director of the Company or its related corporations, having an immediate family member employed by the Company or any of its related corporations as senior executive officer whose remuneration is determined by the Remuneration Committee, shareholding, or partnership or directorship (including those held by immediate family members) in an organisation to which the Company or its subsidiaries received significant payments in the current or immediate past financial year. The Nominating Committee will then review the checklist completed by each director to determine whether the director is independent. Ms Glenda Mary Sorrell-Saunders has served on the Board since 2003 and her independence has been subject to particularly rigorous review. The Board notes that Ms Sorrell-Saunders should be considered independent because she has been active during Board discussions and has on many occasions voiced strong opinions which may have differed from Management's views. Furthermore, Ms Sorrell-Saunders has a wealth of experience and knowledge in her field which the Board and Management would be able to utilise (please refer to page 13 of this Annual Report for a more detailed write-up on her background). As such, the Board has established that Ms Sorrell-Saunders remains independent in character and judgement and there were no relationships with Management or substantial shareholders or circumstances which were likely to affect, or could appear to affect, her independence. The Board is therefore satisfied with her performance and continued independence. Furthermore, the Board holds the view that continuity and stability of the Board is also important. Ms Sorrell-Saunders, through her years of involvement with the Company, has gained valuable insight and understanding of the Company and together with her experience and expertise, has contributed and will continue to contribute effectively as an Independent Director by providing educated, impartial and autonomous views at all times. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

# CORPORATE **GOVERNANCE STATEMENT**

The Nominating Committee also reviews directors with multiple directorships. With the exception of (i) Mr Ang Ah Nui who currently holds one concurrent directorship in another company listed on SGX-ST and (ii) Mr Ko Chuan Aun who currently holds four concurrent directorships in other companies listed on SGX-ST, the remaining directors do not hold any concurrent directorships in any other listed companies.

The Nominating Committee is satisfied that the directors with multiple directorships have given adequate time and attention to the affairs of the Company, through attendance at meetings of the Board and Board Committees, including electronic and telephone communications.

Pursuant to Article 91 of the Company's Constitution, every director (other than the Managing Director) shall retire from office once every three years and for this purpose, one-third of the Board is to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("**AGM**"). Article 97 of the Company's Constitution also provides that a newly appointed director must retire and submit himself or herself for re-election at the next AGM following his or her appointment and such re-election shall not be taken into account in determining the number of directors who are to retire by rotation under Article 91 as set out above. Thereafter, the director is subject to re-election at least once in every three years.

**Directorships or Chairmanships held by the Company's directors in other listed companies:**

| **Name of Director** | **Date Appointed/ last re-elected** | **Directorship in other listed companies** | |
|---|---|---|---|
| | | **Current** | **Past 3 years** |
| **Ang Sin Liu** (Chairman, Non-executive Director) | 27 April 2012/ 29 April 2016 | Nil | Nil |
| **Ang Ah Nui** (Non-executive Director) | 27 April 2012/ 25 April 2018 | ASL Marine Holdings Ltd | Nil |
| **Yuen Kai Wing** (Managing Director) | 27 April 2012/ 25 April 2013 | Nil | Nil |
| **Oh Koon Sun** (Executive Director) | 11 April 2003/ 27 April 2017 | Nil | Nil |
| **Oh Keng Lim** (Executive Director) | 9 April 2003/ 25 April 2018 | Nil | Nil |
| **Heather Chong** (Independent Non-executive Director) | 31 December 2015/ 25 April 2018 | Nil | Sino-Excel Energy Limited[1] |
| **Glenda Mary Sorrell-Saunders** (Independent Non-executive Director) | 11 April 2003/ 27 April 2017 | Nil | GPS Alliance Holdings Limited[1] |
| **Ko Chuan Aun** (Independent Non-executive Director) | 16 January 2012/ 27 April 2017 | KSH Holdings Limited<br>San Teh Limited<br>Lian Beng Group Ltd<br>Pavillon Holdings Ltd. | Super Group Ltd (ceased with effect from June 2016 due to privatisation of Super Group Ltd)<br>KOP Limited (formerly known as Scorpio East Holdings Ltd) |

[1]: Listed on ASX

# CORPORATE GOVERNANCE STATEMENT

**Board Skills, Matrix and Diversity**

The Board considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities of the Company.

Biographies of each director are outlined in the Director's Report on pages 12 to 14 of this Annual Report.

The Board is currently in the process of developing a Board skills matrix. In this regard, the table below sets out the skills and experience considered by the Board to be important for its Directors to collectively have.

In addition to the skills and experience set out in table below, the Board considers that each director has the following attributes:

(i) honesty and integrity;
(ii) the ability to think strategically;
(iii) the time available to devote to the Company's business;
(iv) a willingness to question and challenge; and
(v) a commitment to the highest standards of governance.

All directors are expected to use their range of relevant skills, knowledge and experience and to apply their judgement to all matters discussed at Board meetings.

| SKILL | DESCRIPTION |
|---|---|
| Strategy | Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions. |
| Finance | The ability to analyse financial statements and reporting, critically assess the financial performance of the Company, contribute to budget planning and efficient use of capital and resources. |
| Operations | A broad range of commercial and business experience in business systems, practices, improvements, risk and compliance, sales, maintenance, technology and human resources. |
| Sales and Marketing | Clear understanding of developing and implementing brand strategy, recruiting, running and incentivising sales teams, setting sales budgets and targets and getting brand "cut-through". These skills must also be applicable to the infrastructure and civil engineering space. |
| Capital markets | Expertise in considering and implementing efficient capital management including alternative capital sources and distributions, yields and markets. |
| Industry experience | Experience and broad understanding of the infrastructure and civil engineering market, including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework. |
| Mergers and Acquisitions | Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments. |
| People and performance | Appreciation for the best practices in HR planning and management with familiarity in employment legislation and labour relations, recruitment, compensation, performance reviews and conflict management. |

# CORPORATE **GOVERNANCE STATEMENT**

| SKILL | DESCRIPTION |
|---|---|
| Legal and compliance | Ability to identify key risks to the Company in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems. |
| ASX/SGX-ST governance | Knowledge and experience in best practice ASX/SGX-ST and Corporations Act, Companies Act, governance structures, policies and processes. |
| Technology/Digital | Expertise in the analysis of Technology/logistics feasibility and assessment, strategies for optimising value and understanding and mitigating risk from/of Technology/logistics opportunities. |
| Corporate History | A good understanding of recent corporate background including organisational structure, litigation, key contracts and relationships, performance and capital structures. |
| Leadership | Successful senior executive positions held. |

While the current Board composition meets the Company's needs, this skills and experience analysis will assist to identify opportunities for Director training and development and to inform skills gaps that may be addressed through future Board appointments.

**Board Performance**

The Nominating Committee, in considering the re-appointment of a Director, must evaluate the Director's contribution and performance, such as their attendance at meetings of the Board or Board Committees, and also their participation, candour and other contributions.

The Nominating Committee assesses the Board's performance taking into consideration quantitative and qualitative criteria such as the success of the strategic and long-term objectives set by the Board.

The performance criteria includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability and the Board's performance in relation to discharging its principal functions and responsibilities, the Directors' standards of conduct and financial targets such as return on assets, return on equity and the Company's share price performance and a benchmark index of its industry peers. In assessing the individual Director's performance and the effectiveness of the Board, the Nominating Committee takes into consideration the individual Director's industry knowledge and/or functional expertise, contribution and workload requirements. The Board, however, notes that the financial indicators provide only a snapshot of the Company's performance, and do not fully reflect on-going risk or measure the sustainable long-term wealth and value creation of the Group.

The Board is committed to enhancing its effectiveness through performance management and review. The Board review process is designed to help enhance performance by providing a mechanism to raise and resolve issues and to provide recommendations to enhance its effectiveness.

An assessment of the Board, its committees and individual Directors' performance is undertaken annually and one was undertaken in 2018. The results of the assessment are used to improve the performance of the Board, its committees and its individual directors.

With respect to 2018 and after due evaluation, the Nominating Committee considered the performance of each individual Director and the Board to be satisfactory. For avoidance of doubt, each member of the Nominating Committee abstains from voting on any resolution in respect of the assessment of his or her performance or re-nomination as Director.

# CORPORATE **GOVERNANCE STATEMENT**

### Senior Executives

The Board delegates the responsibility for the day-to-day management of the Company and implementation of the strategic plan to the Managing Director and the Executive Directors, who are assisted by the senior executives who report to them.

Subject to authorisation limits directed by the Audit and Risk Committee, the Managing Director, Executive Directors and the senior executives carry out the day-to-day running of the Company.

All senior executives are appointed to their positions after a rigorous recruitment process. Each member of the senior executive team, including executive directors, are employed pursuant to an employment contract, which covers a range of matters including their scope of responsibilities, rights, and any entitlements on termination. Each contract refers to a specific formal job description. Each contract sets out the remuneration of the executive.

The evaluation for all senior executives is based on specific criteria, including their work performance, personal attributes, managerial skills and the development of management and personnel.

Through the evaluation by the Remuneration Committee, the Board assesses the performance of the Managing Director based on the business performance of the Group, whether strategic objectives are being achieved and individual's performance, taking into consideration the conditions of same industries.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Annual Report under the heading 'Remuneration'.

### Directors' Attendance at Board and Board Committee Meetings

The Board conducts regular scheduled meetings and ad-hoc Board meetings are convened when warranted by circumstances relating to matters that are material to the Group. Telephonic attendance and video conferencing at Board meetings are allowed under the Company's Constitution. The following table sets out the Directors' attendance at Board and Board Committee meetings held in 2018.

| | **No. of meetings attended** | | | |
|---|---|---|---|---|
| **Name** | **Board** | **Audit and Risk Committee** | **Nominating Committee** | **Remuneration Committee** |
| Ang Sin Liu[1] | 0 | 0 | 0 | 0 |
| Ang Ah Nui | 1 | 1* | 1* | 1 |
| Yuen Kai Wing | 2 | 2* | 1* | 1* |
| Oh Koon Sun | 2 | 2* | 1* | 1* |
| Oh Keng Lim | 2 | 2* | 1* | 1* |
| Glenda Mary Sorrell-Saunders | 2 | 2 | 1 | 1 |
| Ko Chuan Aun | 2 | 2 | 1 | 1 |
| Heather Chong | 2 | 2 | 1 | 1* |
| **No. of meetings held** | **2** | **2** | **1** | **1** |

*: Attended as an invitee to meeting

(1) Although Mr Ang Sin Liu did not attend the meetings, he is consulted on all matters relating to the Board and all decisions are made jointly.

# CORPORATE **GOVERNANCE STATEMENT**

**Training of Directors**

The Company does not have a formal training programme for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be provided with a full information file and also attend an orientation course where they will be briefed on the business operations and regulatory issues relating to the Group. Directors are also informed of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive training to improve themselves in the discharge of their duties as directors.

**Access to Information**

All Directors have separate, independent and unrestricted access to all levels of senior executives in the Group and the Company Secretaries. All Directors are continuously updated by Management on the developments within the Group and are furnished with complete and adequate information in a timely manner to enable full deliberation on the issues to be considered at the respective meetings. Board papers with sufficient background and explanatory information are circulated before each meeting. From time to time, managerial staff, lawyers, the Company's auditors or external consultants engaged on specific projects are invited to attend the Board and Board Committee meetings so as to provide additional insight into the matters for discussions.

Hence, the Board is of opinion that, under the present arrangement, information provided to the Board is sufficient and timely for it to perform its duties effectively.

**Access to Independent Professional Advice**

Any director has the right to seek independent legal, accounting or other professional assistance at Company's expense on matters relevant to carrying out their duties as a director. Directors must ensure that the costs are reasonable and must inform the Chairman and seek approval from the Board before such advice is sought.

**Remuneration**

The Remuneration Committee comprises three members, all of whom are non-executive Directors and two of whom are Independent Directors. The Remuneration Committee is chaired by Mr Ko Chuan Aun and has as its members, Mr Ang Ah Nui and Ms Glenda Mary Sorrell-Saunders.

The Remuneration Committee has a formal written Charter and, accordingly, is mainly responsible for:

(i) in consultation with the Chairman of the Board, recommending to the Board for its endorsement, a framework of remuneration for the Board and the key executives of the Company, covering all aspects of remuneration, including and without limitation, Directors' fees, salaries, allowances, bonuses, employees performance shares and benefits-in-kind;

(ii) determining the specific remuneration packages for each Executive Director of the Company (or Executive of similar rank if he is not an Executive Director);

(iii) reviewing the remuneration of senior management/key executives;

# CORPORATE **GOVERNANCE STATEMENT**

(iv) proposing, for approval by the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;

(v) considering what compensation commitments the Executive Directors' contracts of service, if any, would entail in the event of early termination;

(vi) considering whether Directors should be eligible for benefits under long-term incentive schemes;

(vii) overseeing the administration of the Company's Employee Performance Share Plan, including without limitation, as follows:

  (a) identifying Directors and employees of the Company and its related companies to whom employee performance shares should be granted,

  (b) determining the number, the timing and the vesting period for the granting of employee performance shares.

The Group's remuneration policy is to provide remuneration packages appropriate to attract, retain and motivate the Executive Directors and senior executives required to run the Group successfully. The Company has in place service contracts for each of its Executive Directors which set out the framework of their remuneration. The Remuneration Committee will, upon the expiry of such service contracts, recommend to the Board a framework for the remuneration of such Executive Directors. Senior executives, including the Executive Directors, are also subject to an annual performance review in which performance is measured against objectives related to the Company's strategy and business plans. The performance reviews for the financial year ended 31 December 2018 have been satisfactorily completed.

The Company's Employee Performance Share Plan ("**Koon EPSP**") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 12 October 2009. Since the approval and adoption of the Koon EPSP, as at the date of Annual Report 1,579,000 ordinary shares have been issued under Koon EPSP. More information regarding the Koon EPSP can be found in Directors' statement.

# CORPORATE GOVERNANCE STATEMENT

**Directors' Remuneration and Incentives**

The Executive Directors do not receive directors' fees. The fees for non-executive Directors comprised a basic retainer fee and additional fees for other appointments.

The remuneration of the Directors of the Company and top five Key Executives of the Group for the financial year ended 31 December 2018 are:

| | Salary[1] | Bonus[1] | Other benefits[2] | Directors' Fees[3] | Total | Total |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | S$ |
| **Non-Executive Directors** | | | | | | |
| Ang Sin Liu | – | – | – | 100% | 100% | 50,000 |
| Ang Ah Nui | – | – | – | 100% | 100% | 41,000 |
| Glenda Mary Sorrell-Saunders | – | – | – | 100% | 100% | 59,000 |
| Ko Chuan Aun | – | – | – | 100% | 100% | 59,000 |
| Heather Chong | – | – | – | 100% | 100% | 61,000 |
| **Total remuneration** | | | | | | **270,000** |
| **Executive Directors** | | | | | | |
| Yuen Kai Wing | 40% | 26% | 34% | – | 100% | 830,864 |
| Oh Koon Sun | 84% | 13% | 3% | – | 100% | 380,696 |
| Oh Keng Lim | 78% | 12% | 10% | – | 100% | 322,596 |
| **Total remuneration** | | | | | | **1,534,156** |

(1): Salary and bonus include Central Provident Fund contributions

(2): Other benefits include car benefits and tax, borne by the Company for Mr Yuen Kai Wing

(3): Directors' fees are subject to shareholders' approval at the Annual General Meeting.

| Top Five Executives of the Group | Salary[1] % | Bonus[1] % | Other benefits[2] % | Total % |
|---|---|---|---|---|
| **Up to S$250,000** | | | | |
| Loi Lup Sheng Ron[3] | 88% | – | 12% | 100% |
| Yee May Yo[4] | n.m | n.m | n.m | n.m |
| Lim Weng Tang | 100% | – | – | 100% |
| Lim Et Seng | 78% | 15% | 7% | 100% |
| Chung Lee Ching | 84% | 15% | 1% | 100% |
| Tan Teck Hwee | 85% | 9% | 6% | 100% |

(1): Salary and bonus include Central Provident Fund contributions

(2): Other benefits include car benefits and housing expenses borne by the Company

(3): Appointed on 16th January 2018 and resigned on 31st December 2018.

(4): Appointed on 31st December 2018. n.m: not meaningful

# CORPORATE **GOVERNANCE STATEMENT**

The aggregate remuneration of top five Key Executives of the Group amounted to S$962,821 for the financial year ended 31 December 2018.

**Accountability**

The Board recognises its responsibility to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. Further, the Board has adopted the practice of communicating major developments in its business and operations to shareholders, the ASX and SGX-ST, employees and other stakeholders.

**Audit and Risk Committee**

The Audit and Risk Committee comprises three members, all of whom are independent directors. The Audit and Risk Committee is chaired by Ms Heather Chong and has as its members Mr Ko Chuan Aun and Ms Glenda Mary Sorrell-Saunders.

The qualifications and experience of the members of the Audit and Risk Committee are outlined in their respective profiles on pages 13 to 14 of this Annual Report.

The Audit and Risk Committee has a formal written Charter which stipulates the duties of the Audit and Risk Committee as follows:

The duties of the Audit and Risk Committee in relation to Audit shall be:

(a) to review with the external auditors:

   (i) the audit plan, including the nature and scope of the audit before the audit commences;

   (ii) their evaluation of the adequacy of the Company's system of internal accounting controls;

   (iii) their audit report; and

   (iv) their management letter and Management's response;

(b) to ensure co-ordination where more than one audit firm is involved;

(c) to review the half-year and annual financial statements to ensure integrity of the said financial statements before submission to the Board for approval, focusing in particular, on:

   (i) significant financial reporting issues and judgments;

   (ii) changes in accounting policies and practices, including but not limited to the appropriateness of the accounting judgments or choices exercised by Management in preparing the said financial statements;

   (iii) major risk areas;

   (iv) significant adjustments resulting from the audit;

   (v) the going concern statement;

   (vi) compliance with accounting standards;

# CORPORATE **GOVERNANCE STATEMENT**

(vii) compliance with the stock exchange and statutory/regulatory requirements, including but not limited to that of the ASX and the SGX-ST;

(viii) compliance with the Singapore Code on Take-overs and Mergers, the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition), as well as the code of corporate governance 2012 under the purview of the Monetary Authority of Singapore and the SGX-ST; and

(ix) prior to the approval of the said financial statements, ensure that the Chief Executive Officer and Chief Financial Officer provide a declaration that, in their opinions, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that the opinions have been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Audit and Risk Committee is to ensure that the aforementioned financial statements reflect the understanding of the Audit and Risk Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Group;

(d) to review any formal announcements relating to the Company's financial performance;

(e) to discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors and the internal auditors where necessary;

(f) to meet with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;

(g) to review the assistance given by Management to the external auditors;

(h) in relation to the external auditors:

(i) to review annually the scope and results of the audit and its cost effectiveness as well as the independence, objectivity, and performance of the external auditors;

(ii) where the auditors also provide non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;

(i) to review the internal audit programme and ensure co-ordination between the internal and external auditors and Management;

(j) in relation to the internal auditors:

(i) to review the scope and adequacy of the internal audit work plan; and

(ii) the objectivity and performance of the internal auditors;

(k) to review the scope and adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls;

# CORPORATE **GOVERNANCE STATEMENT**

(l) to review the scope and results of the internal audit procedures including the effectiveness of the internal audit functions and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and ensure annually the adequacy of the internal audit function;

(m) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;

(n) to investigate any matter within its terms of reference, with full access to and co-operation by the Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

(o) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up actions;

(p) to report to the Board its findings from time to time on matters arising and requiring the attention of the Audit and Risk Committee;

(q) to review interested person transactions ("IPTs") falling within the scope of the listing rules of the ASX, as well as the relevant provisions under the listing rules of the SGX-ST in relation to IPTs;

(r) to recommend to the Board:

 (i) the appointment, re-appointment and removal of the external auditors and the internal auditors;

 (ii) approve the remuneration and terms of engagement of the external auditors and the internal auditors; and

 (iii) the rotation of the audit engagement partner;

(s) to undertake such other reviews and projects as may be requested by the Board;

(t) to ensure that the external auditors attend the annual general meetings of the Company and are available to answer questions from shareholders of the Company relevant to the audit; and

(u) to undertake such other functions and duties as may be required by statute, the listing rules of the ASX and the SGX-ST, and by such amendments made thereto from time to time, as well as all relevant legislation of Singapore, Australia, or any other relevant jurisdiction(s).

The duties of the Audit and Risk Committee in relation to risk management shall be to oversee the Company's risk management systems, practices and procedures to ensure effectiveness of risk identification and management, and compliance with internal guidelines and external requirements, by carrying out, *inter alia*, the following duties:

(a) to ensure a system is set up to identify, assess and monitor risks associated with the operations of the Group, and examine any other matters relating to risks that are referred to it by the Board;

(b) to build consensus among the Board members and Management on acceptable risk levels (in terms of risk likelihood and its impact) and monitor current risk levels;

# CORPORATE **GOVERNANCE STATEMENT**

(c) to assess whether the risk management framework is appropriate and adequate. The framework shall be based on the following principles:

 (i) understand the Company's key drivers of success;

 (ii) assess the risks in the Company's strategy(ies);

 (iii) define the role of the Board and the various Board committees (from time to time) with regard to risk oversight;

 (iv) consider whether the Company's risk management system, including people and processes, is appropriate and has sufficient resources;

 (v) work with Management to understand and agree on the types (and format) of risk information as the Board requires;

 (vi) encourage a dynamic and constructive risk dialogue between Management and the Board, including a willingness to challenge assumptions;

 (vii) closely monitor the potential risks to the Company's culture and its incentive structure;

 (viii) monitor critical alignments of strategy, risk, controls, compliance, incentives and people;

 (ix) consider emerging and interrelated risks; and

 (x) periodically assess the Board's risk oversight processes;

(d) to monitor Management accountability for risk management processes and compliance with risk policies;

(e) to promote the establishment of a "risk-aware" culture;

(f) to review and make recommendations to the Board in relation to risk management;

(g) to consider, and make recommendations to the Board in connection with, the compliance by the Group with its risk management strategy(ies);

(h) to report to the Board on any material changes to the risk profile of the Group;

(i) to monitor and refer to the Board any instances involving material breaches or potential breaches of the Group's risk management strategy(ies); and

(j) to engage such independent professional advice as it considers necessary in fulfilling its duties as stated in the terms of reference of the Audit and Risk Committee.

The Audit and Risk Committee has full access to, and co-operation of, Management and has been given the resources required for it to discharge its functions properly. It may also invite any Director and Executive Officer to attend its meetings. The external auditors have unrestricted access to the Audit and Risk Committee Chairman and the Audit and Risk Committee. The external auditors and internal auditors meet with the Audit and Risk Committee without the presence of Management at least once annually.

# CORPORATE GOVERNANCE STATEMENT

### Whistle-Blowing Policy

The Group has in place a whistle-blowing policy and procedure by which staff can, in confidence, raise concerns about misconduct in the Group or possible improprieties relating to financial reporting or other matters. All complaints are to be directed to the Chairman of the Audit and Risk Committee. Where investigation is necessary, the Audit and Risk Committee will direct an independent investigation to be conducted on the complaint received. Details of the whistle-blowing policy have been made available to all employees.

### Diversity Policy

The Company has not established a policy concerning diversity because diversity issues are embedded within the Company's Mission, its Vision and its Value Statements. As a result of the Company not having a formal policy on diversity, there are no measurable objectives for achieving gender diversity. However, the Company is an equal opportunity employer. As seen below, women are well represented amongst the Company's workforce. The Company also has two female directors on the Board.

Across the Group the current gender split as at 31 December 2018 is as follows:

| | Female | | Male | |
|---|---|---|---|---|
| All employees | 59 | 33% | 119 | 67% |
| Managers | 5 | 28% | 13 | 72% |
| Senior Executives | 2 | 40% | 3 | 60% |
| Directors | 2 | 25% | 6 | 75% |
| Total | 68 | 33% | 141 | 67% |

References:

| | |
|---|---|
| All employees | Executives (excludes Workers and Operators) |
| Managers | Managers |
| Senior Executives | Chief Financial Officer & Senior Managers |
| Directors | Directors |

### Recognising and Managing Risks

The Management is responsible for identifying and managing risks. The Board is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. In addition to maintaining appropriate insurance and other risk management measures, identified risks are managed through:

(i) Established policies and procedures for the management of funding and financial instruments.

(ii) Standards and procedures in relation to environmental and health and safety matters.

(iii) Training programs in relation to legal and compliance issues.

(iv) Procedures requiring significant capital and revenue expenditure and other contractual commitments are approved at an appropriate level or by the Board.

(v) Risk management systems and policies that govern the management of risk.

The internal audit function as part of its activities monitors the Management's actions to manage risk. The external and internal audit functions are separate and independent of each other.

# CORPORATE **GOVERNANCE STATEMENT**

The Company has outsourced its internal audit function to BDO LLP who have conducted its internal audit for the Group for the financial year 2018 and reported directly to the Audit and Risk Committee on its findings. The Audit and Risk Committee has reviewed BDO LLP's report on internal controls and processes and is satisfied with the follow-up actions taken by the Management to strengthen the internal control system.

The Company's risk management framework is integrated with the day-to-day business processes and functional responsibilities. The review of this framework is an ongoing process. However, the Board has been charged with reviewing the framework at least annually. The Board and the Audit and Risk Committee are satisfied that the Company's framework of internal controls is adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding its assets and shareholders' investments. Such framework serves to provide reasonable assurance against material misstatement or loss.

In accordance with Recommendation 7.4 of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations, the economic, environmental and social sustainability risks referred to in the said Recommendation are inherent in the Company's business and operations, manifested as issues pertaining to waste disposal, noise pollution and workplace health and safety. The Company's exposure to such risks is already managed by the Company based on its day-to-day operations in projects execution. Please refer to page 3 of the Annual Report in relation to the Company's commitment to quality project and safe work environment and sustainable approach for further details.

For each financial period the Board receives assurance from the Managing Director and the Chief Financial Officer that:

(i) the Company's financial reports are complete and present a true and fair view of the financial condition and operational results of the Company and are in accordance with the relevant accounting standards; and

(ii) the risk management and internal compliance and control systems which implement the policies adopted by the Board in relation to financial reporting risks are sound, appropriate and operating efficiently and effectively in all material respects.

**Code of Conduct**

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of the Company.

The Board has endorsed a Vision & Mission Statement which outlines acceptable behaviour and attitudes expected from all staff to promote and maintain the confidence and trust of all those dealing with the Group.

The Vision & Mission Statement, which may be viewed on the Company's website and on page 2 of this Annual Report, is the subject of periodic review to ensure that it covers all relevant issues and sets standards consistent with the Company's commitment to ethical and responsible behaviours.

**Communication with Shareholders**

The Board is mindful of its obligations to provide timely disclosure of material information presented in a fair and objective manner to shareholders and does so through the Annual Report, results announcements, its website and other announcements on developments within the Group or in relation to disclosures required by the stock markets. The information is released through ASX and SGX-ST websites and is also available on the Company's website.

# CORPORATE **GOVERNANCE STATEMENT**

The Board regards the Annual General Meeting ("**AGM**") as an opportunity to communicate directly with shareholders and encourages shareholder attendance and participation at this forum. The Chairman and other Directors attend the AGM and are available to answer questions from shareholders at the AGM. The external auditors are also present to assist Directors in addressing any relevant queries from shareholders.

All shareholders will receive the Annual Report of the Company and notice of AGM and through notices published in the newspapers within the mandatory period. The shareholders can also access information on the Group at the Group's corporate website. The website provides, inter alia, all publicly disclosed financial information, corporate announcements, press release, Annual Reports and profiles of the Group.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all shareholders are eligible to vote on all resolutions. Shareholders who cannot attend the AGM may lodge a proxy in accordance with the Company's Constitution and the Companies Act. Proxy forms may be lodged with the share registry by mail or hand delivery.

The Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in his place. Pursuant to the Companies Act, a member of the Company who is a relevant intermediary may appoint more than two proxies to attend and vote at general meetings, but such proxies must be appointed to exercise the rights attached to a specified number of shares. The term "relevant intermediary" is for this purpose defined under the Companies Act and includes the Central Provident Fund Board as well as banks and capital market services licence holders which provide custodial services. Allowing multiple proxies for such members will facilitate indirect investors attending and voting at shareholder meetings and encourages more active shareholder participation.

Resolutions to be passed at general meetings are always separate on each distinct issue so that shareholders are better able to exercise their right to approve or deny the issue or motion.

Whilst it is not a common practice in Singapore that shareholders are provided with the option to receive communications from, and send communications to, the Company and the security registry electronically, the Company will consider the possibility of implementing the above.

**Interested Person Transactions**

The Group has established an internal policy to ensure that transactions with interested persons are reported in a timely manner to the Audit and Risk Committee for review and the transactions are carried out on arm's length basis on terms not prejudicial to the interests of the Group and its minority shareholders.

During the financial year ended 31 December 2018, the following transactions were entered into by the Group involving the interest of the substantial shareholder or Directors of the Company, which were either subsisting at the end of the financial year or, entered into since the end of the previous financial year.

# CORPORATE **GOVERNANCE STATEMENT**

| Name of Interested persons | Aggregate value of all interested person transactions S$'000 |
|---|---|
| ASL Offshore & Marine Pte Ltd | |
| – Equipment rental income | 115 |
| – Subcontractor income | 5,106 |
| – Marine transport expenses | 2 |
| ASL Shipyard Pte Ltd | |
| – Yard and dormitory rental expenses | 499 |
| – Purchase of equipment | 1,100 |
| ASL Marine Contractor Pte Ltd | |
| – Marine transport income | 873 |
| – Marine transport expenses | 4 |
| – Equipment rental income | 210 |
| PT Cemara Intan Shipyard | |
| – Equipment rental expenses and charter expenses | 418 |
| Vosta LMG Dredges BV | |
| – Purchase of equipment | 500 |
| Vosta LMG Components & Services BV | |
| – Purchase of equipment | 502 |
| Singa Tenaga Investments Pte Ltd | |
| – Secondment fee income | 348 |
| Sintech Metal Industries Pte Ltd | |
| – Equipment rental expenses and charter expenses | 36 |
| – Subcontract expenses | 51 |
| Matrix Management Group Pty Ltd | |
| – Professional fee | 55 |
| Ang Ah Nui | |
| – Consultancy fee expense | 202 |
| PT Sindomas Precas | |
| – Equipment rental expenses | 327 |

In addition, as reported in 2013 Annual Report, 2014 Annual Report, 2015 Annual Report, 2016 Annual Report and 2017 Annual Report, as part of its expansion strategy, the Company had entered into a joint venture arrangement with ASL Marine Holdings Ltd ("ASL") in 2013 to establish a plant in Batam, Indonesia for the manufacture of precast concrete products ("Joint Venture"). A joint venture company, Sindo-Econ Pte Ltd ("Sindo-Econ") was established in May 2013 by the Company's wholly owned subsidiary, Econ Precast Pte Ltd ("Econ Precast") and Intan Overseas Investments Pte Ltd ("Intan Overseas Investments"), a wholly owned subsidiary of ASL. Each of Econ Precast and Intan Overseas Investments has a 50% equity

# CORPORATE **GOVERNANCE STATEMENT**

interest in Sindo-Econ. In November 2013, Sindo-Econ, Econ Precast and Intan Overseas Investments acquired the entire issued share capital of PT Sindomas Precas ("Batam JV") for the purpose of establishing the plant and undertaking the precast operations in Batam, Indonesia. Sindo-Econ holds a 90% equity interest in Batam JV while each of Econ Precast and Intan Overseas Investments holds a 5% equity interest in Batam JV.

Shareholders' approval for the general framework of the Joint Venture was obtained at the 2014 Annual General Meeting held on 29 April 2014. In accordance with the waiver from ASX Listing Rule 10.1 granted by ASX dated 1 November 2012, the Company must seek shareholder approval for the general framework of the Joint Venture every three years from the date shareholder approval is obtained. Accordingly, the Company had sought and obtained renewal of the shareholder approval for the general framework of the Joint Venture at the 2017 Annual General Meeting held on 27 April 2017.

Additionally, in accordance with the with the waiver from ASX Listing Rule 10.1 granted by ASX dated 3 November 2016, the Company must seek shareholder approval for the general framework for the rental arrangements between the Company and ASL every three years from the date shareholder approval is obtained. Accordingly, the Company had sought and obtained the shareholder approval for the general framework of the rental arrangements between the Company and ASL at the 2017 Extraordinary General Meeting held on 25 July 2017.

Mr Ang Sin Liu is the Non-Executive Chairman of the Company and Mr Ang Ah Nui is a Non-Executive Director of the Company, and together they hold an aggregate interest of 51.48% of the Company. Mr Ang Sin Liu and Mr Ang Ah Nui are also controlling shareholders of ASL. Accordingly, for the purposes of ASX Listing Rule 10.1, ASL and its subsidiaries are associates of substantial holders, Mr Ang Sin Liu and Mr Ang Ah Nui.

***Joint Venture Agreement***

The Joint Venture Agreement is the "umbrella agreement" for this transaction. The Joint Venture Agreement was entered into on 14 March 2014 by the Company and its subsidiaries, Econ Precast, Contech Precast, Bukit Intan Pte Ltd ("Bukit Intan"), Sindo-Econ, Batam JV, ASL and ASL's subsidiaries, ASL Offshore & Marine Pte Ltd ("ASLOM") and PT Cemara Intan Shipyard ("PT CIS") and sets out the terms upon which the parties established and conducted the joint venture precast operations at Batam, Indonesia with effect from 1 January 2014 ("2014 JV Arrangement"). During 2016, the parties have made some amendments to the subcontract arrangement taking effect from 1 October 2016 ("2016 JV Arrangement"). The principal terms of the 2014 JV Arrangement and the 2016 JV Arrangement are similar as set out below.

***Between Bukit Intan, Sindo-Econ, Batam JV and ASL***

*2014 JV Arrangement*

Econ Precast and/or Contech Precast will, at their sole discretion, subcontract external precast orders to Bukit Intan. The subcontract value ("Initial Subcontract Value") awarded to Bukit Intan will be calculated to be 90% of the order price secured by Econ Precast or Contech Precast from external parties.

Upon receiving the subcontract award from Econ Precast or Contech Precast, Bukit Intan will in turn award the production subcontract to Batam JV at an agreed price ("Production Subcontract Price") and will provide part of the raw materials required ("Key Raw Materials") to Batam JV for precast operations.

ASLOM, a subsidiary of ASL, has entered into a transport agreement with Bukit Intan in accordance with which ASLOM will undertake the marine transport logistics for the delivery of goods between Batam, Indonesia and Singapore at an agreed price ("ASL Freight Charge").

The Production Subcontract Price will be calculated to be 97% of the Initial Subcontract Value after deducting the costs of Key Raw Materials and the ASL Freight Charge.

Sindo-Econ owns the majority of the movable plant and equipment which will be used by Batam JV in its precast operations. In consideration for the use of the plant and equipment by Batam JV, Sindo-Econ will charge Bukit Intan an agreed agency fee ("JV Agency Fee") which will be calculated to be 8% of the Production Subcontract Price.

# CORPORATE **GOVERNANCE STATEMENT**

*2016 JV Arrangement effective from 1 October 2016*

Econ Precast and/or Contech Precast will, at their sole discretion, subcontract external precast orders directly to Sindo-Econ. The subcontract value ("2016 Subcontract Value") awarded to Sindo-Econ will be calculated to be 92% of the order price secured by Econ Precast or Contech Precast from external parties. Sindo-Econ will in turn award the production subcontract to Batam JV and will provide the Key Raw Materials to Batam JV for precast operations.

In view of the change in subcontract award directly to Sindo-Econ, the following arrangements have been modified under the 2016 JV Arrangement:

- Sindo-Econ has ceased to charge JV Agency Fee to Bukit Intan under the 2016 JV Arrangement;

- ASLOM has entered into various transport agreements directly with Sindo-Econ in accordance with which ASLOM will undertake the marine transport logistics for the delivery of goods between Batam, Indonesia and Singapore at an agreed price ("2016 ASL Freight Charge");

  To cater for the anticipated increasing volume of precast production at Batam JV going forward, Econ Precast will also provide marine transport logistics for the delivery of goods between Batam, Indonesia and Singapore. The freight rate chargeable by Econ Precast to Sindo-Econ will be pegged to the 2016 ASL Freight Charge; and

- In addition, Econ Precast may procure additional plant and machinery required for the operation of the Batam JV. Econ Precast will charge machine rental to Sindo-Econ which will be pegged to the market machine rental rate.

Shareholders should note that under the 2016 JV Arrangement, the award of subcontracts by Econ Precast and Contech Precast to Sindo-Econ will be made on arm's length commercial terms in the ordinary course of business of Econ Precast and Contech Precast and will be the same, in all material respects (save for the subcontract value), as the terms of precast orders made by customers of Econ Precast and Contech Precast.

Shareholders should also note that the financial risk and rewards of the activities of Sindo-Econ and Batam JV will be shared equally between the Company and ASL in accordance with their respective 50% equity interests in Sindo-Econ and Batam JV.

***Between Batam JV and ASL***

PT CIS, a subsidiary of ASL, owns the land at Batam, Indonesia where the precast operations are conducted by Batam JV. PT CIS has entered into various lease agreements with Batam JV in accordance with which Batam JV leases the premises as well as workshop and storage facilities, including the use of immovable infrastructure facilities built by PT CIS for use in the precast operations, at agreed monthly rental rates calculated by reference to the areas of land, workshop and storage facilities occupied by Batam JV ("ASL Rental").

***Purchase of Plant and Equipment by Sindo-Econ and Batam JV***

To facilitate the establishment of the precast manufacturing plant at Batam, Indonesia, Sindo-Econ has procured the movable plant and equipment for use by Batam JV in its precast operations from subsidiaries of the Company and ASL as well as from external suppliers.

Batam JV has also procured certain smaller equipment (including precast moulds) required for its precast operations. Batam JV will procure its equipment from subsidiaries of the Company and ASL as well as from external suppliers.

# CORPORATE **GOVERNANCE STATEMENT**

The following transactions in connection with the Joint Venture were conducted during the financial year ended 31 December 2018:

| Name of Interested persons | Aggregate value of all interested person transactions S$'000 |
|---|---|
| Sindo-Econ Pte Ltd | |
| – Subcontract award/purchase of precast components by the Group (2016 Subcontract Value) | 19,932 |
| – Marine transportation expense charged by the Group | 2,427 |
| ASL Marine Contractors Pte Ltd | |
| – Marine transport services to Sindo-Econ Pte Ltd | 1,695 |
| PT Sindomas Precas | |
| – Land rental expenses charged by ASL (ASL rental) | 1,541 |
| – Sale of equipment by the Group | 82 |
| – Purchase of raw materials by the Group | 1,327 |

The above transactions were conducted in accordance with the general framework of the Joint Venture approved by shareholders at the 2014 Annual General Meeting held on 29 April 2014. The commercial terms of the Joint Venture entered into between the Company and/or its subsidiaries and ASL, and the transactions entered into between the Company and/or its subsidiaries and ASL during the financial year ended 31 December 2018 do not differ in any material respect from agreements and contracts entered into with the Company's non-related parties.

Through the Joint Venture, the Company can utilise the resources of ASL at Batam, Indonesia to expand its precast manufacturing operations beyond the Company's existing plants in Singapore and Malaysia.

**Dealing in Company's Securities by Directors and Employees**

A policy regarding Directors and employees trading in the Company's securities was approved by the Board in February 2011 in accordance with new ASX Listing Rules which came into effect on 1 January 2011.

The policy is provided to all Directors and employees.

The Share Trading Policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' price.

Under the Policy, Directors and Prescribed Employees are restricted from dealing in the Company's securities during the following Blackout Periods, except in exceptional circumstances:

(i) the period commencing two weeks before the half year results and one month before the full year results are released and ending on the date of their release; and

(ii) any other period determined by the Board from time to time.

A copy of the Share Trading Policy can be found on the Company website.

# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

**Opinion of the directors**

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and of fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

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

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

**Arrangements to enable directors to acquire shares and debentures**

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

# DIRECTORS' **STATEMENT**

**Directors' interests in shares and debentures**

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

| | Shareholdings of director | | |
|---|---|---|---|
| **Name of director** | **At the beginning of year** | **At the end of year** | **At 21 January 2019** |
| ***Ordinary shares of the Company*** | | | |
| Ang Sin Liu | 18,660,800[1] | 18,660,800[1] | 18,660,800[1] |
| Ang Ah Nui | 122,571,819[2] | 122,571,819[2] | 122,571,819[2] |
| Oh Keng Lim | 10,159,996 | 10,159,996 | 10,159,996 |
| Oh Koon Sun | 7,205,378 | 7,205,378 | 7,205,378 |
| Heather Chong | 120,000 | 120,000 | 120,000 |

Notes:
(1) Included 18,340,800 shares registered in the name of a nominee.
(2) Included 45,000,000 shares registered in the name of a nominee.

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

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

# DIRECTORS' **STATEMENT**

**Employee performance share plan**

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

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

The terms of the Koon EPSP include the following:

(1) *Eligibility*

(i) Employees who are eligible to participate in the Koon EPSP must:

- be confirmed in his employment with the Group;
- have attained the age of 21 years on or before the date of award; and
- not be an un-discharged bankrupt.

(ii) An executive director who meets the eligibility criteria above is eligible to participate in the Koon EPSP. However, controlling shareholders (including controlling shareholders who are executive directors) and their associates are not eligible to participate in the Koon EPSP.

(iii) Non-executive directors are not eligible to participate in the Koon EPSP.

(2) *Awards*

(i) Awards represent the right of a participant to receive fully paid-up shares free of charge, provided certain prescribed performance target(s) are met and upon the expiry of the prescribed vesting periods (if any).

(ii) The Remuneration Committee shall decide, in relation to each award to be granted to a Participant:

- the date on which the award will be granted;
- the number of shares which are the subject of the award;
- the prescribed performance targets;
- the performance period during which the prescribed performance targets are to be satisfied;
- the imposition of a vesting period and the duration of this vesting period, if any;
- the extent to which the shares under that award shall be released on the condition that prescribed performance target(s) are being satisfied (whether fully or partially) or 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.

# DIRECTORS' STATEMENT

**Employee performance share plan (cont'd)**

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

(3) *Selection of Participants*

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

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

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

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

(4) *Timing*

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

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

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

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

# DIRECTORS' **STATEMENT**

**Employee performance share plan (cont'd)**

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

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

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

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

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

(6) *Operation of the Koon EPSP*

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

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

# DIRECTORS' STATEMENT

**Employee performance share plan (cont'd)**

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

(i) 994,000 shares awarded and vested in 2009;

(ii) 330,000 shares awarded in 2010 which were vested equally over three years with 110,000 shares each issued in 2011 to 2013; and

(iii) 360,000 shares awarded in 2011 of which 105,000 shares were forfeited due to the resignation of employees. Of the balance awards of 255,000 shares, 165,000 shares were vested in 2013 and 90,000 shares were vested in 2014.

There were no (2017: nil) ordinary shares issued during the year pursuant to the Koon EPSP.

Accumulated shares awarded were as follows:

| | Number of shares | | | |
|---|---|---|---|---|
| | Not issued | | Issued | |
| | 2018 | 2017 | 2018 | 2017 |
| Directors | | | | |
| Tan Thiam Hee (resigned on 31 July 2013) | – | – | 140,000 | 140,000 |
| Oh Koon Sun | – | – | 104,000 | 104,000 |
| Oh Keng Lim | – | – | 100,000 | 100,000 |
| | – | – | 344,000 | 344,000 |
| Other members of key management | – | – | 380,000 | 380,000 |
| Other employees | – | – | 855,000 | 855,000 |
| Total number of shares granted under the Koon EPSP | – | – | 1,579,000 | 1,579,000 |

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

**Audit and Risk Committee**

The Audit and Risk Committee of the Company is chaired by Heather Chong and includes Glenda Mary Sorrell-Saunders and Ko Chuan Aun. They are also independent directors of the Company. The Audit and Risk Committee has met two times in 2018 and had reviewed the following, where relevant, with the executive directors and external auditors of the Company:

(a) the audit plan of the external auditor;

(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;

# DIRECTORS' STATEMENT

**Audit and Risk Committee (cont'd)**

(d) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditor's 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 Group;

(f) the co-operation and assistance given by the management to the Group's external auditor; and

(g) the re-appointment of the external auditor of the Group.

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

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

**Auditor**

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

On behalf of the board of directors,

Yuen Kai Wing
Director

Oh Koon Sun
Director

Singapore
27 March 2019

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KOON HOLDINGS LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards International ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOON HOLDINGS LIMITED

**Key Audit Matters (cont'd)**

**1. Revenue recognition for construction contracts**

The Group recognised construction contract revenue of $73,093,000 for the financial year ended 31 December 2018 and the carrying amounts of contract assets and contract liabilities arising from construction contracts at that date are $48,299,000 and $88,000 respectively. The Group recognised revenue from construction contracts using the cost-based input method that reflects the over-time transfer of control to its customers. This is measured by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total costs.

The determination of the total contract costs, progress towards completion in estimating percentage of completion and recoverable variation works requires significant management judgement, and may have a material impact on the amounts of contract assets, contract liabilities and construction contract revenue recognised during the year. Accordingly, we have identified this as a key audit matter.

We obtained an understanding and tested, on a sample basis, the key controls surrounding management's internal costing and budgeting process put in place to estimate contract revenues, total contract costs and profit margins, which include testing management's review of the estimate of variable consideration and the related constraint.

We tested on a sample basis the actual costs incurred on construction works during the year. We checked the mathematical accuracy of the revenue recognised based on the input method calculations. We assessed the reasonableness of costs to completion and budgeted gross profit margins, by considering the current project status, uncommitted costs and interviewing project managers on the status of projects, physical completion and amounts of works left to complete. For revisions made to budgeted costs, we discussed with project personnel and management on the rationales for such changes and compared against supporting documentation. We also obtained supporting documentation for the variation orders, extension of time and claims that are included as contract revenue.

For projects which are expected to be loss-making, we reviewed management's assessment on project losses and checked that the provision for onerous contracts is adequately provided. For completed projects, we reviewed the contingencies for the completed projects and whether the related costs are adequately accrued at year end.

Information regarding the Group's construction contract revenue and contract assets and contract liabilities is disclosed in Note 5 to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOON HOLDINGS LIMITED

**Key Audit Matters (cont'd)**

**2. Impairment assessment of trade receivables and contract assets**

The Group's trade receivables and contract assets amounted to $29,725,000 and $55,579,000 respectively as of 31 December 2018 and were significant to the Group as they represented 38% of the Group's total assets.

Under the newly effective SFRS(I) 9, the Group applied the simplified approach and calculated expected credit losses ("ECL") based on lifetime expected losses on all trade receivables and contract assets.

The Group's process to measure loss allowance involves the use of significant management's estimates and assumptions about the risk of default and expected loss rates, which is based on the Group's historical credit loss experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. Accordingly, we have identified this as a key audit matter.

We requested confirmation for material trade receivables balance and obtained evidence of subsequent collections. For material contract assets balance, we reviewed subsequent billings, and subsequent collection of the receivables. We obtained an understanding of management's controls and processes in assessing impairment of trade receivables and contract assets. We reviewed the debtors aging report to identify any long overdue debts and their historical pattern of settlements. We tested the adequacy of ECL allowance at year end, including assessing whether management's ECL methodology is consistent with SFRS(I) 9 requirements. We also tested the reasonableness of management's assumptions used to determine the ECL allowance, by considering the Group's historical credit loss experience and whether credit risk has increased significantly since initial recognition, and comparison to forward-looking macroeconomic information affecting the recoverability of trade receivables.

We assessed the adequacy of the disclosures on the Group's trade receivables, contract assets and its credit risk management process in Notes 12, 5(c), and 35(a) to the financial statements.

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KOON HOLDINGS LIMITED

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Directors 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 Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KOON HOLDINGS LIMITED

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KOON HOLDINGS LIMITED

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Sam Lo Geok Lim.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

27 March 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Note | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|
| **Revenue** | 5 | 116,853 | 163,800 |
| Cost of sales | | (104,902) | (143,142) |
| **Gross profit** | | 11,951 | 20,658 |
| Other income | 6 | 13,467 | 4,933 |
| Distribution costs | | (45) | (16) |
| Administrative and other expenses | | (14,587) | (13,132) |
| Finance costs | 7 | (3,179) | (3,143) |
| Impairment losses on financial assets | 8 | (116) | (214) |
| Share of results of associate | | – | (16) |
| Share of results of joint ventures | | (6,496) | (7,607) |
| **Profit before tax** | 8 | 995 | 1,463 |
| Taxation | 9 | (513) | (1,362) |
| **Profit for the year** | | 482 | 101 |
| **Other comprehensive (loss)/income:** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange (loss)/gain on translation of foreign operations | | (1,035) | 204 |
| Other comprehensive (loss)/income, net of tax | | (1,035) | 204 |
| **Total comprehensive (loss)/income for the year** | | (553) | 305 |
| **Profit/(Loss) for the year attributable to:** | | | |
| Owners of the Company | | 259 | 123 |
| Non-controlling interests | | 223 | (22) |
| | | 482 | 101 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the Company | | (498) | 343 |
| Non-controlling interests | | (55) | (38) |
| | | (553) | 305 |
| **Earnings per share (cents per share):** | | | |
| - Basic | 10 | 0.10 | 0.05 |
| - Diluted | 10 | 0.10 | 0.05 |

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

# BALANCE **SHEETS**

AS AT 31 DECEMBER 2018

| | Note | Group 2018 $'000 | Group 31 December 2017 $'000 | Group 1 January 2017 $'000 | Company 2018 $'000 | Company 31 December 2017 $'000 | Company 1 January 2017 $'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash and bank balances | 11 | 2,921 | 7,495 | 14,997 | 68 | 85 | 263 |
| Pledged fixed deposits | 11 | 19 | 18 | 197 | – | – | – |
| Trade receivables | 12 | 29,725 | 34,914 | 38,459 | – | – | – |
| Other receivables | 13 | 39,203 | 27,699 | 14,946 | 6,643 | 6,882 | 9,785 |
| Inventories | 14 | 3,053 | 2,774 | 3,403 | – | – | – |
| Contract assets | 5c | 55,579 | 44,295 | 31,379 | – | – | – |
| Investment securities (quoted) | 15 | 18 | 26 | 26 | – | – | – |
| Assets held for sale | 20 | – | 1,761 | – | – | – | – |
| **Total current assets** | | 130,518 | 118,982 | 103,407 | 6,711 | 6,967 | 10,048 |
| **Non-current assets** | | | | | | | |
| Other receivables | 13 | 95 | 117 | 117 | – | 2,510 | – |
| Properties held for development | 16 | 14,173 | 14,139 | 13,885 | – | – | – |
| Subsidiaries | 17 | – | – | – | 57,476 | 57,476 | 57,426 |
| Associates | 18 | – | * | * | – | – | – |
| Joint ventures | 19 | 174 | 163 | 3,772 | – | – | – |
| Property, plant and equipment | 20 | 81,672 | 93,599 | 103,632 | 268 | 413 | 564 |
| Investment securities (unquoted) | 21 | – | – | – | – | – | – |
| Goodwill | 22 | – | – | – | – | – | – |
| Deferred tax assets | 27 | – | 231 | 320 | – | – | – |
| **Total non-current assets** | | 96,114 | 108,249 | 121,726 | 57,744 | 60,399 | 57,990 |
| **Total assets** | | 226,632 | 227,231 | 225,133 | 64,455 | 67,366 | 68,038 |

* Less than $1,000.

# BALANCE SHEETS

AS AT 31 DECEMBER 2018

| | Note | Group 2018 $'000 | Group 31 December 2017 $'000 | Group 1 January 2017 $'000 | Company 2018 $'000 | Company 31 December 2017 $'000 | Company 1 January 2017 $'000 |
|---|---|---|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Trade payables | 24 | 39,239 | 48,376 | 54,909 | – | – | – |
| Other payables | 25 | 33,843 | 21,525 | 14,004 | 16,179 | 18,980 | 19,642 |
| Contract liabilities | 5c | 7,704 | 2,078 | 11,212 | – | – | – |
| Provision for onerous contract | | – | 27 | 26 | – | – | – |
| Loans and borrowings | 23 | 33,246 | 34,559 | 24,175 | – | – | – |
| Finance lease obligations | 26 | 16,505 | 16,188 | 15,278 | 65 | 79 | 76 |
| Provision for share of a joint venture's losses | 19 | 10,430 | 3,961 | – | – | – | – |
| Income tax payable | | 113 | 1,138 | 634 | 18 | 57 | 9 |
| **Total current liabilities** | | 141,080 | 127,852 | 120,238 | 16,262 | 19,116 | 19,727 |
| **Non-current liabilities** | | | | | | | |
| Loans and borrowings | 23 | – | – | 2,009 | – | – | – |
| Finance lease obligations | 26 | 22,764 | 35,859 | 40,105 | 74 | 139 | 218 |
| Other payables | 25 | 177 | 167 | 97 | – | – | – |
| Deferred tax liabilities | 27 | 1,484 | 1,369 | 1,005 | 1 | – | – |
| **Total non-current liabilities** | | 24,425 | 37,395 | 43,216 | 75 | 139 | 218 |
| **Capital and reserves** | | | | | | | |
| Share capital | 28 | 25,446 | 25,446 | 25,446 | 25,446 | 25,446 | 25,446 |
| Capital reserve | 29 | 8,802 | 8,802 | 8,802 | 13,006 | 13,006 | 13,006 |
| Accumulated profits | | 24,004 | 24,049 | 23,926 | 9,666 | 9,659 | 9,641 |
| Translation reserve | | (537) | 220 | – | – | – | – |
| Equity attributable to owners of the Company | | 57,715 | 58,517 | 58,174 | 48,118 | 48,111 | 48,093 |
| Non-controlling interests | | 3,412 | 3,467 | 3,505 | – | – | – |
| **Total equity** | | 61,127 | 61,984 | 61,679 | 48,118 | 48,111 | 48,093 |
| **Total liabilities and equity** | | 226,632 | 227,231 | 225,133 | 64,455 | 67,366 | 68,038 |

* Less than $1,000.

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

# STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**Group**

| | Share capital $'000 | Capital reserve $'000 | Accumulated profits $'000 | Translation reserve $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Opening balance at 1 January 2017 (FRS framework)** | 25,446 | 8,802 | 30,009 | (6,083) | 58,174 | 3,505 | 61,679 |
| Cumulative effects of adopting SFRS(I) | – | – | (6,083) | 6,083 | – | – | – |
| **Opening balance at 1 January 2017 (SFRS(I) framework)** | 25,446 | 8,802 | 23,926 | – | 58,174 | 3,505 | 61,679 |
| Profit/(Loss) for the year | – | – | 123 | – | 123 | (22) | 101 |
| Other comprehensive income/(loss) for the year, net of tax | – | – | – | 220 | 220 | (16) | 204 |
| **Total comprehensive income/(loss) for the year** | – | – | 123 | 220 | 343 | (38) | 305 |
| **Closing balance at 31 December 2017** | 25,446 | 8,802 | 24,049 | 220 | 58,517 | 3,467 | 61,984 |

# STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| **Group** | **Share capital** $'000 | **Capital reserve** $'000 | **Accumulated profits** $'000 | **Translation reserve** $'000 | **Equity attributable to owners of the Company** $'000 | **Non-controlling interests** $'000 | **Total** $'000 |
|---|---|---|---|---|---|---|---|
| **Opening balance at 1 January 2018 (FRS framework)** | 25,446 | 8,802 | 30,132 | (5,863) | 58,517 | 3,467 | 61,984 |
| Cumulative effects of adopting SFRS(I) | – | – | (6,387) | 6,083 | (304) | – | (304) |
| **Opening balance at 1 January 2018 (SFRS(I) framework)** | 25,446 | 8,802 | 23,745 | 220 | 58,213 | 3,467 | 61,680 |
| Profit for the year | – | – | 259 | – | 259 | 223 | 482 |
| Other comprehensive loss for the year, net of tax | – | – | – | (757) | (757) | (278) | (1,035) |
| **Total comprehensive income/(loss) for the year** | – | – | 259 | (757) | (498) | (55) | (553) |
| **Closing balance at 31 December 2018** | 25,446 | 8,802 | 24,004 | (537) | 57,715 | 3,412 | 61,127 |

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

# STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Share capital $'000 | Capital reserve $'000 | Accumulated profits $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Opening balance at 1 January 2017** | 25,446 | 13,006 | 9,641 | 48,093 |
| **Profit for the year, representing total comprehensive income for the year** | – | – | 18 | 18 |
| **Balance at 31 December 2017 and 1 January 2018** | 25,446 | 13,006 | 9,659 | 48,111 |
| **Profit for the year, representing total comprehensive income for the year** | – | – | 7 | 7 |
| **Closing balance at 31 December 2018** | 25,446 | 13,006 | 9,666 | 48,118 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Note | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 995 | 1,463 |
| Adjustments for: | | | |
| Impairment loss on trade and other receivables (net) | | 116 | 214 |
| Depreciation of property, plant and equipment | | 16,673 | 20,166 |
| Fair value loss on investment securities (quoted) | | 8 | – |
| Impairment of property, plant and equipment (net) | | – | 6 |
| Property, plant and equipment written off | | 2 | 77 |
| Interest expense | | 2,960 | 2,902 |
| Interest income | | (59) | (62) |
| Dividend income | | (2,900) | – |
| Inventories written down | | 46 | 17 |
| Gain on disposal of property, plant and equipment (net) | | (278) | (2,530) |
| Gain on disposal of assets held for sale (net) | | (3,030) | – |
| (Reversal of provision)/provision for onerous contract (net) | | (27) | 1 |
| Share of results of joint ventures/associate | | 6,496 | 7,623 |
| Unrealised exchange (gain)/loss | | (485) | 11 |
| Operating cash flows before changes in working capital | | 20,517 | 29,888 |
| Changes in working capital: | | | |
| Contract assets (net) | | (5,658) | (19,205) |
| Trade receivables | | 4,785 | 1,317 |
| Other receivables | | (11,410) | (11,678) |
| Inventories | | (325) | 612 |
| Trade payables | | (9,137) | (6,533) |
| Other payables | | 10,777 | 6,415 |
| **Cash flows from operations** | | 9,549 | 816 |
| Income tax paid | | (1,200) | (408) |
| **Net cash flows from operating activities** | | 8,349 | 408 |

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Note | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Dividend received from investment securities | | 2,900 | – |
| Proceeds from government grants | | – | 482 |
| Proceeds from disposal of assets held for sale | | 4,474 | – |
| Proceeds from disposal of property, plant and equipment | | 500 | 8,375 |
| Purchase of property, plant and equipment (Note A) | | (578) | (2,515) |
| Interest received | | 56 | 60 |
| **Net cash flows from investing activities** | | 7,352 | 6,402 |
| **Financing activities** | | | |
| Repayment of obligations under finance leases | | (15,578) | (19,980) |
| Proceeds from bank loans | | 35,912 | 16,900 |
| Repayment of bank loans | | (37,753) | (19,193) |
| Proceeds from bills payable | | 70,299 | 73,737 |
| Repayment of bills payable | | (73,103) | (65,390) |
| Interest paid | | (2,748) | (2,688) |
| Increase in pledged fixed deposits (Note B) | | (1) | (21) |
| **Net cash flows used in financing activities** | | (22,972) | (16,635) |
| Net decrease in cash and cash equivalents | | (7,271) | (9,825) |
| Effects of exchange rate changes on cash and cash equivalents | | (302) | 2 |
| Cash and cash equivalents at 1 January | | 5,174 | 14,997 |
| **Cash and cash equivalents at 31 December** | 11 | (2,399) | 5,174 |

**Note A**

During the year, the Group acquired property, plant and equipment with an aggregate cost of $6,746,000 (2017: $20,304,000) of which $3,075,000 (2017: $16,436,000) was acquired under finance lease arrangements, $333,000 (2017: nil) was acquired under bank loans and $2,760,000 (2017: $1,353,000) was still outstanding as at balance sheet date. Cash payment of $578,000 (2017: $2,515,000) was made for the purchase of property, plant and equipment.

**Note B**

In the previous year, the Tesla Group reclassified pledged fixed deposits amounting to $200,000 to Other receivables (Note 13). The reclassification is a non-cash transaction that do not require the use of cash of cash balances.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 1. Corporate information

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

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“FRS”). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

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

The Group recognised a net profit of $482,000 (2017: $101,000) during the year ended 31 December 2018 and, as of that date, the Group’s current liabilities exceeded its current assets by $10,562,000 (31 December 2017: $8,870,000, 1 January 2017: $16,831,000). The financial statements have been prepared on a going concern basis as the Group has continuous support from the financial institutions and is able to generate sufficient cash flows from its operations by fulfilling its order books to meet its obligations as and when they fall due.

### 2.2 *First-time adoption of SFRS(I)*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**2.2 *First-time adoption of SFRS(I) (cont'd)***

*Exemptions applied on adoption of SFRS(I)*

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $6,083,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

***New accounting standards effective on 1 January 2018***

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

<u>SFRS(I) 9 *Financial Instruments*</u>

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018. The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 *First-time adoption of SFRS(I) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

*Classification and measurement*

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not de-recognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group's debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group continues to measure its currently held-for-trading equity securities at FVPL.

*Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of $296,000 and contract assets of $8,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $304,000 as at 1 January 2018. No additional impairment on the Company's financial assets was recognised upon adoption of SFRS(I) 9 as at 1 January 2018. The corresponding tax impact to the Group arising from the adoption of SFRS(I) 9 is not material.

The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and the Company's financial statements.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.2 ***First-time adoption of SFRS(I) (cont'd)***

SFRS(I) 9 *Financial Instruments (cont'd)*

Impairment

The reconciliation for loss allowances for the Group is as follows:

| | **Group** | |
|---|---|---|
| | **Trade receivables** | **Contract assets** |
| | $'000 | $'000 |
| Opening loss allowance as at 1 January 2018 | 388 | – |
| Amount restated through opening retained earnings | 296 | 8 |
| Adjusted loss allowance | 684 | 8 |

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017;

- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group is in the business of infrastructure construction and civil engineering, precast manufacturing and electric power generation. The key impact of adopting SFRS (I) 15 is recognition of significant financing component. The Group has certain contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. In such cases, the construction contract revenue contains a financing component. For contracts where financing components are determined to be significant, the transaction price is adjusted for the time value of money of the contracts.

In adjusting for significant financing component for year ended 31 December 2017, the Group used discount rate of 3.12% to determine the additional $241,000 transaction price included in construction contracts revenue and correspondingly, additional $241,000 in finance costs.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 *First-time adoption of SFRS(I) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

| | Group | | | |
|---|---|---|---|---|
| | 1 January 2017 (FRS) $'000 | SFRS(I) 1 adjustments $'000 | SFRS(I) 15 adjustments $'000 | 1 January 2017 (SFRS(I)) $'000 |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and bank balances | 14,997 | – | – | 14,997 |
| Pledged fixed deposits | 197 | – | – | 197 |
| Trade receivables | 49,560 | – | (11,101) | 38,459 |
| Other receivables | 13,529 | – | 1,417 | 14,946 |
| Inventories | 3,403 | – | – | 3,403 |
| Gross amount due from customers for contract work-in-progress | 21,695 | – | (21,695) | – |
| Contract assets | – | – | 31,379 | 31,379 |
| Investment securities (quoted) | 26 | – | – | 26 |
| **Total current assets** | 103,407 | – | – | 103,407 |
| **Non-current assets** | | | | |
| Other receivables | 117 | – | – | 117 |
| Properties held for development | 13,885 | – | – | 13,885 |
| Associates | * | – | – | * |
| Joint ventures | 3,772 | – | – | 3,772 |
| Property, plant and equipment | 103,632 | – | – | 103,632 |
| Deferred tax assets | 320 | – | – | 320 |
| **Total non-current assets** | 121,726 | – | – | 121,726 |
| **Total assets** | 225,133 | – | – | 225,133 |

* Less than $1,000

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 *First-time adoption of SFRS(I) (cont'd)*

| | Group | | | |
|---|---|---|---|---|
| | **1 January 2017 (FRS)** | **SFRS(I) 1 adjustments** | **SFRS(I) 15 adjustments** | **1 January 2017 (SFRS(I))** |
| | $'000 | $'000 | $'000 | $'000 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Trade payables | 54,909 | – | – | 54,909 |
| Other payables | 14,004 | – | – | 14,004 |
| Gross amount due to customers for contract work-in-progress | 11,238 | – | (11,238) | – |
| Contract liabilities | – | – | 11,212 | 11,212 |
| Provision for onerous contract | – | – | 26 | 26 |
| Loans and borrowings | 24,175 | – | – | 24,175 |
| Finance lease obligations | 15,278 | – | – | 15,278 |
| Income tax payable | 634 | – | – | 634 |
| **Total current liabilities** | 120,238 | – | – | 120,238 |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 2,009 | – | – | 2,009 |
| Finance lease obligations | 40,105 | – | – | 40,105 |
| Other payables | 97 | – | – | 97 |
| Deferred tax liabilities | 1,005 | – | – | 1,005 |
| **Total non-current liabilities** | 43,216 | – | – | 43,216 |
| **Capital and reserves** | | | | |
| Share capital | 25,446 | – | – | 25,446 |
| Capital reserve | 8,802 | – | – | 8,802 |
| Accumulated profits | 30,009 | (6,083) | – | 23,926 |
| Translation reserve | (6,083) | 6,083 | – | – |
| Equity attributable to owners of the Company | 58,174 | – | – | 58,174 |
| Non-controlling interests | 3,505 | – | – | 3,505 |
| **Total equity** | 61,679 | – | – | 61,679 |
| **Total liabilities and equity** | 225,133 | – | – | 225,133 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 *First-time adoption of SFRS(I) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **31 December 2017 (FRS)** $'000 | **SFRS(I) 1 adjustments** $'000 | **SFRS(I) 15 adjustments** $'000 | **31 December 2017 (SFRS(I))** $'000 | **SFRS(I) 9 adjustments** $'000 | **1 January 2018 (SFRS(I))** $'000 |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and bank balances | 7,495 | – | – | 7,495 | – | 7,495 |
| Pledged fixed deposits | 18 | – | – | 18 | – | 18 |
| Trade receivables | 48,245 | – | (13,331) | 34,914 | (304) | 34,610 |
| Other receivables | 26,896 | – | 803 | 27,699 | – | 27,699 |
| Inventories | 2,774 | – | – | 2,774 | – | 2,774 |
| Gross amount due from customers for contract work-in-progress | 31,767 | – | (31,767) | – | – | – |
| Contract assets | – | – | 44,295 | 44,295 | – | 44,295 |
| Investment securities (quoted) | 26 | – | – | 26 | – | 26 |
| Assets held for sale | 1,761 | – | – | 1,761 | – | 1,761 |
| **Total current assets** | 118,982 | – | – | 118,982 | (304) | 118,678 |
| **Non-current assets** | | | | | | |
| Other receivables | 117 | – | – | 117 | – | 117 |
| Properties held for development | 14,139 | – | – | 14,139 | – | 14,139 |
| Associates | * | – | – | * | – | * |
| Joint ventures | 163 | – | – | 163 | – | 163 |
| Property, plant and equipment | 93,599 | – | – | 93,599 | – | 93,599 |
| Deferred tax assets | 231 | – | – | 231 | – | 231 |
| **Total non-current assets** | 108,249 | – | – | 108,249 | – | 108,249 |
| **Total assets** | 227,231 | – | – | 227,231 | (304) | 226,927 |

* Less than $1,000

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 *First-time adoption of SFRS(I) (cont'd)*

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 31 December 2017 (FRS) | SFRS(I) 1 adjustments | SFRS(I) 15 adjustments | 31 December 2017 (SFRS(I)) | SFRS(I) 9 adjustments | 1 January 2018 (SFRS(I)) |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Trade payables | 48,376 | – | – | 48,376 | – | 48,376 |
| Other payables | 21,525 | – | – | 21,525 | – | 21,525 |
| Gross amount due to customers for contract work-in-progress | 2,105 | – | (2,105) | – | – | – |
| Contract liabilities | – | – | 2,078 | 2,078 | – | 2,078 |
| Provision for onerous contract | – | – | 27 | 27 | – | 27 |
| Loans and borrowings | 34,559 | – | – | 34,559 | – | 34,559 |
| Finance lease obligations | 16,188 | – | – | 16,188 | – | 16,188 |
| Provision for share of a joint venture's losses | 3,961 | – | – | 3,961 | – | 3,961 |
| Income tax payable | 1,138 | – | – | 1,138 | – | 1,138 |
| **Total current liabilities** | 127,852 | – | – | 127,852 | – | 127,852 |
| **Non-current liabilities** | | | | | | |
| Finance lease obligations | 35,859 | – | – | 35,859 | – | 35,859 |
| Other payables | 167 | – | – | 167 | – | 167 |
| Deferred tax liabilities | 1,369 | – | – | 1,369 | – | 1,369 |
| **Total non-current liabilities** | 37,395 | – | – | 37,395 | – | 37,395 |
| **Capital and reserves** | | | | | | |
| Share capital | 25,446 | – | – | 25,446 | – | 25,446 |
| Capital reserve | 8,802 | – | – | 8,802 | – | 8,802 |
| Accumulated profits | 30,132 | (6,083) | – | 24,049 | (304) | 23,745 |
| Translation reserve | (5,863) | 6,083 | – | 220 | – | 220 |
| Equity attributable to owners of the Company | 58,517 | – | – | 58,517 | (304) | 58,213 |
| Non-controlling interests | 3,467 | – | – | 3,467 | – | 3,467 |
| **Total equity** | 61,984 | – | – | 61,984 | (304) | 61,680 |
| **Total liabilities and equity** | 227,231 | – | – | 227,231 | (304) | 226,927 |

The adoption of SFRS (I) does not have any impact to the balance sheet of the Company as at 1 January 2017, 31 December 2017 and 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 *First-time adoption of SFRS(I) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the comprehensive income of the Group for the year ended 31 December 2017.

| | **2017 (FRS)** $'000 | **SFRS(I) 15 adjustments** $'000 | **2017 (SFRS(I))** $'000 |
|---|---|---|---|
| **Revenue** | 163,559 | 241 | 163,800 |
| Cost of sales | (143,142) | – | (143,142) |
| **Gross profit** | 20,417 | 241 | 20,658 |
| Other income | 4,933 | – | 4,933 |
| Distribution costs | (16) | – | (16) |
| Administrative and other expenses | (13,132) | – | (13,132) |
| Finance costs | (2,902) | (241) | (3,143) |
| Impairment losses on financial assets | (214) | | (214) |
| Share of results of associate | (16) | – | (16) |
| Share of results of joint ventures | (7,607) | – | (7,607) |
| **Profit before tax** | 1,463 | – | 1,463 |
| Taxation | (1,362) | – | (1,362) |
| **Profit for the year** | 101 | – | 101 |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange gain on translation of foreign operations | 204 | – | 204 |
| Other comprehensive income, net of tax | 204 | – | 204 |
| **Total comprehensive income for the year** | 305 | – | 305 |
| **Profit/(Loss) for the year attributable to:** | | | |
| Owners of the Company | 123 | – | 123 |
| Non-controlling interests | (22) | – | (22) |
| | 101 | – | 101 |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Owners of the Company | 343 | – | 343 |
| Non-controlling interests | (38) | – | (38) |
| | 305 | – | 305 |
| **Earnings per share (cents per share):** | | | |
| - Basic | 0.05 | – | 0.05 |
| - Diluted | 0.05 | – | 0.05 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.3 ***Standards issued but not yet effective***

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| SFRS(I) 16 *Leases* | 1 January 2019 |
| SFRS(I) INT 23 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| Annual Improvements to SFRS(I)s 2015-2017 Cycle | 1 January 2019 |
| Amendments to SFRS(I) 3: Definition of a Business | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material | 1 January 2020 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |

Except for SFRS(I) 16, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below:

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

SFRS(I) 116 *Leases (cont'd)*

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to record an adjustment to increase right-of-use assets and corresponding adjustment to lease liabilities for the financial year ended 31 December 2019. In addition, the Group expects to record an adjustment to increase its depreciation and interest expense with related adjustment to lease expenses.

### 2.4 *Basis of consolidation and business combinations*

(a) ***Basis of consolidation***

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

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

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

(b) ***Business combination and goodwill***

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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

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

2.6 ***Foreign currency***

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.7 ***Property, plant and equipment***

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

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

| | | |
|---|---|---|
| Freehold buildings | – | 50 years |
| Leasehold buildings | – | 9 years |
| Plant and machinery | – | 2 to 25 years or end of project life (if shorter) |
| Barges and dredgers | – | 5 to 24 years |
| Trucks and motor vehicles | – | 5 to 10 years or end of project life (if shorter) |
| Office equipment, furniture and fittings | – | 2 to 15 years |

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

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

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

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.8 ***Impairment of non-financial assets***

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

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

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

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

2.9 ***Subsidiaries***

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

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

2.10 ***Joint arrangements***

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

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.10 ***Joint arrangements (cont'd)***

(a) *Joint operations*

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

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

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

(b) *Joint ventures*

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

2.11 ***Joint ventures and associates***

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

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

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

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

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

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

2.11 ***Joint ventures and associates (cont'd)***

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

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

2.12 ***Financial instruments***

(a) *Financial assets*

*Initial recognition and measurement*

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

*Subsequent measurement*

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement categories for classification of debt instruments applicable to the Group are:

(i) *Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

***2.12 Financial instruments (cont'd)***

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

(ii) *Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

*De-recognition*

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

(b) *Financial liabilities*

*Initial recognition and measurement*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.12 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

*Subsequent measurement*

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

*De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### 2.13 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.14 *Contract assets*

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. A contract asset is recognised when the Group has the right to consideration in exchange for goods and services that the Group has transferred to a customer when that right is conditional on something other than passage of time (for example, the Group's future performance). A contract asset becomes a trade receivable when receipt of the consideration is unconditional and only the passage of time is required before the consideration is due.

The contract assets relate to unbilled work-in-progress and have substantially the same characteristics as the trade receivables for the same type of contracts. The impairment policy as explained in Note 2.13 also applies to contract assets.

### 2.15 *Cash and cash equivalents*

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

### 2.16 *Inventories*

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

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

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

### 2.17 *Properties held for development*

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

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.18 *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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

### 2.19 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the grant is presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset.

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

### 2.20 *Borrowing costs*

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.21 *Employee benefits*

(a) *Defined contribution plan*

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

(b) *Employee leave entitlement*

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

(c) *Share-based payments*

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed 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 share-based payment 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.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.22 ***Leases***

(a) *As lessee*

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

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

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

(b) *As lessor*

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

2.23 ***Revenue***

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.23 ***Revenue (cont'd)***

(a) *Sale of precast components*

The Group manufactures and supplies precast components for customers. Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the contractual price.

Progress billings to the customers are typically triggered upon certification by external specialists. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

(b) *Construction contract revenue*

The Group provides construction works for civil and drainage engineering, building, shore protection and marine and foundation works. The Group's construction contracts are accounted for as a single deliverable (i.e. single performance obligation).

The Group recognises revenue from construction works over time as the Group's performance does not create an asset with alternative use to the Group and it has concluded that is has an enforceable right to payment for performance completed to date.

Contract revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is determined based on the costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.23 *Revenue (cont'd)*

(b) *Construction contracts revenue (cont'd)*

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. SFRS(I) 1-2 *Inventories*), these shall be accounted for in accordance with those other SFRS(I)s. If these are not within the scope of another SFRS(I), the Group will recognise these as contract assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Progress billings to the customers are typically triggered upon certification by external specialists. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

*Significant financing component*

In determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that include a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract.

The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

*Contract modifications*

The Group accounts for contract modifications arising from change orders to modify the scope or price of the contract as separate contracts if the modification adds distinct goods or services at their standalone selling prices. For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification.

(c) *Rental of machinery and equipment*

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

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

2.23 ***Revenue (cont'd)***

(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 when the performance obligations are satisfied (at a point in time when the power station capacity credits are consumed).

(e) *Service income*

Service income is recognised when the services are performed and all criteria for acceptance by the customer have been satisfied.

2.24 ***Dividend and interest income***

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

Interest income is recognised in profit or loss, as it accrues, using the effective interest method.

2.25 ***Taxes***

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.25 ***Taxes (cont'd)***

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.25 *Taxes (cont'd)*

(c) *Sales tax*

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

### 2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment results are regularly reviewed by management in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.27 *Share capital and share issuance expenses*

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

### 2.28 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

 (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.29 *Non-current assets held for sale*

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

## 3. Significant accounting judgements and estimates

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

(a) *Judgements made in applying accounting policies*

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, except for those disclosed in Note 5(b) to the financial statements.

(b) *Key sources of estimation uncertainty*

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

(i) Construction contract revenue

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

(i) Construction contract revenue (cont'd)

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

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

The carrying amounts of contract assets and contract liabilities arising from construction contracts at the end of the reporting period are $48,299,000 and $88,000 respectively (31 December 2017: $30,964,000 and $2,078,000 respectively, 1 January 2017: $20,614,000 and $11,212,000 respectively).

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 35(a).

The carrying amount of trade receivables and contract assets as at 31 December 2018 are $29,725,000 and $55,579,000 (31 December 2017: $34,914,000 and $44,295,000, 1 January 2017: $38,459,000 and $31,379,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4. Related party transactions

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

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Parties related to a substantial shareholder of the Group | | |
| Equipment rental income | (325) | (828) |
| Marine transport income | (873) | (378) |
| Sale of equipment | – | (19) |
| Secondment fee income | (348) | (348) |
| Sale of scrap metal | – | (194) |
| Subcontract income | (5,106) | (4,798) |
| Marine transport expenses | 6 | 6 |
| Other expenses | * | * |
| Equipment rental and charter expenses | 454 | 1,484 |
| Upkeep of barges expenses | – | 361 |
| Purchase of equipment | 2,102 | 10,939 |
| Purchase of precast components | – | 8 |
| Consultancy fee expenses | 202 | 202 |
| Subcontract expenses | 51 | 623 |
| Yard and dormitory rental expenses | 499 | 520 |
| Agency fee expenses | – | 1 |
| Joint venture of the Group | | |
| Marine transport income | (2,427) | (4,313) |
| Equipment rental income | (327) | – |
| Sale of equipment | (82) | – |
| Purchase of precast components | 19,932 | 38,556 |
| Purchase of raw materials | 1,327 | 73 |
| Equipment rental expenses | – | 135 |
| Parties related to directors of the Company | | |
| Professional fees | 55 | 58 |

* Less than $1,000

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4. Related party transactions (cont'd)

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:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Land rental expenses | 1,541 | 1,790 |
| Marine transport expenses | 1,695 | 5,428 |
| Service charges | – | 21 |
| Purchase of precast components | – | 35 |

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

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

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Short-term benefits | 2,692 | 2,674 |
| Defined contribution plans | 75 | 54 |
| | 2,767 | 2,728 |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5. Revenue

(a) *Disaggregation of revenue*

| **Segments** | **Construction** | | **Precast** | | **Electric Power Generation** | | **Total revenue** | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Primary geographical market** | | | | | | | | |
| Singapore | 82,268 | 111,332 | 29,855 | 47,082 | – | – | 112,123 | 158,414 |
| Malaysia | – | – | – | 381 | – | – | – | 381 |
| Australia | – | – | – | – | 4,730 | 5,005 | 4,730 | 5,005 |
| | 82,268 | 111,332 | 29,855 | 47,463 | 4,730 | 5,005 | 116,853 | 163,800 |
| **Major revenue streams** | | | | | | | | |
| Construction contracts revenue | 73,093 | 99,776 | – | – | – | – | 73,093 | 99,776 |
| Sale of precast components | – | – | 26,227 | 42,382 | – | – | 26,227 | 42,382 |
| Power station capacity credits | – | – | – | – | 4,730 | 5,005 | 4,730 | 5,005 |
| Rental of machinery and equipment | 9,175 | 11,556 | 3,628 | 5,020 | – | – | 12,803 | 16,576 |
| Service income | – | – | – | 61 | – | – | – | 61 |
| | 82,268 | 111,332 | 29,855 | 47,463 | 4,730 | 5,005 | 116,853 | 163,800 |
| **Timing of transfer of goods or services** | | | | | | | | |
| Over time | 73,093 | 99,776 | – | – | – | – | 73,093 | 99,776 |
| At a point in time | – | – | 26,227 | 42,382 | 4,730 | 5,005 | 30,957 | 47,387 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**5. Revenue (cont'd)**

(b) *Judgement and methods used in estimating revenue*

Recognition of revenue from construction contracts over time

For construction contracts revenue where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's progress towards completing the performance obligation in the contract, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction projects.

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

(c) *Contract assets and contract liabilities*

Information relating to contract balances arising from contracts with customers is disclosed as follows:

| | **Group** | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Contract assets | 55,579 | 44,295 | 31,379 |
| Receivables from contracts with customers (Note 12) | 29,725 | 34,914 | 38,459 |
| Contract liabilities | (7,704) | (2,078) | (11,212) |

The Group recognised impairment losses on receivables arising from contracts with customers amounting to $103,000 (31 December 2017: nil, 1 January 2017: $308,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date for construction, precast and electric power generation contracts. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received consideration from customers. Contract liabilities are recognised as revenue as the Group performs under the contract.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5. Revenue (cont'd)

(c) *Contract assets and contract liabilities (cont'd)*

(i) Significant changes in contract assets are explained as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Contract asset reclassified to receivables | 30,151 | 26,284 |
| Changes in estimate of transaction price | (912) | 1,044 |

(ii) Significant changes in contract liabilities are explained as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Revenue recognised from performance obligations satisfied in previous years due to changes in the estimated transaction price | 465 | 618 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 1,878 | 3,267 |

(d) *Transaction price allocated to remaining performance obligation*

The Group has applied the practical expedient not to disclose information about its remaining performance obligations if:

- The performance obligation is part of a contract that has an original expected duration for one year or less, or
- The Group recognises revenue in the amount to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customer of the Group's performance completed to date.

Variable consideration that is constrained is not included in the transaction price.

The Group has also applied the practical expedient not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amounts as revenue for the previous financial year.

As at 31 December 2018, the aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations is approximately $209,040,000. The Group expects that 62% may be recognised as revenue in financial year 2019 with the remaining 38% after the financial year 2019.

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6. Other income

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Gain on disposal of property, plant and equipment (net) | 278 | 2,530 |
| Gain on disposal of assets held for sale (net) | 3,030 | – |
| Dividend income from investment securities | 2,900 | – |
| Interest income | 59 | 62 |
| Sale of scrap | 5,040 | 426 |
| Secondment fees for a director | 348 | 348 |
| Supply of labour | 232 | 308 |
| Government grants | 198 | 242 |
| Other service income | 276 | 616 |
| Property tax refund | – | 155 |
| Rental of leasehold properties | 927 | 149 |
| Others | 179 | 97 |
| | 13,467 | 4,933 |

## 7. Finance costs

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Interest expense on: | | |
| - Bank loans, bills payable and bank overdrafts | 1,077 | 790 |
| - Finance lease obligations | 1,883 | 2,112 |
| - Significant financing component | 219 | 241 |
| | 3,179 | 3,143 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8. Profit before tax

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

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Depreciation of property, plant and equipment | 16,673 | 20,166 |
| Inventories written down, included in cost of sales | 46 | 17 |
| Employee benefits expense (including directors) | 31,704 | 25,046 |
| Directors' remuneration: | | |
| - Directors of the Company | 1,804 | 1,682 |
| - Directors of subsidiaries | 38 | 69 |
| Defined contribution plans included in employee benefits expense (including directors) | 1,055 | 1,173 |
| Audit fees: | | |
| - Auditor of the Company | 279 | 271 |
| - Other auditors | 51 | 52 |
| Foreign exchange loss (net) | 579 | 148 |
| Impairment losses on financial assets: | | |
| - Trade receivables (Note 12) | 103 | – |
| - Other receivables (Note 13) | 13 | 214 |
| (Reversal of provision)/provision for onerous contract (net), included in cost of sales | (27) | 1 |
| Impairment of property, plant and equipment (net) | – | 6 |

## 9. Taxation

*Major components of taxation*

The major components of taxation for the years ended 31 December 2018 and 2017 are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Current income tax: | | |
| - Current income taxation | 112 | 1,055 |
| - Under/(Over) provision in respect of previous years | 58 | (146) |
| Deferred income tax: | | |
| - Origination and reversal of temporary differences | 359 | 444 |
| - Under provision in respect of previous years | (16) | 9 |
| Taxation recognised in profit or loss | 513 | 1,362 |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**9. Taxation (cont'd)**

**Statement of comprehensive income:**

*Relationship between taxation and accounting profit*

A reconciliation between taxation and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Profit before tax | 995 | 1,463 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 470 | 202 |
| Income not subject to taxation | (1,999) | (140) |
| Non-deductible expenses | 1,037 | 378 |
| Tax effect of share of results of joint ventures/associate | 1,104 | 1,296 |
| Under/(Over) provision in previous years (net) | 42 | (137) |
| Deferred tax assets not recognised | 128 | 110 |
| Utilisation of previously unrecognised deferred tax assets | (115) | (218) |
| Effect of partial tax exempt income | (183) | (144) |
| Others | 29 | 15 |
| Taxation recognised in profit or loss | 513 | 1,362 |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Unrecognised tax losses and deductible temporary differences

At the end of the reporting period, the Group has tax losses and deductible temporary differences of approximately $15,054,000 (2017: $15,107,000) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Tax consequences of proposed dividends

There are no income tax consequences (2017: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 37).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10. Earnings per share

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

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

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

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share | 259 | 123 |

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | No. of shares '000 | No. of shares '000 |
| Weighted average number of ordinary shares: | | |
| Basic earnings per share computation | 263,098 | 263,098 |
| Diluted earnings per share computation | 263,098 | 263,098 |

## 11. Cash and bank balances

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and on hand | 1,708 | 4,886 | 12,424 | 68 | 85 | 263 |
| Fixed deposits | 1,232 | 2,627 | 2,770 | – | – | – |
| | 2,940 | 7,513 | 15,194 | 68 | 85 | 263 |
| Less: Pledged fixed deposits | (19) | (18) | (197) | – | – | – |
| Cash and bank balances | 2,921 | 7,495 | 14,997 | 68 | 85 | 263 |

The Group has certain fixed deposits amounting to $19,000 (31 December 2017: $18,000, 1 January 2017: $197,000) pledged to banks for bank loan facilities granted (see Note 23). The pledged fixed deposits have an average tenure of approximately 365 days (31 December 2017: approximately 365 days, 1 January 2017: approximately 198 days) and earn interest at average effective rate of 3.35% (31 December 2017: 3.15%, 1 January 2017: 2.25%) per annum. Management expects the pledge on the fixed deposits to be discharged within the next 12 months. Accordingly, the pledged fixed deposits have been presented under current assets.

The non-pledged fixed deposits have an average tenure of approximately 61 days (31 December 2017: 61 days, 1 January 2017: approximately 61 days) and earn interest at average effective rate of 2.06% (31 December 2017: 1.72%, 1 January 2017: 2.07%) per annum.

The amount of cash and bank balances which are denominated in foreign currencies are as follows:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Australian Dollars | 10 | 7 | 13 | 10 | 7 | 13 |
| United States Dollars | 18 | 18 | 9 | – | – | – |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 11. Cash and bank balances (cont'd)

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

| | Group | | |
|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Cash and bank balances | 2,921 | 7,495 | 14,997 |
| Less: Bank overdrafts (Note 23) | (5,320) | (2,321) | – |
| Cash and cash equivalents | (2,399) | 5,174 | 14,997 |

## 12. Trade receivables

| | Group | | |
|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Amounts due from external parties | 20,094 | 32,164 | 35,957 |
| Amounts due from related parties | 9,478 | 3,090 | 2,890 |
| Amounts due from joint ventures | 940 | 48 | – |
| Less: Allowance for impairment | (787) | (388) | (388) |
| | 29,725 | 34,914 | 38,459 |

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from external parties are non-interest bearing and are generally on 30 days' term (31 December 2017: 30 days, 1 January 2017: 30 days).

Amounts due from related parties and joint ventures are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Included in the Group's trade receivables balance are debtors with a carrying amount of $13,707,000 (31 December 2017: $20,682,000, 1 January 2017: $14,529,000) which are past due at the reporting date for which the Group has not provided for any impairment allowance. These overdue balances include $8,890,000 (31 December 2017: $12,369,000, 1 January 2017: $12,369,000), which arose 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 24 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.

Subsequent to year end, the Group has received the amount from the back-to-back contract arrangement and correspondingly made payment for the same amount included in trade payables.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12. Trade receivables (cont'd)

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

| | Group | | |
|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| 3 months to 6 months | 4,211 | 2,151 | 1,900 |
| 6 months to 12 months | 550 | 3,985 | 152 |
| 12 months to 24 months | 26 | 2,160 | 1,626 |
| >24 months | 8,920 | 12,386 | 10,851 |
| | 13,707 | 20,682 | 14,529 |

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

<u>Receivables that are impaired</u>

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

| | Group Individually impaired | |
|---|---|---|
| | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 |
| Trade receivables – nominal amounts | 388 | 388 |
| Less: Allowance for impairment | (388) | (388) |
| | – | – |

*Movement in allowance for impairment:*

| | Group | |
|---|---|---|
| | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 |
| At 1 January | 388 | 1,704 |
| Charge for the year | – | 308 |
| Write-off during the year | – | (1,624) |
| At 31 December | 388 | 388 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**12. Trade receivables (cont'd)**

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

| | **Group** | |
|---|---|---|
| | **Trade receivables 2018** | **Contract assets 2018** |
| | $'000 | $'000 |
| *Movement in allowance accounts:* | | |
| At 1 January | 684 | 8 |
| Charge for the year | 103 | – |
| At 31 December | 787 | 8 |

There were no trade receivables which are denominated in foreign currencies as at 31 December 2018, 31 December 2017 and 1 January 2017.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13. Other receivables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Receivable for disposal of property, plant and equipment | 152 | 855 | 150 | – | – | – |
| Other deposits | 825 | 853 | 394 | 2 | – | – |
| Prepayments | 1,065 | 1,394 | 1,835 | 34 | 50 | 51 |
| Amounts due from external parties | 621 | 762 | 367 | 25 | 25 | 223 |
| Amounts due from associates | – | – | 10 | – | – | – |
| Amounts due from related parties | 1,906 | 1,571 | 1,275 | 1,814 | 1,378 | 1,072 |
| Amounts due from joint ventures | 34,572 | 21,879 | 9,791 | – | – | – |
| Amounts due from subsidiaries | – | – | – | 4,913 | 8,084 | 8,584 |
| Tax recoverable | 215 | 214 | 207 | – | – | – |
| Sales tax receivable | 24 | 385 | 917 | – | – | – |
| Others | 145 | 117 | 117 | – | – | – |
| | 39,525 | 28,030 | 15,063 | 6,788 | 9,537 | 9,930 |
| Less: Allowance for impairment | | | | | | |
| - Due from an external party | (227) | (214) | – | – | – | – |
| - Due from a subsidiary | – | – | – | (145) | (145) | (145) |
| | 39,298 | 27,816 | 15,063 | 6,643 | 9,392 | 9,785 |
| Analysed as: | | | | | | |
| Current | 39,203 | 27,699 | 14,946 | 6,643 | 6,882 | 9,785 |
| Non-current | 95 | 117 | 117 | – | 2,510 | – |
| | 39,298 | 27,816 | 15,063 | 6,643 | 9,392 | 9,785 |

Amounts due from related parties, subsidiaries, joint ventures and associates are unsecured, non-interest bearing, repayable on demand and are to be settled in cash, except for the non-current amount due from subsidiaries of $2,510,000 in the previous year, which was repaid on 3 October 2018.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13. Other receivables (cont'd)

Amounts due from external parties are unsecured, non-interest bearing and are expected to be repayable within the next 12 months and settled in cash.

Included in ‘Others’ is a loan receivable from an ex-employee of $95,000 (31 December 2017: $117,000, 1 January 2017: $117,000) owing to Tesla Group. The loan receivable of Tesla Group is unsecured, non-interest bearing and payable upon dividend distribution by Tesla Group.

At the end of the reporting period, the Group and Company have provided an allowance of $227,000 (31 December 2017: $214,000, 1 January 2017: nil) and $145,000 (31 December 2017: $145,000, 1 January 2017: $145,000) respectively for impairment of amounts due from an external party and amounts due from a subsidiary. This external party and subsidiary have been suffering significant financial losses for the current and past two financial years.

The movement of the allowance accounts used to record the impairment are as follows:

| | Group Individually impaired | | | Company Individually impaired | | |
|---|---|---|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Other receivables – nominal amounts: | | | | | | |
| - Due from an external party | 322 | 214 | – | – | – | – |
| - Due from a subsidiary | – | – | – | 304 | 304 | 325 |
| | 322 | 214 | – | 304 | 304 | 325 |
| Less: Allowance for impairment | (227) | (214) | – | (145) | (145) | (145) |
| | 95 | – | – | 159 | 159 | 180 |

*Movement in allowance for impairment:*

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| At 1 January | 214 | – | 707 | 145 | 145 | 852 |
| Charge for the year | 13 | 214 | – | – | – | – |
| Reversed during the year | – | – | (707) | – | – | (707) |
| At 31 December | 227 | 214 | – | 145 | 145 | 145 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13. Other receivables (cont'd)

Other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

There were no other receivables which are denominated in foreign currencies as at 31 December 2018, 31 December 2017, 1 January 2017.

## 14. Inventories

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| **Balance sheet:** | | | |
| Raw materials | 297 | 255 | 439 |
| Finished goods | 305 | 68 | 513 |
| Construction materials | 2,451 | 2,451 | 2,451 |
| | 3,053 | 2,774 | 3,403 |
| **Statement of comprehensive income:** | | | |
| Inventories recognised as an expense in cost of sales | 25,776 | 44,367 | 45,669 |
| Inclusive of the following charge: | | | |
| Inventories written down | 46 | 17 | 207 |

## 15. Investment securities (quoted)

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| *At fair value through profit or loss* | | | |
| – Equity securities (quoted) | 18 | 26 | 26 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 16. Properties held for development

| | Group | | |
|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Properties held for development | 14,173 | 14,139 | 13,885 |

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

| Description and Location | Site Area (square metre) | Interest held by the Group | | |
|---|---|---|---|---|
| | | 2018 | 31 December 2017 | 1 January 2017 |
| | | % | % | % |
| Lot 150205, Mukim Plentong, Johor Bahru, Malaysia | 1,416 | 100 | 100 | 100 |
| Lot 150216-150225, Mukim Plentong, Johor Bahru, Malaysia | 1,807 | 100 | 100 | 100 |
| Lot 68319, Mukim Plentong, Johor Bahru, Malaysia* | 42,938 | 100 | 100 | 100 |

* Freehold land at Lot 68319 is pledged as security for certain bank loans of a subsidiary (Note 23)

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17. Subsidiaries

| | Company | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Unquoted equity shares, at cost | 50,930 | 50,930 | 50,880 |
| Deemed investment in a subsidiary* | 17,000 | 17,000 | 17,000 |
| Less: Allowance for impairment | (10,454) | (10,454) | (10,454) |
| | 57,476 | 57,476 | 57,426 |

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

| | Company | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| *Movement in allowance for impairment:* | | | |
| At 1 January | 10,454 | 10,454 | 10,454 |
| Charge for the year | – | – | – |
| At 31 December | 10,454 | 10,454 | 10,454 |

(a) *Composition of the Group*

The Group has the following investments in subsidiaries:

| **Name of subsidiaries** | **Principal activities (Country of incorporation/operation)** | **Effective equity interest held** | | |
|---|---|---|---|---|
| | | **2018 (%)** | **31 December 2017 (%)** | **1 January 2017 (%)** |
| ***Held by the Company:*** | | | | |
| Entire Engineering Pte Ltd [(1)] | Rental of construction and civil engineering machinery and equipment (Singapore) | 100 | 100 | 100 |
| Entire Construction Pte Ltd [(1)] | Contractors for civil and engineering works (Singapore) | 100 | 100 | 100 |
| Econ Precast Pte Ltd [(1)] | Manufacturing and trading of precast components and reinforced concrete piles (Singapore) | 100 | 100 | 100 |
| Green LCT Pte Ltd [(1)] | Chartering of ships, barges and boats with crew (freight) (Singapore) | 100 | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17. Subsidiaries (cont'd)

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

| Name of subsidiaries | Principal activities (Country of incorporation/operation) | Effective equity interest held | | |
|---|---|---|---|---|
| | | 2018 (%) | 31 December 2017 (%) | 1 January 2017 (%) |
| ***Held by the Company (cont'd):*** | | | | |
| Koon Construction & Transport Co. Pte Ltd (1) | Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore) | 100 | 100 | 100 |
| Koon Properties Pte Ltd (1) | Investment holding (Singapore) | 100 | 100 | 100 |
| Petra I Pte Ltd (1) | Chartering of ships, barges and boats with crew (freight) and marine construction (Singapore) | 100 | 100 | – |
| Reem Island Pte Ltd (1) | Chartering of ships, barges and boats with crew (freight) (Singapore) | 100 | 100 | 100 |
| Tesla Holdings Pty Ltd (2) | Investment holding (Australia) | 74 | 74 | 74 |
| ***Held through subsidiaries:*** | | | | |
| Bukit Intan Pte Ltd (1) | Trading of precast components (Singapore) | 100 | 100 | 100 |
| Contech Precast Pte Ltd (1) | Manufacturing and trading of precast components (Singapore) | 100 | 100 | 100 |
| Econ Precast Sdn. Bhd (3) | Manufacturing of reinforced concrete piles and precast components (Malaysia) | 100 | 100 | 100 |
| Koon Construction & Transport Sdn. Bhd. (3) | Contractors for civil engineering and building works (Malaysia) | 100 | 100 | 100 |
| Metro Coast Sdn. Bhd. (3) | Property development (Malaysia) | 100 | 100 | 100 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**17. Subsidiaries (cont'd)**

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

| Name of subsidiaries | Principal activities (Country of incorporation/operation) | Effective equity interest held | | |
|---|---|---|---|---|
| | | 2018 (%) | 31 December 2017 (%) | 1 January 2017 (%) |
| ***Held through subsidiaries: (cont'd)*** | | | | |
| Seven Star Development Sdn. Bhd.[3] | Property development (Malaysia) | 100 | 100 | 100 |
| Tesla Corporation Pty Ltd[2] | Holding company for electric power generation business (Australia) | 74 | 74 | 74 |
| Tesla Corporation Management Pty Ltd [2] | Owns and operates power plant (Australia) | 74 | 74 | 74 |
| Tesla Geraldton Pty Ltd [2] | Owns and operates power plant (Australia) | 74 | 74 | 74 |
| Tesla Kemerton Pty Ltd [2] | Owns and operates power plant (Australia) | 74 | 74 | 74 |
| Tesla Northam Pty Ltd [2] | Owns and operates power plant (Australia) | 74 | 74 | 74 |
| Triumph Heights Sdn. Bhd.[3] | Property development (Malaysia) | 100 | 100 | 100 |
| Unison Progress Sdn. Bhd. [3] | Property development (Malaysia) | 100 | 100 | 100 |

Notes:

(1) Audited by Ernst & Young LLP, Singapore
(2) Tesla group of companies ("Tesla Group") are audited by a member firm of EY Global in Australia
(3) Audited by other firms of auditors

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17. Subsidiaries (cont'd)

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

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

| Name of subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit/(loss) allocated to NCI during the reporting period | Accumulated NCI at the end of reporting period | Dividends paid to NCI |
|---|---|---|---|---|---|
| | | | $'000 | $'000 | $'000 |
| **31 December 2018:** | | | | | |
| Tesla Group | Australia | 26% | 223 | 3,412 | – |
| **31 December 2017:** | | | | | |
| Tesla Group | Australia | 26% | (22) | 3,467 | – |
| **1 January 2017:** | | | | | |
| Tesla Group | Australia | 26% | (187) | 3,505 | – |

(c) *Summarised financial information about subsidiaries with material NCI*

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

| | Tesla Group | | |
|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| *Summarised balance sheet:* | | | |
| **Current** | | | |
| Assets | 3,608 | 5,535 | 4,828 |
| Liabilities | (1,527) | (4,552) | (4,310) |
| Net current assets | 2,081 | 983 | 518 |
| **Non-current** | | | |
| Assets | 20,113 | 23,072 | 21,153 |
| Liabilities | (8,598) | (10,248) | (7,715) |
| Net non-current assets | 11,515 | 12,824 | 13,438 |
| **Net assets** | 13,596 | 13,807 | 13,956 |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**17. Subsidiaries (cont'd)**

(c) *Summarised financial information about subsidiaries with material NCI (cont'd)*

*Summarised consolidated statement of comprehensive income:*

| | Tesla Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Revenue | 4,730 | 5,005 |
| Profit before tax | 1,183 | 3 |
| Taxation | (323) | (89) |
| Profit for the year | 860 | (86) |
| Other comprehensive loss | (1,071) | (63) |
| **Total comprehensive loss** | (211) | (149) |
| *Other summarised information:* | | |
| Net cash flows from operations | 1,640 | 2,269 |
| Acquisition of property, plant and equipment | (22) | (4,387) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 18. Associates

| | Group 2018 | Group 31 December 2017 | Group 1 January 2017 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Unquoted equity shares, at cost | – | * | * |

* Less than $1,000.

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

| Name of associates | Principal activities (Country of incorporation/ operation) | Proportion of ownership interest/voting power held 2018 (%) | 31 December 2017 (%) | 1 January 2017 (%) |
|---|---|---|---|---|
| Mesco Sdn Bhd [(1)*] | Dormant (Brunei) | – | 50 | 50 |
| Penta-Ocean/Hyundai/Koon Joint Venture* | Contractors for civil engineering and building work (Singapore) | 20 | 20 | 20 |

* Audited by other firms of auditors.
(1) Wound up on 7 January 2018.

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

| | Group 2018 | Group 2017 |
|---|---|---|
| | $'000 | $'000 |
| Loss for the year, representing total comprehensive loss for the year | – | (16) |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19. Joint arrangements

(a) *Joint ventures*

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| *Represented as:* | | | |
| <u>Investment in joint ventures</u> | | | |
| - Sindo-Econ Pte Ltd and its subsidiary | – | – | 3,606 |
| - PT. Koon Construction Indonesia | 174 | 163 | 166 |
| - Others | * | * | * |
| | 174 | 163 | 3,772 |
| <u>Provision for share of a joint venture's losses</u> | | | |
| - Sindo-Econ Pte Ltd and its subsidiary | (10,430) | (3,961) | – |

* No investment cost

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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

| **Name of joint ventures** | **Principal activities (Country of incorporation/operation)** | **Proportion of ownership interest/voting power held** | | |
|---|---|---|---|---|
| | | **2018** (%) | **31 December 2017** (%) | **1 January 2017** (%) |
| ***Held through Econ Precast Pte Ltd:*** | | | | |
| Sindo-Econ Pte Ltd [(1)] | Investment holding and provision of management and consultancy services (Singapore) | 50 | 50 | 50 |
| ***Held through Sindo-Econ Pte Ltd:*** | | | | |
| PT. Sindomas Precas [(2)] | Manufacture of precast components (Indonesia) | 50 | 50 | 50 |
| ***Held through Koon Construction & Transport Co. Pte Ltd:*** | | | | |
| PT. Koon Construction Indonesia [(2)] | Contractors for civil engineering and building works (Indonesia) | 67 | 67 | 67 |

Notes:

(1) Audited by Ernst & Young LLP, Singapore
(2) Not required to be audited

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

| | **Group** | |
|---|---|---|
| | **2018** $'000 | **2017** $'000 |
| Profit for the year, representing total comprehensive income for the year | – | – |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

Summarised financial information in respect of Sindo-Econ Pte Ltd and its subsidiary ("Sindo-Econ Group") and PT. Koon Construction Indonesia based on their SFRS (I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

| | Sindo-Econ Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| *Summarised balance sheet:* | | | |
| Cash and bank balances | 221 | 762 | 303 |
| Trade receivables | 6,840 | 20,446 | 12,192 |
| Other receivables | 10,425 | 8,981 | 8,620 |
| Inventories | 15,649 | 8,864 | 6,308 |
| Current assets | 33,135 | 39,053 | 27,423 |
| Non-current assets | 9,249 | 8,668 | 9,228 |
| **Total assets** | 42,384 | 47,721 | 36,651 |
| Current liabilities (1) | 62,322 | 53,800 | 26,857 |
| Non-current liabilities | 634 | 1,480 | 2,147 |
| **Total liabilities** | 62,956 | 55,280 | 29,004 |
| **Net (liabilities)/assets** | (20,572) | (7,559) | 7,647 |
| Proportion of the Group's ownership | 50% | 50% | 50% |
| Group's share of net (liabilities)/assets | (10,286) | (3,780) | 3,823 |
| Eliminations | (144) | (181) | (217) |
| **(Provision for share of losses)/Carrying amount of the investment** | (10,430) | (3,961) | 3,606 |
| (1) Includes current financial liabilities (excluding trade and other payables and provisions) | 2,470 | 2,704 | 3,182 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19. Joint arrangements (cont'd)

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

| | Sindo-Econ Group 2018 $'000 | Sindo-Econ Group 2017 $'000 |
|---|---|---|
| *Summarised consolidated statement of comprehensive income:* | | |
| Revenue | 21,266 | 38,715 |
| Interest income | 1 | 2 |
| Depreciation | (2,733) | (3,201) |
| Finance costs | (221) | (190) |
| Loss before tax | (13,012) | (15,207) |
| Taxation | – | – |
| **Loss for the year, representing total comprehensive loss for the year** | (13,012) | (15,207) |

| | PT. Koon Construction Indonesia | | |
|---|---|---|---|
| | 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| *Summarised balance sheet:* | | | |
| Cash and bank balances | 104 | 104 | 313 |
| Pledged fixed deposits | – | – | 32 |
| Other receivables | 137 | 131 | * |
| Current assets | 241 | 235 | 345 |
| **Total assets** | 241 | 235 | 345 |
| Current liabilities | * | * | 84 |
| **Total liabilities** | * | * | 84 |
| **Net assets** | 241 | 235 | 261 |
| Proportion of the Group's ownership | 67% | 67% | 67% |
| Group's share of net assets | 161 | 157 | 175 |
| Exchange gain/(loss) on translation of foreign operations | 13 | 6 | (9) |
| **Carrying amount of the investment** | 174 | 163 | 166 |

* Less than $1,000

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | PT. Koon Construction Indonesia 2018 $'000 | PT. Koon Construction Indonesia 2017 $'000 |
|---|---|---|
| *Summarised statement of comprehensive income:* | | |
| Interest income | * | 1 |
| Profit/(Loss) before tax | 16 | (5) |
| Taxation | * | * |
| **Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year** | 16 | (5) |

* Less than $1,000

(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 2018 (%) | 31 December 2017 (%) | 1 January 2017 (%) |
|---|---|---|---|---|
| POC-K JV | Contractor for infrastructure and civil engineering works (Singapore) | 50 | 50 | 50 |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. Property, plant and equipment/Assets held for sale

(a) *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 | Assets under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| **Cost:** | | | | | | | | | | |
| At 1 January 2017 | 1,791 | 1,246 | 9,432 | 50 | 114,551 | 19,708 | 17,963 | 1,955 | 77 | 166,773 |
| Government grants deduction | – | – | – | – | (480) | – | – | (2) | – | (482) |
| Additions | – | – | – | – | 11,060 | 9,000 | 235 | 9 | – | 20,304 |
| Disposals | – | 96 | – | – | (10,830) | (908) | (5,130) | (8) | – | (16,780) |
| Write-off | – | – | – | – | – | – | – | – | (77) | (77) |
| Exchange difference | (4) | (7) | – | – | (244) | – | – | – | – | (255) |
| Reclassification to Assets held for sale (Note 20(b)) | (859) | (1,233) | – | – | (44) | – | – | – | – | (2,136) |
| At 31 December 2017 and 1 January 2018 | 928 | 102 | 9,432 | 50 | 114,013 | 27,800 | 13,068 | 1,954 | – | 167,347 |
| Additions | – | – | – | – | 1,434 | 5,041 | 245 | 26 | – | 6,746 |
| Disposals | – | – | – | – | (2,006) | – | (259) | (14) | – | (2,279) |
| Write-off | – | – | – | – | – | – | – | (85) | – | (85) |
| Exchange difference | (69) | – | – | – | (2,478) | – | – | (5) | – | (2,552) |
| At 31 December 2018 | 859 | 102 | 9,432 | 50 | 110,963 | 32,841 | 13,054 | 1,876 | – | 169,177 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. Property, plant and equipment/Assets held for sale (cont'd)

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

| | 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 | Assets under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| **Accumulated depreciation:** | | | | | | | | | | |
| At 1 January 2017 | – | 300 | 3,756 | 45 | 47,045 | 2,769 | 7,371 | 1,777 | – | 63,063 |
| Depreciation | – | 44 | 1,001 | 5 | 12,952 | 3,705 | 2,337 | 122 | – | 20,166 |
| Disposals | – | 8 | – | – | (6,822) | – | (2,291) | (8) | – | (9,113) |
| Exchange difference | – | (1) | – | – | (76) | – | – | – | – | (77) |
| Reclassification to Assets held for sale (Note 20(b)) | – | (337) | – | – | (38) | – | – | – | – | (375) |
| At 31 December 2017 and 1 January 2018 | – | 14 | 4,757 | 50 | 53,061 | 6,474 | 7,417 | 1,891 | – | 73,664 |
| Depreciation | – | 2 | 1,002 | – | 9,824 | 4,115 | 1,683 | 47 | – | 16,673 |
| Disposals | – | – | – | – | (1,676) | – | (245) | (14) | – | (1,935) |
| Write-off | – | – | – | – | – | – | – | (83) | – | (83) |
| Exchange difference | – | – | – | – | (894) | – | – | (4) | – | (898) |
| At 31 December 2018 | – | 16 | 5,759 | 50 | 60,315 | 10,589 | 8,855 | 1,837 | – | 87,421 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. Property, plant and equipment/Assets held for sale (cont'd)

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

| | 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 | Assets under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| **Impairment:** | | | | | | | | | | |
| At 1 January 2017 | – | 1 | – | – | – | – | – | – | 77 | 78 |
| Additions | – | 83 | – | – | – | – | – | – | – | 83 |
| Write-off | – | – | – | – | – | – | – | – | (77) | (77) |
| At 31 December 2017, 1 January 2018 and 31 December 2018 | – | 84 | – | – | – | – | – | – | – | 84 |
| **Carrying amount:** | | | | | | | | | | |
| At 1 January 2017 | 1,791 | 945 | 5,676 | 5 | 67,506 | 16,939 | 10,592 | 178 | – | 103,632 |
| At 31 December 2017 | 928 | 4 | 4,675 | – | 60,952 | 21,326 | 5,651 | 63 | – | 93,599 |
| At 31 December 2018 | 859 | 2 | 3,673 | – | 50,648 | 22,252 | 4,199 | 39 | – | 81,672 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**20. Property, plant and equipment/Assets held for sale (cont'd)**

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

Property, plant and equipment of the Group with carrying amount of $67,505,000 (31 December 2017: $78,672,000, 1 January 2017: $84,159,000) are pledged as security for finance lease obligations (Note 26) and bank loans (Note 23).

| | **Motor vehicles** $'000 | **Office equipment, furniture and fittings** $'000 | **Total** $'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost:** | | | |
| At 1 January 2017 | 822 | 134 | 956 |
| Additions | 173 | – | 173 |
| Disposals | (2) | – | (2) |
| At 31 December 2017 and 1 January 2018 | 993 | 134 | 1,127 |
| Additions | – | 3 | 3 |
| At 31 December 2018 | 993 | 137 | 1,130 |
| **Accumulated depreciation:** | | | |
| At 1 January 2017 | 429 | 134 | 563 |
| Depreciation | 151 | – | 151 |
| At 31 December 2017 and 1 January 2018 | 580 | 134 | 714 |
| Depreciation | 148 | * | 148 |
| At 31 December 2018 | 728 | 134 | 862 |
| **Carrying amount:** | | | |
| At 1 January 2017 | 564 | – | 564 |
| At 31 December 2017 | 413 | – | 413 |
| At 31 December 2018 | 265 | 3 | 268 |

* Less than $1,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. Property, plant and equipment/Assets held for sale (cont'd)

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

Motor vehicles of the Company with carrying amount of $265,000 (31 December 2017: $413,000, 1 January 2017: $564,000) are pledged as security for finance lease obligations (Note 26).

(b) *Assets held for sale*

| | **Freehold land** $'000 | **Freehold buildings** $'000 | **Plant and machinery** $'000 | **Total** $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost:** | | | | |
| Reclassification from Property, plant and equipment (Note 20(a)) | 859 | 1,233 | 44 | 2,136 |
| **Accumulated depreciation:** | | | | |
| Reclassification from Property, plant and equipment (Note 20(a)) | – | (337) | (38) | (375) |
| At 31 December 2017 | 859 | 896 | 6 | 1,761 |

In the previous year, the Group's wholly owned subsidiary, Econ Precast Sdn. Bhd., entered into an agreement for the sale of a freehold land, freehold building and plant and machinery in Malaysia. In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the freehold land, freehold building and plant and machinery were classified as held for sale at the end of the previous year. The sale was completed during the year.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 21. Investment securities (unquoted)

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| *At fair value through other comprehensive income* | | | |
| – Equity securities (unquoted) | 500 | 500 | 500 |
| Less: Allowance for impairment | (500) | (500) | (500) |
| | – | – | – |

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

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

## 22. Goodwill

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Cost at beginning of year | 3,536 | 3,536 | 3,536 |
| Less: Allowance for impairment | (3,536) | (3,536) | (3,536) |
| Carrying amount at end of year | – | – | – |

Goodwill is allocated to the Electric Power Generation cash generating unit (“CGU”) which is also a reportable operating segment. In 2015, an impairment loss of $3,536,000 was recognised in profit or loss under the line item "Administrative and other expenses".

## 23. Loans and borrowings

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Current portion | 33,246 | 34,559 | 24,175 |
| Non-current portion | – | – | 2,009 |
| Total loans and borrowings | 33,246 | 34,559 | 26,184 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 23. Loans and borrowings (cont'd)

Loans and borrowings comprise:

| | Effective interest rate | | | | Group | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 | Maturity dates | 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| Loan A – secured | – | – | 7.31% | 2017 | – | – | 5 |
| Loan B – secured | – | 4.12% | 4.00% | 2018 | – | 816 | 2,071 |
| Loan C | – | 3.13% | 3.45% | 2017 - 2018 | – | 2,000 | 2,000 |
| Loan D – secured | – | 2.30% | 2.30% | 2018 | – | 1,187 | 3,520 |
| Loan E – secured | 4.17% | 3.77% to 3.78% | 3.93% to 3.95% | 2017 – 2019 | 5,800 | 5,800 | 5,800 |
| Loan F | 3.93% | 3.23% | – | 2018 – 2019 | 500 | 500 | – |
| Loan G – secured | 3.76% | 3.25% | – | 2018 – 2019 | 800 | 800 | – |
| Loan H - secured | 6.25% | – | – | 2019 | 2,163 | – | – |
| Bank overdrafts | 5.25% to 6.00% | 6.00% | – | On demand | 5,320 | 2,321 | – |
| | | | | | 14,583 | 13,424 | 13,396 |
| Bills payable [1] | | | | | 18,663 | 21,135 | 12,788 |
| Total | | | | | 33,246 | 34,559 | 26,184 |

(1) Bills payable are interest bearing with an average effective interest of 2.85% (31 December 2017: 3.12%, 1 January 2017: 2.62%) per annum.

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

Loan A has been fully repaid as at 31 December 2017. The loan was secured by all assets under the Tesla Group of companies as at 31 December 2016.

Loan B has been fully repaid as at 31 December 2018. The loan was secured by mortgage of a leasehold building of a subsidiary with a carrying amount of $4,675,000 as at 31 December 2017 (1 January 2017: $5,676,000).

Loans D has been fully repaid as at 31 December 2018. The loan was secured by mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of $12,835,000 as at 31 December 2017 (1 January 2017: $12,574,000).

Loan E is secured by mortgage of a property held for development by a subsidiary with an aggregated carrying amount of $12,866,000 as at 31 December 2018 (31 December 2017: $12,835,000, 1 January 2017: $12,574,000).

Loan G is secured by mortgage of a leasehold building of a subsidiary with a carrying amount of $3,673,000 as at 31 December 2018 (31 December 2017: $4,675,000, 1 January 2017: $5,676,000).

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**23. Loans and borrowings (cont'd)**

A reconciliation of liabilities arising from financing activities, excluding bank overdrafts is as follows:

| | 1 January 2017 | Cash flows | Non-cash changes | | | 31 December 2017 |
|---|---|---|---|---|---|---|
| | | | **Acquisition** | **Foreign exchange movement** | **Other** | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Loans and bills payable | | | | | | |
| - Current | 24,175 | 6,054 | – | – | 2,009 | 32,238 |
| - Non-current | 2,009 | – | – | – | (2,009) | – |
| Finance lease obligations (Note 26) | | | | | | |
| - Current | 15,278 | (16,679) | 4,846 | (62) | 12,805 | 16,188 |
| - Non-current | 40,105 | (3,301) | 11,995 | (135) | (12,805) | 35,859 |
| **Total** | 81,567 | (13,926) | 16,841 | (197) | – | 84,285 |

The ‘other’ column relates to reclassification of non-current portion of loans and finance lease obligations due to passage of time.

Included in ‘acquisition’ column is an amount of $405,000 relating to plant and equipment that was acquired in prior year but the finance lease arrangements were made in year 2017.

## 23. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities, excluding bank overdrafts is as follows:

| | 1 January 2018 | Cash flows | Non-cash changes | | | 31 December 2018 |
|---|---|---|---|---|---|---|
| | | | Acquisition | Foreign exchange movement | Other | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Loans and bills payable | | | | | | |
| - Current | 32,238 | (4,645) | 333 | – | – | 27,926 |
| Finance lease obligations (Note 26) | | | | | | |
| - Current | 16,188 | (15,578) | 513 | 993 | 14,389 | 16,505 |
| - Non-current | 35,859 | – | 3,085 | (1,791) | (14,389) | 22,764 |
| **Total** | 84,285 | (20,223) | 3,931 | (798) | – | 67,195 |

The 'other' column relates to reclassification of non-current portion of loans and finance lease obligations due to passage of time.

Included in 'acquisition' column is an amount of $523,000 relating to plant and equipment that was acquired in prior year but the finance lease arrangements were made in the current year.

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24. Trade payables

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Amounts due to external parties | 31,955 | 32,215 | 40,367 |
| Amounts due to related parties | 7,284 | 16,161 | 14,542 |
| | 39,239 | 48,376 | 54,909 |

Trade payables include an amount of $8,890,000 (31 December 2017: $12,369,000, 1 January 2017: $12,369,000) which will not be settled unless receivables for the same amount, included in trade receivables (Note 12), is received.

The average credit period on the outstanding trade payables is 60 days (31 December 2017: 60 days, 1 January 2017: 60 days). No interest is payable on overdue balances.

Amounts due to related parties are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

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

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| United States Dollars | 25 | – | 12 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 25. Other payables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Accrued expenses | 3,432 | 3,334 | 4,202 | 553 | 697 | 974 |
| Advance from investee company | – | 350 | 350 | – | – | – |
| Advances from customers | 13,564 | 11,559 | 5,327 | – | – | – |
| Sales tax payable | 1,482 | 938 | 1,840 | 61 | 53 | 54 |
| Amounts due to external parties | 10,986 | 3,453 | 1,211 | 171 | 153 | 159 |
| Amounts due to related parties | 1,214 | 52 | 115 | 206 | 2 | – |
| Amounts due to subsidiaries | – | – | – | 15,179 | 18,069 | 18,450 |
| Amounts due to joint ventures | – | 35 | 4 | 3 | – | – |
| Payable for purchase of property, plant and equipment | 2,769 | 1,350 | 282 | – | – | – |
| Others | 573 | 621 | 770 | 6 | 6 | 5 |
| | 34,020 | 21,692 | 14,101 | 16,179 | 18,980 | 19,642 |
| Analysed as: | | | | | | |
| Current | 33,843 | 21,525 | 14,004 | 16,179 | 18,980 | 19,642 |
| Non-current | 177 | 167 | 97 | – | – | – |
| | 34,020 | 21,692 | 14,101 | 16,179 | 18,980 | 19,642 |

Advances from customers are unsecured, non-interest bearing, expected to be repayable within 12 months and do not pertain to fulfilment of future contract obligations.

Amounts due to related parties, subsidiaries and joint ventures are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

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

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

| | Group | | |
|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| United States Dollars | – | 19 | 91 |
| Euro Dollars | 36 | – | – |
| Australian Dollars | 5 | 16 | – |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26. Finance lease obligations

| | Minimum lease payments | | | Present value of minimum lease payments | | |
|---|---|---|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| Amounts payable under finance lease obligations: | | | | | | |
| Not later than one year | 17,886 | 18,190 | 17,084 | 16,505 | 16,188 | 15,278 |
| Later than one year but not later than five years | 23,881 | 36,976 | 41,919 | 22,764 | 35,859 | 40,105 |
| Total minimum lease payments | 41,767 | 55,166 | 59,003 | 39,269 | 52,047 | 55,383 |
| Less: Amounts representing finance charges | (2,498) | (3,119) | (3,620) | N/A | N/A | N/A |
| Present value of minimum lease payments | 39,269 | 52,047 | 55,383 | 39,269 | 52,047 | 55,383 |
| Less: Amounts due for settlement within 12 months | | | | (16,505) | (16,188) | (15,278) |
| Amounts due for settlement after 12 months | | | | 22,764 | 35,859 | 40,105 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26. Finance lease obligations (cont'd)

| | Minimum lease payments | | | Present value of minimum lease payments | | |
|---|---|---|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Company** | | | | | | |
| Amounts payable under finance lease obligations: | | | | | | |
| Not later than one year | 70 | 87 | 87 | 65 | 79 | 76 |
| Later than one year but not later than five years | 76 | 146 | 233 | 74 | 139 | 218 |
| Total minimum lease payments | 146 | 233 | 320 | 139 | 218 | 294 |
| Less: Amounts representing finance charges | (7) | (15) | (26) | N/A | N/A | N/A |
| Present value of minimum lease payments | 139 | 218 | 294 | 139 | 218 | 294 |
| Less: Amounts due for settlement within 12 months | | | | (65) | (79) | (76) |
| Amounts due for settlement after 12 months | | | | 74 | 139 | 218 |

These obligations are secured by charges over the leased property, plant and equipment (Note 20). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

***Group***

The average lease term is 5 years (31 December 2017: 5 years, 1 January 2017: 3 years). The effective borrowing rates ranged between 2.35% and 6.58% (31 December 2017: 2.35% and 6.58%, 1 January 2017: 2.35% and 5.85%) per annum.

***Company***

The average lease term is 5 years (31 December 2017: 5 years, 1 January 2017: 5 years). The effective borrowing rates ranged between 4.22% and 5.24% (31 December 2017: 4.22% and 5.24%, 1 January 2017: 4.28% and 5.24%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27. Deferred tax assets/(liabilities)

| | Group 2018 $'000 | Group 31 December 2017 $'000 | Group 1 January 2017 $'000 |
|---|---|---|---|
| Deferred tax assets | – | 231 | 320 |
| Deferred tax liabilities | (1,484) | (1,369) | (1,005) |
| Net | (1,484) | (1,138) | (685) |

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

| Group | Fair value adjustment on property, plant and equipment $'000 | Accelerated tax depreciation $'000 | Research and development tax credit $'000 | Tax losses $'000 | Total $'000 |
|---|---|---|---|---|---|
| At 1 January 2017 | (15) | (2,334) | 1,664 | – | (685) |
| Credit/(Charge) to profit or loss | 30 | (265) | (214) | (4) | (453) |
| Translation differences | – | 4 | (4) | – | – |
| At 31 December 2017 and 1 January 2018 | 15 | (2,595) | 1,446 | (4) | (1,138) |
| Credit/(Charge) to profit or loss | (15) | 190 | (522) | 4 | (343) |
| Translation differences | – | 72 | (75) | – | (3) |
| At 31 December 2018 | – | (2,333) | 849 | – | (1,484) |

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, undistributed earnings of foreign subsidiaries which would be subject to tax when distributed amounted to $3,188,000 (31 December 2017: $1,071,000, 1 January 2017: $1,643,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 28. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of ordinary shares 2018 | Share Capital 2018 $'000 | Number of ordinary shares 2017 | Share Capital 2017 $'000 |
| Issued and paid up: | | | | |
| At beginning and end of year | 263,097,800 | 25,446 | 263,097,800 | 25,446 |

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

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

Koon EPSP is administrated by the Remuneration Committee.

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

(i) 994,000 shares awarded and issued in 2009;

(ii) 330,000 shares awarded in 2010 which were vested equally over three years with 110,000 shares each issued in 2011 to 2013; and

(iii) 360,000 shares awarded in 2011 of which 105,000 shares were forfeited due to the resignation of employees. Of the balance awards of 255,000 shares, 165,000 shares were vested in 2013 and 90,000 shares were vested in 2014.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 28. Share capital (cont'd)

Accumulated shares awarded were as follows:

| | Number of shares | | | | | |
|---|---|---|---|---|---|---|
| | Not vested | | | Vested and issued (Accumulated) | | |
| | 2018 | 31 December 2017 | 1 January 2017 | 2018 | 31 December 2017 | 1 January 2017 |
| Directors | – | – | – | 344,000 | 344,000 | 344,000 |
| Other members of key management | – | – | – | 380,000 | 380,000 | 380,000 |
| Other employees | – | – | – | 855,000 | 855,000 | 855,000 |
| Total number of shares granted under the Koon EPSP | – | – | – | 1,579,000 | 1,579,000 | 1,579,000 |

## 29. Capital reserve

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Capital reserve arising from: | | | | | | |
| Restructuring exercise | 13,006 | 13,006 | 13,006 | 13,006 | 13,006 | 13,006 |
| Share-based payment | 283 | 283 | 283 | – | – | – |
| Acquisition of non-controlling interests in subsidiaries | (4,487) | (4,487) | (4,487) | – | – | – |
| | 8,802 | 8,802 | 8,802 | 13,006 | 13,006 | 13,006 |

***Restructuring Exercise***

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 29. Capital reserve (cont'd)

***Share-based payment***

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

***Acquisition of non-controlling interests in subsidiaries, without a change in control***

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

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

## 30. 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.

Management monitors other income and finance costs of its business units collectively for the purpose of making decisions about resource allocation and performance assessment.

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

***Segment revenues and results***

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

| | **Revenue** | | **Results** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | $'000 | $'000 | $'000 | $'000 |
| Construction | 82,271 | 111,332 | (2,039) | 10,604 |
| Precast | 30,873 | 48,202 | (1,986) | (3,086) |
| Property | – | – | (131) | (236) |
| Electric Power Generation | 4,730 | 5,005 | 1,640 | 347 |
| | 117,874 | 164,539 | (2,516) | 7,629 |
| Elimination | (1,021) | (739) | (281) | (333) |
| Total | 116,853 | 163,800 | (2,797) | 7,296 |
| Other income | | | 13,467 | 4,933 |
| Share of losses of joint ventures and associate | | | (6,496) | (7,623) |
| Finance costs | | | (3,179) | (3,143) |
| Profit before tax | | | 995 | 1,463 |
| Taxation | | | (513) | (1,362) |
| Profit for the year | | | 482 | 101 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Consolidated revenue of $116,853,000 (2017: $163,800,000) after elimination of inter-segmental sales comprise revenue from construction segment of $82,268,000 (2017: $111,332,000), precast segment of $29,855,000 (2017: $$47,463,000), property segment of nil (2017: nil) and electric power generation segment of $4,730,000 (2017: $5,005,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Performance is measured based on segment results before allocation of other income, share of results of joint ventures and associate, finance costs and 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***

| | Group | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Construction | 163,062 | 157,688 | 164,075 |
| Precast | 52,336 | 49,473 | 45,989 |
| Property | 17,407 | 17,393 | 19,035 |
| Electric Power Generation | 23,721 | 28,376 | 25,657 |
| | 256,526 | 252,930 | 254,756 |
| Elimination | (32,345) | (28,479) | (33,035) |
| Total segment assets | 224,181 | 224,451 | 221,721 |
| Unallocated corporate assets | 2,451 | 2,780 | 3,412 |
| Total assets | 226,632 | 227,231 | 225,133 |

All assets are allocated to reportable segments other than all assets of the Company, deferred tax assets, tax recoverable and sales tax receivable of the Group and those eliminated at consolidation.

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

***Other segment information***

| | Depreciation | | Additions to property, plant and equipment | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Construction | 14,167 | 16,381 | 5,925 | 11,355 | 25,491 |
| Precast | 1,429 | 1,576 | 799 | 4,562 | 33 |
| Property | 2 | 2 | – | – | – |
| Electric Power Generation | 1,075 | 2,207 | 22 | 4,387 | 1 |
| | 16,673 | 20,166 | 6,746 | 20,304 | 25,525 |

Segment results

The Construction segment results include reversal of provision for onerous contract amounting to $27,000 (2017: provision for onerous contract amounting to $1,000) and allowance for impairment of doubtful debts (net) amounting to $116,000 (2017: $214,000).

The Precast segment results include inventories written down amounting to $46,000 (2017: $17,000) and a write-off of office equipment and furniture and fittings with a carrying amount of $2,000 (2017: assets under construction with a carrying amount of $77,000).

The Property segment results has no write-down in 2018 (2017: write-down of $83,000) on its property, plant and equipment.

Segment assets

The Construction and Precast segments assets include investments in joint ventures and associates amounting to $174,000 (31 December 2017: $163,000, 1 January 2017: $166,000) and nil (31 December 2017: nil, 1 January 2017: $3,606,000) respectively.

***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 | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Singapore | 112,123 | 158,414 | 61,652 | 70,871 | 82,915 |
| Australia | 4,730 | 5,005 | 20,018 | 22,724 | 20,715 |
| Malaysia | – | 381 | 14,175 | 14,143 | 13,887 |
| Total | 116,853 | 163,800 | 95,845 | 107,738 | 117,517 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

***Information about major customer***

Revenue from two major customers amount to $44,803,000 (2017: $72,713,000) arising from sales by the Construction and Precast segments.

## 31. Bank guarantees, performance bonds and commitments

As at 31 December 2018, the Company has provided corporate guarantees totalling $114,625,000 (31 December 2017: $122,310,000, 1 January 2017: $114,158,000) and $740,000 (31 December 2017: $1,249,000, 1 January 2017: $1,526,000) to financial institutions in respect of credit facilities utilised by the subsidiaries and a joint venture respectively.

## 32. Operating lease arrangements – as lessee

| | **Group** | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Minimum lease payments under operating leases recognised as an expense during the year | 2,761 | 2,093 | 3,236 |

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

| | **Group** | | |
|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 |
| Not later than one year | 2,103 | 2,178 | 992 |
| Later than one year but not later than five years | 3,194 | 4,677 | 2,012 |
| | 5,297 | 6,855 | 3,004 |

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, 1 January 2017: 3 years).

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33. Categories of financial instruments

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

| | **Group** | | | **Company** | | |
|---|---|---|---|---|---|---|
| | **2018** | **31 December 2017** | **1 January 2017** | **2018** | **31 December 2017** | **1 January 2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets:** | | | | | | |
| At fair value through profit or loss | | | | | | |
| Equity securities (quoted) | 18 | 26 | 26 | – | – | – |
| Loans and receivables | | | | | | |
| Trade receivables | 29,725 | 34,914 | 38,459 | – | – | – |
| Other receivables (excluding prepayments, tax recoverable and sales tax receivable) | 37,994 | 25,823 | 12,104 | 6,609 | 9,342 | 9,734 |
| Pledged fixed deposits | 19 | 18 | 197 | – | – | – |
| Cash and bank balances | 2,921 | 7,495 | 14,997 | 68 | 85 | 263 |
| | 70,659 | 68,250 | 65,757 | 6,677 | 9,427 | 9,997 |
| **Total financial assets** | 70,677 | 68,276 | 65,783 | 6,677 | 9,427 | 9,997 |
| **Financial liabilities:** | | | | | | |
| Financial liabilities at amortised cost | | | | | | |
| Loans and borrowings | 33,246 | 34,559 | 26,184 | – | – | – |
| Trade payables | 39,239 | 48,376 | 54,909 | – | – | – |
| Other payables (excluding advance from customers and sales tax payable) | 18,974 | 9,195 | 6,934 | 16,118 | 18,927 | 19,588 |
| | 91,459 | 92,130 | 88,027 | 16,118 | 18,927 | 19,588 |
| Finance lease obligations | 39,269 | 52,047 | 55,383 | 139 | 218 | 294 |
| **Total financial liabilities** | 130,728 | 144,177 | 143,410 | 16,257 | 19,145 | 19,882 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34. 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 2017 and 2018.

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the financial year:

| | **Group 2018** $'000 | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments (Level 1)** | **Significant observable inputs other than quoted prices (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| ***Assets measured at fair value*** | | | | |
| **Financial assets:** | | | | |
| Equity securities at fair value through profit or loss (Note 15) | | | | |
| - Quoted equity securities | 18 | – | – | 18 |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | Group 31 December 2017 $'000 | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments (Level 1)** | **Significant observable inputs other than quoted prices (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| ***Assets measured at fair value*** | | | | |
| **Financial assets:** | | | | |
| Equity securities at fair value through profit or loss (Note 15) | | | | |
| - Quoted equity securities | 26 | – | – | 26 |

| | Group 1 January 2017 $'000 | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments (Level 1)** | **Significant observable inputs other than quoted prices (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| ***Assets measured at fair value*** | | | | |
| **Financial assets:** | | | | |
| Equity securities at fair value through profit or loss (Note 15) | | | | |
| - Quoted equity securities | 26 | – | – | 26 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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

| | **Group 2018** $'000 | | **Group 31 December 2017** $'000 | | **Group 1 January 2017** $'000 | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Fair value (Level 3)** | **Carrying amount** | **Fair value (Level 3)** | **Carrying amount** | **Fair value (Level 3)** |
| **Financial liabilities** | | | | | | |
| Finance lease obligations (non-current) (i) | (22,764) | (24,205) | (35,859) | (35,999) | (40,105) | (39,880) |
| Bank loans (non-current), fixed rate (i) | – | – | – | – | (1,187) | (1,184) |

(i) The fair value of finance lease obligations and interest-bearing bank loans with fixed interest rates are determined using discounted future principal and interest at the market interest rate at the end of the financial year. The estimated future cash flows are projected based on management's best estimates.

## 35. Financial risks management objectives and policies

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

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

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

(a) ***Credit risk***

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

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

<u>Trade receivables and contract assets</u>

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by SFRS(I) 9, which permits the use of the lifetime expected loss provision for impairment of all contract assets and trade receivables. To measure the ECLs, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information.

Given (i) the customers of the Group are well-known construction companies and government agencies and there was no history of default in prior years; and (ii) no adverse change in the business environment is anticipated, management considered the default rate of trade receivables and contract assets to be minimal and the expected credit loss rate of construction companies and government agencies to be nil for all ageing bands. As a result, no provision for impairment of trade receivables and contract assets is necessary.

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(a) ***Credit risk (cont'd)***

For non-government organisations or smaller customers, the Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

Other receivables

Other receivables mainly comprised amounts due from related parties. The assessment of provision for impairment was limited to 12-month ECL. The Group has assessed and considered the credit risk for amounts due from related parties to be low and as a result no provision for impairment is necessary.

The following are credit risk management practices and quantitative information about amounts arising from expected credit loss for trade receivables and contract assets.

| | | Trade receivables | | | |
|---|---|---|---|---|---|
| **31 December 2018** | **Contract assets** $'000 | **Current and more than 30 days past due** $'000 | **More than 180 days past due** $'000 | **More than 360 days past due** $'000 | **Total** $'000 |
| Gross carrying amount | 55,587 | 16,046 | 4,298 | 10,168 | 86,099 |
| Loss allowance provision | (8) | (99) | (15) | (673) | (795) |

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Credit risk concentration profile

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

The Group's customers are mainly located in Singapore. The Group has significant concentration of credit risk in that its top 5 debtors accounted for $22,237,000 (31 December 2017: $37,211,000, 1 January 2017: $40,364,000) or 75% (31 December 2017: 77%, 1 January 2017: 81%) of the net trade receivables balance at year end.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(a) ***Credit risk (cont'd)***

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade receivables) and Note 13 (Other receivables).

(b) ***Liquidity risk***

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

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

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

Analysis of financial instruments by remaining contractual maturities

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | **1 year or less** $'000 | **1 to 5 years** $'000 | **After 5 years** $'000 | **Total** $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2018** | | | | |
| **Financial assets:** | | | | |
| Equity securities at fair value through profit or loss | 18 | – | – | 18 |
| Trade receivables | 29,725 | – | – | 29,725 |
| Other receivables (excluding prepayments, tax recoverable and sales tax receivable) | 37,899 | 95 | – | 37,994 |
| Pledged fixed deposits | 19 | – | – | 19 |
| Cash and bank balances | 2,921 | – | – | 2,921 |
| Total undiscounted financial assets | 70,582 | 95 | – | 70,677 |
| **Financial liabilities:** | | | | |
| Loans and borrowings | 33,389 | – | – | 33,389 |
| Trade payables | 39,239 | – | – | 39,239 |
| Other payables (excluding advance from customers and sales tax payable) | 18,797 | 177 | – | 18,974 |
| Finance lease obligations | 17,886 | 23,881 | – | 41,767 |
| Total undiscounted financial liabilities | 109,311 | 24,058 | – | 133,369 |
| Total net undiscounted financial liabilities | (38,729) | (23,963) | – | (62,692) |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | **1 year or less** $'000 | **1 to 5 years** $'000 | **After 5 years** $'000 | **Total** $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 December 2017** | | | | |
| **Financial assets:** | | | | |
| Equity securities at fair value through profit or loss | 26 | – | – | 26 |
| Trade receivables | 34,914 | – | – | 34,914 |
| Other receivables (excluding prepayments, tax recoverable and sales tax receivable) | 25,706 | 117 | – | 25,823 |
| Pledged fixed deposits | 18 | – | – | 18 |
| Cash and bank balances | 7,495 | – | – | 7,495 |
| Total undiscounted financial assets | 68,159 | 117 | – | 68,276 |
| **Financial liabilities:** | | | | |
| Loans and borrowings | 34,822 | – | – | 34,822 |
| Trade payables | 48,376 | – | – | 48,376 |
| Other payables (excluding advance from customers and sales tax payable) | 9,028 | 167 | – | 9,195 |
| Finance lease obligations | 18,190 | 36,976 | – | 55,166 |
| Total undiscounted financial liabilities | 110,416 | 37,143 | – | 147,559 |
| Total net undiscounted financial liabilities | (42,257) | (37,026) | – | (79,283) |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | **1 year or less** $'000 | **1 to 5 years** $'000 | **After 5 years** $'000 | **Total** $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **1 January 2017** | | | | |
| **Financial assets:** | | | | |
| Equity securities at fair value through profit or loss | 26 | – | – | 26 |
| Trade receivables | 38,459 | – | – | 38,459 |
| Other receivables (excluding prepayments, tax recoverable and sales tax receivable) | 11,987 | 117 | – | 12,104 |
| Pledged fixed deposits | 197 | – | – | 197 |
| Cash and bank balances | 14,997 | – | – | 14,997 |
| Total undiscounted financial assets | 65,666 | 117 | – | 65,783 |
| **Financial liabilities:** | | | | |
| Loans and borrowings | 24,462 | 2,029 | – | 26,491 |
| Trade payables | 54,909 | – | – | 54,909 |
| Other payables (excluding advance from customers and sales tax payable) | 6,837 | 97 | – | 6,934 |
| Finance lease obligations | 17,084 | 41,919 | – | 59,003 |
| Total undiscounted financial liabilities | 103,292 | 44,045 | – | 147,337 |
| Total net undiscounted financial liabilities | (37,626) | (43,928) | – | (81,554) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | **1 year or less** $'000 | **1 to 5 years** $'000 | **After 5 years** $'000 | **Total** $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **2018** | | | | |
| **Financial assets:** | | | | |
| Other receivables (excluding prepayments) | 6,609 | – | – | 6,609 |
| Cash and bank balances | 68 | – | – | 68 |
| Total undiscounted financial assets | 6,677 | – | – | 6,677 |
| **Financial liabilities:** | | | | |
| Other payables (excluding sales tax payable) | 16,118 | – | – | 16,118 |
| Finance lease obligations | 70 | 76 | – | 146 |
| Total undiscounted financial liabilities | 16,188 | 76 | – | 16,264 |
| Total net undiscounted financial (liabilities)/assets | (9,511) | (76) | – | (9,587) |
| **31 December 2017** | | | | |
| **Financial assets:** | | | | |
| Other receivables (excluding prepayments) | 6,832 | 2,510 | – | 9,342 |
| Cash and bank balances | 85 | – | – | 85 |
| Total undiscounted financial assets | 6,917 | 2,510 | – | 9,427 |
| **Financial liabilities:** | | | | |
| Other payables (excluding sales tax payable) | 18,927 | – | – | 18,927 |
| Finance lease obligations | 87 | 146 | – | 233 |
| Total undiscounted financial liabilities | 19,014 | 146 | – | 19,160 |
| Total net undiscounted financial (liabilities)/assets | (12,097) | 2,364 | – | (9,733) |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | 1 year or less $'000 | 1 to 5 years $'000 | After 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **1 January 2017** | | | | |
| **Financial assets:** | | | | |
| Other receivables (excluding prepayments) | 9,734 | – | – | 9,734 |
| Cash and bank balances | 263 | – | – | 263 |
| Total undiscounted financial assets | 9,997 | – | – | 9,997 |
| **Financial liabilities:** | | | | |
| Other payables (excluding sales tax payable) | 19,588 | – | – | 19,588 |
| Finance lease obligations | 87 | 233 | – | 320 |
| Total undiscounted financial liabilities | 19,675 | 233 | – | 19,908 |
| Total net undiscounted financial liabilities | (9,678) | (233) | – | (9,911) |

# NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | **1 year or less** $'000 | **1 to 5 years** $'000 | **Over 5 years** $'000 | **Total** $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2018** | | | | |
| Financial guarantees | 209 | 531 | – | 740 |
| **31 December 2017** | | | | |
| Financial guarantees | – | 1,249 | – | 1,249 |
| **1 January 2017** | | | | |
| Financial guarantees | – | 1,526 | – | 1,526 |
| **Company** | | | | |
| **2018** | | | | |
| Financial guarantees | 50,523 | 64,102 | – | 114,625 |
| **31 December 2017** | | | | |
| Financial guarantees | 42,675 | 80,884 | – | 123,559 |
| **1 January 2017** | | | | |
| Financial guarantees | 42,260 | 73,424 | – | 115,684 |

### (c) *Interest rate risk*

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

Interest-yielding financial assets are mainly bank balances and fixed deposits. The interest rates for finance lease obligations, 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 loans and borrowings totalling $33,246,000 (2017: $33,372,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### (c) *Interest rate risk (cont'd)*

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 1% (2017: 1%) lower/higher with all other variables held constant, the Group's profit before tax would have been $332,000 (2017: $334,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

### (d) *Foreign exchange risk*

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

## 36. Capital management

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

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

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

The Group is in compliance with externally imposed financial covenants as at 31 December 2018 and 31 December 2017.

| | Group | | |
|---|---|---|---|
| | 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Loans and borrowings | 33,246 | 34,559 | 26,184 |
| Finance lease obligations | 39,269 | 52,047 | 55,383 |
| Less: Cash and bank balances (Note 11) | (2,921) | (7,495) | (14,997) |
| Net debt | 69,594 | 79,111 | 66,570 |
| Equity attributable to the owners of the Company | 57,715 | 58,517 | 58,174 |
| Net gearing ratio | 121% | 135% | 114% |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 37. Dividends

No dividend was proposed for the financial years ended 31 December 2018 and 2017.

## 38. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 27 March 2019.

# STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2019

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 12 | 1.83 | 182 | 0.00 |
| 100 – 1,000 | 20 | 3.05 | 13,934 | 0.01 |
| 1,001 – 10,000 | 153 | 23.32 | 1,196,118 | 0.45 |
| 10,001 – 1,000,000 | 446 | 67.99 | 39,373,546 | 14.97 |
| 1,000,001 AND ABOVE | 25 | 3.81 | 222,514,020 | 84.57 |
| **TOTAL** | **656** | **100.00** | **263,097,800** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | ANG AH NUI | 77,571,819 | 29.48 |
| 2 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 45,809,010 | 17.41 |
| 3 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 18,706,800 | 7.11 |
| 4 | SAMSU | 12,000,000 | 4.56 |
| 5 | OH KENG LIM | 10,159,996 | 3.86 |
| 6 | OH LIAN LING | 7,238,487 | 2.75 |
| 7 | OH KOON SUN | 7,205,378 | 2.74 |
| 8 | ANG JUI KHOON | 5,944,900 | 2.26 |
| 9 | PHILLIP SECURITIES PTE LTD | 4,927,810 | 1.87 |
| 10 | ONG SOH HOON | 4,000,000 | 1.52 |
| 11 | ONG LYE BENG | 3,344,024 | 1.27 |
| 12 | YEO SEE TEE | 3,000,000 | 1.14 |
| 13 | HARRY OH TUAY KEE | 2,966,000 | 1.13 |
| 14 | CHUA LEONG AIK | 2,545,800 | 0.97 |
| 15 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 2,451,600 | 0.93 |
| 16 | AW KIM BENG | 2,323,000 | 0.88 |
| 17 | RAFFLES NOMINEES (PTE.) LIMITED | 1,819,000 | 0.69 |
| 18 | CITIBANK NOMINEES SINGAPORE PTE LTD | 1,775,000 | 0.67 |
| 19 | TEE SWEE KHENG | 1,758,196 | 0.67 |
| 20 | TAN TONG GUAN | 1,400,000 | 0.53 |
| | **TOTAL** | **216,946,820** | **82.44** |

There were 88 holders of less than a marketable parcel of shares.

# STATISTICS OF SHAREHOLDINGS
AS AT 14 MARCH 2019

**SUBSTANTIAL SHAREHOLDERS**
(as recorded in the Register of Substantial Shareholders as at 14 March 2019)

| Name of Substantial Shareholder | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| ANG AH NUI | 77,571,819 | 29.48 | 45,000,000(1) | 17.1 |
| ANG SIN LIU | 320,000 | 0.12 | 18,340,800(2) | 6.97 |
| SAMSU | 16,000,000 | 6.08 | – | – |

**Notes:**

(1) 45,000,000 shares in the capital of the Company are held by a nominee.

(2) 18,340,800 shares in the capital of the Company are held by a nominee.

# NOTICE OF **ANNUAL GENERAL MEETING**

## KOON HOLDINGS LIMITED (Company)

*(Company Registration No 200303284M)*
*(ARBN 105 734 709)*

**NOTICE IS HEREBY GIVEN** that the Sixteenth Annual General Meeting of the Company will be held at 48 Boon Lay Way, Singapore 609961, The Chevrons, Carnation Room 1 on Level 3, on Monday, 29 April 2019 at 10.00 a.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2018 together with the Directors' Statement and the Auditor's Report of the Company. (Resolution 1)

2. To re-elect Mr Ang Sin Liu who is retiring under Article 91 of the Company's Constitution. (Resolution 2)

3. To re-elect Mr Oh Koon Sun who is retiring under Article 91 of the Company's Constitution. (Resolution 3)

4. To re-elect Ms Glenda Mary Sorrell-Saunders who is retiring under Article 91 of the Company's Constitution. (Resolution 4)
   *Ms Glenda Mary Sorrell-Saunders, will upon re-election as a Director of the Company, remain Chairman of the Nominating Committee, and a member of the Audit and Risk Committee and Remuneration Committee.*

5. To re-elect Mr Ko Chuan Aun who is retiring under Article 91 of the Company's Constitution. (Resolution 5)
   *Mr Ko Chuan Aun, will upon re-election as a Director of the Company, remain Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee and Nominating Committee.*

6. To note the retirement of Ms Heather Chong.

7. To approve Directors' fees of S$270,000 for the financial year ended 31 December 2018. (Resolution 6)

8. To re-appoint Ernst & Young LLP as the Company's Auditor and to authorise the Directors to fix their remuneration. (Resolution 7)

9. To transact any other business that may be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass each of the following resolutions as an Ordinary Resolution, with or without modifications:

10. *"That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors to allot and issue:* (Resolution 8)

    *(i) shares in the capital of the Company (whether by way of bonus, rights or otherwise); or*

    *(ii) convertible securities; or*

    *(iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or*

# NOTICE OF **ANNUAL GENERAL MEETING**

*(iv) shares arising from the conversion of convertible securities in (ii) and (iii) above,*

*at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of equity securities to be issued pursuant to this Resolution does not:*

*(a) exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares as at the date of this Resolution;*

*(b) exceed such other limit as may be prescribed by ASX Listing Rule 7.1, which generally provides that the Company must not issue or agree to issue more than fifteen per cent (15%) of the total number of ordinary securities in issue 12 months before the issue date or date of agreement to issue, without shareholder approval (unless the equity securities are issued on a pro-rata basis to shareholders of the Company or are issued under an exception set out in ASX Listing Rule 7.2; or*

*(c) exceed such other limit as may be prescribed by the listing rules of the Singapore Exchange Securities Trading Limited and the ASX Listing Rules.*

*Unless revoked or reduced by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.*

*For the purpose of determining the aggregate number of shares that may be issued pursuant to this Resolution, the percentage of the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares at the date of this Resolution after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date of this Resolution and any subsequent consolidation or subdivision of the Company's shares."*

See Explanatory Note (i)

11.

11A *"That, in accordance with ASX Listing Rule 10.14 and for all other purposes, the Board of Directors of the Company be and is hereby authorised:* (Resolution 9A)

*(a) to grant awards ("Awards") to Mr Yuen Kai Wing in accordance with the provisions of the Koon Holdings Employee Performance Share Plan ("Koon EPSP");*

*(b) pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the grant of Awards to Mr Yuen Kai Wing under the Koon EPSP; and*

*(c) in the event a share buyback mandate is subsequently approved by the shareholders, to apply any shares purchased under the share buyback mandate toward the satisfaction of Awards granted to Mr Yuen Kai Wing under the Koon EPSP (provided that the aggregate number of shares available under the Koon EPSP shall not exceed five per cent (5%) of the total issued share capital of the Company from time to time)."*

# NOTICE OF **ANNUAL GENERAL MEETING**

11B *"That, in accordance with ASX Listing Rule 10.14 and for all other purposes, the Board of Directors of the Company be and is hereby authorised:* (Resolution 9B)

*(a) to grant awards ("Awards") to Mr Oh Keng Lim in accordance with the provisions of the Koon EPSP;*

*(b) pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the grant of Awards to Mr Oh Keng Lim under the Koon EPSP; and*

*(c) in the event a share buyback mandate is subsequently approved by the shareholders, to apply any shares purchased under the share buyback mandate toward the satisfaction of Awards granted to Mr Oh Keng Lim under the Koon EPSP (provided that the aggregate number of shares available under the Koon EPSP shall not exceed five per cent (5%) of the total issued share capital of the Company from time to time)."*

11C *"That, in accordance with ASX Listing Rule 10.14 and for all other purposes, the Board of Directors of the Company be and is hereby authorised:* (Resolution 9C)

*(a) to grant awards ("Awards") to Mr Oh Koon Sun in accordance with the provisions of the Koon EPSP;*

*(b) pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the grant of Awards to Mr Oh Koon Sun under the Koon EPSP; and*

*(c) in the event a share buyback mandate is subsequently approved by the shareholders, to apply any shares purchased under the share buyback mandate toward the satisfaction of Awards granted to Mr Oh Koon Sun under the Koon EPSP (provided that the aggregate number of shares available under the Koon EPSP shall not exceed five per cent (5%) of the total issued share capital of the Company from time to time)."*

11D *"That the Board of Directors of the Company be and is hereby authorised:* (Resolution 9D)

*(a) (other than in respect of Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun) to grant Awards in accordance with the provisions of the Koon EPSP");*

*(b) pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the grant of Awards (other than in respect of Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun) under the Koon EPSP; and*

*(c) in the event a share buyback mandate is subsequently approved by the shareholders, to apply any shares purchased under the share buyback mandate toward the satisfaction of Awards granted (other than in respect of Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun) under the Koon EPSP (provided that the aggregate number of shares available under the Koon EPSP shall not exceed five per cent (5%) of the total issued share capital of the Company from time to time)."*

# NOTICE OF **ANNUAL GENERAL MEETING**

**Voting exclusion applicable to Resolutions 9A, 9B, 9C and 9D:**

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- any director of the Company who is eligible to participate in the Koon EPSP in respect of which the approval is sought, namely Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun; and
- an associate of those persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

See Explanatory Note (ii).

By Order of the Board

Ong Beng Hong/Tan Swee Gek
Joint Company Secretaries
12 April 2019

# NOTICE OF **ANNUAL GENERAL MEETING**

**Explanatory Notes:**

(i) **Resolution 8**

The Ordinary Resolution proposed in item 10 above, if passed, will empower the Directors from the passing of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company up to an amount not exceeding, in total, 50% of the issued share capital of the Company at the time of passing of this resolution. However, ASX Listing Rule 7.1 generally provides that, the Company must not issue or agree to issue more than fifteen per cent (15%) of the total number of ordinary securities in issue 12 months before the issue date or date of agreement to issue, without shareholder approval (unless the equity securities are issued on a pro-rata basis to shareholders of the Company or are issued under an exception set out in ASX Listing Rule 7.2)

(ii) **Resolution 9**

**Background**

The Ordinary Resolution proposed in item 11 above, if passed, will authorise the Directors to grant the award of shares in accordance with the provisions of the Koon EPSP and pursuant to ASX Listing Rule 10.14 and Section 161 of the Companies Act, Cap 50, to allot and issue shares under the Koon EPSP.

The Koon EPSP extends to participation by Directors of the Company.

The Company is seeking shareholder approval under ASX Listing Rule 10.14 to issue shares under the Koon EPSP to executive Directors.

**ASX Listing Rules**

ASX Listing Rule 10.14 provides that a company must not permit a director or any of his associates to acquire securities under an employee incentive scheme without the approval of shareholders.

**ASX Listing Rule 10.15A disclosure**

Listing Rule 10.15A permits a company to issue securities to related parties under an employee incentive scheme up to three years after the date of the approval.

Pursuant to ASX Listing Rule 10.15A, the following information is provided regarding ASX Listing Rule 10.14 approval:

(a) **ASX Listing Rule 10.15A.1:** *If the person is not a director, details of the relationship between the person and the director*

Not applicable. Mr Yuen Kai Wing, Mr Oh Keng Lim, Mr Oh Koon Sun are all currently executive Directors of the Company.

(b) **ASX Listing Rule 10.15A.2:** *Maximum number of securities to be issued to the person and formula for calculating number of securities to be issued*

The maximum number of securities to be issued under the Koon EPSP is 13,154,890 shares. This has been calculated through multiplying the total number of ordinary shares in issue as at the date of this notice being 263,097,800 shares by 5%. 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.

The maximum number of securities to be issued under the Koon EPSP to each director eligible to participate is to be determined by Koon's remuneration committee, as follows:

9A: Mr Yuen Kai Wing – 13,154,890 shares less any other shares issued to any other person under the Koon EPSP

9B: Mr Oh Keng Lim – 13,154,890 shares less any other shares issued to any other person under the Koon EPSP

9C: Mr Oh Koon Sun – 13,154,890 shares less any other shares issued to any other person under the Koon EPSP

For the avoidance of doubt, the maximum total of shares issuable under the Koon EPSP in aggregate is 13,154,890 shares. Accordingly, the issue of shares to one participant in the Koon EPSP reduces the maximum total of shares issuable to other participants.

The maximum number of shares to be issued to each eligible director is not able to be determined at the date of this notice of meeting. Subject to the terms of the Koon EPSP, the selection of a participant and the aggregate 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 sole and absolute discretion of the Company's Remuneration Committee, who shall take into account criteria such as inter alia, the participant's rank, length of service, achievements, job performance and potential for future development, his contribution to the success and development of the Company and its subsidiaries and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period. The performance targets will be set by the Company's Remuneration Committee depending on each individual participant's job scope and responsibilities.

# NOTICE OF **ANNUAL GENERAL MEETING**

(c) **ASX Listing Rule 10.15A.3:** *Price of the securities, including the formula for calculating price*

The shares are issued for nil cash consideration to participants under the Koon EPSP.

(d) **ASX Listing Rule 10.15A.4:** *Names of all persons who received securities under the scheme since the last approval, the number of securities received and price of each security*

Nil shares were issued since the date of the last approval.

(e) **ASX Listing Rule 10.15A.5:** *Names of all eligible executive Directors entitled to participate in the scheme*

Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun.

(f) **ASX Listing Rule 10.15A.6:** *A voting exclusion statement*

A voting exclusion statement is included in the notice under item 11.

(g) **ASX Listing Rule 10.15A.7:** *Terms of any loan in relation to the acquisition of securities*

There are no loans.

(h) **ASX Listing Rule 10.15A.8:** *Statement*

Details of any shares issued under the Koon EPSP will be published in each annual report of the Company relating to a period in which shares have been issued, and that approval for the issue of the shares was obtained under ASX Listing Rule 10.14.

Any additional persons who become entitled to participate in the Koon EPSP after this resolution is approved and who were not named in this notice will not participate until approval is obtained under ASX Listing Rule 10.14.

(i) **ASX Listing Rule 10.15A.9:** *Date by which securities will be issued*

If shareholders approve this resolution, the issue and allotment of the shares to Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun, will occur no later than three years after the date of this Annual General Meeting.

**Notes:**

1. Except for a member who is a relevant intermediary (as defined under the Companies Act, Cap. 50), a member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. A member of the Company who is a relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting, but such proxies must be appointed to exercise the rights attached to a specified number of shares. A proxy need not be a member of the Company.

2. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 11 Sixth Lok Yang Road, Singapore 628109 at least 48 hours before the time fixed for the Annual General Meeting. A Depositor's name must appear in the Depository Register maintained by the Central Depository (Pte) Limited not less than 72 hours before the time appointed for the holding of the Annual General Meeting in order for him to be entitled to vote at the Annual General Meeting.

**Personal Data Privacy:**

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**PROXY FORM FOR MEMBERS WHO HOLD SHARES THROUGH THE CENTRAL DEPOSITORY (PTE) LIMITED (CDP) OR HAVE SHARES REGISTERED IN THEIR NAMES IN THE REGISTER OF MEMBERS OF KOON HOLDINGS LIMITED.**

**Koon Holdings Limited**
(Incorporated in the Republic of Singapore)
Company Registration No. 200303284M, ARBN 105 734 709

I/We ______________________________________________ (Name)

of ______________________________________________ (Address)

being a member/members of Koon Holdings Limited (the "**Company**") hereby appoint

| Name | Address | NRIC/Passport Number | Proportion of my/our Shareholding (%) | |
|---|---|---|---|---|
| | | | No. of shares | % |
| | | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of my/our Shareholding (%) | |
|---|---|---|---|---|
| | | | No. of shares | % |
| | | | | |

or failing him/her, the Chairman of the Sixteenth Annual General Meeting of the Company ("**AGM**") as my/our proxy/proxies to vote for me/us on my/our behalf at the AGM, to be held at 48 Boon Lay Way, Singapore 609961, The Chevrons, Carnation Room 1 on Level 3, on 29 April 2019 at 10.00 am, and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

| No. | Resolutions Relating To: | For | Against |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1. | Adoption of Accounts, Directors' Statement and Auditor's Report | | |
| 2. | Re-election of Mr Ang Sin Liu | | |
| 3. | Re-election of Mr Oh Koon Sun | | |
| 4. | Re-election of Ms Glenda Mary Sorrell-Saunders | | |
| 5. | Re-election of Mr Ko Chuan Aun | | |
| 6. | Approval of Directors' Fees | | |
| 7. | Re-appointment of Ernst & Young LLP as Auditor | | |
| | **Special Business** | | |
| 8. | Authority to allot and issue new shares | | |
| 9A. | Authority to grant awards under the Koon Holdings Employee Performance Share Plan to Mr Yuen Kai Wing | | |
| 9B. | Authority to grant awards under the Koon Holdings Employee Performance Share Plan to Mr Oh Keng Lim | | |
| 9C. | Authority to grant awards under the Koon Holdings Employee Performance Share Plan to Mr Oh Koon Sun | | |
| 9D. | Authority to grant awards under the Koon Holdings Employee Performance Share Plan other than to Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun | | |

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this __________ day of ____________________ 2019

| Total number of Shares held |
|---|
| |

______________________________
Signature of Shareholder(s) or Common Seal

**Important: Please read notes overleaf**

**Notes:**

1. The proxy form set out overleaf is to be used ONLY by members who hold shares through The Central Depository (Pte) Limited (CDP) or have shares registered in their names in the Register of Members of the Company. If you hold shares through CHESS Depositary Nominees Pty Ltd, please use the CDI Voting Instruction Form designated for members who hold shares through CHESS Depositary Nominees Pty Ltd.

2. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

3. Except for a member who is a relevant intermediary (as defined under Section 181(6) of the Companies Act, Cap. 50), a member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A member of the Company who is a relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting, but such proxies must be appointed to exercise the rights attached to a specified number of shares.

4. Where a member who is not a relevant intermediary appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. Where a member who is a relevant intermediary appoints two or more proxies, the appointments shall be invalid unless the number and class of shares in relation to which each proxy has been appointed is specified in the proxy form.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 11 Sixth Lok Yang Road, Singapore 628109, not less than 48 hours before the time set for the Annual General Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.

9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by the Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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崐 控 股 有 限 公 司
**KOON HOLDINGS LIMITED**

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