

INTRODUCTORY DOCUMENT DATED 18 JULY 2003

This Introductory Document is issued in connection with our application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of all the ordinary shares (our "Shares") in the capital of Koon Holdings Limited (our "Company") already issued and any new Shares arising from the exercise of Options by way of an introduction (the "Introduction"). Such permission will be granted when we have been admitted to the Official List of the SGX-ST Dealing and Automated Quotation System (the "SGX SESDAQ"). Our Shares are to be traded in Singapore dollars on the SGX SESDAQ in integral multiples of 1,000 Shares upon the listing of our Shares on the SGX SESDAQ.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Introductory Document. Admission to the Official List of the SGX SESDAQ is not to be taken as an indication of the merits of the Introduction, our Company, our subsidiaries or our Shares.

This Introductory Document does not constitute a prospectus and has not been lodged with and registered by the Monetary Authority of Singapore or the Australian Securities and Investments Commission. Nothing in this Introductory Document constitutes or shall be construed as an offer, or an invitation or a solicitation of an offer by us or on our behalf, to the public to subscribe for or purchase, any of our Shares. No Shares or units of shares in our Company shall be allotted or allocated on the basis of this Introductory Document, in any respect whatsoever.

Upon admission to the Official List of the SGX SESDAQ, we will have a dual listing on both the SGX SESDAQ and the ASX, with the ASX being the primary exchange and SGX SESDAQ being the secondary exchange on which our Shares are to be traded. As ASX is the primary exchange on which our Shares are to be traded, we are subject to and will comply with the listing rules of the ASX. Pursuant to the listing rules of the SGX-ST, we have undertaken to release all information and documents in English to the SGX-ST at the same time as they are released to the ASX; inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the ASX; and comply with such other listing rules as may be applied by SGX-ST from time to time.

This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.



KOON HOLDINGS LIMITED

(Incorporated in the Republic of Singapore, Registration Number 200303284M)

SECONDARY LISTING VIA INTRODUCTION
ON THE OFFICIAL LIST OF THE
SGX-ST DEALING AND AUTOMATED QUOTATION SYSTEM

Sponsor



HL Bank

(a limited liability company incorporated in Malaysia)
A Member of the Hong Leong Group Malaysia

CONTENTS

Page

CORPORATE INFORMATION	3
DEFINITIONS	5
DETAILS OF THE INTRODUCTION	7
INTRODUCTION SUMMARY	9
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	10
INFORMATION ON OUR COMPANY AND OUR GROUP.....	11
CAPITALISATION AND INDEBTEDNESS	26
SUMMARY OF THE PROFORMA GROUP FINANCIAL INFORMATION.....	27
TRADING, SETTLEMENT AND REGISTRATION OF SHARES.....	30
ATTENDANCE AT GENERAL MEETING	34
APPENDIX A: AUSTRALIAN PROSPECTUS	
APPENDIX B: AUSTRALIAN SUPPLEMENTARY PROSPECTUS	

CORPORATE INFORMATION

Board of Directors	: Oh Keng Lim (Chairman and Executive Director) Chua Liong King (Managing and Executive Director) Oh Koon Sun (Executive Director) Christopher Chong Meng Tak (Non-Executive and independent Director) Glenda Mary Sorrell-Saunders (Non-Executive and independent Director) Dr Wang Kai Yuen (Non-Executive and independent Director)
Singapore Company Secretary	: Mrs Sabrina Ruskin, LLB (Hons), ACIS Juliana Loh Joo Hui, ACIS
Australia Company Secretary	: Harvey John Gibson, FCA
Singapore Registered Office	: 17B Pandan Road Singapore 609269
Australia Registered Office	: 174 Collins Street Level Two Hobart 7000, TAS, Australia
Singapore Share Registrar and Share Transfer Office	: Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
Australia Share Registrar and Share Transfer Office	: Computershare Investor Services Pty Limited Level 12, 565 Bourke Street Melbourne 3001, VIC, Australia
Auditors	: Deloitte & Touche Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower 2 Singapore 068809
Investigating Accountants	: Deloitte Touche Tohmatsu Level 9 ANZ Centre 22 Elizabeth Street Hobart 7000, TAS Australia

- Sponsor to the Introduction** : HL Bank
20 Collyer Quay #01-02
Tung Centre
Singapore 049319
- Solicitors to the Introduction** : Wong Tan & Molly Lim LLC
80 Robinson Road #17-02
Singapore 068898
- Solicitors to the Company** : Leong, Chua & Wong
2 Havelock Road #04-05
Apollo Centre
Singapore 059763
- Legal Advisers to the Company on Australian law** : Hunt & Hunt
Level 9
85 Macquarie Street
Hobart 7000, TAS, Australia
- Principal Bankers** : The Development Bank of Singapore Ltd
6 Shenton Way
DBS Building Tower 1
Singapore 068809
- Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Our principal place of business is at 17B Pandan Road, Singapore 609269

Our telephone number is 6261 5788

Our facsimile number is 6266 0117

Our website address is www.koon.com.sg

Information contained in our website does not constitute part of this Introductory Document

DEFINITIONS

In this Introductory Document, the following definitions apply where the context so admits:

<i>“A\$”</i>	: Australian dollars.
<i>“ASX”</i>	: Australian Stock Exchange Limited.
<i>“Australian Branch Share Register”</i>	: The register of members of our Company maintained by the Australian Share Registrar.
<i>“Australian Share Registrar”</i>	: Computershare Investor Services Pty Limited.
<i>“Australian Prospectus”</i>	: The prospectus dated 8 May 2003 lodged with the Australian Securities and Investments Commission and which forms part of this Introductory Document.
<i>“Australian Supplementary Prospectus”</i>	: The supplementary prospectus dated 6 June 2003 lodged with the Australian Securities and Investments Commission and which forms part of this Introductory Document.
<i>“CDI”</i>	: CHESS Depositary Interests.
<i>“CDP”</i>	: The Central Depository (Pte) Limited.
<i>“CPF”</i>	: The Central Provident Fund.
<i>“Directors”</i>	: Our directors as at the date of this Introductory Document.
<i>“Employee Share Option Scheme”</i>	: The employee share option scheme established by our Company.
<i>“FY”</i>	: Financial year ended or ending 31 December.
<i>“Group”</i>	: Our Company and our Subsidiaries.
<i>“Introduction”</i>	: The admission of our entire issued share capital and any new Shares arising from the exercise of Options by way of an introduction.
<i>“Market Day”</i>	: A day on which the SGX-ST is open for trading of securities.
<i>“Option”</i>	: Options granted under our Company's Employee Share Option Scheme.
<i>“Shares”</i>	: Ordinary shares of S\$0.05 each in the capital of our Company.

<i>“Shareholders”</i>	: Persons holding Shares from time to time.
<i>“Share Certificate”</i>	: Share certificate issued in relation to Shares.
<i>“Singapore Share Register”</i>	: The register of members of our Company to be maintained by the Singapore Share Registrar.
<i>“Singapore Share Registrar”</i>	: Lim Associates (Pte) Ltd.
<i>“Sponsor”</i>	: HL Bank (a limited liability company incorporated in Malaysia).
<i>“Subsidiaries”</i>	: Koon Construction & Transport Co. Pte. Ltd., Gems Marine Pte Ltd and Entire Engineering Pte Ltd.
<i>“S\$” and “\$”</i>	: Singapore dollars.

Terms defined or construed in the Australian Prospectus and the Australian Supplementary Prospectus bear the same meaning and construction in this Introductory Document.

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act, Cap. 50.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Introductory Document, the Australian Prospectus and the Australian Supplementary Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, Cap. 50, the Securities and Futures Act, Cap. 289, the Australian Corporations Act or any statutory modification thereof and used in this Introductory Document, the Australian Prospectus and the Australian Supplementary Prospectus shall, where applicable, have the meaning ascribed to it under the Companies Act, Cap. 50, the Securities and Futures Act, Cap. 289, the Australian Corporations Act or any statutory modification thereof, as the case may be. Where any word is defined in both the Companies Act, Cap. 50 and/or the Securities and Futures Act, Cap. 289 and the Australian Corporations Act, that word shall have the meaning ascribed to it under the Companies Act, Cap. 50 and/or the Securities and Futures Act, Cap. 289 or any statutory modification thereof only.

Any reference to a time of day in this Introductory Document shall be a reference to Singapore time.

DETAILS OF THE INTRODUCTION

Listing on the SGX-ST

This Introductory Document is issued in connection with our application to the SGX-ST for permission to deal in and for quotation of all our Shares already issued and any new Shares arising from the exercise of the Options, by way of introduction. Such permission will be granted when our Company is admitted to the Official List of the SGX SESDAQ.

The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Introductory Document. Admission to the Official List of the SGX SESDAQ is not to be taken as an indication of the merits of the Introduction, our Company, our Subsidiaries or our Shares.

Our Directors collectively and individually accept full responsibility for the accuracy of the information given in this Introductory Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Introductory Document are fair and accurate in all material respects as at the date of this Introductory Document and there are no other material facts, the omission of which would make any statement in this Introductory Document misleading.

No person is authorised to give any information or to make any representation not contained in this Introductory Document in connection with the Introduction and, if given or made, such information or representation must not be relied upon as having been authorised by us or the Sponsor. Neither the delivery of this Introductory Document nor the Introduction shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our Group or in any statement or fact or information contained in this Introductory Document since the date of this Introductory Document. Where such changes occur, we may make an announcement of the same to the SGX-ST. You should take note of such changes. Save as expressly stated in this Introductory Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

This Introductory Document has been prepared solely for the purpose of the Introduction and may not be relied upon by any person for purposes other than the Introduction. **Nothing in this Introductory Document constitutes or shall be construed to constitute an offer, solicitation or invitation to any person, to subscribe for or purchase, any of our Shares.**

This Introductory Document does not constitute a prospectus and has not been lodged with and registered by the Monetary Authority of Singapore or the Australian Securities and Investments Commission.

Upon admission to the Official List of the SGX SESDAQ, we will have a dual listing on both the SGX SESDAQ and the ASX, with the ASX being the primary exchange and SGX SESDAQ being the secondary exchange on which our Shares are to be traded. As ASX is the primary exchange on which our Shares are to be traded, we are subject to and will comply with the listing rules of the ASX. Pursuant to the listing rules of the SGX-ST, we have undertaken to release all information and documents in English to the SGX-ST at the same time as they are released to the ASX; inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the

decision of the ASX; and comply with such other listing rules as may be applied by SGX-ST from time to time.

Copies of this Introductory Document may be obtained on request, subject to availability, during office hours from:

HL Bank
20 Collyer Quay, #01-02
Tung Centre
Singapore 049319

INTRODUCTION SUMMARY

- Introduction : The admission of our entire issued share capital and any shares arising from the exercise of Options by way of an introduction.
- Purpose of the Introduction : The purpose of the Introduction is to secure our admission to the Official List of the SGX SESDAQ via a secondary listing. Our Directors consider that our dual listing and the quotation of our Shares on the SGX SESDAQ will provide additional trading and liquidity in our Shares and as our Company primarily operates in Singapore, our dual listing will provide additional investor confidence.
- Risk factors : Investing in our Shares involves risks, which are described in “Risk Factors” on pages 36 and 37 of the Australian Prospectus.
- Listing status : Our Shares will, on our admission to the Official List of the SGX SESDAQ, be quoted in Singapore dollars on SGX SESDAQ.
- Upon admission to the Official List of the SGX SESDAQ, we will have a dual listing on both the SGX SESDAQ and the ASX, with the ASX being the primary exchange and SGX SESDAQ being the secondary exchange on which our Shares are to be traded.
- Trading on SGX-ST : Our Shares are to be traded in Singapore dollars on SGX SESDAQ in integral multiples of 1,000 Shares upon the listing of our Shares on the SGX SESDAQ.
- There is no assurance that an active market for our Shares will develop or, if developed, will be sustained.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Introductory Document that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements and other matters discussed in this Introductory Document regarding matters that are not historical fact are only predictions. These forward-looking statements involve known and unknown risk, uncertainties and other factors that may cause our actual result, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from expected, expressed or implied by the forward-looking statements in this Introductory Document, we advise you not to place undue reliance on those statements. Neither our Company nor the Sponsor nor any of our advisers nor any other person represents or warrants that our actual results, performance or achievements will be as discussed in those statements. We are however, subject to the disclosure requirements under the listing rules of the ASX.

INFORMATION ON OUR COMPANY AND OUR GROUP

Information on our Company and our Group may be found in the Australian Prospectus and the Australian Supplementary Prospectus. **You should read the entire Australian Prospectus and the entire Australian Supplementary Prospectus together with this Introductory Document carefully, especially “Risk Factors” on pages 36 and 37 of the Australian Prospectus before deciding whether or not to invest in our Shares.**

The following information is in addition to that found in the Australian Prospectus and the Australian Supplementary Prospectus and should be read in conjunction with the information found in the Australian Prospectus and the Australian Supplementary Prospectus.

1. BUSINESS

Group Structure

The details of each subsidiary of our Company as at the date of this Introductory Document are as follows:

Name of subsidiary	Date and place of incorporation	Principal place of business
Koon Construction & Transport Co. Pte. Ltd.	9 May 1979, Singapore	Singapore
Gems Marine Pte Ltd	11 October 1982, Singapore	Singapore
Entire Engineering Pte Ltd	27 December 1983, Singapore	Singapore

Real Property

We own the following property:

Description and location	Size	Title
Head Office & workshop 17B Pandan Road Singapore 609269	150,469 sf	Leasehold 10 years with effect from 7 November 1995.

Employees

The average number of employees (excluding foreign workers) in our Group for FY2000, FY2001 and FY2002 was 85, 88 and 96 respectively. The total number of employees (excluding foreign workers) in our Group was 88, 91 and 108 as at 31 December 2000, 31 December 2001 and 31 December 2002 respectively. Our employees are not members of trade unions. We are not party to any collective agreements. Our employee profile (excluding foreign workers) as at 31 December 2002 is:

Type of activity	Number	% of total
Management	14	13.0
Engineers	19	17.6
Supervisors	30	27.8
Safety Staff	5	4.6
Land Surveyors	7	6.5
Quantity Surveyors	10	9.2
Administration	23	21.3
Total	108	100.0

Segmented Revenue

The past performance of our Group by activities is set out below:

Activity	% of total Revenue		
	FY2000	FY2001	FY2002
Reclamation	72.5	52.0	72.9
Water & power	23.5	27.9	6.8
Roads, bridges & others	4.0	20.1	20.3

The composition of our turnover in any financial year is dependent on: the number of tenders and value of each tender issued prior to the financial year under review; the number of projects and value of each project that our Group won at these tenders; the length of and the work schedule required by each of the projects; and the amount of work which our Group was able to complete and bill during the financial year.

In FY2000, the major projects on which we worked were Jurong Island 2B & 3B, Changi C29 & C38 and the Woodland water project (which we had started work on). As noted in the Australian Prospectus, we had been reducing the number of non-reclamation projects due to significant margin pressures on such projects. Consequently, reclamation and water & power as a percentage of FY2000 total turnover was higher than what we had previously experienced whilst contribution from roads, bridges & others were lower than what we had previously experienced. In FY2001, the major projects we worked on were the Woodland water projects and the Indoor Stadium. In FY2001, the amount of reclamation work was limited as we were either completing projects or preparing for the start of new projects. Consequently, reclamation as a percentage of FY2001 total turnover was lower than what we had previously experienced whilst contribution from water & power and from

roads, bridges & others were higher than what we had previously experienced. In FY2002, the major projects we worked on were Jurong Island 3B2, the start of Jurong Island 4 and Pandan Bridge. Consequently, reclamation and roads, bridges & others as a percentage of FY2002 total turnover was higher than what we had previously experienced whilst contribution from water & power were lower than what we had previously experienced.

Update on Tenders

Of the three tenders referred to on page 23 of the Australian Prospectus, one has been deferred and we were not successful in the other two.

2. DIRECTORS AND SENIOR MANAGEMENT

The following table provides information regarding our Directors as of the date of this Introductory Document:

Name	Age	Address	Position
Oh Keng Lim ¹	65	18 Beng Wan Road Singapore 339850	Chairman and Executive Director
Chua Liong King ^{2 & 3}	55	3 Robin Road Singapore 258178	Managing and Executive Director
Oh Koon Sun ¹	56	515 Dunman Road #02-01 Singapore 439204	Executive Director
Christopher Chong Meng Tak	45	331 Fingerpost Road Richmond, TAS 7025 Australia	Non-Executive and independent Director
Glenda Mary Sorrell- Saunders	46	18 Earlwood Court Taroona Tasmania Australia 7053	Non-Executive and independent Director
Dr Wang Kai Yuen	56	28 Namly Garden Singapore 267356	Non-Executive and independent Director

Notes:

- (1) Oh Keng Lim is the uncle of Oh Koon Sun.
- (2) Chua Liong King and Chua Leon Lu (an Executive Officer of the Group) are brothers.
- (3) Chua Liong King and Eric Ang Sim Ai (an Executive Officer of the Group) are brothers-in-law.

The present and past directorships (held in the last 5 years preceding the date of this Introductory Document) of our Directors excluding that held in our Company are as follows:

Name	Present Directorships	Past Directorships
Oh Keng Lim	<u>Group companies</u> Entire Engineering Pte Ltd Gems Marine Pte Ltd Koon Construction & Transportation Co. Pte. Ltd.	<u>Group companies</u> None
	<u>Other companies</u> Double King Tours Pte. Ltd.	<u>Other companies</u> None
Chua Liong King	<u>Group companies</u> Entire Engineering Pte Ltd Gems Marine Pte Ltd Koon Construction & Transportation Co. Pte. Ltd.	<u>Group companies</u> None
	<u>Other companies</u> Double King Tours Pte. Ltd.	<u>Other companies</u> Koon Zinkcon Pte Ltd
Oh Koon Sun	<u>Group companies</u> Entire Engineering Pte Ltd Gems Marine Pte Ltd Koon Construction & Transportation Co. Pte. Ltd.	<u>Group companies</u> None
	<u>Other companies</u> Koon Zinkcon Pte Ltd	<u>Other companies</u> None
Christopher Chong Meng Tak ¹	<u>Group companies</u> None	<u>Group Companies</u> None
	<u>Other companies</u> ACH Investments Pte Ltd Bioboost Resources Ltd Koda Ltd NexusAsia Ltd Matrix Management Group Pty Ltd Media China Developments Limited Paromay Ltd. Paromay Pte Ltd TASTi Pty Ltd Tian-An Pty Ltd Whitegrain Pte Ltd Xpress Holdings Ltd	<u>Other companies</u> Agrol plc HSBC James Capel Asia Ltd HSBC James Capel Securities (Singapore) Pte Ltd (now known as HSBC Securities (Singapore) Pte Limited) HSBC James Capel Securities (Malaysia) Sdn Bhd HSBC Securities Asia Nominees Limited HSBC Securities Singapore Holdings Pte Limited HSBC Securities Singapore Nominees Pte Limited integra2000 Ltd Kay Hian James Capel Ltd (now known as UOB-Kay Hian Holdings Ltd)

Name	Present Directorships	Past Directorships
Glenda Mary Sorrell-Saunders ¹	<u>Group companies</u> None	<u>Group companies</u> None
	<u>Other companies</u> Matrix Management Group Pty Ltd	<u>Other companies</u> Rawlinsons (Aust) Pty Ltd The Rawlinsons Group Pty Ltd
Dr Wang Kai Yuen	<u>Group companies</u> None	<u>Group companies</u> None
	<u>Other companies</u> Accord Customer Care Solutions Ltd Asian Micro Holdings Ltd ComfortDelGro Group Ltd COSCO Investment (Singapore) Ltd Fuji Xerox Asia Pacific Pte Ltd Hiap Hoe Ltd Mayfran International Ltd Nylect Technology Ltd PDC Corp Ltd SuperBowl Holdings Ltd SoilBuild Group Holdings Ltd Xpress Holdings Ltd	<u>Other companies</u> Comfort Automotive Services Pte Ltd Comfort Bus Pte Ltd Comfort (China) Pte Ltd Comfort Eurobike Pte Ltd Comfort Transportation Pte Ltd Comfort Properties Pte Ltd Comtronics Pte Ltd Eurocom Motors Pte Ltd General Automotive Services Pte Ltd Streaming Media International Pte Ltd Yellow-Top Cab Pte Ltd

Note: (1) Dormant and/or inactive companies in which Mr Christopher Chong Meng Tak and/or Ms Glenda Mary Sorrell-Saunders are directors have not been included.

The following table provides information regarding our Executive Officers as of the date of this Introductory Document:

Name	Age	Address	Position
Chang Wan Kuan	71	15 Watten Rise Singapore 287297	Chief Operations Manager
Eric Ang Sim Ai ¹	47	Blk 63 Tampines Ave 1 #07-04 Singapore 529777	Operations Manager
Lim Et Seng	47	Blk 500 Serangoon North Avenue 4 #09-518 Singapore 550500	Senior Project Manager

Name	Age	Address	Position
Mok Chin Ket	51	Blk 49 Telok Blangah Drive #25-03 Singapore 100049	Senior Project Manager
Ng Geok Kwee	48	Blk 236 Lor 1 Toa Payoh #04-50 Singapore 310236	Senior Technical Manager
Chui Siew Sing	36	Blk 236 Westwood Avenue #11-39 Singapore 648362	Administrative Manager
Chua Leon Lu ²	58	Blk 116 Jurong East Street 13 #17-390 Singapore 600116	Finance Manager
Wu Tong	35	201 Tanjong Rhu Road #05-03, Parkshore Singapore 436917	Financial Controller

Note: (1) Chua Liong King (a Director of our Company) and Eric Ang Sim Ai are brothers-in-law.

(2) Chua Liong King (a Director of our Company) and Chua Leon Lu are brothers.

The present and past directorships (held in the last 5 years preceding the date of this Introductory Document) of our Executive Officers are as follows:

Name	Present Directorships	Past Directorships
Chang Wan Kuan	-	-
Eric Ang Sim Ai	-	-
Lim Et Seng	-	-
Mok Chin Ket	-	-
Ng Geok Kwee	-	-
Chui Siew Sing	-	-
Chua Leon Lu	-	-
Wu Tong	-	Orient Stella Shipping Pte Ltd

Brief details of an executive officer of the Group who had joined our Group subsequent to the date of the Australian Prospectus is as follows:

Wu Tong, Financial Controller. Age 35. Tong joined the company in May 2003. Prior to this, he had worked as financial and human resource manager of Sinochem Asia Holdings (Co.) Ltd for three years. During his over seven year service for Sinochem group from 1995 to 2003, he acted as finance manager of several companies and joint ventures, and treasury manager of the head office. Before joining Sinochem group, Tong worked for China Civil Engineering Construction Corporation as finance manager and accountant both at the PRC head office and at its Brazilian subsidiary. Tong got his BE from Northern

Jiaotong University, Beijing, China. Tong passed the National Examinations of Enterprise Accountant in 1995 conducted by the Ministry of Finance in China. He is a member of China Institute of Certificated Public Accountant, and is currently pursuing an external MBA programme with the University of Bradford, UK.

Compensation

The compensation paid to our Company's then existing Directors for services rendered to us on a pro-forma basis and in remuneration bands during the financial years ended 31 December 2001 and 31 December 2002 were as follows:

	FY2001
	S\$250,001 to S\$500,000
Oh Keng Lim	✓
Chua Liong King	✓
Oh Koon Sun	✓

	FY2002
	S\$250,001 to S\$500,000
Oh Keng Lim	✓
Chua Liong King	✓
Oh Koon Sun	✓

The estimated amount of compensation to be paid to our Company's Directors for services rendered to us for the whole of the current financial year ending 31 December 2003 is as follows:

	FY2003	
	Up to S\$250,000	S\$250,001 to S\$500,000
Oh Keng Lim	✓	
Chua Liong King		✓
Oh Koon Sun	✓	
Christopher Chong Meng Tak	✓	
Glenda Mary Sorrell-Saunders	✓	
Dr Wang Kai Yuen	✓	

The compensation paid to our Company's top 5 (in terms of amount of compensation) Executive Officers for services rendered to us on a pro-forma basis and in remuneration bands during the financial years ended 31 December 2001 and 31 December 2002 were as follows:

	FY2001
	Up to S\$250,001
Eric Ang Sim Ai	✓
Lim Et Seng	✓
Mok Chin Ket	✓
Chang Wan Kuan	✓
Chua Leon Lu	✓

FY2002

Up to S\$250,001

Eric Ang Sim Ai	✓
Lim Et Seng	✓
Mok Chin Ket	✓
Chang Wan Kuan	✓
Chua Leon Lu	✓

The estimated amount of compensation to be paid to our Company's top 5 (in terms of amount of compensation) Executive Officers for services rendered to us for the whole of the current financial year ending 31 December 2003 is as follows:

FY2003

Up to S\$250,001

Eric Ang Sim Ai	✓
Lim Et Seng	✓
Mok Chin Ket	✓
Chang Wan Kuan	✓
Chua Leon Lu	✓

The compensation paid to our Company's then existing Directors and our Company's top 5 (in terms of amount of compensation) Executive Officers during the financial years ended 31 December 2001 and 31 December 2002 comprised fixed compensation and bonuses. The amount of bonus paid to each individual varied and was dependant on various considerations, such as the extent of contributions made by the Director or Executive Officer and the performance of our Company. Other than stated herein, our Company does not have in place a profit sharing plan or any other profit linked agreement or arrangement.

We did not set aside or accrue any pension, retirement or similar benefits during FY2001 and FY2002 for any of our then existing Directors or Executive Officers save for CPF.

The service contracts entered into between our Company and our Executive Directors may be terminated by either party giving 3 months notice in writing and do not provide for any benefits upon the termination of employment.

Directors' Remuneration

Other than as set out on pages 64 and 65 of the Australian Prospectus, there are no other provisions in the Articles of Association of Koon Holdings Limited which relate to the specific power of a director to vote on remuneration (including pension or other benefits) for himself or for any other director.

Under section 169 of the Companies Act, Cap 50, a company shall not at any meeting or otherwise provide emoluments or improve emoluments for a director of a company in respect of his office as such unless the provision is approved by a resolution at a general meeting that is not related to other matters. "Emoluments" in relation to a director includes fees and percentages, any sums paid by way of expenses allowance insofar as those sums are charged to income tax in Singapore, any contribution paid in respect of a director under any pension scheme and any benefits received by him otherwise than in cash in respect of

his services as director. Our Directors' fees would be approved annually at the annual general meeting of our Company.

Employee Share Option Scheme

Options which are granted under the Employee Share Option Scheme with an exercise price which is set at a discount to the Market Price (as defined under the rules of the Employee Share Option Scheme) may, subject to the rules of the Employee Share Option Scheme, be granted with an exercise price set at a maximum discount of 20% of the Market Price.

Additional Information

None of our Directors or Executive Officers:

- (a) has had, at any time during the last 10 years, a petition under any bankruptcy laws filed in any jurisdiction against him or any partnership in which he was a partner;
- (b) has had, at any time in the last 10 years, a petition under any law filed in any jurisdiction against a corporation of which he was a director or executive officer for the winding up of that corporation on the ground of insolvency;
- (c) has any unsatisfied judgments outstanding against him;
- (d) has been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for 3 months or more, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
- (e) has been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach;
- (f) has had, at any time during the last 10 years, a judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
- (h) has been disqualified from acting as a director of any corporation or from taking part directly or indirectly in the management of any corporation;

- (i) has been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (j) to his knowledge, has been concerned with the management or conduct, in Singapore or elsewhere of the affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
 - (ii) any corporation or partnership which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership.

3. MARKET QUOTATIONS

The following table sets out the high, low, the last transacted prices and trading volumes of our Shares on the ASX on a daily basis from 11 July 2003 to 17 July as reported on Bloomberg L.P.:

Shares Daily Trades	High (A\$)	Low (A\$)	Last Transacted Price (A\$)	Trading Volume
11 July 2003	0.240	0.205	0.235	799,000
12 July 2003	← No transaction →			
13 July 2003	← No transaction →			
14 July 2003	0.240	0.215	0.230	305,000
15 July 2003	0.245	0.230	0.245	224,250
16 July 2003	0.255	0.230	0.230	219,910
17 July 2003	0.235	0.230	0.230	165,000

4. OWNERSHIP STRUCTURE

The interests of our Directors and substantial shareholders as at the latest practicable date, being 12 July 2003, as recorded in the Register of Members is as follows:

Directors	Number of ordinary Shares (Direct interest)	%	Number of ordinary Shares (Indirect Interest)	%
Oh Keng Lim ¹	4,999,998	6.2	-	-
Chua Liong King ^{1&2}	9,494,531	11.7	1,172,134	1.4
Oh Koon Sun	3,528,689	4.4	-	-
Christopher Chong Meng Tak	-	-	-	-
Dr Wang Kai Yuen	-	-	-	-
Glenda Mary Sorrell-Saunders	-	-	-	-
Substantial Shareholders				
Estate of Aw Joo Kim @ Oh Joo Kim	14,046,448	17.3	-	-
Ong Orr Kay	6,829,917	8.4	-	-
Kua Ting Giap ³	6,092,895	7.5	1,953,554	2.4
Ong Yow Seng David	6,060,246	7.5	-	-

Notes:

- (1) Oh Keng Lim and Chua Liong King are also substantial shareholders of our Company.
- (2) Chua Liong King's indirect interest comprises 1,172,134 shares held by his wife.
- (3) Kua Ting Giap's indirect interest comprises 1,953,554 shares held by his wife.

Prior to 10 April 2003, none of the Existing Shareholders held any shares in the capital of our Company. The Existing Shareholders of our Company were issued shares in the capital of our Company pursuant to a restructuring exercise which involved the sale by the Existing Shareholders of an aggregate of 16,006,400 ordinary shares of S\$1.00 each in the capital of Koon to our Company for 60,000,000 new Shares, resulting in the interests of the Existing Shareholders as set out in the table above.

For the avoidance of doubt, the reference under paragraph 1.14 of the Australian Prospectus to the Senior Management and Directors who are Existing Shareholders is to Oh Keng Lim, Chua Liong King and Oh Koon Sun.

5. SHARE CAPITAL

As at the date of this Introductory Document, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and

privileges attached to our Shares are stated in the Articles of Association of our Company.

The changes in the issued and paid-up share capital of our Company within the last three years preceding the date of this Introductory Document is set out below:

Date of Issue	Number of Shares issued	Par value	Issue price	Purpose of issue and consideration	Resultant issued share capital
9 April 2003	2	S\$0.05	S\$0.05	Subscriber shares issued for cash.	S\$0.10
10 April 2003	59,999,998	S\$0.05	S\$0.05	Restructuring exercise. Shares issued in consideration of the entire issued share capital of Koon Construction & Transport Co. Pte. Ltd.	S\$3,000,000
30 June 2003	1,000,000	S\$0.05	S\$0.05	Issue of shares to employees. S\$50,000	S\$3,050,000
30 June 2003	20,000,000	S\$0.05	A\$0.20	Issue of shares pursuant to initial public offer on ASX	S\$4,050,000

The following provisions in the Articles of Association of our Company relates to changes in the respective rights of the various classes of shares:

Article 6

- (a) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, Cap. 50 be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting, all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for

every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

- (b) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned Provided always that where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the General Meeting, shall be as valid and effectual as a special resolution carried at the General Meeting.
- (c) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

The following provisions in the Articles of Association of our Company relates to the treatment of unclaimed dividends:

Article 126(c)

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

6. DIRECTORS' COMPETING INTERESTS

Mr Christopher Chong Meng Tak, who is our non-Executive and independent Director, is a director of ACH Investments Pte Ltd ("ACH"). was appointed as our adviser to the Australian invitation and the Introduction and will be paid an advisory fee of \$80,000 which is inclusive of out-of-pocket expenses. Subsequent to the Introduction, we do not anticipate any further dealings with ACH. In the event where there is any dealings in the future between our Company and companies of which Mr Christopher Chong Meng Tak is a director, Mr Christopher Chong Meng Tak will take steps to ensure that he and his associates do not participate in any decision making process in relation to any such

transaction. Our Company does not have any dealings with him as an individual. Any future dealings between our Company and ACH, if any, will also be subject to the review of the audit committee on a half yearly basis.

A partner of Leong, Chua & Wong, the solicitors to our Company for the Introduction is the brother of both Mr Chua Liong King, the Managing and Executive Director of our Company and Mr Chua Leon Lu, the Finance Manager of our Company. The professional fees payable to Leong, Chua & Wong in connection with the Introduction is approximately \$20,000. Subsequent to the Introduction, we do not anticipate any further dealings with Leong, Chua & Wong. In the event where there is any dealings in the future between our Company and Leong, Chua & Wong, Mr Chua Liong King will take steps to ensure that he and his associates do not participate in any decision making process in relation to any such transaction. Any future dealings between our Company and Leong, Chua & Wong, if any, will also be subject to the review of the audit committee on a half yearly basis.

7. MATERIAL CONTRACTS

In addition to the material contracts referred to on pages 66 to 68 of the Australian Prospectus, the following contract, not being a contract entered into in the ordinary course of business of our Company and our subsidiaries (as the case may be), has been entered into by our Company within the past 2 years preceding the date of this Introductory Document and is or may be material:

- A facility letter dated 1 April 2002 entered into between Koon Construction & Transport Co. Pte. Ltd. and Oversea-Chinese Banking Corporation Limited pursuant to which credit facilities were extended to Koon Construction & Transport Co. Pte. Ltd. for the purposes of, *inter alia*, financing addition and alteration works to the building located at 17B Pandan Road, Singapore 609269.

8. CONSENTS

The Investigating Accountants have given and have not withdrawn their written consent to the issue of this Introductory Document with the inclusion herein of the Investigating Accountant's Report as attached in the Australian Supplementary Prospectus in the form and context in which they are included in this Introductory Document and references to their name in the form and context in which it appears in this Introductory Document and to act in such capacity in relation to this Introductory Document.

The Auditors, the Sponsor, the Solicitors to the Introduction, the Solicitors to the Company, the Legal Advisers to the Company on Australian Law, the Principal Bankers, the Singapore Share Registrar and Share Transfer Office and the Australian Share Registrar and Share Transfer Office have each given and have not withdrawn their respective written consents to the issue of this Introductory Document with the inclusion of their respective names and references thereto in the form and context in which they respectively appear in this Introductory Document and to act in such capacities in relation to this Introductory Document.

9. RESPONSIBILITY STATEMENT BY OUR DIRECTORS

This Introductory Document has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Introductory Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Introductory Document are fair and accurate in all material respects as at the date hereof and that there are no other material facts the omission of which would make any statements herein misleading, and that this Introductory Document constitutes full and true disclosure of all material facts about the Introduction and the Group.

10. STATEMENT BY THE SPONSOR

The Sponsor confirms, having made due and careful enquiries, that, to the best of its knowledge and belief and based on information made available to it by the Group, this Introductory document constitutes a full and true disclosure of all the material facts about the Introduction and the Group and it is not aware of any other facts the omission of which would make any statements herein misleading.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of our Company at 17B Pandan Road, Singapore 609269 during normal business hours for a period of 6 months from the date of this Introductory Document:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Investigating Accountant's and Taxation Report as set out on pages 38 to 60 of the Australian Prospectus;
- (c) the Investigating Accountant's Report as set out on pages 9 to 32 of the Australian Supplementary Prospectus;
- (d) the letters of consent referred to on page 24 of this Introductory Document;
- (e) the service agreements referred to on page 67 of the Australian Prospectus;
- (f) the material contracts referred to on pages 66 to 68 of the Australian Prospectus and on page 24 of this Introductory Document; and
- (g) the audited accounts of Koon Construction & Transport Co. Pte. Ltd. and its subsidiaries for each of the last 3 financial years ended 31 December.

CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalent and capitalization of our Company as at 31 December 2002.

	S\$'000
Cash and cash equivalents	<u>8,094</u>
Short term debt	
Secured and guaranteed	1,545
Unsecured	<u>-</u>
	<u>1,545</u>
Long term debt	
Secured and guaranteed	2,161
Unsecured	<u>-</u>
	2,161
Shareholders' equity	
Issued capital	16,006
Retained earnings	<u>1,597</u>
Total shareholders' equity	<u>17,603</u>
Total capitalisation	21,309

As at 31 May 2003, there were no material changes in our capitalization and indebtedness as disclosed above save for:

- (a) the decrease in our cash and cash equivalents to \$4.38 million;
- (b) the increase in our secured short term debt to \$2.12 million;
- (c) the decrease in our secured long term debt to \$2.01 million;
- (d) changes in our retained earnings arising from our day-to-day operations in the ordinary course of business.

SUMMARY OF THE PROFORMA GROUP FINANCIAL INFORMATION

The following information of our proforma Group should be read in conjunction with the full text of the Australian Prospectus and the Australian Supplementary Prospectus, including the Investigating Accountant's Report, attached thereto.

Operating Results of our Proforma Group		FY2000	FY2001	FY2002
		S\$'000	S\$'000	S\$'000
Revenue		87,276	70,219	59,619
Cost of Sales		(83,912)	(71,406)	(54,715)
Gross profit		3,364	(1,187)	4,904
Other operating income		598	231	702
Administrative & Other Operating Expenses		(4,927)	(5,185)	(5,543)
Profit from operations		(965)	(6,141)	63
Finance Cost		(31)	(95)	(179)
Share of investee company	1	11,228	4,963	(87)
Profit before income tax		10,232	(1,273)	(203)
Income tax expenses	2	(3,143)	(29)	(630)
Net profit (loss) based on Equity Accounting		7,089	(1,302)	(833)
Adjustment required arising from the shift from Equity Accounting Koon-Zinkcon to Investment Accounting Koon-Zinkcon.	1	(8,378)	4,542	4,341
Profit attributable to our Shareholders		(1,289)	3,240	3,508
Earnings per share (cents)				
Based on Profit from Operations and the Australian pre-invitation share capital of 60,000,000 Shares.		(1.61)	(10.24)	0.11
Based on Profit from Operations and the Australian pre-invitation share capital of 60,000,000 Shares and Employee Shares allocated of 1,000,000.		(1.58)	(10.07)	0.10
Based on Profit from Operations and the Australian post-invitation share capital of 81,000,000 Shares (fully diluted)		(1.19)	(7.58)	0.08
Based on Profit Attributable to our Shareholders and the Australian pre-invitation share capital of 60,000,000 Shares.		(2.15)	5.40	5.85
Based on Profit Attributable to our Shareholders and the Australian pre-invitation share capital of 60,000,000 Shares and Employee Shares allocated of 1,000,000.		(2.11)	5.31	5.75
Based on Profit Attributable to our Shareholders and the Australian post-invitation share capital of 81,000,000 Shares (fully diluted).		(1.59)	4.00	4.33

Operating Results of our Proforma Group

FY2000	FY2001	FY2002
S\$'000	S\$'000	S\$'000

Earnings per share (Australian cents) at the Prospectus exchange rate of A\$1=S\$1.0547

Based on Profit from Operations and the Australian pre-invitation share capital of 60,000,000 Shares.	(1.52)	(9.70)	0.10
Based on Profit from Operations and the Australian pre-invitation share capital of 60,000,000 Shares and Employee Shares allocated of 1,000,000.	(1.50)	(9.55)	0.10
Based on Profit from Operations and the Australian post-invitation share capital of 81,000,000 Shares (fully diluted).	(1.13)	(7.19)	0.07
Based on Profit Attributable to our Shareholders and the Australian pre-invitation share capital of 60,000,000 Shares.	(2.04)	5.12	5.54
Based on Profit Attributable to our Shareholders and the Australian pre-invitation share capital of 60,000,000 Shares and Employee Shares allocated of 1,000,000.	(2.00)	5.04	5.45
Based on Profit Attributable to our Shareholders and the Australian pre-invitation share capital of 60,000,000 Shares (fully diluted).	(1.51)	3.79	4.11

Notes:

- (1) The Company no longer exercises significant influence over Koon-Zinkcon. As a result and in accordance with Singapore Statement of Accounting Standards, the earnings of Koon-Zinkcon shall be recognised on an Investment Accounting basis only. For comparative purposes, profit attributable to our Shareholders for FY2000, FY2001 and FY2002 have been adjusted accordingly.
- (2) With effect from 1 January 2001, the Group adopted SAS 12 (2201) – Income Tax. The effect of this change in accounting policy has been adjusted retrospectively in FY2001. In addition, the Group has retrospectively adjusted for income tax recoverable previously not recorded against accumulated profits and current assets. The effect of this change is disclosed in Note 22 of the Investigating Accountant's Report on page 32 of the Australian Supplementary Prospectus.

Financial Position of our Proforma Group

FY2002
S\$'000

Non-Current Assets

Fixed Assets		8,087
Investments	1	549
		8,636

Current Assets

Construction work-in-progress		5,125
Receivables		13,581
Cash & bank balances		8,094
		26,800

Current Liabilities

Trade payables		12,418
Other payables		2,038
Construction work-in-progress		464
Current portion of obligations under finance leases	2	225
Current portion of long-term loan	3	1,319
		16,464

Financial Position of our Proforma Group**FY2002
S\$'000****Net Current Assets**

10,336

Non-Current Liabilities

Obligations under finance leases

2	336
3	1,825
	189
	2,350

Long-term loan

Deferred taxation

Net Assets16,622**Shareholders' Equity**16,622

Net Tangible Assets per share (cents) based on:

Australian pre-invitation share capital of 60,000,000 Shares

27.70

Australian pre-invitation share capital of 60,000,000 Shares and Employee Shares
of 1,000,000

27.25

Australian post-invitation share capital of 81,000,000 Shares (fully diluted)

20.52

Notes:

- (1) The Koon-Zinkcon investment has been carried at its investment cost of \$500,000 only.
- (2) Obligations under Finance Leases are largely for tugs and barges. Details of such Finance Leases can be found in Note 13 of the Investigating Accountant's Report on page 27 of the Australian Supplementary Prospectus.
- (3) Long-term loans are for, and secured over, tugs and barges and for an office building. Details of such long-term loans can be found in Note 14 of the Investigating Accountant's Report on page 28 of the Australian Supplementary Prospectus.

As at 31 December 2002, our Company's current assets exceeded current liabilities by approximately S\$10.3 million and had a current ratio of approximately 163%. This included cash and cash equivalents of approximately S\$10.4 million. In the opinion of the Directors, after taking into consideration the net proceeds raised from the Australian invitation and our Group's present requirements, the working capital available to our Group is sufficient to meet its present requirements.

TRADING, SETTLEMENT AND REGISTRATION OF SHARES

Upon listing, and quotation on the SGX SESDAQ, our Shares will be traded on both the SGX SESDAQ and the ASX. The principal register of members will be maintained in Singapore with a branch register maintained in Australia.

The procedures for the transfer of our Shares between the Singapore Share Register and the Australian Branch Share Register and for the deposition and withdrawal of our Shares in the CDP system to facilitate trading on the SGX SESDAQ are set out below.

In Australia, our Company has been admitted to participate in the Clearing House Electronic Sub-Register System ("CHESS"), operated by the ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of the ASX, in accordance with the ASX Listing Rules and the Securities Clearing House ("SCH") Business Rules.

As CHESS cannot be used directly for the transfer of Shares of entities domiciled in countries whose laws have the effect that CHESS cannot be used for holding legal title to securities, our Company will establish a CHESS Depositary Interests ("CDI") Register.

Shareholders electing to hold their Shares in the form of CDI's will not receive Share Certificates. Our Company will register the Shares in the name of the depositary nominee, CHESS Depositary Nominees Pty Ltd ("CDN") and will create uncertificated CDI holdings in the names of the Shareholders. Statements of beneficial ownership will be issued to all CDI holders.

TRADING AND SETTLEMENT ON THE SGX SESDAQ

Trading and Settlement on the SGX SESDAQ

All dealings in, and transactions of, our Shares on the SGX SESDAQ must be effected for settlement through the computerised book-entry (scripless) settlement system of the CDP. All dealings in our Shares on the SGX SESDAQ will be conducted in Singapore dollars in integral numbers of 1,000. Settlement in dealings through the CDP system may be effected only by Depositary Agents or Shareholders who have their own Securities Accounts with the CDP, and must be made in accordance with the Terms and Conditions for Operation of Securities Account with the CDP, as amended from time to time.

Dealings in our Shares will be due for settlement of trades on a normal "ready" basis on the SGX SESDAQ which generally takes place on the third Market Day following the transaction date (the "Due Date") and payment for the securities is generally settled on the following day.

Shareholders should ensure that their Shares to be dealt with on the SGX SESDAQ are credited to their own Securities Account or their Sub-Account before dealing in our Shares. If settlement cannot be effected on the Due Date following a dealing having been effected on the SGX SESDAQ, by reason of there being no Shares or insufficient Shares credited to the seller's Securities Account or Sub-Account, the SGX SESDAQ will buy-in against the seller in accordance with the bye-laws of the SGX SESDAQ.

Trading Cost

In Singapore

The trading cost to be incurred includes brokerage, clearing fees and stamp duty, details of which are as follows:

a. *Singapore Brokerage fee*

The brokerage fee in respect of a sale or purchase of shares is payable at the rate of not more than 0.5% of the transaction value subject to a minimum brokerage of S\$30.00 per contract.

b. *Singapore Clearing fee*

A clearing fee is payable at the rate of 0.05% of the transaction value.

c. *Singapore Stamp Duty*

No Singapore stamp duty for trades in Shares on the SGX SESDAQ is currently payable for Shares that are settled on a book-entry basis.

d. *Singapore Goods and Services Tax*

Goods and Services Tax is payable at the rate of 4% on brokerage and clearing fees.

In Australia

The brokerage commission in respect of trades of shares on ASX varies from broker to broker. Some brokers charge a flat fee and others charge on the basis of the total value of the trade (according to a predetermined scale). Shareholders may wish to contact the ASX about choosing a broker.

REGISTRATION OF SHARES

The principal register of members of our Company (being the Singapore Share Register) will be maintained by the Singapore Share Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315.

Computershare Investor Services Pty Limited of Level 12, 565 Bourke Street, Melbourne 3001, VIC Australia, the Company's Australian Share Registrar, will maintain the Australian Branch Share Register.

PROCEDURES FOR TRANSFER OF SHARES FROM ASX TO SGX SESDAQ

Removal of Shares from ASX

Holders of CDI's in CHESS who wish to convert their CDI holdings to underlying Shares can do so by instructing their sponsoring CHESS participant. The participant transmits CHESS message to the Australian Share Registrar instructing them to transfer the Shares from CDN into the name of the holder. The Australian Share Registrar then issues a Share Certificate.

Holders of issuer sponsored CDI's who wish to convert their CDI holdings to underlying Shares can do so by instructing the Australian Share Registrar. The Australian Share Registrar will transfer the Shares from CDN into the name of the holder. The Australian Share Registrar then issues a Share Certificate.

Deposition of Shares into CDP

Shareholders who wish to trade our Shares on the SGX SESDAQ must first arrange for their Shares to be transferred into their Securities Accounts with CDP or their Sub-Accounts with their Depository Agents. Shareholders must open a Securities Account with CDP directly in the Shareholder's own name or a Sub-Account with a Depository Agent, if the Shareholder does not already have a Securities Account or Sub-Account.

To deposit Shares into the CDP system, Shareholders (either personally or through their brokers) should upon receipt of the Share Certificate(s) issued in the Shareholders' names, lodge directly with CDP, or as the case may be, the Depository Agents, their Share Certificate(s) and duly executed Singapore transfer form(s) together with the cash payment for the CDP deposition fee (which is presently S\$10.00 and the applicable goods and services tax ("GST") of S\$0.40 made payable to CDP, or as the case may be, the Depository Agent) and an additional cash payment of S\$10.00 being payment for nominal stamp duty.

CDP will then process the deposition and arrange for the Share Certificate(s) and the duly executed Singapore transfer form(s) and the stamp duties to be delivered to the Singapore Share Registrar for processing. Upon confirmation from the Singapore Share Registrar that new Share Certificate(s) have been issued in favour of CDP and the relevant Shares have been registered in the name of CDP, CDP will credit such number of Shares into the Shareholders' Securities Accounts or their Sub-Accounts as specified to CDP.

5 Market Days would normally be required for the deposition of Shares into CDP from the date all the necessary documents are duly completed and lodged with CDP. This excludes a further period of approximately 5 Market Days which is required for the removal of Shares from ASX.

PROCEDURES FOR TRANSFER OF SHARES FROM SGX SESDAQ TO ASX

Withdrawal of Shares from CDP

Shareholders whose Shares are held by CDP in the CDP system, and who wish to withdraw their Shares from the CDP system in order to trade on ASX, should request, or instruct their Depository Agent on their behalf to request, for the withdrawal of their relevant Shares from the CDP.

To withdraw our Shares from the CDP system, Shareholders or, if appropriate, their Depository Agents, must submit the duly executed CDP withdrawal forms, together with the cash payment for CDP's withdrawal fee (which is presently S\$10.00 for withdrawal up to 1,000 shares and S\$25.00 for withdrawal of more than 1,000 shares together with the applicable GST of S\$0.40 and S\$1.00 respectively payable to CDP or their Depository Agent, as the case may be). In addition, a registration fee of S\$2.00 and the applicable GST of S\$0.08 is payable for each Share Certificate issued. Stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares, or S\$0.20 per S\$100 or part thereof of the last transacted price where our Shares are withdrawn in the name of a third party.

CDP will then process the CDP withdrawal forms and debit the relevant number of Shares from the Securities Account or Sub-Account specified in the CDP withdrawal form. CDP will also instruct the Singapore Share Registrar to arrange for the transfer of such Shares from CDP to the relevant Shareholder and the delivery to such Shareholders of Share Certificate(s) relating thereto to the address as specified in the CDP withdrawal form by ordinary post and at the risk of the Shareholder.

7 Market Days would normally be required for the withdrawal of Shares from CDP from the date all the necessary documents are duly completed and lodged with CDP. This excludes a further period of approximately 5 Market Days which is required for the deposition of Shares into ASX.

Deposition of Shares into ASX

Holders of underlying Shares who wish to convert their Share Certificates holdings to CDI's in CHESS can do so by lodging their Share Certificate with their sponsoring CHESS participant and signing the seller side of an Australian Standard Transfer Form. The participant lodges the Share Certificate and transfer form with the Australian Share Registrar and transmits a CHESS message to the Australian Share Registrar instructing them to establish a CHESS holding. The Australian Share Registrar then transfers the shares from the Shareholder's name into the name of the CDN and establishes a CDI holding in the name of the Shareholder. CHESS then issues a CHESS holding statement to the Shareholder.

Holders of underlying Shares who wish to convert their certificated holdings to issuer sponsored CDI's can do so by lodging their Share Certificate with the Australian Share Registrar and signing the seller side of an Australian Standard Transfer Form. The Australian Share Registrar then transfers the Shares from the Shareholder's name into the name of the CDN and establishes a CDI holding in the name of the Shareholder. The Australian Share Registrar then issues a holding statement to the Shareholder.

If a Shareholder does not wish to transfer their entire shareholding to CDIs, then the Australian Share Registrar will liaise with the Singapore Share Registrar to issue new Share Certificate(s) for those Shares to remain in certificated form.

ATTENDANCE AT GENERAL MEETING

Our Company is incorporated in Singapore and operates subject to Singapore law. Singapore law recognises only the registered shareholders of a Singapore incorporated company or persons named as the depositors in the Depository Register of CDP and as such, persons holding shares in the capital of a Singapore incorporated company through CHESS Depositary Nominees Pty Ltd ("CDN") would not be recognised as shareholders of such company. Consequently, such persons would not have a right to attend and to vote at general meetings convened by such company. In order to synthesise the laws of Australia and Singapore and their respective equity markets, CDN holds the ASX listed shares of the Company on behalf of CDI holders. This arrangement prevents CDI holders from voting personally at a general meeting. Nevertheless, CDI holders are able to cast their vote at general meetings through CDN as their proxy. Each CDI holder may appoint CDN as their proxy to cast proxy votes at a general meeting in accordance with their written directions as set out in their proxy form. The proxy form to appoint CDN as such person's proxies would be enclosed with the documents to be sent containing a notice convening such general meeting. Such proxy form would be required to be completed and deposited within the time frame stipulated in the document in order for such person to attend and vote at the general meeting. If CDI holders wish to vote personally at general meetings, they must first convert the shares held through CDN into the underlying securities in sufficient time before the general meeting is held.

KOON HOLDINGS LIMITED

Incorporated in the Republic of Singapore

PROSPECTUS

Replacement Prospectus for the Offer of
up to 20,000,000 Offer Shares at A\$0.20 each

SPONSORING BROKER

Shadforths Limited



HOLDINGS LIMITED

KDON HOLDINGS LIMITED

Incorporated in the Republic of Singapore

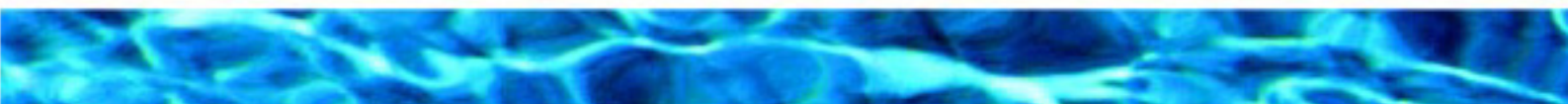


PROSPECTUS

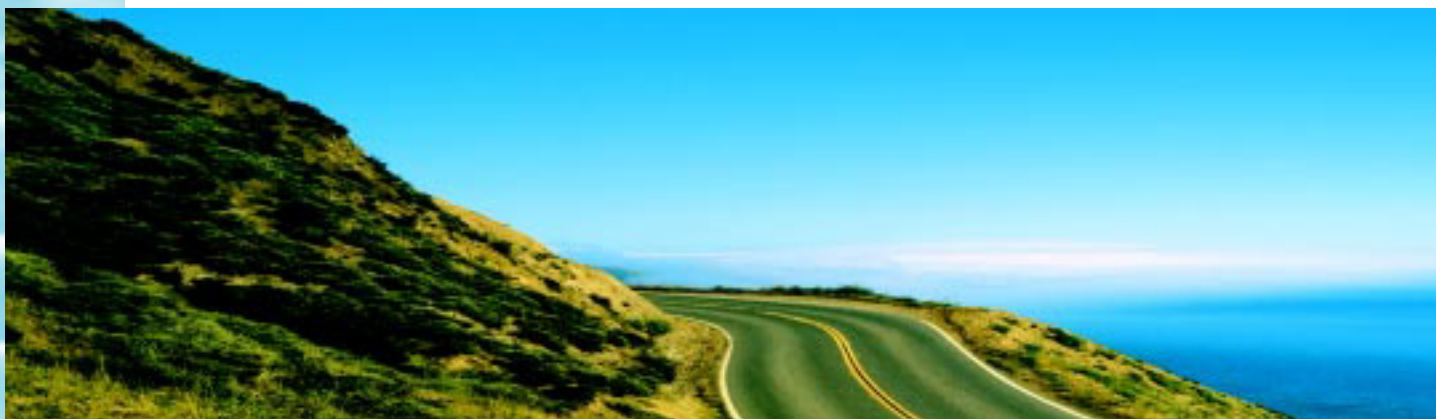
Replacement Prospectus for the Offer of
up to 20,000,000 Offer Shares at A\$0.20 each

SPONSORING BROKER

Shadforths Limited



IMPORTANT NOTICE



This Replacement Prospectus is dated 8 May 2003 and was lodged with the Australian Securities and Investments Commission on that date. This Replacement Prospectus replaces the Koon Holdings Limited Original Prospectus dated 24 April 2003 for the Offer of up to 20,000,000 Shares at A\$0.20 each and is to be read instead of that Original Prospectus. The Australian Securities and Investments Commission takes no responsibility for the contents of this Replacement Prospectus (hereinafter referred to as the Prospectus).

This Prospectus will be issued in paper form ("paper Prospectus") and in electronic form ("electronic Prospectus"). Copies of the paper Prospectus are available at Shadforths Limited 111 Macquarie Street, Hobart Tasmania (03 6211 1111) or at Computershare Investor Services Pty Limited Level 12 565 Bourke Street, Melbourne Victoria (1300 850 505 or for overseas callers 613 9615 5970). The electronic Prospectus can be viewed online at www.koon.com.sg or www.koon.com.sg/prospectus or www.shadforths.com.au. The Offer is available to persons using either the Application Forms at the back of the paper Prospectus or a printed Application Form from the electronic Prospectus. The Corporations Act 2001 ("the Act") prohibits any person from providing another person with an Application Form, unless it is attached to or accompanied by a complete and unaltered version of this Prospectus.

No Offer Shares may be issued on the basis of this Prospectus later than 6 months after the date of this Prospectus. Application will be made within 7 days after the date of this Prospectus for permission for all Outstanding Shares of Koon Holdings Limited to be listed for quotation on the ASX. Prior to the quotation on the ASX, the Company will issue a supplementary Prospectus containing the final audited financial statement (please see Section 3.6 for more details), further statements from the Investigating Accountant and other details that may be required by the Singapore Exchange Securities Trading Limited ("SGX") with respect to the secondary listing.

Before deciding to apply for the Offer Shares, Applicants should read this Prospectus in its entirety, together with the instructions on the reverse of the Application Form. An investment in the Company carries general and specific risks that are described in Section 5 of this Prospectus. These include the risk of the traded price of the shares rising or falling in response to some or many factors. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek relevant professional advice.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law or regulation. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

In accordance with Chapter 6D of the Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of 7 days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with Section 724 of the Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications with respect to the allocations of Offer Shares received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.



Unless otherwise included in this Prospectus, any representation in any form, will not constitute a representation for the purposes of the Offer.

Please note that the principal currency used in this Prospectus is the Singapore dollar or S\$ as it is the principal currency in which the Company's revenues are earned and the Company's costs are incurred. Where Australian dollars are used, they are denoted by A\$. As at 26 March 2003, 1 Australian dollar was equal to 1.0547 Singapore dollars.

Applications Open (after exposure period)
Monday, 19 May 2003

Applications Close (note the Company may vary this date)
Friday, 6 June 2003

Expected date of dispatch of holding statements
Wednesday, 18 June 2003

Expected date of quotation of Shares on the ASX
Wednesday, 25 June 2003

Select Offer Statistics

Offer Price	A\$ 0.20
Number of Shares offered by this Prospectus	20 million
Gross Proceeds from the Offer	A\$ 4.0 million
Number of Shares on issue on Listing	81 million
Market Capitalisation at the Offer Price	A\$ 16.2 million

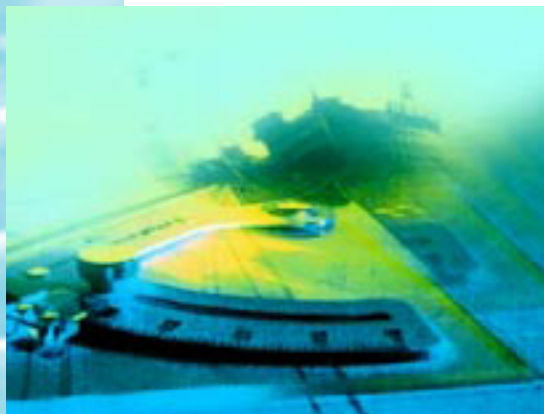
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	Financial year end	31 December
3.6	Net Profit after Tax FY2002*	A\$ 3.5 million
1.4	Price to FY2002 earnings at Offer Price	3.6 times
1.4 & 3.8	Net Assets per Share	A\$ 0.263
1.4	Offer Price to Net Assets per Share	76%
3.8	Net Cash** per Share	A\$ 0.124

* Proforma consolidated

** After adjustment for anticipated net Offer proceeds of A\$3.4 million.

CONTENTS



IMPORTANT NOTICE

CONTENTS

INVESTMENT HIGHLIGHTS

CHAIRMAN'S LETTER

1. DETAILS OF THE OFFER

- 1.1 Investment Notice
- 1.2 Offer Shares for Subscription
- 1.3 Minimum Application Quantities, other Application Restrictions and Minimum Subscription
- 1.4 Key Issue Statistics
- 1.5 Purpose of the Offer
- 1.6 Use of Proceeds and Application of Funds
- 1.7 How to Apply for the Offer Shares
- 1.8 Privacy
- 1.9 Opening & Closing Dates
- 1.10 Allotment and Allocation of Offer Shares
- 1.11 CHES
- 1.12 Listing on the ASX
- 1.13 Dividend Policy
- 1.14 Escrow Provisions

2. OVERVIEW OF THE SINGAPORE CONSTRUCTION INDUSTRY

- 2.1 Characteristics & Trends
- 2.2 Competitiveness
- 2.3 Important Issues

3. THE GROUP'S BUSINESS AND FINANCIAL POSITION

- 3.1 History & Group Structure
- 3.2 Civil Engineering, Reclamation and Shore Protection
- 3.3 Entire Engineering Pte Ltd
- 3.4 Gems Marine Pte Ltd
- 3.5 Margins, Costs and Quality Control
- 3.6 Financial and Business Performance & Track Record
- 3.7 Contracts-on-Hand and Prospects
- 3.8 Basis of Forward Statements
- 3.9 Financial Position
- 3.10 Future Developments and Possible Acquisitions
- 3.11 Comparative Advantages

4. DIRECTORS, SENIOR MANAGEMENT AND RELATED MATTERS

- 4.1 Management Structure
- 4.2 Board of Directors
- 4.3 Management Team
- 4.4 Corporate Governance
- 4.5 Employee Share Option Scheme

5. RISK FACTORS

6. INVESTIGATING ACCOUNTANT'S & TAXATION REPORTS

7. ADDITIONAL INFORMATION

8. GLOSSARY

APPLICATION FORMS AND INSTRUCTIONS

CORPORATE DIRECTORY



Investment Highlights



1. **'A1' Contractor:** Koon Holdings Limited ("Company") is an investment holding company. Its main operating subsidiary, Koon Construction & Transport Co. Pte. Ltd. ("Koon"), is one of Singapore's most established civil engineering contractors. Koon is rated A1 by Singapore's Building and Construction Authority ("BCA") allowing it to tender for any civil engineering job of any amount. Less than 5% of all contractors qualify for the A1 grade. No Australian firm operating in Singapore currently enjoys an A1 rating from the BCA.
2. **Niche Strength:** Whilst Koon can and does undertake general civil engineering work, its speciality is land reclamation (an important speciality in land scarce Singapore). Its 50% owned investment, Koon Zinkcon Pte Ltd ("Koon-Zinkcon"), is Singapore's only significant player in post-reclamation shore protection work.
3. **Strong Systems and Networks:** The Company's main operating subsidiary, Koon, enjoys very strong internal systems as evidenced by its ISO 9001:2000, 14001 and 18001:1999 certification. Through its Managing Director, Mr. Chua (Chua Liong King), the Company maintains an extensive work-partnership network with international contractors, most notably with Japanese, Korean and European contractors.
4. **Blue chip client base:**
 - Due to Koon's work speciality, systems and network, its clients are prominent Singaporean entities. Current projects include projects for the Ministry of Communications & Information Technology, the Ministry of National Development, Jurong Town Corporation, the National University of Singapore, the Land Transport Authority and the Public Utilities Board.
 - Over the last 10 years, client default and/or claim loss has been less than 1% of annual Revenue.
5. **Good Contracts-on-Hand:** Whilst the Singapore and regional business environment is weak, Koon has significant contracts-on-hand. This is likely to provide underlying support for the Company's earnings ahead, and in anticipation, of economic recovery.
6. **Strong Balance Sheet:** At the end of December 2002, the Group's debt was some S\$3.7 million (A\$3.5 million) whilst cash and deposits and dividends receivable totalled some S\$10.4 million (A\$9.9 million). Thus net cash was some S\$6.6 million (A\$6.3 million).
7. The Company is seeking a **listing** as a way to further incentivize and professionalise its management and to invest some of the capital raised by this Offer in quarries to strengthen its position as a premier reclamation and shore protection specialist and to establish a channel into the capital markets in the event of an industry consolidation opportunity. The Company is particularly interested in working with, or acquiring, contractors in complementary niche segments.

CHAIRMAN'S LETTER



Dear Prospective Shareholder,

Thank you for reading this letter.

I hope you will not mind my English, but I have asked my lawyers not to change this letter too much. Let me be honest and up-front. My brother¹ and I had little education. We left school early to support the family because of my father's death. There was not much of a social security system in Singapore in those days. My brother started Koon in 1975 as a trucking company transporting stone for land reclamation. I joined in 1976. Liong King² and Kim Cheong² added the civil engineering business when they joined in 1977. It has taken us more than 25 years to build up Koon.

Construction is a difficult business as there are lots and lots of details. One must concentrate, take care of the small things, be careful with the money and have very good systems. Our systems are internationally certified including ISO14001, an Environment Management System that meets the Rio Summit goals. I cannot tell you how pleased I was when Koon was awarded A1 status by the BCA³. There are only 23 A1 companies in Singapore and more than half are big foreign companies. In this sense we are the 'local boy' made good, the quiet achiever.

The weak economy in Singapore has been challenging. Despite this, our Group is profitable. The Group makes its money mainly from land reclamation and shore protection. Singapore is a small island. To cope with growth the Singapore Government maintains one of the world's largest reclamation programs. To date, reclamation has 'grown' Singapore by some 4%. The Concept Plan 2001 wants to 'grow' Singapore by another 15% over the next 40 to 50 years. My advisers tell me this means good earnings visibility. I think we are in a good business niche.



My brother and Kim Cheong have passed away. We have been bringing in new people and they should have a stake in the Company. A listing will allow us to give our managers a stake in the Company. A listing also makes sense because for the first time in over 15 years many assets important to our Company have become available. Even though we have a strong balance sheet – we have net cash and dividends receivable of over A\$6 million – we need access to the capital markets to make careful buying of such assets possible. For instance we use a lot of stone, rock and armour rock. Quarries in islands very close to us are now for sale. There are also other opportunities. But we must be careful.

An Australian⁴ listing was our preferred option because we Singaporeans know Australia and trust Australia. But you may be unfamiliar with the Group and the Company. In Chinese we have a saying very similar to an English one – 'talk is cheap'. To show that we are not all talk, we the Existing Shareholders have agreed to not sell our shares for at least 1 year. We have agreed to this even though we have been told this is not a requirement.

I do not like to promise too much. There is a 'loss of face' if I cannot deliver. But we have been in operation for 25 years, our systems are rated A1³, our order book is nearly full⁵, and our financial position is strong. I therefore would like to commend this Offer to you.

Thank you.
Oh Keng Lim

¹ Aw Joo Kim (deceased);

² Chua Liong King (Managing Director); Aw Kim Cheong (deceased);

³ Building & Construction Authority, Singapore – the industry regulator.

⁴ Please see Section 1.5

⁵ Please see Section 3.7

I. DETAILS OF THE OFFER

1.1 Investment Notice

Prospective Investors in the Company should read this Prospectus in its entirety.

Neither the Company nor any other person guarantees the performance and/or return of the Offer Shares or the performance of the Company.

1.2 Offer Shares for Subscription

This Prospectus invites subscriptions for up to 20,000,000 Offer Shares at an Offer Price of A\$0.20 each.

If the Offer is fully taken up, the amount of A\$4 million will be raised before listing and other related expenses. The successful Applicants to the Offer will own approximately 24.7% of the enlarged share capital of the Company after listing. This, combined with the 1,000,000 new Employee Shares will bring the percentage owned by non-existing shareholders after the Listing to 25.9%.

1.3 Minimum Application Quantities, other Application Restrictions and Minimum Subscription

The minimum Application quantity is 10,000 Offer Shares. Subscriptions for more than 10,000 Offer Shares must be in additional multiples of 1,000 Offer Shares.

There are no provisions to increase the number of Offer Shares above 20,000,000 in the event of oversubscriptions.

The Offer must receive subscriptions for not less than A\$3,400,000 (the "Minimum Subscription") worth of Offer Shares in order for the Offer to proceed. No Offer Shares will be issued pursuant to this Prospectus until this Minimum Subscription of A\$3,400,000 has been received.

1.4 Key Issue Statistics

Offer Share Statistics

Offer Price per share	A\$0.20
Maximum Offer Shares under this Prospectus	20,000,000
Minimum Offer Shares under this Prospectus	17,000,000
Amount to be raised before listing expenses	A\$4,000,000
Market Capitalisation at Offer Price	A\$16,200,000

	Shares	%	Options
Capital Structure			
Shares outstanding prior to Offer	60,000,000	74.1%	None
Offer Shares	20,000,000	24.7%	None
Employee Shares issued to employees	1,000,000	1.2%	None
Shares outstanding after the Offer	81,000,000	100.0%	None

Investment Statistics (based on Offer Price and FY2002 financial numbers)

	A\$'000 *	S\$'000
FY2002 Revenue	56,527	59,619
FY2002 Gross Operating Profit	4,650	4,904
FY2002 Net Profit After Tax	3,326	3,508
Net Book Value as at 31/12/02	15,760	16,622
Total (debt) as at 31/12/02	(3,514)	(3,706)
Net cash and dividends receivable as at 31/12/02	6,301	6,646

* converted at the prevailing exchange rate at 26/03/03 of A\$1 = S\$1.0547



Before the issue of the new Offer and Employee Shares

FY2002 Price Earnings Ratio	3.9x
FY2002 Price to Revenue	0.2x
Price to Net Book Value	76%

After the issue of the new Offer and Employee Shares

FY2002 Price Earnings Ratio **	5.0x
FY2002 Price to Revenue	0.3x
Price to Net Book Value **	82%

** includes the net proceeds from the issue of the Offer and from the Employee Shares

1.5 Purpose of the Offer

The Company is seeking a listing for three principle reasons:

- 1.5.1 **To further incentivize and professionalise management:** The primary operating subsidiary, Koon, was started by three families, who controlled the business and management. Koon has grown substantially and today the Group consists of the Company, its 3 subsidiaries (Koon, Entire and Gems) and a 50% investment in Koon-Zinkcon. As a result, management has increasingly been devolved. A new share option scheme to help attract, retain and incentivize the right people is regarded by the Directors of the Company as important. Please see Section 4.5 and 7.23 for more information on the proposed Employee Share Option Scheme. Investors should note the Directors' intention to issue 1 million fully-paid ordinary Shares at S\$0.05 per Share to Employees of the Group at the date of the Company's listing, details of which can be found in Section 7.22. Investors should see Section 4.5(c) with respect to the Company's intention to disclose the cost of both issuing the Employee Shares and of any future options under the Employee Share Option Scheme, as a note to the accounts.
- 1.5.2 **To strengthen the core competency of the Group in reclamation and shore protection:** The Company has entered into a Memorandum of Understanding with certain parties who have the right to quarry for stone on the Indonesian island of Karimun (please see Section 3.10 and Section 7.20 for more information on the Memorandum of Understanding). Stone is important in Singapore for both landfill for reclamation and shore protection work.
- 1.5.3 **To exploit opportunities arising from the current consolidation of the Singapore and regional construction industry:** The Asian economic crisis is now in its fifth year. Singapore and the region have suffered sharp reductions in asset values and economic activity. The length and magnitude of the recession is increasing the need for consolidation in many industries. The Directors are of the view that such consolidation pressures are also increasing in the specialist contractor and sub-contractor segment in Singapore and in the region. Past experience has shown that such consolidations can provide significant acquisition and growth opportunities. A listing will also facilitate trade in the Company's Shares and provide direct access to the capital markets. This in turn improves the possibility of exploiting acquisition growth opportunities.

The Company is seeking a primary listing on the Australian Stock Exchange ("ASX") and intends to establish a secondary listing on the Singapore Stock Exchange ("SGX") for the following reasons:

- 1.5.4 Due to the Asian economic crisis, a large number of construction companies have performed poorly across Asia. As a result, the price of Asian construction shares has fallen very significantly. It is the opinion of the Directors that regional and Singapore investors are unlikely to distinguish sufficiently between the Company and other listed contractors despite the continued profitability of the Company on the back of strong specialist skills. In contrast, the higher earnings multiples of ASX listed contractors suggest that these listed construction contractors enjoy significantly more support from Australian investors. The Directors have also taken note of the share price support investors have given to Australian listed contractors when such contractors won reclamation and other related work such as the reclamation work in Queensland or the Hong Kong harbour reclamation project.

- 1.5.5 Construction companies also enjoy local support in several non-Asian exchanges such as the Euronext Amsterdam stock exchange. The Directors also gave consideration with regards to listing on these exchanges. However, Singapore is less well known in these exchanges and there are time zone and other impediments. There is also the added advantage that the ASX enjoys an excellent reputation in Singapore and is seen as a mature and safe exchange.
- 1.5.6 The Directors intend to seek a secondary listing in Singapore. The Directors are of the belief that when the construction industry as a whole recovers, Singapore investors will re-appraise investments in construction companies. Such renewed interest could provide additional trading and liquidity in the Company's Shares. As the Company primarily operates in Singapore, the Directors are also of the view that a secondary listing in Singapore will provide additional investor confidence for Australian investors.

1.6 Use of Proceeds and Application of Funds

It is intended by the Directors that the funds raised by the Offer will be broadly applied as depicted in the table below. Investors should also note that for timing and other reasons, the Directors may place funds raised by the Offer on deposit or in short term money market instruments prior to its application.

Application of Funds	Minimum Subscription only A\$	If fully subscribed A\$
Investment in a stone quarry*	2,400,000	2,400,000
Equipment and other infrastructure needed to transport the stone	250,000	400,000
Selling commissions, listing and other related costs	585,000	610,000
Working Capital	165,000	590,000
	3,400,000	4,000,000
* (please see section 7.20 for more details)		

1.7 How to Apply for the Offer Shares

Applications can only be made on an Application Form issued and attached to this paper Prospectus or on an Application Form issued, attached and printed out from the electronic form of the Prospectus, which can be found at www.koon.com.sg or www.koon.com.sg/prospectus or www.shadforths.com.au. The Application Form must be completed in accordance with the instructions set out on the back of, or which electronically follows, the Application Form. Please note that the minimum Application quantity will be for 10,000 Offer Shares. Subscriptions for more than 10,000 Offer Shares must be in additional multiples of 1,000 Offer Shares.

Completed Application Forms and a cheque in Australian dollars or assigned bankers' orders, drawn on an Australian bank or an Australian Institution, made out to "Koon Holdings Limited - Trust Account", should be sent to:

*Computershare Investor Services Pty Limited
GPO Box 52
Melbourne, Victoria 8060*

Or

*Shadforths Limited
111 Macquarie Street,
Hobart, Tasmania 7000*

Completed Applications must be received by Computershare Investor Services Pty Limited or by Shadforths Limited no later than 5.30pm Australian Eastern Standard Time on the Closing Date of 6 June 2003. The Directors reserve the right to extend the Offer period and delay the Closing Date.





1.8 Privacy

The Application Form will ask you to provide certain personal information. Based on this information, the Company or its affiliates may send information to you from time to time. Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) the Company. You can request access to your personal information by contacting:

*Computershare Investor Services Pty Ltd
GPO Box 52
Melbourne, Victoria 8060*

1.9 Opening & Closing Dates

Subscription Lists will open at 9.00 am Australian Eastern Standard Time on 19 May 2003 or such later date as may be prescribed by ASIC and/or the Directors without prior notice, and be open until 5.30 pm Australian Eastern Standard Time on 6 June 2003 or, at the Director's discretion, at some later date without prior notice ("Closing Date"). Applicants are, however, encouraged to submit their Applications as soon as practicable.

1.10 Allotment and Allocation of Offer Shares

No allotment of Offer Shares shall be made until the Minimum Subscription has been reached. The Company will issue the Shares that are the subject of successful Applications as soon as possible. The allocated Offer Shares are subject to the grant of ASX permission for the quotation of the Shares unconditionally or on conditions acceptable to the Directors. Application monies will be held until allotment takes place. No interest will be paid on Application monies. It is the sole responsibility of each Applicant to ensure that they have determined the exact number of Shares that have been allocated to them especially before they trade, assign or otherwise transfer the Shares.

Pending the issue of the Shares, the Application monies will be held in a trust account.

The Directors have the right to reject any Application or allocate fewer Shares than was applied for under the Offer. If an Application is not accepted or accepted only in part, the relevant part of the Application monies will be refunded as soon as practicable. Interest will not be paid on such monies refunded.

The amount tendered on Application will be returned in full by cheque within 14 days of either the Minimum Subscription not being reached at the Closing Date or the ASX not permitting quotation of the Shares. No interest will be paid on monies refunded.

1.11 CHESS

The Company proposes to participate in the Clearing House Electronic Sub register System ("CHESS"), operated by the ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of the ASX, in accordance with the Listing Rules and Securities Clearing House ("SCH") Business Rules.

Under CHESS, the Company will not be issuing certificates to shareholders. Instead, shareholders will receive a statement (similar to a bank account statement) that sets out the number of Shares allotted to each of them under this Prospectus. The notice will also advise holders of their Holder Identification Number ("HIN"). Further statements will be provided to holders which reflect any changes in their shareholding in the Company during the month.

1.12 Listing on the ASX

Application shall be made to the ASX within 7 days after the date of this Prospectus for a quotation of all the Shares of the Company on the ASX. The fact that the ASX may quote the Shares is not to be taken as an indication of the merits of the Company or of the Shares.

The Directors do not intend to allocate any Shares until such approval for the quotation of the Shares on the ASX is received either unconditionally or on conditions which the Directors deem reasonable. If permission is not received by the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act with the consent of ASIC, all Application monies without interest shall be refunded in full to the Applicants.

1.13 Dividend Policy

Dividends that will be paid by the Company will be determined by the Directors with regards to:

- business conditions; and
- the profitability, cashflow and the financial health of the Company at the time of the proposed dividend payment; and
- the need for funds for acquisition or other business opportunities.

Given the likelihood of significant acquisition growth opportunities, the anticipated rise in contracts-on-hand as the business environment of the region improves and the absence of any available franking credits, the Directors do not expect dividends from the Company to exceed S\$1.4 million in FY2003.

1.14 Escrow Provisions

As a sign of confidence in the Company, Senior Management, Directors and all other Existing Shareholders of the Company have given an undertaking not to sell their shares for a period of not less than 12 months and 10 days from the date of first quotation of the Shares on the ASX. These Existing Shareholders who have voluntarily submitted to the moratorium are listed in Section 7.2. These Existing Shareholders in aggregate represent 100% of the share capital of the Company prior to the Offer and will represent 74.1% of the enlarged share capital of the Company if the Offer is fully subscribed.



2. OVERVIEW OF THE SINGAPORE CONSTRUCTION INDUSTRY

2.1 Characteristics & Trends

Importance of the Construction Sector to the Singapore Economy

The construction industry has played a significant role in Singapore's economic development. This is due in part to Singapore's low housing and building stock in the 1960s, the rapid pace of development since the 1960s and the significant changes in the configuration of buildings and structures which local industry and society has required.

Construction activity, in the first two quarters of 2002, accounted for about 6% of total Gross Domestic Product ("GDP"). The construction industry has suffered a very steep decline in business activity with contracts awarded in 2001 down by some 44% as compared to that achieved in 1997. Over the five years 1997 to 2001 inclusive, construction activity accounted for, on average, some 7.9% of GDP, with a peak of over 9.1% in 1998. Weak private demand and weak total building, as opposed to civil engineering, demand has been the reason for the recent decline in construction activity. The construction industry's importance can also be seen in its position relative to other industrial categories. The Singapore Bureau of Statistics for statistical analysis purposes breaks down the National Income and Balance of Payments into 10 (ten) major industry categories. Whilst construction, as an industry category, ranks amongst the smaller of the ten major industry categories, it is only about 40% smaller than Financial Services and over 280% larger than the tourism related industry of Hotels & Restaurants.

Significant Civil Engineering Workload

Singapore is a city-state. Despite this, and compared to other major economies, civil engineering work as a proportion of total construction activity in Singapore is significant. This may be due to:

- The type of businesses which Singapore supports - such as trans-shipment trade and business & financial services - which require heavy container, other goods and human trans-shipments;
- The Singapore Government's emphasis and significant investment in physical infrastructure; and
- The need for more land that has resulted in Singapore undertaking one of the world's largest continuous land reclamation projects.

Given that these characteristics are likely to persist in the medium term, it is the view of the Directors that civil engineering work in Singapore is likely to remain a sizeable component of total construction activity.

Public Sector Work Larger than Private Sector Work

Major infrastructure based civil engineering work coupled with Singapore's extensive public housing scheme has meant that contracts awarded by the public sector are significant. Over the ten years to 2001, public sector work has accounted for some S\$80 billion or more than half of all contracts awarded (which totalled some S\$148 billion). This percentage has varied from a low of around 46% in 1994 to a high of about 64% in 1998, with an average of 54%.

An unusual aspect with respect to the construction industry in Singapore is that public sector work is more volatile than private sector work. This appears partly due to Singapore being a city-state. The centralization of the population means multiple infrastructure projects serving the same function (such as airports) are not required. Instead significantly bigger infrastructure developments can be undertaken.

The recent decline in contracts awarded, down 44% compared to 5 years ago, is due both to a decline in private and public contracts awarded. Private sector contracts awarded, down 51%, have fallen faster than public sector contracts awarded, down 37%. Both sectors' decline has been largely due to residential building work. In the case of the public sector, it has been due to the reduction in public housing developments.

Large and Significant Tier of Specialist Sub-contractors

Singapore's relatively open market, rapid development and significant need for both buildings and infrastructure, has attracted some of the world's largest international contractors. Many of these contractors, notably those from Korea and Japan, have now been operating in Singapore since the 1970s and have a significant presence.

The presence of so many world players over the past 25 years has influenced the development of the local construction industry. It is the opinion of the Directors that the presence of these international contractors has resulted in at least two distinctive features that characterise the modern local construction industry of Singapore:

- There are no local contractors who have a global presence;
- There are a small number of significant specialist contractors and sub-contractors.

It can be argued that the presence of so many significant international contractors made it difficult for a local Singaporean construction giant to emerge. What is more certain is that the international contractors' preference in outsourcing niche work has given rise to the current class of significant specialist contractors and sub-contractors. International contractors also used Singapore as a base to bid for, or support, work won in the region. Some of these international contractors use their Singapore specialist contractors or sub-contractors for part of this regional work. Such actions reinforce and further encourage the development of significant specialist contractors and sub-contractors.

Reclamation and Shore Protection Work

Singapore is a small island, being some 660 square kilometres only. Singapore's land mass is thus equivalent to only 0.008% of Australia's. With a population exceeding 4 million, Singapore can be described as land scarce. The Singapore Government has responded by instigating one of the world's largest reclamation schemes. To date, land reclaimed has exceeded 2,700 hectares or more than 4% of the original size of Singapore.

One of the primary areas of the reclamation efforts has been on the southern shoreline and on what is now known as Jurong Island. The former has included reclamation for Changi International airport, the commercial and business districts and in the industrial west. However, over half of all the reclamation work done in Singapore to date has been the amalgamating of seven small islands of the south west of Singapore to create Jurong Island. This one large island was created to cater for the chemical industry under the Manufacturing 2000 program. Jurong Island, work on which is still continuing, is now home to the world's third largest refining centre.

A map of the change in the Singapore shoreline and proposed further reclamation is shown on the following page.

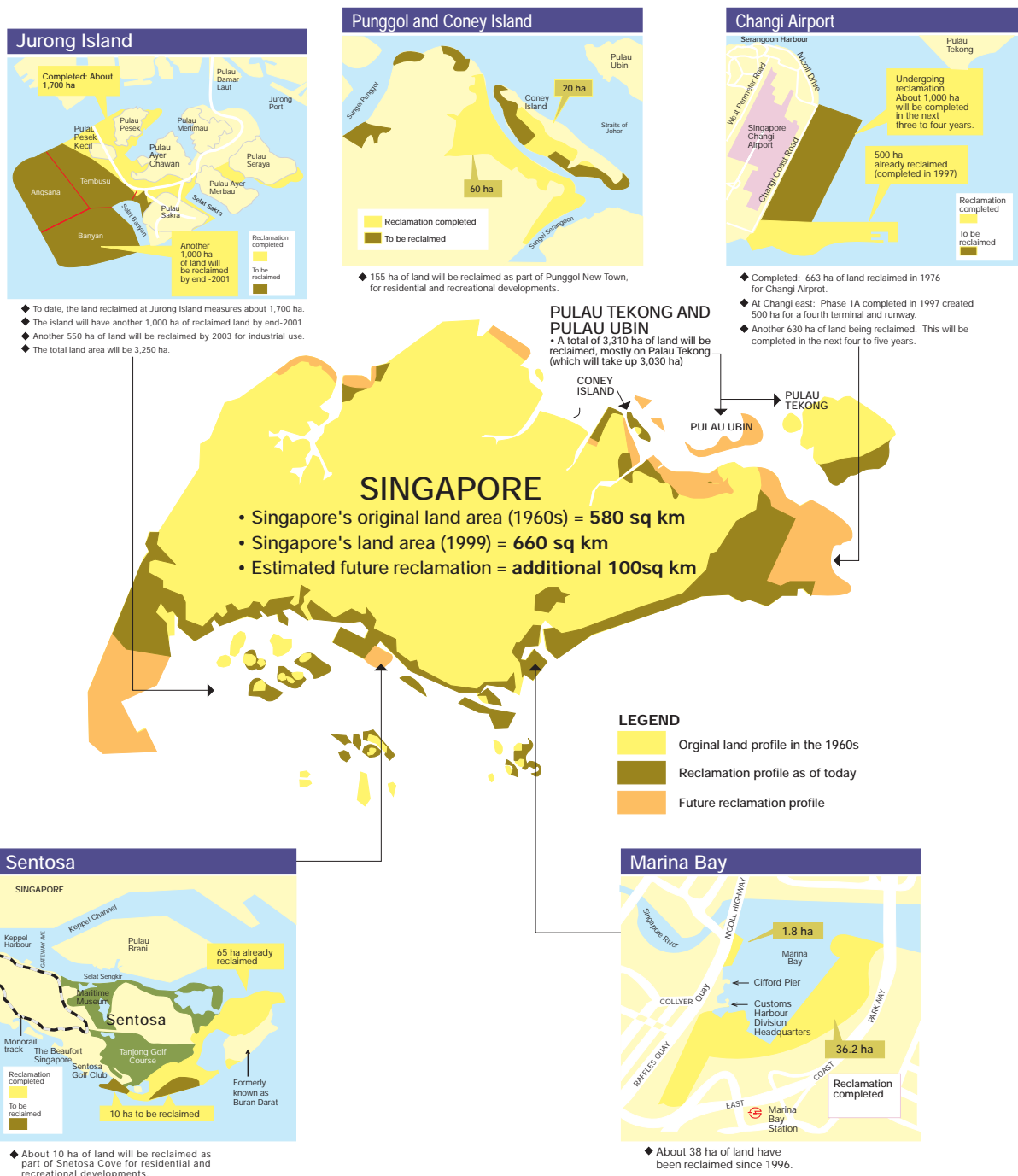
In 2001, the Singapore Government launched its Concept Plan 2001, details of which can be found at www.ura.gov.sg. Under the Concept Plan 2001, the Singapore Government envisages enlarging Singapore through reclamation by a further 15%. The Government has proposed significantly upgrading and/or accelerating two reclamation projects. The first is the Southern Islands ("SI") project based on islands 3 to 4 km away to the south east of Singapore. The SI development is targeted to enhance leisure, tourism and lifestyle. The second is the proposed development of Pulau Tekong and Pulau Ubin in the Straits of Johor on the north east of the island. This project has stirred up some controversy since it may alter the local ecosystems and water flows on the Malaysian side of the Straits. The Government has responded by proposing a joint study with Malaysia and has said that it will consider other reclamations as potential substitutes.



MAP OF SINGAPORE'S CHANGING SHORELINE

The article was published by the Singapore Straits Times on 28 August 2000

SINGAPORE GROWS BIGGER



The URA projects a land shortage of 40sq km when Singapore's population swells to 5.5 million, if development continues at today's pace. This is despite large-scale land reclamation over the last three decades.

Extracted from Straits Times article dated 28/8/2000 Monday
Source: URA

Land reclamation in Singapore is somewhat different than those that have taken place in other parts of the world in that it does not involve drainage of waters or other such related developments. Diagrams which show the five main stages of a reclamation project are shown on the following page.

Three alternative systems or methodologies are typically used depending on the end-usage, geography and time constraints of the particular project. These include:

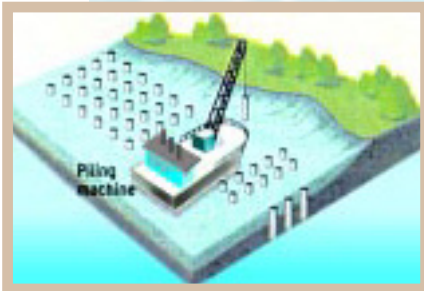
- a. Digging a trench (dredging) in the ocean floor and the building of a sea wall from stone re-enforced by rock. The area behind this sea wall is filled with sand (sandfilling) or other suitable materials to cover the soft clay near shorelines and thus allow for compaction. This system is used when a flushed or vertical shoreline is required (e.g. for docks or ports); or
- b. Dredging the ocean floor and substituting the clay for sand ("sand key"). Next, sandfilling from the shore line to the sand key takes place. The slope of the shoreline is then 'trimmed' to ensure that its slope into the sea minimises erosion. A cloth is placed over trimmed shoreline and a system of stones and rocks are laid over the cloth; or
- c. This system is similar to the system described in b, except instead of using a sand key, sand piles are used to stabilise and compact the clay. For deeper waters, such as the gaps between the islands that make up Jurong Island, vertical drainage is employed to first improve the soft clay before preloading for dynamic compact. For even deeper waters other more intensive improvement and compacting techniques are used.

In all three systems the movement of stone, sand and other fills is significant and needs to be rapid for dynamic compacting. After reclamation is complete, the new shoreline needs to be secured to prevent slippage, erosion and to help accelerate natural settlement (shore protection). For more details on shore protection, please see stage 4 of the diagrams which follow.

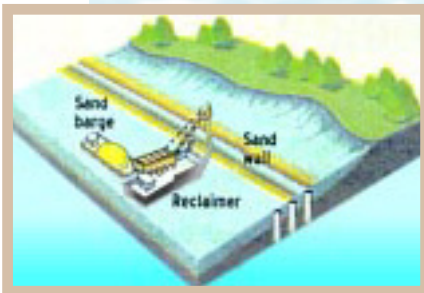


DIAGRAMS OF A TYPICAL RECLAMATION PROJECT

LAND RECLAMATION : *Five main stages*



- 1** The seabed of soft marine clay is stabilised by one of three means: sand piles/vertical drains; a sand key (trench filled with sand) or seawall (sand key and rock wall on top of the key).



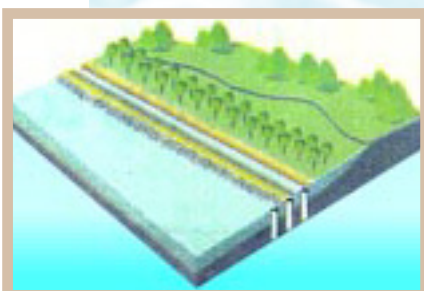
- 2** A sand wall is built around the area to be filled in. Sand barges bring imported marine sand to the site just outside the wall and off-load the sand into the sea to start a stockpile



- 3** A dredger sucks sand up from the stockpile and pumps it through pipes to sand ships ("spreader") which deposit it in the area to be filled. When the area becomes too shallow for the spreader, sand is pumped in through overland pipes.



- 4** Sand compaction is carried out after the filling. The reclaimed land above sea level is compacted by roller. The land which meets the sea is reshaped (sand trimming) to guard against erosion. On this shore is placed a cloth and rocks are laid over this. Further shore protection work may also be done.



- 5** Trees and vegetation are planted. The land will be ready for building development one to five years after reclamation.

2.2 Competitiveness

BCA Classifications

Competition in the Civil Engineering industry is significantly influenced by the Building & Construction Authority of Singapore's ("BCA") classification system. This is because much of such work comes from the Singapore Government or Government related bodies. The BCA classification is a pre-qualification⁶ classification that takes into account experience, track record, systems & controls, health & safety and financial soundness. The BCA currently has the following classifications.

BCA Classification for Civil Engineering Work Only

Grade	Can tender for jobs up to
A1	Unlimited
A2	\$ 65 million
B1	\$ 30 million
B2	\$ 10 million
C1	\$ 3 million
C2	\$ 1 million
C3	\$0.5 million

The highest classification is A1. A1 classified companies may tender for any civil engineering project of any size. This is important as major infrastructure works such as reclamation and mass transportation systems tend to be large to very large. At present there are only 23 'A1' rated contractors. Out of these, 14 such contractors are global players primarily from Japan, Korea, Holland and the USA.

Whilst A1 classified companies may tender for any civil engineering project, in practice many A1 classified companies do not. This is due to the specialised nature of the industry. Of the 9 local companies rated A1, the Directors are of the opinion that only 2, excluding Koon, have done significant reclamation and related work in Singapore in the last 5 years. Of these 2, 1 has publicly stated that it intends to withdraw from such work. The degree of competition also varies according to the need for joint venture tendering or by tenders offered on a design-and-build basis.

Regional Players

With the exception of the Japanese and Koreans, there are no direct regional competitors to the Group in Singapore. There are, however, competitors who do compete against the Group in select segments of work. These include Australian companies such as Leighton Contractors (B1 rated) and McConnell Dowell (B1 rated).

Cost Pressures

As many large civil engineering projects typically span between 2 to 4 years, significant cost increases can severely damage margins. This risk is typically managed through the signing of equivalent material contracts, through hedging of currencies and through the partial use of sub-contract labour. In the event that a nominated sub-contractor must be used, the residual risk from rising cost is borne by the owner of the project.

2.3 Important Issues

World Class Builder in the Knowledge Age

The Directors are of the opinion that the single most significant domestic development is the Government's desire to raise the standards of local contractors to become internationally competitive contractors. Given that the Government is both the regulator and a very major buyer of civil engineering services in Singapore, the local industry is facing both demand-pull and regulatory-push forces.

⁶ To be eligible to tender for Government and many private jobs, contractors must pre-qualify by getting a rating from the BCA.



The Directors are of the opinion that in practice this means that specialist contractors such as Koon will be expected to add more value, be more productive and offer better quality finished projects. Specifically, the Directors believe the following issues will grow in importance:

- a. Design & Build. The industry will be expected to offer total solutions.
- b. Buildable Designs. The industry is expected to offer designs that are replicable, environmentally sustainable and aesthetically pleasing.
- c. Industrialisation. The industry will be expected to adopt certain processes developed by manufacturers such as flow or batch processing and just-in-time inventory management. Examples include pre-casting of select concrete structures.
- d. Innovation. The industry is expected to adopt new processes at a faster pace.
- e. Resource Management. Such management encompasses many areas including backward vertical integration into pre-casting and quarrying.
- f. Health & Safety. The industry needs to further reduce the incidence of accidents and deaths at construction sites.

The Group currently has in place or is taking steps to put in place, systems, processes and equipment that address these issues.

The rise in regulatory requirements and the importance of value adding may also lead to further industry consolidation by way of mergers and acquisitions.

The External Environment

The recent issues with Malaysia over the proposed reclamation around Pulau Tekong and Pulau Ubin in the Straits of Johor and the difficulties of sourcing sand from Indonesia have highlighted the small size of Singapore and thus the importance of the external and diplomatic environment.

It is notable that even in such instances the industry can and has a valuable role to play. In the case of Malaysia, the industry in partnership with the Singapore Government has embarked on a series of environmental impact studies and reviews of designs that could mitigate damage caused by construction work. In the case of Indonesia, the Singapore Government is seeking commercial solutions instead of increased Government-to-Government sand and stone quota access. That is to say, to allow private contractors to negotiate for the raw materials thereby bypassing the need for Government intervention.

3. THE GROUP'S BUSINESS AND FINANCIAL POSITION

3.1 History & Group Structure

(Family and surnames have been underlined)

The Company's primary operating subsidiary, Koon, was started as a sole proprietorship by the late Mr. Aw Joo Kim in 1975. That sole proprietorship transported stone and rock. Mr. Oh Koon Sun, the son of Mr. Aw Joo Kim and an Executive Director of the Company, was the first employee of Koon.

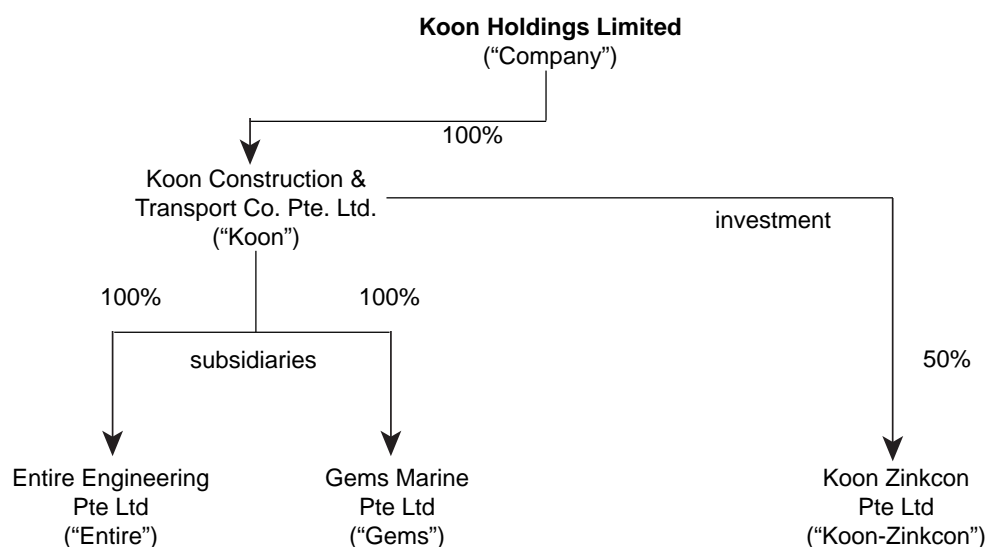
In 1977, the construction part of the business was added to the transportation business of Koon when Mr. Chua Liong King (the Managing Director), Mr. Oh Keng Lim (the Chairman) and Mr. Aw Kim Cheong (deceased) joined Koon. The sole proprietorship was changed into a partnership of 3 groups reflecting the then business relationships of the parties. The 3 groups were:

1. Mr. Aw Joo Kim (deceased), Mr. Oh Keng Lim (brother of Joo Kim) and Mr. Oh Koon Sun (son of Joo Kim);
2. Mr. Chua Liong King; and
3. Mr. Aw Kim Cheong (deceased).

The 3 groups had worked in civil engineering, transportation or related industries. The 3 groups felt that by combining their strengths they could achieve synergies that would allow them to compete more effectively.

The partnership was successful and grew rapidly. It was decided that to grow further, a limited liability company needed to be formed and new equity capital injected. Koon was incorporated in Singapore in 1979 and Commercial Credit Pte Ltd subscribed for a 45% stake. The stake initially owned by Commercial Credit Pte Ltd has since been disbursed to the Ong and Kua families, which owned Commercial Credit Pte Ltd, and the 45% stake has been diluted through new issues, rights issues and other issues of Koon's shares.

Post-incorporation, Koon focused on becoming a specialist sub-contractor. It did so by developing close relations with international main contractors and by acquiring and/or investing in significant technical expertise. One such investment was the signing of a joint venture in 1985 with Zinkcon International BV of Holland. Zinkcon International BV was and is well known for its engineering skill in shore protection work. Zinkcon International BV's parent, Royal Boskalis Westminster nv ("Boskalis"), is a major international dredging and offshore engineer. The joint venture with Zinkcon and the subsequent relationship with Boskalis have been very successful. As a result Koon-Zinkcon Pte Ltd ("Koon-Zinkcon") was incorporated in 1997 as a private limited company. Koon-Zinkcon specialises, and is exclusively involved, in shore protection work. Shore protection work includes sand trimming, the laying of protective cloth over the new shoreline and the use of stone & rock to secure this protective cloth. Shore protection work is carried out for the purpose of securing and protecting the new shoreline & the new reclaimed land from erosion by the sea. For further details, please see the Diagram outlining a typical reclamation project under Section 2.1.





Whilst Koon owns 50% of Koon-Zinkcon, Koon-Zinkcon is managed by Boskalis and Koon's primary responsibility is in the accessing of work and the highlighting of opportunities for Koon-Zinkcon. As a result, Koon-Zinkcon is treated as an investment in the accounts of the Group and is not consolidated or equity accounted. Koon-Zinkcon, through dividends and other distributions, contributes significantly to Koon's net profit after tax.

Details on Entire can be found in Section 3.3. Details on Gems can be found on Section 3.4.

Koon has grown very significantly since 1977 and today operates as a main contractor on many of its own projects. On very significant reclamation projects, Koon now typically acts as a joint tenderer or as the principal sub-contractor. Koon currently only operates in Singapore

In connection with the Offer, a restructuring exercise, pursuant to which the Company became the holding company of the Group, was undertaken on 10 April 2003. The restructuring exercise involved the sale by the Existing Shareholders listed in Section 7.2 of an aggregate of 16,006,400 ordinary shares of S\$1.00 each in the capital of Koon, representing the entire issued and paid up share capital of Koon, to the Company for 60,000,000 new ordinary shares at S\$0.05 each of the Company. The transaction maintained the shareholding of the Existing Shareholders as listed under Section 7.2 and does not in itself create goodwill in the accounts of the Company.

3.2 Civil Engineering, Reclamation and Shore Protection

The Company is solely focused on civil engineering and civil works. Koon and Koon-Zinkcon further specialise in the sub-civil engineering category of reclamation and shore protection work, respectively. Koon and Koon-Zinkcon's total Revenue, for the 3 years (1999 to 2001 inclusive), can be broken down as follows:

- a. 69% reclamation and shore protection;
- b. 18% water & sewerage treatment and power stations;
- c. 13% roads, rail, bridges, piling and other civil engineering work.

Reclamation & shore protection: The work that Koon and Koon-Zinkcon have been involved with includes reclamation of land for industry (Jurong Island), commerce & office (Tanjung Rhu and Marina Bay), leisure (Sentosa and Southern Islands), mass residential (Punggol and Coney Island) and others (Changi).

Water & sewerage treatment and power stations: These include the construction of water treatment plants, water collection systems, sewerage treatment facilities, power stations, sub-stations, power distribution cables and other related projects. Recent significant projects over the last 3 years include Tuas, Seletar and Woodlands.

Roads, rail, bridges, piling and other civil engineering work: These include the construction of roads, bridges, flyovers, port and wharf facilities, extensions to the public underground and other related projects. Recent significant projects over the last 3 years include the Jurong Island Link Road and parts of the Mass Rapid Transit system. Other civil engineering work includes infrastructure for major public buildings such as Singapore's sports and recreation Indoor Stadium. This work tends to be patchy mainly due to capacity constraints. Koon tends to bid for such projects only when it has surplus capacity. This is because such work does not utilise the infrastructure of Koon and thus can result in lower margins as Koon has to buy in more services.

Projects of the Group over the last 5 years, that is to say projects which are current or were completed in and since 1998, are shown below. The table shows the total value of each project. Where the Company is a sub-contractor or in a joint venture, its portion of the project is less than the total value.

Project Name	Client	Status of Koon	Period	S\$ million
Tuas Power Plant A	Tuas Power	Main Con	1995-1998	167.6
Jurong Island 1A - reclamation	JTC	JV	1995-1998	240.0
Changi East Reclamation 1B	MCIT	Sub Con	1995-1998	7.2
Jurong Island 2 - reclamation	JTC	JV	1996-1999	1,225.0
Changi East - reclamation	MCIT	JV	1996-2002	729.1
Pulau Seraya Power Station	Power Seraya	Main Con	1998-1999	7.5
Jurong Island 2B - roads, drains & soil improvement	JTC	Main Con	1998-1999	23.2
Jurong Island 3B - reclamation	JTC	JV	1998-2001	1,300.0
Pulau Ayer Merbau - bridge	Petrochemical Corp of Singapore	Main Con	1999-1999	2.7
Seraya Chemicals - access roads, carparks & other	Seraya Chemicals	Main Con	1999-1999	0.8
Tanjong Beach - design & construct, reshaping beach	SDC	Main Con	1999-2000	3.3
Pulau Seraya - reclamation	ABB & JGC jv	Main Con	1999-2000	0.7
Changi East II - civil works	Ministry of Defence	Main Con	2000-2000	3.4
Tuas Power Plant II - station works	Tuas Power	Main Con	1999-2000	18.7
Changi East - Area 'A' reclamation	MND	JV	1999-2002	103.8
Woodlands Ave. - abstraction station	PUB	Main Con	2000-2001	38.7
Woodlands Cres. - abstraction station	PUB	Main Con	2000-2001	23.8
Changi East - RC ramps, fender walls, trench covers & others	Ministry of Defence	Main Con	2000-2001	13.8
Singapore Indoor Stadium - seawall	Singapore Sports Council	Main Con	2000-2001	18.1
Jurong Island Phase 4 and Tuas View extension	JTC	JV	2000-2005	3,511.3
Changi East - piers, wharf and storage park	Ministry of Defence	Main Con	2001-2002	7.5
Jurong Island 3B2	JTC	Main Con	2001-2002	34.8
NUS Kent Ridge - upgrading of water services	NUS	Main Con	2001-2003	4.9
Pandan Bridge - Jalan Buroh	LTA	Main Con	2001-2005	24.6
Jurong Island - roads, drains, sewers & others	JTC	Main Con	2001-2002	3.7
Bedok water reclamation plant	PUB	Main Con	2002-2004	28.6
Ulu Pandan water reclamation plant	PUB	Main Con	2002-2004	23.8
Sentosa - canals & locks	Sentosa Cove	Main Con	2002-2004	41.2
Queensway Phase 1 - road extension	LTA	Main Con	2002-2005	9.5

LTA - Land Transport Authority

MCIT - Ministry of Communications & Information Technology

MND - Ministry of National Development

NUS - National University of Singapore

PUB - Public Utilities Board

SDC - Sentosa Development Corp

JV - joint venture

Main Con - main contractor

Sub Con - sub-contractor



3.3 Entire Engineering Pte Ltd

Entire is a wholly owned subsidiary of the Company. Entire's principal business is the ownership and hiring of equipment. Entire's main client is Koon and it supplies Koon with part of Koon's equipment needs. Reflecting Koon's specialty, Entire's portfolio of equipment is heavily biased towards cranes, wheel loaders and excavators. As at 31 December 2002, Entire's fixed assets displayed the following characteristics:

- 3.3.1 The aggregate purchase cost was S\$5.9 million, accumulated depreciation was S\$5.2 million and the net book value was S\$0.7 million;
- 3.3.2 The directors of Entire are of the opinion that the net book value of the fixed assets of Entire is conservative relative to both its open second hand market value and replacement cost; and
- 3.3.3 Based on purchase cost cranes, wheel loaders and excavators account for about 36%, 32% and 20% of fixed assets respectively.

Entire has made many significant acquisitions or replacements to its fixed asset portfolio over the last 3 years. The sharp decline in industry tenders awarded has resulted in surplus construction equipment and low hiring rates. However, the level of surplus construction equipment has been falling due to higher scrapping rates and with Koon's current rising level of contracts-on-hand, Entire currently has plans to acquire more cranes and excavators.

3.4 Gems Marine Pte Ltd

Gems is a wholly owned subsidiary of the Company. Gems' principal business is in the operation of specialist tugs and barges. Gems supplies Koon, Koon-Zinkcon and third parties with specialist offshore services. Gems' vessels transport equipment, raw materials and pre-cast structures. The portfolio of tugboats operated by Gems, include tugboats capable of ocean crossings (twin screw) and/or navigation in busy port areas (front pusher system). As at 31 December 2002, Gems' fixed assets displayed the following characteristics:

- 3.4.1 The aggregate purchase cost of all fixed assets was S\$10.2 million, accumulated depreciation was S\$6.5 million and the net book value was S\$3.7 million;
- 3.4.2 The directors of Gems are of the opinion that the net book value of the fixed assets of Gems is conservative relative to both their open second hand market value and replacement cost; and
- 3.4.3 Based on purchase cost, barges and tugboats account for about 68% and 30% of fixed assets respectively.

The demand for Gems' tugs and barges has been firm. Utilisation, however, is lower due to a significant increase in capacity. Gems commissioned 5 new barges in 2001 and another barge in 2002. The current dispute⁷ between the Singapore contractors and the Indonesian government over the supply of sand has also affected Gems' transportation business, though many of the barges previously deployed in the haulage of stones and sand are currently transporting equipment.

3.5 Margins, Cost and Quality Control

Tender margins, cost control, creditor defaults and quality are key drivers of the bottom line profits of civil engineering contractors in Singapore. The Group has invested heavily in tender, cost and quality controls. Koon, for instance, has an Operations Department and Management System Department that sets out, monitors and reviews cost estimation, costs incurred, the management accounts, documentation & procedures, safety standards and defects. The Management System Department is also responsible for ensuring ISO and other certifications are gained and maintained.

Virtually all major civil engineering jobs in Singapore are won through a tender process. Thus estimation and tendering are very important. Mr. Chua, the Managing Director, signs-off on all tenders personally. Mr. Chua is empowered by the Board of Directors to make certain strategic decisions such as accepting below normal margins to either prevent a competitor gaining a foothold or to cover fixed overheads. Whilst Koon endeavours never to submit a tender bid at a known loss, practical and/or strategic considerations sometimes require loss making tender bids to be made.

⁷ Please see Section 3.7 (e) for more details

Koon's gross and net profit margin has been weak due to the overall weak market conditions. For more information please see Section 3.6 "Financial and Business Performance & Track Record". The recent cost breakdown of Koon can be categorised as follows:

- a. About 70% to 75% for materials and sub-contractors;
 - b. About 9% for consumables and fees;
 - c. About 6% for labour and related costs;
 - d. About 5% for equipment excluding depreciation;
 - e. With the balance being for rent, overheads and other costs.
- Materials, the most important of which include concrete, ready mixed concrete (remicon) and reinforced bars (rebars).
 - Sub-contractors include consultants and specialist sub-contractors who are used in many specialist areas notably for mechanical & engineering work such as turbine acquisition and installation in power plants.
 - Consumables and fees include fuel, meal allowances, entertainment, design fees and certification work.
 - Labour includes full time and part time workers including foreign workers. Labour costs include all labour costs including overtime, bonuses, superannuation and any other related costs. Labour excludes labour from consultants or sub-contractors.
 - Equipment includes repairs and maintenance of own equipment only or hire of equipment. Equipment excludes equipment from consultants or sub-contractors.
 - Administration and other costs include communications, transportation, professional fees and depreciation.

The Group has an excellent track record concerning provisions for bad and doubtful debts. Unlike many contractors the Group's bad debt history is insignificant. For the 3 years (1999 to 2001), the total bad debts of the Group was less than S\$250,000 or under 1% of total Group Revenue over the same period. The bad debts primarily relate to additional costs that have been incurred and subsequently submitted as claims, but then not agreed on.

3.6 Financial and Business Performance & Track Record

Abbreviated Pro-forma Consolidated Statements of Financial Performance Based on Financial Statements for 1999 to 2001 (audited) and 2002 (unaudited*) For the year ended 31 December (S\$'000)

	Note	1999	2000	2001	2002
Revenue	a.	176,071	87,276	70,219	59,619
Gross Operating Profit	b.	5,653	3,365	(1,187)	4,904
Investment Income**	c.	-	-	11,214	4,159
Net Profit after Tax**	d.	926	(1,289)	4,792	3,508
As a percentage of Revenue					
Gross Operating Profit	b.	3.2%	3.9%	-1.7%	8.2%
Net Profit after Tax	d.	0.5%	-1.5%	6.8%	5.9%
Major Expenses					
Administrative expenses excluding depreciation and interest	e.	2,480	2,748	3,249	3,363
Depreciation	f.	2,941	2,179	1,936	2,179
Interest & Financing Cost	g.	129	31	95	179

* Refer to Para 2 of Section 3.6.

** In FY2001 due to acquisition of Tugs & Barges, provision and other developments, the tax which the Group was required to pay was lower than the tax credit arising from the dividend paid by Koon-Zinkcon. Accordingly, the excess tax credit was written back. If the tax credit had not been written back, the Net Profit after Tax would have been S\$2.05 million.

The Abbreviated Pro-forma Consolidated Statement of Financial Performance was prepared on an investment basis. That is to say, Koon-Zinkcon was treated as an investment instead of as an associate. This is because, following a new shareholder's agreement, the Company no longer exercises significant influence over Koon-Zinkcon. Further details including a reconciliation between the Abbreviated Pro-forma Consolidated Statement of Financial Performance to the Audited Consolidated Statement of Financial Performance can be found in Section 6 "Investigating Accountant's Report".



The Directors have been informed that the audit of Entire and Gems have been completed. The Directors have also been informed that the audit of the operations of Koon have been completed. Koon and the Company's audit is not complete as the Group is currently awaiting the audited accounts for Koon-Zinkcon. Koon-Zinkcon's audit is undertaken by PricewaterhouseCoopers (PwC), who were appointed by, and who liaises with, Boskalis. Upon receipt of the audited accounts of Koon-Zinkcon, the Group will be able to present audited consolidated statements for FY2002. Completion of the FY2002 audit will occur prior to the Shares being quoted on the ASX.

Notes

- a. Revenue has been declining due to the general decline in building and construction work in Singapore. For the Group, this decline appears to have been arrested as evidenced by rising Contracts-on-Hand shown in Section 3.7. Barring any unforeseen circumstances, the Directors are of the opinion that a recovery in Revenue for FY2003 can be expected.
- b. The pricing of the Woodlands Avenue 12 and Woodlands Crescent water sewerage projects significantly impacted Gross Profits and Gross Profit Margins. The total losses arising from the project were some S\$4.1 million of which S\$1.1 million was booked in FY2001 and the remaining S\$3.0 million was booked in FY2002. To the best of the Directors' knowledge, there are no other pricing issues which would materially impact on any current contracts.
- c. Net Profit in FY2001 rose significantly due to a larger than anticipated distribution from the Group's investment in Koon-Zinkcon. Koon-Zinkcon's distributions are uneven and likely to remain uneven as the distributions are subject to the timing of projects, working capital requirements, cashflow requirements and tax planning.
- d. Net Profit after Tax has been and is likely to remain volatile reflecting the volatile times that Singapore and the Asia-Pacific economies have been experiencing and the tender price shortfall of the Woodlands Avenue 12 and Woodlands Crescent jobs.
- e. Administrative Expenses excluding depreciation and interest have been rising primarily due to labour related costs.
- f. In FY2001, depreciation fell due to two developments: 1) a significant sale of equipment and vessels; and 2) the five new vessels acquired only came onto the books towards the end of FY2001 and the depreciation arising from this acquisition only impacted FY2001 for several months. Depreciation in FY2002 rose sharply due to a full year provision for the 5 new vessels as well as for the new Group headquarters.
- g. Interest and financing costs remain modest. Interest and financing costs comprise: 1) charges for Letters of Credit and Bank Guarantees required by some clients on select projects; 2) interest arising from project overdrafts; 3) finance leasing charges on leased equipment; and 4) interest on a new mortgage which the Group took out to finance the construction of the new Group headquarters.

3.7 Contracts-on-Hand and Prospects

The contracts-on-hand at the time of the lodgement of this Prospectus were in excess of S\$250 million. The sum is for the portion of works to be executed by the Group only (that is to say those portions of the work that are to be executed by joint venture and other partners have been excluded). Of these contracts-on-hand, S\$110 million were won in FY2002. Select details of the contracts-on-hand are summarised below.

Contracts-on-Hand	Contract Sum	Booked*	Likely to be booked in	
			FY2003	FY2004 and beyond
Project				
Jurong Island Phase 4	100.00	6.00	20.00	74.00
Sentosa	41.20	1.70	33.00	6.50
Bedok WRP	28.60	3.00	17.00	8.60
Pandan Bridge	24.57	5.20	12.00	7.37
Ulu Pandan WRP	23.78	3.00	14.00	6.78
Queensway Phase 1	9.48	-	3.80	5.68
Pulau Damar Laut	7.13	-	7.13	-
NUS	4.88	3.23	1.65	-
New	8.80			8.80
Additional works from existing projects	1.88			1.88
	250.32	22.13	108.58	119.61

* Booked means contract work which has been completed and been accounted for in the financial statements of the Company prior to FY2003.

Koon is in the process of preparing 3 tenders as at the date of lodgment of this Prospectus. Due to the sensitivity of the tender process in Singapore, details cannot be disclosed. The business being tendered for totals in excess of S\$60 million. The work that has been tendered for is in line with the portfolio of work discussed and disclosed in this Prospectus.

Given the volatility of the market and the historic volatility of Koon's earnings, the Directors are of the opinion that to provide a single number forecast for FY2003 could be difficult and misleading. Accordingly, no single number forecast of Net Profits has been provided. The Directors are, however, pleased to state the following:

- a. Revenue since FY1999 has been in decline due to weak market conditions. However, the Directors are of the opinion that this downward trend may have bottomed and Revenue in FY2003 will likely be higher. The Directors are expecting Revenue to be in excess of S\$100 million barring any unexpected delays on projects (please see point 'e' of this Section). The anticipated upward reversal of trend is due to:
 - More public and infrastructure work from the Singapore Government. In the FY2003 Budget, the Singapore Government stated that it intended to increase development expenditure in the fiscal year 2003/2004 by some 22% to S\$9.6 billion. Ministries that are important to the Group saw the following Budget allocations and year-on-year allocation change: National Development S\$2.5 billion (+70%), Environment S\$1.5 billion (+22%), Transportation S\$1.5 billion (-7%) and Trade & Industry S\$2 billion (+24%);
 - An apparent consolidation in the construction industry - Several major local and regional (notably North Asian) competitors do not appear to be tendering as aggressively as in the past; and
 - The timing of the Company's reclamation work - as explained in an earlier section, reclamation work primarily consists of dredging, the building of a stone sea wall, back filling the area with sand, compaction and shore protection. Given the Company's specialization, the main portion of the Company's work occurs later in a reclamation project. There is no known seasonality effect. This can be seen in the table "Contracts-on-Hand" above. In both reclamation projects, namely Jurong Island and Sentosa, the amount booked in FY2002 and earlier has been modest.
- b. Gross Operating Profits, between FY1999 and FY2000, have also been in decline paralleling the decline in Revenue. However, the Directors are of the opinion that this downward trend may have bottomed and that Gross Operating Profit for FY2003 will likely be higher. The upward reversal in trend is due to:
 - expected higher Revenue;
 - maintained or better margins; and
 - the absence of losses arising from the Woodlands project.
- c. Administrative expenses excluding depreciation and interest is expected to remain steady. The weak Singapore economy and generally weak employment market has meant that there is little or no upward pressure on wages and related costs. Wages and related cost represent one of the largest components of Administrative expenses. Depreciation rose sharply in FY2002 due to a full years impact of the 4 vessels acquired by Gems in FY2001 and a full year's impact from the new headquarters of the Company. Interest expense is expected to rise modestly on the back of increased Revenue. This is because some new clients will require a performance bond or a banker's guarantee.
- d. Investment Income arises primarily from distributions from Koon-Zinkcon. Despite owning 50% of this investment, the Company has no significant influence over its operations, business policies, preparation of its financial accounts or in the determination of the type and level of distributions. The distributions in the past have varied significantly. In FY2000, FY2001 and FY2002, Koon-Zinkcon distributed, after adjustment for tax, dividends amounting to nothing, S\$8.5 million and S\$4 million, respectively.
- e. Net Profit has been volatile due to Koon-Zinkcon's dividend distributions.

Koon-Zinkcon recently won a significant project, Jurong 4. This project which Koon-Zinkcon partly tendered under Koon and partly tendered under a joint venture with Dredging International, a significant international contractor, is worth some S\$200 million. The project is expected to yield significant dividends to the Company over the next 3 years. However, there is currently a disagreement between the Singapore contractors who extract sand and the Indonesian Government over quotas and the price for sand extracted. Consequently, there is very little sand available. Whilst this will not impact Koon-Zinkcon directly, delays by other contractors on Jurong 4 may result in delays for Koon-Zinkcon. This in turn could delay Koon-Zinkcon's ability to recognise anticipated revenues and profits from Jurong 4. In such an event, the Company can expect a significant reduction in distributions from Koon-Zinkcon in FY2003.

Consequently, whilst the Directors are of the opinion that Revenue and Gross Profit will be better than that of FY2002, the Directors are unable to forecast the FY2003 Net Profit, inclusive of any dividend from Koon-Zinkcon, accurately.



3.8 Basis of Forward Statements

The forward statements contained in Section 3.7 were based on internal budgets. The Company made certain assumptions when preparing the budgets. These include specific assumptions and general assumptions. The more significant specific assumptions made by the Company include:

1. The Company's outstanding contracts are shown in Section 3.7. These outstanding contracts represent projects under contractual commitment. It is assumed that none of the clients who have so contracted the Company will withdraw the contract or become financially incapacitated or act in any other way which prevents the outstanding contracts from being completed or completed on time and in budget.
2. No significant delays in the commencement of the outstanding contracts and their completion on time and in budget.
3. No problems with sub-contractors which could affect outstanding contracts and their completion on time and in budget.

3.9 Financial Position

**Abbreviated Pro-forma Consolidated Statement of Assets & Liabilities
Based on Financial Statements for 1999 to 2001 (audited) and 2002 (unaudited*)
As at 31 December (S\$'000)**

	Note	1999	2000	2001	2002
Current Assets	a	36,903	34,405	24,695	26,800
Non-Current Assets	b	6,214	4,565	6,932	8,636
Total Assets		43,117	38,970	31,627	35,436
Current Liabilities	c	32,485	30,486	16,921	16,464
Non-Current Liabilities	d	469	162	1,592	2,350
Total Liabilities		32,954	30,648	18,513	18,814
Shareholder's Funds		10,613	8,321	13,114	16,622
Total Liabilities and Shareholder's Funds		43,117	38,969	31,627	35,436
Current Assets to Current Liabilities		114%	113%	146%	163%
Total Debt to Total Assets		1.7%	0.9%	8.6%	10.5%
Net Cash to Shareholder's Funds		55%	134%	43%	40%
Total Debt (loans and finance leases)		717	362	2,721	3,706
Net Cash (total cash less total debt)		5,585	11,120	5,614	6,646
Gross Profit on Total Assets		13.1%	8.6%	-3.8%	13.8%
Net Profit on Shareholder's Funds		9.1%	-15.5%	36.5%	21.1%

* Refer to Para 2 of Section 3.6.1

The Abbreviated Pro-forma Consolidated Statement of Assets & Liabilities has been prepared on the assumption that the investment in Koon-Zinkcon is carried at S\$500,000 being the original purchase cost with dividends received recognised as income to the Company. This information is presented for historical reference purposes only. It should be noted that the carrying value of the investment in Koon-Zinkcon is accounted for on an equity accounting basis in the audited financial statements of the Company. The assets and liabilities disclosed above are not intended to represent the carrying values of the consolidated assets and liabilities of the Company at 31 December 2002, or at any time thereafter. When the Company cease accounting for Koon-Zinkcon on an equity accounting basis, the Singapore Statement of Accounting Standards will require the Company to adopt the equity accounted carrying amount of the investment in Koon-Zinkcon as the cost of that investment at the date it ceases to be equity accounted.

Further details including a reconciliation between the Abbreviated Proforma Consolidated Statement of Assets & Liabilities to the Audited Consolidated Statement of Financial Position for the years 1999, 2000 and 2001 can be found in Section 6 "Investigation Accountant's Report".

- a. Current Assets primarily comprise of Trade Receivables, Contract work-in-progress and Cash & Bank. As noted under Section 3.5, the Company has an excellent track record with regard to collecting its Trade Receivables. Contract work-in-progress is shown at cost. Any losses arising from the contracts will have been taken to the Income Statement.

- b. Non-Current Assets primarily comprise of the Company's investment in Koon-Zinkcon and Property, Plant and Equipment. In FY2002, the Company completed a new headquarters at its existing site in Pandan Road, Jurong. The cost of construction was about S\$3.2 million. The Company occupies the first floor and uses the ground floor for entertainment, presentations and large functions. The remaining two floors are occupied by the Boskalis Group. In FY2001, the Company made a significant investment in Plant and Equipment. Through Gems, the Company acquired 4 twin-screw⁸ tug barges to enhance its fleet and its strategic position.
- c. Current Liabilities primarily comprise Trade and Other Payables and the Current portion of the Long Term Loan. Please see 3.8(d) below for more information on the loan.
- d. Non-Current Liabilities primarily comprise a Long Term loan:
- Lending bank: Oversea-Chinese Banking Corporation Ltd ("OCBC")
 - Purpose: for the construction of the new Headquarters
 - Term: 5 years to 29 August 2007
 - Principal: S\$1.8 million of which the principal of S\$1.8 million was outstanding as at 31 December 2002
 - Annual interest payable: interest rate of the term loan is to be computed at the Bank's Prime Lending Rate and shall accrue from day-to-day and calculated on the actual number of days elapsed based on 365 days a year
 - Security: The loan is secured over the building
- e. Due to the volatility of the industry, the Company generally maintains a high level of liquidity. Please see notes on the net indebtedness of the Company below.

Net Indebtedness of the Company Based on Financial Statements for 1999 to 2001 (audited) and 2002 (unaudited*) As at 31 December (S\$'000)					
	Note	1999	2000	2001	2002
Current Portion of					
Long term debt		0	0	901	1,319
Obligations under finance leases	f	355	200	228	226
Total Current Debt		355	200	1,129	1,545
Non-Current Portion of					
Long term debt	g	0	0	1,464	1,825
Obligations under finance leases		362	162	128	336
Total non-current debt		362	162	1,592	2,161
Total Debt		717	362	2,721	3,706
Cash & bank balance		7,393	12,035	8,335	8,094
Dividends receivable	h	0	0	0	2,258
Dividends payable		(1,091)	(553)	0	0
Total Cash adjusted for dividends receivable/payable**		6,302	11,482	8,335	10,352
Net Cash/(debt)		5,585	11,120	5,614	6,646
* Refer to Para 2 of Section 3.6.					
** Dividends receivable/payable means dividends before tax receivable less dividends before tax declared by the Company.					

- f. Finance leases are largely taken out for operational and/or tax planning reasons. These have not been and are unlikely to be significant.
- g. The long term loan was originally taken out against the 4 vessels acquired by Gems. In FY2002 this was converted into a secured loan over the new headquarters of the Company, with OCBC. Details of the loan are described in Section 3.8(d) above.

⁸ Meaning that each barge has two propellers or 'screws' suitable for select ocean voyages.



- h. This represents the outstanding portion of the dividend payable by Koon-Zinkcon. In prior years Koon-Zinkcon made advances in the form of inter-company loans. These inter-company loans were offset against all or part of future dividends then declared.
- i. As noted above, due to the volatility of the industry, the Company generally maintains a high level of liquidity. At 31 December 2002, the Company had cash of some S\$8.1 million. At 31 December 2002, the Company had short and long term debt of some S\$3.7 million. Accordingly, the Company had net cash, adjusted for dividends receivable less dividends payable, of some S\$6.6 million.

The Directors are of the opinion that barring any unforeseen circumstances or major acquisition, the Company will likely maintain a net cash position.

3.10 Future Developments and Possible Acquisitions

Koon's construction capacity is presently well utilised. Any significant new contracts will require the hiring of new staff, the acquisition of more equipment and the greater use of sub-contractors. Koon has been advertising for more staff. The advertisements have attracted significant responses.

Through Entire, the Company is committed to acquiring select equipment to supplement existing equipment. Entire is not expected to make major purchases until equipment hire rates rise significantly from current levels.

The Company has signed a Memorandum of Understanding with PT Citra Tunggal Hokindo ("Hokindo") over the possible acquisition or investment in an aggregate and stone quarry in Karimun, Indonesia. Significant details of this Memorandum of Understanding and other understandings and of the acquisition target is as follows:

3.10.1 Consideration: S\$2,400,000.

3.10.2 Ownership: Upon the issue of new shares in Hokindo, the Company will own 40% of Hokindo and will appoint Directors onto both the management and Supervisory Board of Hokindo.

3.10.3 Other Understandings: The management of Hokindo will remain and operate the company. The vendors will also provide a production guarantee of 50,000/metric tonnes per annum of armour rock.

3.10.4 Activities of Acquiree: Two principal streams of income. The traditional production of piles for local Indonesian housing and Government projects. The newer production of armour rock and aggregates.

3.10.5 Reasons for Acquisition:

- a. The Group uses a significant amount of armour rock and some aggregates. Significant ownership of a quarry thus provides insurance in the event of disruptions in market supply;
- b. The rock quality and the large variety of sizes (5kg to 120 kg) matches Group requirements;
- c. Hokindo has its own industrial jetty which allows for more economic shipment sizes;
- d. Hokindo has a long term contract for 30,000/metric tonnes of armour rock for the Power Gas Project in Indonesia. One of the international partners on this project is Boskalis (part of Boskalis-Idros J.O.).

3.11 Comparative Advantages

The Directors are of the belief that the Group's principal comparative advantages are as follows:

- a. Koon's strong track record and A1 rating in Singapore. The Directors are of the opinion that this has resulted in a good name and reputation amongst potential clients. This in turn means that many major international contractors, when seeking a partner for a bid, seek out Koon.
- b. Its niche focus. The niche focus has allowed the Group to build up considerable expertise and to be very cost efficient in reclamation and shore protection work. This in turn makes it difficult for other specialist contractors to make reclamation their specialty. These high entry barriers generally allow margins to be maintained.

- c. Market demand. The niche that the Group specialises in has a high level of growth visibility given disclosed Singapore Government plans and proposals. The demand for more land in Singapore is being driven by population growth, changing industry demand and affluence.
- d. Blue chip client base. This is financially important as it means very low levels of bad debts.
- e. Good workload. Contracts-on-hand at the time of the lodgement of this Prospectus totalled some S\$250 million. This means for the rest of FY2003, the Group has a near full workload. Given this, the Group is currently being selective about projects it is tendering for.
- f. Strong financial position. The Group has only one loan outstanding. Excluding the monies to be raised under this Offer, the Group is net cash positive an uncommon phenomenon amongst Singapore's listed contractors. This allows the Company to bid for projects and to make acquisitions, when the right acquisition emerges.
- g. Strong internal systems. Koon enjoys several international accreditations including ISO 9001, 14001 and 18001, descriptions of which are summarised below.

Select summary of the International accreditations which Koon has gained and which Koon has to maintain to retain its A1 rating from the BCA.

The ISO certification is a system of certifications created, maintained and managed by the International Organisation for Standardisation. The 9000 and 14000 certification series allows clients or potential clients from different countries, industrial backgrounds and requirements to ascertain the minimum level which a company has achieved in a particular activity or field of endeavour.

ISO 9001:2000

ISO 9000 is a series of internationally accepted standards on quality management. It provides a framework for the development of a quality management system and a supporting audit program. The 5 major issues addressed by the 9000 framework include supply & resource management, process management, quality control systems, management responsibility and measurement, monitoring, analysis and improvement.

ISO 9001:2000 is the corner stone standard of the ISO 9000 series. It specifies a framework of control for a Quality Management System against which an organisation can be certified by a third party.

ISO 14001

ISO 14000 is a series of internationally accepted standards on environmental management. It provides a framework for the development of an environmental management system and a supporting audit program. Some of the issues within this framework include environmental impact and measurements thereof, life cycle issues, sustainability, labelling and monitoring of performance. The main thrust for the development of the 14000 series came as a result of the Rio Summit on the world environment held in 1992.

ISO 14001 is the corner stone standard of the ISO 14000 series. It specifies a framework of control for an Environmental Management System against which an organisation can be certified by a third party.

OHSAS 18001:1999

The ISO has also issued an Occupational Health & Safety Assessment Series (OHSAS). The specifications were, however, created by a number of the world's leading national standards boards and labour related organisations.

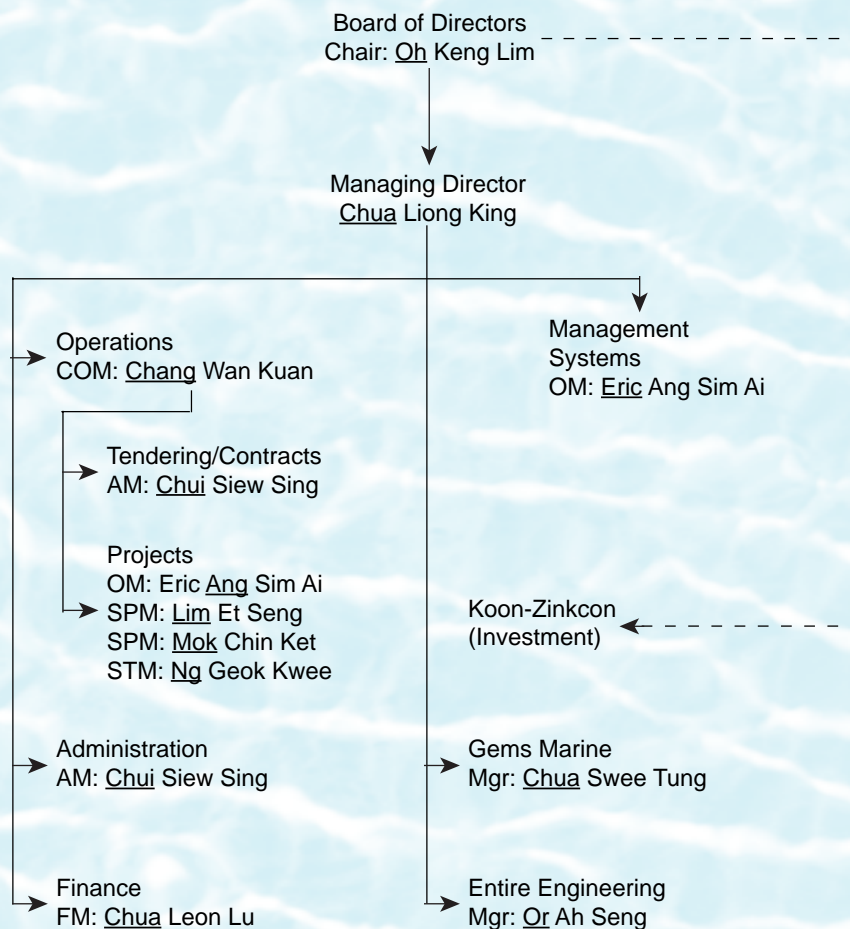
OHSAS 18001 is a series of internationally accepted standards on occupational health & safety ("oh&s"). It provides a framework for the development of a quality oh&s system, and a supporting audit program, in the workplace. The major issues addressed by OHSAS include identifying oh&s risk, setting oh&s standards, monitoring and implementing the oh&s standards, proof of conformity with the oh&s standards and analysis and improvement of oh&s standards.

OHSAS 18001 is intended to be incorporated into any oh&s management system. OHSAS also includes 18001, specification requirements & 18002 and implementation guidelines. OHSAS 18001 creates a recognizable Occupational Health and Safety System against which an organisation can be certified by a third party.



4. DIRECTORS, SENIOR MANAGEMENT AND RELATED MATTERS

4.1 Management Structure



4.2 Board of Directors



Executive Directors: Left to right: Chua Liong King, Oh Koon Sun, Oh Keng Lim (Chairman)



Mr. Oh Keng Lim, Chairman. Chairman of the Compensation Committee. Age: 65

Keng Lim joined the predecessor to Koon in 1976, when the sole proprietorship was preparing for, and just prior to, its conversion into a private partnership in 1977. Before this Keng Lim was involved in several small trading ventures. Due to his father's early death, Keng Lim was forced to leave school to help supplement the family income. Over the last 27 years, Keng Lim has been involved in the project accounting, administration and risk controls of the Company. He has since devolved many of his day-to-day duties and now primarily serves in a supervisory and oversight capacity. He is the main contact person for, and oversees the Company's interest in, Entire and Gems. Keng Lim remains very familiar with all aspects of the Company's business, particularly with the Company's many suppliers.



Chua Liong King, Managing and Executive Director. Member of the Nomination Committee. Age: 55

Liong King joined the predecessor to Koon in 1977 to augment the then transportation business with civil engineering expertise. Liong King was the Managing Partner in 1977-1979 whilst it was a partnership and became the Managing Director when the partnership was incorporated into a limited liability company. Over the last 26 years, Liong King has guided and directed the Company's growth from a small generalist sub-contractor to one of Singapore's leading specialist contractors. Liong King is self-taught. He did not have an opportunity to continue his formal education after completing his pre-University Higher School Certificate. In 1969, Liong King started work as a foreman at Swee Construction Pte Ltd but rose rapidly and held the position of manager just prior to his departure from Swee. Liong King's primary role is: to source contacts; to maintain and keep up the Company's relationships with international contractors; to maintain and keep up the Company's relationship with Government; to oversee the winning of tenders & profitability of projects; and to further develop the Company.



Oh Koon Sun, Executive Director. Member of the Compensation and Nominating Committees. Age: 56

Koon Sun 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. Koon Sun was the site manager and in charge of that sole proprietorship's first job, namely as a sub-contractor for Obayashi on the East Coast V reclamation. Prior to founding the sole proprietorship, Koon Sun helped his parents in their respective trading businesses. Due to their modest background, Koon Sun started work early having left school after completing his secondary two (grade 8), only. As a result of his extensive hands-on experience in trading and deep familiarity of local business, Koon Sun principal's task at the Company is the negotiation of quantity, quality and price of stone, rock, equipment, tug & barges, with select sub-contractors and for the sourcing of consumables. Koon Sun is also the main contact point for Koon-Zinkcon.



Christopher Chong Meng Tak, Non-Executive and Independent Director. Chairman of the Audit Committee and a member of the Compensation and Nominating Committees. Age 44

Christopher is a partner of ACH Investments Pte Ltd., a specialist corporate advisory firm in Singapore and is an Associate of Shadforth's Limited, a leading brokerage and financial planner in Tasmania, Australia. Prior to co-founding ACH Investments Pte Ltd, Christopher was a multi-award winning analyst and the Managing Director of HSBC James Capel Securities (Singapore) Pte Ltd (now known as HSBC Securities (Singapore) Pte Ltd), a member of the HongkongBank Group of companies. In addition, Christopher is a Director of several public companies listed on the Singapore and Luxembourg Stock Exchanges. Christopher is also a Director and/or advisor to many private companies, to many Asian families and the judicial branch of the Singapore Government. Christopher has previously advised parts of other Governments including the PRC, Hong Kong SAR and Indonesia. Christopher has a BSc. (Econs), an MBA, is a member of the Institute of Chartered Accountants of Scotland, a Fellow of the Hong Kong Society of Accountants, a Fellow of the Australian Institute of Company Directors and holds investment advisory licenses or the equivalent for Australia, Hong Kong and Singapore.



Glenda Mary Sorrell-Saunders (also known as Glenda Sorrell), Non-Executive and Independent Director. Member of the Audit, Compensation and Nominating Committees. Age 46



Glenda is the Managing Director of Matrix Management Pty Ltd, a Project Management and Quantity Surveying firm with operations in Victoria and Tasmania. Matrix Management was a nominee for the Tasmanian 2002 Project Manager of the Year award for its work for the University of Tasmania. Prior to co-founding Matrix Management, Glenda worked as a Director, or in an equivalent position, with Rawlinson (Aust) Pty. Ltd. and with Schloss Ferrer (SA). Glenda started her professional life with Farrow Laing (SA). Glenda has considerable experience in major industrial and civil projects including: infrastructure work for Australia Post and Telstra; Sasol's oil from coal project; steel-processing plants; and on coal, diamond & gold mines. Glenda has a BSc. (QS) from the University of Witwatersrand, SA and is the Tasmanian Division Councillor of the Property Council of Australia. She is a member of the Australian Institute of Quantity Surveyors, a Registered QS (SA Council for Quantity Surveyors) and a member of MAQS (South African Association of Quantity Surveyors).

Dr Wang Kai Yuen, Non-Executive and Independent Director. Chairman of the Nominating Committee and member of the Audit and Compensation Committees. Age 56



Dr. Wang Kai Yuen is a distinguished parliamentarian. He has been the Member of Parliament for the Bukit Timah constituency since 1984 and is currently the Chairman of the Government Parliamentary Committee for Education. He is also the Chairman, Feedback Unit Supervisory Panel. Outside of Parliament, Dr. Wang is the Managing Director of the Xerox Singapore Software Centre, a technology and software house. Dr. Wang has had significant involvement in electronics and technology for many years. Dr. Wang won a Merit Scholarship to NUS to study and complete his B. Engineering in Electrical and Electronic Engineering and a Ford Foundation Scholarship to Stanford University where he received a MSc in Industrial Engineering, a MSc. in Electrical Engineering and a PhD in Systems Engineering. Dr. Wang serves on many Boards and Committees including Nanyang Polytechnic, the Singapore Trust Council as well as several publicly listed companies, such as the Comfort Delgro Group, and private companies. Dr. Wang was previously a Director of POSB Bank. Dr. Wang has been recognised for his work in Singapore. Dr. Wang is a recipient of the prestigious "Friends of Labour" Award.

4.3 Management Team

The management team is headed by the Managing Director, Chua Liong King. The Board of Directors have delegated to Liong King and the management team day-to-day responsibility for the Company. Brief details of the senior managers of the Company follows:



Standing from left to right: Lim Et Seng, Chua Leon Lu, Ng Geok Kwee, Mok Chin Ket, Chui Siew Sing
Seated from left to right: Eric Ang Sim Ai, Chang Wan Kuan

Chang Wan Kuan (also known as Tjian Foem Koei), Chief Operations Manager. Age: 71

Chang joined the Company in 1986 having previously worked as the Senior Director (Civil Engineering) for the Jurong Town Corporation, a significant corporation set-up and owned by the Singapore Government to develop industrial, commercial, technology and business parks. Chang was with the JTC for some 20 years during which time he oversaw some of Singapore's largest industrial developments and reclamations. Chang's principal role in the Company today is advisory and supervisory. His main role is as a consultant to the tendering process, to monitor project progress and to chair the budget review committee. Chang also oversees the maintenance of the ISO certification which includes ensuring that the Company passes six monthly operational audits. Chang has a B.E. in Civil Engineering from the University of Sydney, is a certified Professional Engineer in Singapore and is a Member of both the Institute of Civil Engineers, London (MICE) and the Institution of Engineers, Singapore (MIES).

Eric Ang Sim Ai, Operations Manager. Age: 47

Eric joined Koon in 1980. Koon was and is his first and only employer to date. Eric is an Operations Manager and the Head of the Integrated Management Systems Department. As Operations Manager, Eric assists Chang, the Chief Operations Manager, to run, operate and oversee the projects of the Company. Eric also has line responsibilities for 3 projects. As Head of the Integrated Management Systems Department, Eric strategizes and supervises the implementation of management and operational systems. These include the incorporation and/or adoption into the day-to-day operations of new technologies, new health & safety processes and new environmental standards. The Integrated Management Systems Department is also charged with ensuring that the Company meets all new and/or required certification standards such as new ISO certification standards. Eric has a Dip. CE (Civil Engineering) from the Singapore Polytechnic, a Dip. IM (Industrial Management) from Ngee Ann Polytechnic and a B.Bus (Business Administration) from RMIT (Aust.). Eric also has a Post-graduate Dip. in CM (Construction Management) and a MSc. in International Construction Management from Nanyang Technology University.

Lim Et Seng, Senior Project Manager. Age: 47

Et Seng joined the Company in 1980. Koon was and is his first and only employer to date. Et Seng is a Senior Project Manager. The principal duty of a Senior Project Manager is to manage and oversee the projects of the Company. This includes project management work, client liaison, coordinating and supervising sub-contractors, resolving technical and design issues, managing site staff, managing the inventory, machinery and other required resources, ensuring that the time and cost budgets are being kept to, managing cashflow, implementing the Company's management policies & systems and answering to Chang, the Chief Operations Manager. Et Seng has a Dip. CE (Civil Engineering) from the Singapore Polytechnic.

Mok Chin Ket, Senior Project Manager. Age: 51

Mok joined the Company in 1996 having previously worked as a Senior Resident Engineer with the PSA Corporation (Port of Singapore Authority), a significant corporation set-up and owned by the Singapore Government to develop, manage and own the port of Singapore. Mok joined the PSA in 1979 and was with the PSA for some 17 years during which time he was involved in and/or oversaw the massive growth of the port of Singapore into one of the world's busiest ports. Mok is a Senior Project Manager. The principal duty of a Senior Project Manager is to manage the projects of the Company. This includes project management work, client liaison, coordinating and supervising sub-contractors, resolving technical and design issues, managing site staff, managing the inventory, machine and other required resources, ensuring that the time and cost budgets are being kept to, managing cashflow, implementing the Company's management policies & systems and answering to Chang, the Chief Operations Manager. Mok has a BSc. (Hons) In Civil Engineering from Strathclyde University, Scotland, is a registered Professional Engineer in both Singapore and Malaysia and is a Member of both the Institution of Engineers, Singapore (MIES) and the Institution of Engineers, Malaysia (MIEM).



Ng Geok Kwee, Senior Technical Manager. Age: 48

Ng joined the Company in May 2002 having previously worked as a Chief Engineer with the PSA Corporation (Port of Singapore Authority), a significant corporation set-up and owned by the Singapore Government to develop, manage and own the port of Singapore. Ng joined the PSA from university and was with the PSA for some 21 years during which time he helped plan, design and oversee the massive growth of the port of Singapore into one of the world's busiest ports. Ng is the Company's Senior Technical Manager. The principal duty of a Senior Technical Manager is to provide technical assistance and oversight during the tender process, to help solve technical problems which may arise during the construction phase, to monitor and manage the technical risks of projects for management and to alert the Company to new technical and other developments. Ng has a B.E. in Civil Engineering from the University of Auckland, New Zealand, a MSc. in Construction Engineering from the National University of Singapore (NUS) and a Post-graduate Dip in Marine Civil Engineering from the University of Trondheim, Norway. Ng is also a certified Professional Engineer in Singapore.

Chui Siew Sing, Administrative Manager. Age: 36

Chui joined Koon in 1990. Koon was and is his first and only employer to date. Chui is head of the Tenders and Contract (T&C) Division as well as head of the Administration (operations) Department. As head of the T&C Division, Chui manages and oversees the Company's tender system. This includes sourcing of relevant tenders, preparing bids including pricing, identifying major risks, ensuring the orderliness of the tender submission, attending tender interviews and furnishing the required replies. Chui also engineers the procurement of major supplies and subcontracts for successful tenders. At times he also markets the Company's services to potential clients particularly those in the private sector. Trained in quantity surveying, Chui provides contractual advice to project sites and project managers. As head of the Administration Department, Chui oversees the corporate general administration which covers recruitment of staff, performance appraisal, training programs, workers affairs, insurance matters and other general affairs. The latter includes the maintenance and the continued validity of Koon's A1 rating with the BCA. Chui has a BSc. (Hons) in Building, specializing in quantity surveying from the National University of Singapore (NUS).

Chua Leon Lu, Finance Manager. Age: 58

Leon Lu joined the Company in 1990. Prior to this, Leon Lu worked for the Singapore Government in the Central Supply department undertaking many similar functions that he now performs. Leon Lu joined the civil service after completing his formal education in 1968. Leon Lu is in charge of the day-to-day running of the company's accounts, treasury and administration. His work includes supervising the preparation of financial and management information, approving treasury actions, negotiating with banks and insurance companies for performance and other bonds or Letters of Credit, undertaking special projects and reviewing & recommendation compensations & salaries to the Compensation Committee. Leon Lu gained his HSC from Chinese High.

4.4 Corporate Governance

To ensure that the Company maintains the A1 rating and to satisfy the Singapore Government and Government related clients, the Directors are of the opinion that the Company must maintain the highest levels of corporate governance. The Directors have put in place systems to monitor, supervise and to maintain management accountability to the Board. The Directors have put in place systems to monitor and judge their own activities.

These systems include the following committees whose functions and duties are as follows:

Audit Committee. Comprising Christopher Chong (Chairman), Glenda Sorrell-Saunders and Dr Wang Kai Yuen. The Audit Committee is charged with:

- a. reviewing the internal and external audit plans;
- b. reviewing the management letters from the internal and external auditors;
- c. reviewing the financial co-operation being given to the external auditors;
- d. monitoring year-to-date management accounts against the budget;
- e. reviewing, and where appropriate, approving related party transactions;

- f. reviewing, monitoring and recommending all financial announcements made to the public;
- g. monitoring the financial position of the Company; and
- h. approving the annual budget, significant capital expenditure, acquisitions, loans and other actions which could materially affect the Income and/or Financial Statement.

Compensation Committee. Comprising Oh Keng Lim (Chairman), Christopher Chong, Glenda Sorrell-Saunders, Dr Wang Kai Yuen, and Oh Koon Sun. The Compensation Committee will recommend to the Board the framework of remuneration, including benefits in kind, for the Directors, senior managers, managers and other key and significant staff. The Compensation Committee will also review proposed annual pay rises. The Compensation Committee will manage and recommend to the Board the number of options, if any, to be issued under the ESOS. For further details on the ESOS please see Section 4.5.

Nominating Committee. Comprising Dr. Wang Kai Yuen (Chairman), Christopher Chong, Glenda Sorrell-Saunders, Chua Liong King and Oh Koon Sun. The Nominating Committee will be responsible for monitoring the contribution and performance of the Directors and the Board. The Nominating Committee will be responsible for deciding how the Directors and the Board are to be evaluated and to propose objective criteria, to then be approved by the Board, which addresses how the Board will enhance long term shareholder value. The Nominating Committee will be responsible for re-nominating and/or proposing new Directors.

No Director may vote on any issue and in any forum, in which the Director has, or is deemed to have, an interest. All major and significant transactions require the approval of a majority of the non-executive Directors.

4.5 Employee Share Option Scheme

The Employee Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 16 April 2003. Under the rules of the ESOS, the Executive and Non-Executive Directors, and employees of the Company, and employees of the Associates of the Company, are eligible to participate in the ESOS.

a. Purpose of the ESOS

The purpose of the ESOS is to help attract new staff and retain existing staff and to keep salaries modest and staff turnover low. The ESOS is not for past services but for future contribution.

It is recognised that the Non-Executive Directors may also contribute significantly. Thus they may also need to be rewarded. However, to ensure that the majority of the Shares go to working staff no more than 0.5 per centum of the ESOS can be extended to any one Non-Executive Director.

b. Summary of the rules of the ESOS

Participants. (i) Executive Directors, Non-Executive Directors and employees of the Company ("Company Employees") and (ii) Executive Directors and employees of any associate company of a company over which the Company has control ("Associated Company Employees").

ESOS Administration. The Compensation Committee of the Board of Directors will administer the ESOS. The Compensation Committee will consist of a majority of Independent or Non-Executive Directors. A member of the Compensation Committee who is also a participant of the ESOS will not be involved in its deliberations in respect of options granted or to be granted to that member or to that member's associates.

ESOS Size. The aggregate number of options on any date will not exceed 15 per centum of the issued Shares of the Company on the date preceding the grant of an option.

Maximum entitlement. No participant will exceed 10 per centum of the shares available under the ESOS. The total number of Options to be granted by the Compensation Committee in any one financial year will not exceed 40 per centum of the total number of shares available under the ESOS.



Options, exercise period and exercise price. Options that are granted may be at the market price ("Market Price Options") or at a discount to the market price of a Share, provided that the shareholders of the Company in general meeting will authorise the making of offers and grants of Options under the ESOS at a discount. In the event that Options are issued at a discount, such Options may be exercised only after the 2nd anniversary from the date of grant of the Option ("Incentive Options"). Market Price Options will vest over five years from the first anniversary date from the date of the grant. Incentive Options will vest over four years after the second anniversary date from the date of the grant. All Options must be exercised prior to the sixth anniversary of the relevant offer date.

Grant of options. Under the rules of the ESOS, there are no fixed periods for the grant of options. As such, offers of the grant of options may be made at any time and from time to time at the discretion of the Compensation Committee. However, no option will be granted during the period of 30 days immediately preceding the date of announcement of the Company's interim or final results (whichever the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the third Trading Day from the date on which the aforesaid announcement is released.

Termination of options. Special provisions in the rules of the ESOS deal with the lapse or earlier exercise of options in circumstances which include the termination of the participant's employment in the Company, or associated company (as the case may be); the bankruptcy of the participant; the death of the participant; a take-over of the Company; and the winding-up of the Company.

Acceptance of options. Offers of options made to grantees, if not accepted by the grantees within 30 days from the date of the offer, will lapse. Upon acceptance of the offer, the grantee must pay the Company a consideration of S\$1.00.

Rights of Shares arising. Shares arising from the exercise of options are subject to the provisions of the Constitution of the Company. The Shares so allotted will upon issue rank pari passu in all respects with the then existing issued Shares, and will rank in full for all entitlements, including any dividend, or other distributions declared or recommended in respect of the then existing Shares, the record date ("Record Date") for which falls on or before the relevant exercise date of the option. "Record Date" means the date as at the close of business on which the shareholders must be registered in order to participate in any dividend, rights, allotments or other distributions.

Duration of the ESOS. The ESOS will continue in operation for a maximum duration of 10 years commencing on the date on which the ESOS is adopted by the Company in General Meeting, provided always that the ESOS may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in General Meeting and of any relevant authorities which may then be required.

c. Cost of the ESOS to the Company

Any options granted under the ESOS, whether such options are Market Price Options or Incentive Options, would have a fair value. The granting of options therefore is a cost to the Company. Such costs may be more significant in the case of Incentive Options, which are granted with exercise prices set at a discount to the prevailing market price of the Shares. The Australian Accounting Standards and Generally Accepted Accounting Principles in Singapore do not require companies to recognise any compensation expenses relating to share options granted. However, if such expenses are to be recognised, then the Income Statement of the Company may be adversely impacted. Such impacts will be shown in the Notes to the Accounts. In the event that either of the Accounting Standards in Australia or Generally Accepted Accounting Principles in Singapore require that the expenses be taken to the Income Statement of the Company, this treatment will be adopted forthwith.

5. RISK FACTORS

Prior to applying for the Shares, investors should consider whether an investment in the Company is suitable for them. Investors should be aware that there are risks associated with an investment in the Company, many of which are outside the control of the Company.

The main specific risk factors associated with an investment in the Company are listed below. However, the list may not be exhaustive. Other less significant or less probable factors may also impact the Income Statement or the Financial Statement or the Cashflow Statement of the Company. Should any or all of these risk factors materialise, the value of the Shares of the Company may be adversely affected. Consequently, investors should read this Prospectus in its entirety and, if necessary, consult their professional advisers prior to making an investment in the Company.

5.1 General Market Risk

The Shares will be listed on the ASX where their price may rise or fall. The profits, dividends and return on capital of the Company are not guaranteed and may rise as well as fall. The earnings profile of the Company and the construction industry has been and is likely to remain volatile. These factors could impact the price of the Shares as could external developments such as the performance of overseas stock markets, local and international economic activity, exchange and interest rates and many other macroeconomic or socio-political developments.

5.2 Foreign Currency Risk

The underlying currency in which the Company revenues and costs are denominated are Singapore dollars. The share price of the Company will be denominated in Australian dollars. Should there be a significant divergence between the Singapore dollar and the Australian dollar, the share price performance could be positively or negatively impacted by such significant divergence alone.

The Company will also be reporting in Australian dollars. A divergence between the Singapore dollar and the Australian dollar will lead to foreign exchange gains or losses in the accounts of the Company.

The exchange rate between the Singapore dollar and the Australian dollar over the last 10 years is shown below.

At the close of 4pm as at 31 December

A\$1.00 can buy in S\$		A\$1.00 can buy in S\$	
1993	1.0891	1998	1.0190
1994	1.1345	1999	1.0892
1995	1.0538	2000	0.9593
1996	1.1147	2001	0.9454
1997	1.0962	2002	0.9842
		26/03/03	1.0547

Source: Reserve Bank of Australia

5.3 Competition Risk

The Singapore construction industry is competitive. The industry, whose barriers-to-entry are relatively low, could become more competitive if there are new entrants or a further shortage of building work and/or a shortage of civil engineering work. Direct competition to the Company could also increase if more competitors meet the criteria for an A1 rating or switch specialisation towards reclamation and shore protection.

5.4 Raw Material Risk

Whilst the Company hedges its contracts by signing contracts for the delivery of raw materials at predetermined prices, the Company is unable to hedge all its raw material costs. Thus a major movement in prices of raw materials could adversely affect the earnings of the Company as could failure of a supplier, suppliers invoking force majeure clauses or inability of suppliers to supply for whatever reason.



At present, the Singaporean contractors and the new Indonesian Administration are in disagreement over the quota and price of sand sourced from the various islands of Indonesia. Since November 2002 the amount of sand extracted from Indonesia has been only a fraction of its pre-November 2002 level. Whilst the inability to source sand is unlikely to give rise to losses, it may delay Koon's or Koon-Zinkcon's work. This is because other contractors on whom Koon or Koon-Zinkcon is dependent on, may be delayed. Any delay in Koon or Koon-Zinkcon's projects could result in delays in the booking of anticipated revenues and the recognition of anticipated profits.

5.5 Sub-contractor Risk

The Company relies significantly on sub-contractors for a range of work including the supply of specialist skills, raw materials, equipment, labour and advice. Failure of a sub-contractor to meet their obligations or provision of faulty or inappropriate materials/equipment/designs/advice or inability to provide the contracted services at the right quality or price, could negatively impact the Company. This is because unless the sub-contractor was a nominated sub-contractor of the client or managing contractor, the Company would be required to complete the work without additional recompense. In such an event the Company could suffer a loss.

5.6 Design Risk

Increasingly clients are calling for design-and-build tenders. Design-and-build tender projects generally carry higher margins because they can carry higher risk. These risks include:

- 5.6.1 At the tender stage, the principal risks are: the ability of the Company to come up with a winning design; the ability to replicate a winning design process; the ability to accurately and correctly model the costs of completing designs; and the ability to identify technical risks and to compensate for them.
- 5.6.2 At the construction stage, the principal risks are: the ability to complete the job on time and within budget; the ability to take expertise and infrastructure from one project to the next thus minimising cost and risk; and the ability to execute the job above client's expectations.

5.7 Demand Risk

Reclamation and shore protection work is largely generated by the Singapore Government and related parties. If for some reason the Government decided to significantly scale back such work or to halt such work or to reverse such work, it could impact the Company's Revenue and earnings and financial state quite significantly.

5.8 Health & Safety Risk

The Company has a good health and safety record. However, civil engineering is an inherently dangerous job. The Company could face significant litigation, fines or charges in the event of a major accident.

5.9 Acquisition and Growth Risk

The Company may acquire other specialist sub-contractors (in the event that the right opportunity arises), invest in a Karimun quarry and generally expand. Such growth strategies could carry significant risks. These risks could include writing-off part or all of the investment.

5.10 Dependence on Key Personnel

The Company is very dependent on Mr. Chua Liong King and his management team. Failure to retain Mr. Chua or a significant part of his management team could adversely affect the Company.

6. INVESTIGATING ACCOUNTANT'S & TAXATION REPORT

8 May 2003

The Directors
Koon Holdings Limited
17B Pandan Road
SINGAPORE 609269

KOON HOLDINGS LIMITED - INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This report has been prepared at the request of the Directors for inclusion in a Prospectus to be dated on or around 8 May 2003 for the issue of up to 20 million Offer Shares in Koon Holdings Limited (Company).

References to the Company and the Group and other terms used in this Report have the same meaning as defined in the Prospectus.

We have been requested to prepare an Investigating Accountant's Report on historical and abbreviated proforma financial information as disclosed in Appendix A of this report, and Sections 3.6 and 3.9 of the Prospectus respectively.

Background

Koon Holdings Limited was incorporated in Singapore on 9 April 2003 as Koon Holdings Private Limited with an authorised capital of S\$50,000,000 divided into 1,000,000,000 ordinary shares of S\$0.05 each. The Company was converted into a public company on 14 April 2003 and changed its name to Koon Holdings Limited and acquired a 100% interest in Koon Construction & Transport Co. Pte. Ltd. in exchange for the issue of 60,000,000 new ordinary shares of S\$0.05 on 10 April 2003.

The Company is the holding company of a group, which includes wholly controlled entities:

- Koon Construction & Transport Co. Pte. Ltd.;
- Entire Engineering Pte Ltd; and
- Gems Marine Pte Ltd.

Additionally the group holds a 50% investment in Koon Zinkcon Pte Ltd.

Financial Information

The proforma information of the Group provided in Section 3.6 and 3.9 in the Prospectus comprises Abbreviated Proforma Statements of Financial Performance and Abbreviated Proforma Statements of Assets and Liabilities for the financial years ended 31 December 1999, 31 December 2000, 31 December 2001 and 31 December 2002 (abbreviated proforma financial information).

The Abbreviated Proforma Financial Information is an abridged version of the Company's financial information adjusted for the treatment of Koon Zinkcon Pty Ltd noted below.

In the years 1999, 2000 and 2001 Koon Zinkcon Pte Ltd was equity accounted in the group financial statements.

In the year 2002 Koon Zinkcon Pte Ltd will again be equity accounted in the group financial statements, but at the date of this report audited financial statements were not available for that company. Hence the financial statements proformas for 2002 are unaudited. However, except for the impact of Koon Zinkcon Pte Ltd, sufficient audit procedures have been performed in respect of Koon Construction & Transport Co. Pte. Ltd., Entire Engineering Pte Ltd and Gems Marine Pte Ltd as at 31 December 2002 and figures from those financial statements are included in 3.6 and 3.9 in the column described as 2002 unaudited.



The financial statements for the years ended 31 December 1999, 31 December 2000 and 31 December 2001 (as disclosed in Appendix A of this report) were audited by Deloitte & Touche (Singapore) in accordance with Singapore Standards on Auditing. These Standards require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements were free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements and assessment of the accounting principles used and significant estimates made by the Directors, as well as evaluation of the overall financial statements presentation. These procedures were undertaken to form a true and fair opinion whether the financial statements of the Company and consolidated financial statements of the Group were properly drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Statements of Accounting Standards. The audit reports were not qualified.

In our opinion the historical financial information as disclosed in Appendix A to this report has been correctly extracted from the audited financial statements for the years ended 31 December 1999, 2000 and 2001.

Proforma Adjustment - Koon Zinkcon Pte Ltd

Following a review by the shareholders of Koon Zinkcon Pte Ltd, the Company and Royal Boskalis Westminster NV the other 50% shareholder, the shareholders have entered into a new agreement recognising the Company has no significant influence over Koon Zinkcon Pte Ltd. Accordingly, it has been resolved that Koon Zinkcon Pte Ltd should be accounted for as an investment in the financial structure of Koon Holdings Limited rather than by way of equity accounted.

Accordingly, the abbreviated proforma financial information at 3.6 and 3.9 has been restated to disclose Koon Zinkcon Pte Ltd as an investment of Koon Holdings Limited, with income being on receipt of dividends rather than by way of share of income. The attached Audited Financial Statements (Appendix A) for years ended 31 December 1999, 2000 and 2001 disclose Koon Zinkcon Pte Ltd and its income on the equity basis.

The Abbreviated Pro-forma Consolidated Statement of Assets & Liabilities has been prepared on the assumption that the investment in Koon-Zinkcon is carried at S\$500,000 being the original purchase cost with dividends received recognised as income to the Company. This information is presented for historical reference purposes only. It should be noted that the carrying value of the investment in Koon-Zinkcon is accounted for on an equity accounting basis in the audited financial statements of the Company. The assets and liabilities disclosed above are not intended to represent the carrying values of the consolidated assets and liabilities of the Company at 31 December 2002, or at any time thereafter. When the Company cease accounting for Koon-Zinkcon on an equity accounting basis, the Singapore Statement of Accounting Standards will require the Company to adopt the equity accounted carrying amount of the investment in Koon-Zinkcon as the cost of that investment at the date it ceases to be equity accounted.

Review of Historical and Abbreviated Proforma Financial Information

The historical and abbreviated proforma financial information has been prepared by the Directors of the Company based on the accounting policies set out in Appendix A.

For the purposes of this Report, we have reviewed the historical and abbreviated proforma financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the historical and abbreviated proforma financial information is not properly drawn up in accordance with the basis of preparation set out in Appendix A.

We have reviewed the historical financial information for the three years ended 31 December 1999, 2000 and 2001 and the abbreviated proforma financial information for the four years ended 31 December 1999, 2000, 2001 and 2002 in accordance with Australian auditing standards applicable to review engagements and consider this information appropriate for inclusion in this Report. Our review procedures consisted primarily of review of audit files and company documentation and discussions with directors and senior management of Koon Construction & Transport Co. Pte. Ltd. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly we do not express an audit opinion.

Statement

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe that the abbreviated proforma financial information in Sections 3.6 and 3.9 of this Prospectus and the historical financial information set out in Appendix A are not properly drawn up in accordance with the summary of significant accounting policies described in Note 2 to Appendix A of this Report and the proforma adjustments to the accounting treatment of the investment in Koon Zinkcon Pte Ltd as described in this Report.

Subsequent Events

Subsequent to 31 December 2002 and up to the date of this Report, nothing has come to our attention that would cause us to believe that material transactions or events outside the ordinary course of business of the Group have occurred, other than the matters dealt with in this Report, which would require comment on, or adjustment to, the information contained in this Report, or which would cause such information to be misleading.

Given the audit of the financial statements of the Company for 2002 have not been completed, a supplementary Investigating Accountant's Report will be provided.

Yours faithfully

DELOITTE TOUCHE TOHMATSU
RJ Whitehead
Partner



SUMMARY OF AUDITED STATEMENTS OF GROUP FINANCIAL PERFORMANCE

Appendix A

	Notes	1999 S\$	2000 S\$	2001 S\$
Revenue	17	176,071,479	87,276,498	70,219,357
Cost of Sales		170,418,221	83,911,986	71,406,449
Gross (Loss) Profit	18	5,653,258	3,364,512	(1,187,092)
Other Operating Income		1,044,716	597,991	231,240
Administrative Expenses		5,203,421	4,865,953	5,180,795
Other Operating Expenses		217,860	61,010	4,115
(Loss) Profit from Operations		1,276,693	(964,460)	(6,140,762)
Finance Cost		129,442	31,358	94,705
(Loss) Profit before share of results of investee company ^{(1) & (2)}		1,147,251	(995,818)	(6,235,467)
Share of results of investee company	22	346,072	11,228,525	4,962,620
(Loss) Profit before income tax		1,493,323	10,232,707	(1,272,847)
Income Tax Expense	19	1,246,795	3,143,210	1,224,413
Profit (Loss) before Extraordinary item		246,528	7,089,497	(2,497,260)
Extraordinary Item ⁽³⁾		984,540	-	-
Profit (Loss) after extraordinary item		1,231,068	7,089,497	(2,497,260)
Net (Loss) Profit for the Year		1,231,068	7,089,497	(2,497,260)

- (1) The investee company, namely Koon-Zinkcon, recognises revenue and profits on a completion basis. As most of the Koon-Zinkcon's projects are long term contracts, the earnings of the Koon-Zinkcon has been volatile. The Company, in accordance with the preferred basis laid out in the Generally Accepted Accounting Standards of Singapore, recognises revenue and profit on a percentage of completion basis.
- (2) The Company exercises no significant influence over the Koon-Zinkcon. As a result and from FY2003, the revenue and profits of the Koon-Zinkcon will be consolidated on a dividend and investment basis. The earnings of the Koon-Zinkcon will no longer be consolidated on an equity accounting basis. In order to present the financial position of the Group in a consistent manner in light of the change in consolidation policy, proforma financial information has been prepared, extracts of which are presented in Section 3.8 and 3.9.
- (3) The extraordinary item pertained to the gain on disposal of a subsidiary.

SUMMARY OF AUDITED STATEMENTS OF GROUP FINANCIAL POSITION

	Notes	1999 S\$	2000 S\$	2001 S\$
ASSETS				
Current Assets:				
Cash and bank balances		7,393,039	12,035,155	8,334,835
Trade receivables	4	26,884,625	20,120,551	6,904,051
Other receivables and prepayments	5	479,026	572,251	388,070
Contract work-in-progress	6	2,146,172	1,676,767	6,344,500
Total Current Assets		36,902,862	34,404,724	21,971,456
Non-Current Assets:				
Associates	8	946,457	1	1
Other investments	9	53,600	10,421,379	5,868,550
Property, plant and equipment	10	5,660,527	4,009,244	6,387,183
Total Non-Current Assets		6,660,584	14,430,624	12,255,734
TOTAL ASSETS		43,563,446	48,835,348	34,227,190
LIABILITIES AND EQUITY				
Current Liabilities:				
Trade payables	11	24,159,640	14,823,893	11,058,501
Other payables	12	5,985,858	11,939,271	3,833,803
Contract work-in-progress	6	-	2,797,414	898,103
Income tax payable		893,908	173,042	25,122
Current portion of obligations under finance leases	13	354,777	200,196	228,493
Proposed dividends		1,090,680	552,660	-
Current portion of long-term loan	14	-	-	901,411
Total Current Liabilities		32,484,863	30,486,476	16,945,433
Non-Current Liabilities:				
Obligations under finance leases	13	362,033	161,837	127,788
Long-term loan	14	-	-	1,464,194
Deferred taxation	15	107,000	-	-
Total Non-Current liabilities		469,033	161,837	1,591,982
Capital and Reserves:				
Issued capital	16	9,760,000	9,760,000	16,006,400
Accumulated profits/(losses)		849,550	8,427,035	(316,625)
Total Equity		10,609,550	18,187,035	15,689,775
Total Liabilities and Equity		43,563,446	48,835,348	34,227,190



RECONCILIATION OF PROFORMA FINANCIAL STATEMENTS

TO 1999, 2000, 2001 AUDITED FINANCIAL STATEMENTS

	1999 S\$	2000 S\$	2001 S\$
Net profit/(loss) for the year	1,231,068	7,089,497	(2,497,260)
Share of results of associated company	(346,072)	(11,228,525)	(4,962,620)
Tax attributable thereto	41,166	2,850,000	1,038,763
Add Dividends	-	-	11,213,503
Abbreviated Pro-forma net profit/(loss) for the year	926,162	(1,289,028)	4,792,386
Audited Current Assets	36,902,862	34,404,724	21,971,456
Tax recoverable related to dividend received	-	-	2,747,308
Reallocation to income tax payable	-	-	(23,921)
Abbreviated Pro-forma Current Assets	36,902,862	34,404,724	24,694,843
Audited Non-Current Assets	6,660,584	14,430,624	12,255,734
Less Share of results of associate company	(346,072)	(11,228,525)	(4,962,620)
Tax attributable thereto	41,166	2,850,000	1,038,763
Add Dividends	-	-	11,213,503
Tax adjustment attributable thereto	-	-	(2,747,308)
Adjustment to opening retained profits attributable to change in accounting policy (SAS 31)	-	(1,040,648)	-
Earlier years share of results of associate company (net of tax)	(141,550)	(446,456)	(9,865,628)
Abbreviated Pro-forma Non-current Assets	6,214,128	4,564,995	6,932,444
Audited Current Liabilities	32,484,896	30,486,476	16,945,433
Reallocation from tax recoverable	-	-	(23,921)
Abbreviated Pro-forma Current Liabilities	32,484,863	30,486,476	16,921,512
Audited Shareholder's Funds	10,609,550	18,187,035	15,689,775
Less Share of results of associate company	(346,072)	(11,228,525)	(4,962,620)
Tax attributable thereto	41,166	2,850,000	1,038,763
Add Dividends	-	-	11,213,503
Adjustment to opening retained profits attributable to change in accounting policy (SAS 31)	-	(1,040,648)	-
Earlier years share of results of associate company (net of tax)	(141,550)	(446,456)	(9,865,628)
Abbreviated Pro-forma Shareholder's Funds	10,163,094	8,321,406	13,113,793

STATEMENTS OF CHANGES IN EQUITY

	Notes	Issued Capital S\$	Proposed Dividends S\$	Accumulated profits (losses) S\$	Total S\$
As previously reported		9,760,000	-	849,550	10,609,550
Change in accounting policy - proposed dividend	21	-	1,090,680	-	1,090,680
Prior year adjustment - effect of adopting SAS 31	22	-	-	1,040,648	1,040,648
As restated		9,760,000	1,090,680	1,890,198	12,740,878
Net profit for the year		-	-	7,089,497	7,089,497
Dividend paid		-	(1,090,680)	-	(1,090,680)
Proposed dividend		-	552,660	(552,660)	-
Balance at December 31, 2000		9,760,000	552,660	8,427,035	18,739,695
Balance at December 31, 2000					
As previously reported		9,760,000	-	7,392,522	17,152,522
Change in accounting policy - proposed dividend	21	-	552,660	-	552,660
Prior year adjustment - effect of adopting SAS 31	22	-	-	1,034,513	1034513
As restated		976,000	552,660	8,427,035	18,739,695
Net loss for the year		-	-	(2,497,260)	(2,497,260)
Dividend paid		-	(552,660)	-	(552,660)
Bonus issue of shares		6,246,400	-	(6,246,400)	-
Balance at December 31, 2001		16,006,400	-	(316,625)	15,689,775



NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. GENERAL

The company is incorporated in the Republic of Singapore with its registered office and principal place of business at 17B Pandan Road, Singapore 609269. The financial statements are expressed in Singapore dollars.

The principal activities of the company are contractors for civil and drainage engineering, building, shore protection and, marine and foundation works.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost conversion. They are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Statements of Accounting Standards ("SAS").

The company has adopted all the applicable new/revised SAS which becomes effective during the year. The adoption of the new/revised SAS does not affect the results of current or prior periods.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

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

GOODWILL - Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. The group will capitalise and amortise goodwill over periods of usually 5 years or longer as justified. The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

FINANCIAL ASSETS - Financial assets include cash and bank balances, trade and other receivables. Trade and other receivables are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts for estimated irrecoverable amounts.

IMPAIRMENT OF ASSETS - At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

FINANCIAL LIABILITIES AND EQUITY - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade and other payables. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the proceeds received, net of direct issue costs.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2001

FOREIGN CURRENCY TRANSACTIONS - Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the transactions dates. At each balance sheet date, monetary balances and balances carried at fair value that are denominated in foreign currencies are recorded at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

CONTRACT WORK-IN-PROGRESS - Uncompleted long-term construction contracts are stated at cost plus a proportion of attributable profits earned to date less full provision for all foreseeable losses on such contracts. Costs include direct materials, labour and those indirect costs related to the contract performance. Progress payments received and receivable are deducted against contract work-in-progress.

ASSOCIATES - An associate is an enterprise over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The share of the results of associates are accounted for in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any decline in the net recoverable value of individual investments. Where a group enterprise transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Investment in associate is stated in the financial statements of the company at cost less any impairment in net recoverable value.

JOINT VENTURE COMPANY - The results, assets and liabilities of the joint venture are proportionately consolidated on a line-by-line basis in the financial statements of the group based on the audited financial statements of the joint venture, except where the joint venture are established for the primary purpose of tendering projects.

OTHER INVESTMENTS - Quoted investments held on long term basis are stated at cost less any impairment in net irrecoverable value.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets using the straight-line method, on the following bases:

Leasehold property	-	10%
Plant and machinery	-	10% to 20%
Barges	-	14.3% to 20%
Tugboats	-	14.3% to 20%
Dump trucks	-	20%
Motor vehicles	-	20%
Office equipment, furniture and fittings	-	10% to 20%

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

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

Leasehold property and tugboats under construction are not depreciated.

INCOME TAX - Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit except that a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of realisation.

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



Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease using the effective interest rate method.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

REVENUE RECOGNITION - Revenue and profits from contracts are recognised either on the completed contract method or the percentage of completion method. However, revenue from contract works which commenced in 1997 are recognised on the percentage of completion method provided that the work is at least 20% completed and the outcome can be reliably estimated.

Other revenue is recognised on the following basis:

Supply of services and personnel	-	when the services are rendered
Supply of machinery and equipment	-	on a straight-line basis over the lease term
Interest income	-	on a time proportion basis over the period of the fixed deposits
Rental income	-	on a straight-line basis over the lease term
Dividend income	-	on the basis of dividends received and receivable during the year

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

RETIREMENT BENEFITS COSTS - Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense as they are incurred.

3. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decision.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, without fixed repayment terms and interest-free.

Significant transactions with Koon Zinkcon Pte Ltd (Note 9):

	1999 S\$	2000 S\$	2001 S\$
Services provided	66,021,838	18,185,295	5,160,235
Services received	(3,241,927)	(1,204,681)	(186,246)

4. TRADE RECEIVABLES

	1999 S\$	2000 S\$	2001 S\$
Outside parties	26,046,009	18,955,768	7,395,323
Retention monies receivable	1,796,498	1,328,733	569,200
Less: Allowances for doubtful debts	(1,066,755)	(1,042,894)	(1,112,511)
	26,775,752	19,241,607	6,852,012
Koon Zinkcon Pte Ltd	-	805,387	52,039
Related parties	108,873	73,557	-
	26,884,625	20,120,551	6,904,051
Movements in above allowances:			
Balance at beginning of year	1,177,278	1,066,755	1,042,894
Written back	(176,732)	(21,607)	(86,805)
Bad debts written off	-	(2,254)	-
Current year charge	66,209	-	156,422
Balance at end of year	1,066,755	1,042,894	1,112,511

5. OTHER RECEIVABLES AND PREPAYMENTS

	1999 S\$	2000 S\$	2001 S\$
Due from joint venture Partner (Note 7)	267,210	210,549	-
Directors	28,856	28,857	28,856
Other receivables	162,046	190,401	158,000
Deposits and prepayments	150,914	272,444	331,214
	609,026	702,251	518,070
Less: Allowances for doubtful debts	(130,000)	(130,000)	(130,000)
	479,026	572,251	388,070
Movement in above allowances:			
Balance at beginning of year and end of year	130,000	130,000	130,000

Loans to directors are unsecured, interest-free and have no fixed terms of repayment.



6. CONTRACT WORK-IN-PROGRESS

	1999 S\$	2000 S\$	2001 S\$
Current cost incurred	280,354,435	136,510,824	205,752,499
Add: Attributable (losses) profits	4,266,588	1,525,892	(1,545,035)
	284,621,023	138,036,716	204,207,464
Less: Allowances for anticipated losses	(161,000)	(66,000)	(81,000)
	28,446,023	137,970,716	204,126,464
Less: Progress billings	(282,313,851)	(139,091,363)	(198,680,067)
	2,146,172	1,120,647	5,446,397
Comprising:			
Current Asset	2,146,172	1,676,767	6,344,500
Current Liability	-	(2,797,414)	(898,103)
	2,146,172	(1,120,647)	5,446,397
Movements in the above allowances			
Balance at beginning of year	7,547,000	161,000	66,000
Written back	(7,547,000)	(161,000)	-
Current year's provision	161,000	66,000	15,000
Balance at end of year	161,000	66,000	81,000

7. JOINT VENTURES

Names	Groups Interest held			Principal Activities
	1999	2000	2001%	
Hyundai-Koon Joint Venture ⁽¹⁾	50	50	50	General contractors
Penta-Ocean/Koon Construction Joint Venture ⁽²⁾	50	50	50	General contractors
Hyundai-Koon-Boskalis Joint Venture ⁽¹⁾	33.33	33.33	33.33	General contractors
Koon-Zinkcon Joint Venture ⁽²⁾	50	50	50	Dormant

⁽¹⁾ These joint ventures are established for the primary purpose of tendering for projects. The scope of works from successfully tendered projects are thereafter separately assigned to and undertaken by the respective joint venture partner who will be solely responsible for the work assigned and for all profits or losses arising therefrom.

⁽²⁾ The following amounts are included in the financial statements of the group as a result of proportionate consolidation of the above joint venture.

	1999 S\$	2000 S\$	2001 S\$
Current assets	177,865	419,007	27,328
Current liabilities	801,068	-	2,328
Net assets	(623,203)	419,007	25,000
Revenue	6,899,316	-	-
Expenses	-	-	-

In 2000, the balances with a joint venture were unsecured, interest-free and with no fixed repayment terms.

8. ASSOCIATE

	1999 S\$	2000 S\$	2001 S\$
Unquoted equity shares, at cost	500,000	1	1
Share of attributable post-acquisition profits	446,457	-	-
	946,457	1	1

9. OTHER INVESTMENTS

	1999 S\$	2000 S\$	2001 S\$
Quoted equity shares, at cost ⁽¹⁾	53,600	116,760	116,760
Less: Impairment loss in value	-	(61,000)	(71,500)
	53,600	55,760	45,260
Unquoted equity shares, at cost ⁽²⁾	-	500,000	500,000
Share of attributable profits (Note 22)	-	9,865,619	5,323,290
	-	10,365,619	5,823,290
Total	53,600	10,421,379	5,868,550

Movement in the above impairment loss in value:

	2000 S\$	2001 S\$
Balance at beginning of year	-	61,010
Current year's provision	61,010	10,490
Balance at end of year	61,010	71,500

(1) Market value of quoted equity shares

(2) This pertains to the investment in a jointly controlled equity, Koon Zinkcon Pte Ltd, a company incorporated in Singapore. Its principal activity is that of shore and seabed protection works and all types of reclamation dredging works. The group has 50% (2000: 50%) interest in this equity. The group's share of reserves of this entity is accounted for using the equity method.

The group's share of results and assets and liabilities is as follows:

	2000 S\$	2001 S\$
Current assets	18,376,124	9,777,587
Non-current assets	1,035,862	778,639
Current liabilities	(9,027,357)	(4,655,935)
Non-current liabilities	(19,000)	(77,000)
Net assets	10,365,629	5,823,291
Revenue	42,252,576	22,818,769
Other operating income ⁽³⁾	246,929	232,835
Expenses	32,619,820	18,314,519

(3) Other operating incomes does not include finance income and share of Koon-Zinkcon's joint venture profits.

The contract revenue of Koon Zinkcon Pte Ltd is recognised on an individual contract basis using the completed contract method.

The balances with the aforesaid entity are unsecured, interest free and has no fixed term of repayment.



10. PROPERTY, PLANT & EQUIPMENT (2001)

Group	Leasehold Property S\$	Plant & Machinery S\$	Barges S\$	Tugboats S\$	Dump Trucks S\$	Motor Vehicles S\$	Office equipment, furniture & fittings S\$	Tugboat under construction S\$	Leasehold property under construction S\$	Total S\$
Cost:										
At beginning of year	1,666,785	6,312,282	4,342,697	2,478,505	2,778,652	2,654,552	400,606	91,923	-	20,726,002
Additions	-	41,780	2,876,750	572,248	-	353,302	39,394	-	443,713	4,327,187
Disposals	-	-	(712,790)	(55,550)	-	(206,854)	(18,277)	-	-	(993,471)
Transfer	-	-	-	91,923	-	-	-	(91,923)	-	-
At end of year	1,666,785	6,354,062	6,506,657	3,087,126	2,778,652	2,801,000	421,723	-	443,713	24,059,718
Accumulated depreciation:										
At beginning of year	1,419,403	5,046,267	4,248,491	1,372,646	2,663,674	1,678,755	287,522	-	-	16,716,758
Depreciation for the year	87,990	403,216	505,158	413,103	81,995	386,966	57,923	-	-	1,936,351
Disposals	-	-	(712,788)	(49,995)	-	(206,853)	(10,938)	-	-	(980,574)
At end of year	1,507,393	5,449,483	4,040,861	1,735,754	2,745,669	185,888	334,507	-	-	17,672,535
Depreciation for last year	61,846	621,089	357,269	361,260	324,307	376,827	76,609	-	-	2,179,207
Net book value:										
At beginning of year	247,382	1,266,015	94,206	1,105,859	114,978	978,797	113,084	91,923	-	4,009,244
At end of year	159,392	904,579	2,465,796	1,351,372	32,983	942,132	87,216	-	443,713	6,387,183

11. TRADE PAYABLES

	1999 S\$	2000 S\$	2001 S\$
Outside parties	6,374,216	12,099,719	9,709,672
Koon Zinkcon Pte Ltd (Note 9)	17,771,282	2,710,032	1,348,829
Related party (Note 3)	14,142	14,142	-
Joint venture (Note 7)	-	-	-
	<u>24,159,640</u>	<u>14,823,893</u>	<u>11,058,501</u>

12. OTHER PAYABLES

	1999 S\$	2000 S\$	2001 S\$
Koon Zinkcon Pte Ltd (Note 9)	5,225,000	11,150,000	1,900,000
Directors	250,000	250,000	250,000
Other payables	510,858	539,271	1,683,803
	<u>5,985,858</u>	<u>11,939,271</u>	<u>3,833,803</u>

Loan from directors are unsecured, interest-free and have no fixed term of repayment.

13. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments Lease payments			Present value of minimum Lease payments		
	1999 S\$	2000 S\$	2001 S\$	1999 S\$	2000 S\$	2001 S\$
Amount payable under finance leases:						
Within one year	386,030	215,208	245,432	354,777	200,196	228,493
In the second to fifth years inclusive	389,189	173,981	136,988	362,033	161,837	127,788
	<u>775,219</u>	<u>389,189</u>	<u>382,420</u>	<u>716,810</u>	<u>362,033</u>	<u>356,281</u>
Less: Future finance charges	(58,409)	(27,156)	(26,139)			
Present value of lease obligations	716,810	362,033	356,281			
Less: Amount due for settlement within 12 months	<u>(354,777)</u>	<u>(200,196)</u>	<u>(228,493)</u>			
Amount due for settlement after 12 months	<u>362,033</u>	<u>161,837</u>	<u>127,788</u>			

For the year ended December 31, 2001, the borrowing rate is about 2.5% to 10% (2000 : 2.5% to 10%).

14. LONG TERM LOAN

The long-term loan bears interest at 1.25% per annum above the bank prime rate per annum and is repayable in 36 equal monthly instalments. The loan is secured by a legal mortgage over 5 units of barges and a tugboat, of a subsidiary with a total net book value of \$3,035,075 (2001), personal guarantees from certain of the subsidiary's directors and corporate guarantee from the company.



15. DEFERRED TAXATION

	1999 S\$	2000 S\$	2001 S\$
Balance at beginning of financial year	298,000	107,000	-
Transfer to profit and loss account	(191,000)	(107,000)	-
Balance at end of financial year	107,000	-	-

16. ISSUED CAPITAL

	1999 S\$	2000 S\$	2001 S\$
Authorised: 30,000,000 (2000 : 10,000,000) ordinary shares of \$1 each	10,000,000	10,000,000	30,000,000
Issued and fully paid: 16,006,400 (2000 : 9,760,000) ordinary shares of \$1 each	9,760,000	9,760,000	16,006,400

During the financial year (2001), the company:

- i) increased its authorised capital from 10,000,000 ordinary shares of \$1 each to \$30,000,000 ordinary shares of \$1 each; and
- ii) issued bonus shares in the proportion of 64 new shares for every 100 existing shares held.

17. REVENUE

	1999 S\$	2000 S\$	2001 S\$
Income from Joint Venture	1,834,808	-	-
Revenue from contracts	150,393,861	78,559,871	63,369,896
Rental income	5,561,007	4,739,363	6,039,439
Supply of machinery, equipment and labour	15,854,926	3,076,737	520,909
Interest income	27,069	116,090	116,344
Other income	2,399,808	784,437	172,769
	176,071,479	87,276,498	70,219,357

18. PROFIT / (LOSS) BEFORE SHARE OF RESULTS OF INVESTEE COMPANY

In addition to the charges and credits disclosed elsewhere in the notes, this item includes the following charges (credits):

	1999 S\$	2000 S\$	2001 S\$
Auditors' remuneration:			
Auditors of the Company Current year	35,000	46,000	51,000
Underprovision in prior year	-	11,000	5,000
Other auditors	2,500	2,500	2,500
Bad debts written off other receivables	40,000	-	-
Bad debts written of trade receivables	204,241	-	-
Depreciation expense	2,940,947	2,179,207	1,936,351
Directors' remuneration	1,326,189	1,367,954	1,499,100
Dividend income from quoted equity share (gross)	(450)	(245)	(65)
Interest expense to non-related companies	129,442	31,358	94,705
Interest income from non-related companies	(27,069)	(116,090)	(116,344)
(Gain) Loss on disposal of property, plant and equipment	(683,692)	(551,385)	(123,298)
Allowance for anticipated contract losses	161,000	66,000	15,000
Allowance for anticipated contracts losses written back	(7,547,000)	(161,010)	-
Impairment loss in value of other investments	-	61,010	10,490
Allowance for doubtful debts on trade receivables	130,000	-	156,422
Allowance for doubtful debts on trade receivables written back	66,209	(21,607)	(86,805)

19. INCOME TAX (CREDIT) EXPENSE

	1999 S\$	2000 S\$	2001 S\$
Current	255,000	331,500	30,200
Underprovision in prior years	1,141,629	68,710	155,450
Deferred	(191,000)	(107,000)	-
	1,205,629	293,210	185,650
Share of tax of investee company	41,166	2,850,000	1,038,763
	1,246,795	3,143,210	1,224,413

In 2001, the income tax charge for the company is lower than that derived by applying the standard rate of tax applicable to the company's profit due to the utilisation of unabsorbed tax losses of approximately \$6,087,000 to set off against taxable income.

In 2000, no provision for income tax was made on the company's profit due to the utilisation of unabsorbed tax losses of approximately \$358,000 to set off against taxable income.

In 2000, despite a group loss before income tax, the group had income tax expense mainly due to a subsidiary which had taxable income.

Subject to agreement of the Comptroller of Income Tax, the company and the group have unabsorbed tax losses and unutilised capital allowances amount to approximately \$NIL (2000 : \$6,704,000) and \$2,752,000 (2000 : \$9,184,000) respectively, which are available for set-off against future taxable income.

The realisation of future income tax benefits from tax loss carryforwards and timing differences from capital allowances is available for an unlimited period subject to the conditions imposed by law including the retention of majority shareholders as defined.



20. STAFF COSTS AND NUMBER OF EMPLOYEES

	1999 S\$	2000 S\$	2001 S\$
Staff costs	16,167,910	8,992,033	9,094,289
Cost of defined contribution plans included in staff costs	-	751,611	698,883
	1999 S\$	2000 S\$	2001 S\$
Number of employees at end of year	305	324	305

21. DIVIDENDS

With effect from January 1, 2001, the company and the group adopted SAS 10 (2000) Events After the Balance Sheet Due. SAS 10 (2000) states that proposed dividends that are subject to approval by shareholders at the annual general meeting are not a liability; they are a part of shareholders' equity. Accordingly, proposed dividends for the years ended December 31, 1999 and December 31, 2000, which were shown as liabilities in those years, have been reclassified to shareholders' equity for presentation in the current year financial statements.

22. PRIOR YEAR ADJUSTMENT

Following the adoption of SAS 31, provision for contract, repairs and maintenance has been adjusted to the retained earnings of the investee company, Koon Zinkcon Pte Ltd. This adjustment is only required for FY2000. Accordingly the share of the company's attributable profits for FY2000 has been adjusted as follows:

	2000 S\$
Balance Sheets	
Unquoted shares, at cost	500,000
Share of attributable profits	
- as previously stated	8,831,116
- effect of adopting SAS 31	1,034,513
- as restated	9,865,629
Total	10,365,629
Profit and Loss Statement	
Share of results of investee company	
- as previously stated	11,234,660
- effect of adopting SAS 31	(6,135)
- as restated	11,228,525

23. CONTINGENT LIABILITIES

As at the balance sheet date (31 December 2001)

- a) the company has given letters of indemnity and performance bonds to third parties in the ordinary course of business in respect of construction contracts undertaken;
- b) the company has issued performance guarantee amounting to approximately \$2,453,700 in respect of materials supplied for a period of 10 years from the date of completion of the respective project from June 1997 and January 1998;
- c) the group has bankers guarantee issued in favour of third parties amounting to \$3,483,500 (2000 : \$3,531,500);
- d) a joint venture partnership, Koon-Zinkcon Joint Venture has issued performance guarantees in respect of materials supplied by the joint venture partnership for a period of 15 years from 1988; and
- e) the company has issued letter of credit in force amounting to approximately \$Nil (2000 : \$2,796,000).

24. CAPITAL EXPENDITURE COMMITMENTS

	1999 S\$	2000 S\$	2001 S\$
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	-	3,505,000	-

25. OPERATING LEASE COMMITMENTS

	1999 S\$	2000 S\$	2001 S\$
Minimum lease payments paid under operating leases.	-	328,297	335,445

At the balance sheet date the commitments in respect of operating leases with a term of more than one year were as follows:

	1999 S\$	2000 S\$	2001 S\$
Within 1 year	436,000	359,000	291,000
Within 2 to 5 years	1,347,000	1,435,000	1,435,000
After 5 years	410,000	3,587,000	3,229,000



26. FINANCIAL RISKS

i) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amount owing to the group, resulting in a loss to the group. The group has adopted a stringent procedure in extending credit terms to customers and in monitoring its credit risk.

Credit terms to customers are determined after assessment of customers' credit standing followed by periodic review of their financial status and conduct of their credit lines with the group.

As at year end (2001), the group has 4 major customers whose balances outstanding amounted to \$4,874,900.

ii) Liquidity risk

Liquidity risks is minimal as the group has adequate funds to finance its ongoing working capital.

iii) Interest rate risk

The group's exposure to interest rate risk is limited to excess funds placed with established financial institutions. Based on current market sentiments, variations in interest rate are not likely to have material consequences to the group.

iv) Foreign exchange risk

The group's trading activities are mainly conducted in Singapore dollars, hence exposure to foreign exchange risk is minimal.

v) Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities reported in the balance sheet approximates the carrying amount of those assets and liabilities.

27. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's (2000) financial statements to conform with the current year's presentation.

24 April 2003

The Directors
Koon Holdings Limited
17B Pandan Road
SINGAPORE 609269

Dear Sirs

TAXATION REPORT

The terms used in this report are those as defined in the Prospectus unless otherwise stated.

This report has been prepared by Deloitte Touche Tohmatsu for inclusion in the Koon Holdings Limited ("KHL") Prospectus to be issued on 24 April 2003.

The report provides a general outline of the Australian and Singaporean income tax and indirect tax consequences of buying, holding and disposing of shares in KHL by an investor that is resident, for tax purposes, in either Australia or Singapore. The report does not comment on the tax consequences for investors that are in the business of trading or dealing in shares.

The tax consequences that apply to an investor may differ from the general comments provided below, as the particular circumstances of each investor may vary. We recommend that investors seek independent tax advice based on their own particular circumstances.

General

We are advised by the Board that the operations of KHL are not conducted in Australia and it is not intended that the operations be conducted in Australia. KHL is not incorporated in Australia. Accordingly, KHL will not be a tax resident of Australia and will not be subject to Australian tax.

The listing of shares by KHL on the Australian Stock Exchange will not in itself result in KHL becoming an Australian tax resident. KHL is a resident of Singapore for taxation purposes.

Accordingly, an investor in KHL will acquire a share that does not have the necessary connection with Australia for Australian capital gains tax purposes.

Limited Scope of this Opinion

This opinion is based upon the current drafting and interpretation of the taxation laws and associated regulations.

This opinion has been given on the basis that KHL's activities will be carried out in the manner described in the Prospectus and associated documents. This opinion should be read in conjunction with the Prospectus and its associated documents. In providing this opinion we have relied on the facts set out in the Prospectus and these facts have not been independently verified or reviewed by Deloitte Touche Tohmatsu other than as stated in the Investigating Accountants Report.

Investors should be aware that the taxation laws of Australia are complex and hence the comments provided in this report are, of necessity, general in nature. Investors should also be cognisant that any changes to the legislation or interpretation of the legislation may affect their investment.

Tax Residency of KHL

We understand that KHL is a Singapore incorporated company that will be listed on the Australian Stock Exchange. We also understand that KHL will not be conducting any activities in Australia, and that all functions in relation to the management and control of KHL will be undertaken in Singapore.

For Australian income tax purposes, a company is a resident of Australia if either it is incorporated in Australia, or the central and management of control in relation to the company is situated in Australia. Accordingly, on the basis that KHL is not incorporated in Australia, and its central and management control is situated outside of Australia, it should not be considered to be a resident of Australia for tax purposes.



On the basis that KHL is not an Australian resident for tax purposes, it should only be subject to tax on Australian sourced income. We understand that it will not be deriving any Australian sourced income and, consequently, KHL should not be subject to Australian tax.

For the purposes of this report, we have assumed that KHL will be a resident of Singapore for the purposes of Singapore tax.

Australian Investor

An investor that is a tax resident of Australia is generally required to include in assessable income all income derived directly or indirectly from all sources, whether in or out of Australia, for the relevant income year. This will include dividend income and capital gains, regardless of the source of such income. This is subject to any exemption that may be available to a particular investor.

Dividends:

Where a dividend is paid by KHL to an Australian tax resident shareholder, and that shareholder is not a company, the investor is required to include the dividend as assessable income. A foreign tax credit may be available to the Australian shareholder in respect of any Singapore withholding tax paid (if any) in relation to the dividend.

Dividends paid by KHL to an Australian tax resident corporate shareholder, where the Australian shareholder has a less than 10% voting interest in KHL, are required to be included as assessable income in the hands of the Australian shareholder. A corresponding foreign tax credit may be available to the Australian shareholder in respect of any Singapore withholding tax paid (if any) in relation to the dividend.

Dividends paid by KHL to an Australia tax resident corporate shareholder, where the Australian shareholder has at least a 10% voting interest in KHL, may qualify for an exemption in respect of the dividend paid by KHL. No foreign tax credit will be available if the dividend is treated as an exempt income.

Disposal of Shares:

The disposal of shares in KHL by an Australian tax resident investor will generally be subject to Australian capital gains tax. However, the gains derived by an Australian tax resident investor as a result of the disposal of the shares in KHL should not be taxable in Singapore.

The capital gain is calculated by subtracting the cost of the shares plus any other incidental costs arising from the share acquisition (such as brokerage fees) from the proceeds received from the disposal of the shares. The applicable tax on the capital gain will depend on the type of investor. For example, an Australian tax resident individual investor will be taxed at his or her marginal tax rate and an Australian tax resident company will be subject to tax at the corporate tax rate (currently 30%)

Concessional Capital Gains Taxation - Individual and Superannuation Fund:

Under Australia's capital gains tax rules, where an individual investor has held a capital gains tax asset (i.e. KHL shares) for at least 12 months, a reduction of 50% of the gain is available. In the case of a superannuation fund, where they have held the KHL shares for at least 12 months, a reduction of 33% of the gain is available.

PAYG:

The PAYG provisions require Australian investors to include dividends in their Business Activity Statement returns.

Singapore Investor

Broadly, where a Singapore tax resident investor derives any dividend or capital gains income in respect of KHL shares, such amounts should not be subject to tax in Australia.

Dividend:

The one-tier corporate tax system ("one-tier system") was implemented in Singapore with effect from 1 January 2003 to replace the imputation system. Under the one-tier system, tax assessed on a company on its normal chargeable income is a final tax. Dividends paid under the one-tier system would be called "tax exempt (1-tier) dividends" and are exempt from tax in the hands of the shareholders.

As KHL is incorporated during the year 2003, the company will automatically qualify for the one-tier system for the purpose of paying dividends. Dividends paid by the company under the one-tier system would be exempt from tax in the hands of the shareholders.

Accordingly, a Singapore investor who receives a dividend from KHL will not be required to pay Singapore income tax in respect of that dividend income.

Disposal of Shares:

Broadly, the shares in KHL do not constitute "assets that have the necessary connection with Australia". Therefore, any gains derived on the disposal of shares in KHL by Singapore resident tax investors should not be subject to tax in Australia or Singapore.

Goods and Services Tax (GST)

The acquisition, holding and disposal of shares in Australia are exempt from GST in Singapore and input taxed in Australia.

GST on costs associated with acquisition and disposal of shares in Australia is generally not eligible for input tax credits

The disposal of the KHL shares by an investor is an exempt sale and is not subject to GST in Singapore. Where the shares are sold by the investor to a resident outside Singapore, the sale is generally a taxable sale subject to Singapore GST at the zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course of furtherance of a business may be recovered from the Comptroller of GST. Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the current rate of 4%. The Minister of Finance has proposed to increase the GST rate to 5% with effect from 1 January 2004 but it has not been promulgated as a law yet. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate.

Tax File Numbers (TFNs) and Australian Business Numbers (ABNs)

TFNs and ABNs are not required to be provided, as Koon is not a resident of Australia.

Stamp Duty

No Australian stamp duty is payable on the transfer of shares in KHL.

There is no Singapore stamp duty payable in respect of the new issuance of shares.

Singapore Stamp duty is payable on the instrument of transfer of the shares at the rate of S\$2.00 for every S\$1,000.00 of the consideration for, or market value of, the shares, whichever is higher. The stamp duty is borne by the purchaser unless there is an agreement to the contrary. Where an instrument of transfer is executed outside Singapore or no instrument of transfer is executed, no stamp duty is payable on the acquisition of existing shares. Stamp duty may be payable if the instrument of transfer is received in Singapore.

In addition, no Singapore stamp duty is payable on contract notes for share transactions.

Yours faithfully
DELOITTE TOUCHE TOHMATSU

S J Lester
Partner



7. ADDITIONAL INFORMATION

7.1 Incorporation

The Company was incorporated in Singapore on 9 April 2003 as Koon Holdings Private Limited with an authorised capital of S\$50,000,000 divided into 1,000,000,000 ordinary shares of S\$0.05 each. The Company was converted into a public company on 14 April 2003 and changed its name to Koon Holdings Limited.

7.2 Share Capital

The Company has authorised and issued share capital, as at the date of this Prospectus, of 1,000,000,000 and 60,000,000 ordinary shares of S\$0.05 each, respectively. A maximum number of 20,000,000 million Shares are being offered for subscription under this Offer. A further 1,000,000 Shares has been issued to employees as Employee Shares at par.

The share capital of the Company after the issue of the Shares under this Prospectus will be as follows:

Shareholders	—Before the Invitation—		—After the Invitation—	
	No. of Shares	Holding	No. of Shares	Holding
Existing Shareholders				
Aw Joo Kim	14,046,448	23.4%	14,046,448	17.6%
Chua Liong King	9,494,531	15.8%	9,494,531	11.9%
Ong Orr Kay	6,829,917	11.4%	6,829,917	8.5%
Kua Ting Giap	6,092,895	10.2%	6,092,895	7.6%
Ong Yow Seng	6,060,246	10.1%	6,060,246	7.6%
Oh Keng Lim	4,999,998	8.3%	4,999,998	6.2%
Oh Koon Sun	3,528,689	5.9%	3,528,689	4.4%
Ong Lye Beng	2,109,836	3.5%	2,109,836	2.6%
Tay Lay Whatt	1,953,554	3.3%	1,953,554	2.4%
Kua Kay Huat	1,302,364	2.2%	1,302,364	1.6%
Ang Yian Hiong	1,172,134	2.0%	1,172,134	1.5%
Tee Swee Kheng	879,098	1.5%	879,098	1.1%
Kua Kay Seng	651,190	1.1%	651,190	0.8%
Aw Hui Leng	219,775	0.4%	219,775	0.3%
Aw Hui Teng	219,775	0.4%	219,775	0.3%
Aw Chin Teng	219,775	0.4%	219,775	0.3%
Aw Chin Loon	219,775	0.4%	219,775	0.3%
Employee Shares			1,000,000	1.2%
Offer Shares Pursuant to the IPO			20,000,000	24.7%
Total Shares	60,000,000	100 %	81,000,000	100 %

Several of the shareholders are related to each other within a nuclear or extended family. No nuclear or extended family will own more than 30% of the enlarged share capital.

Mr Oh Keng Lim, Mr Chua Liong King and Mr Oh Koon Sun are Directors of the Company.

7.3 Constitution

The full rights and liabilities attaching to ownership of Shares are detailed in the Memorandum and Articles of Association of the Company ("Constitution"), which may be inspected during business hours at the offices of Shadforth's Limited at Level 3, 111 Macquarie Street, Hobart, TAS 7000.

7.4 Rights and Liabilities Attaching to Shares

The Shares are fully paid ordinary shares and are all of the same class and rank equally in every respect. Set out below is a summary of some of the principal rights of shareholders pursuant to the Constitution. It does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of the shareholders. Investors are accordingly encouraged to inspect the Constitution.

The rights and liabilities attaching to the Shares are also regulated by the Singapore Companies Act, Cap. 50, the general law and the Listing Rules.

7.5 Meeting of Shareholders

Each shareholder is entitled to receive a notice of and attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Singapore Companies Act, Cap. 50, the Listing Rules or other requirements.

The Company may serve a notice on the shareholder either personally or by sending it by prepaid post addressed to the shareholder's registered address.

7.6 Voting Rights

At a general meeting, subject to any special privileges or restrictions as to voting for the time being attached to any special class of shares, on a show of hands every member present in person or by proxy has one vote. On a poll, each member present in person or by proxy will have one vote for every share which that member holds or represents. No member will, unless the Directors otherwise determine, be entitled in respect of shares held by that member to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by that member to the Company in respect of such shares remains unpaid.

7.7 Dividend Rights

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For this purpose, no amount paid on a share in advance of calls will be treated as paid on the share.

The Directors may from time to time pay to shareholders such interim dividends as in their judgment the position of the Company justifies.

7.8 Transfer of Shares

Shares may be transferred by instrument in the form for the time being approved by any stock exchange upon which the Company may be listed or any other form acceptable to the Directors. There will be no restriction on the transfer of fully paid up shares (except where required by law, the listing rules of any stock exchange upon which the shares of the Company may be listed or the rules and/or by-laws governing any stock exchange upon which the shares of the Company may be listed).

The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:

- a. all or any part of the stamp duty (if any) payable on each share certificate and such fee not exceeding \$2 as the Directors may from time to time require pursuant to Article 41 of the Constitution, is paid to the Company in respect thereof;
- b. the instrument of transfer is deposited at the registered office of the Company or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;



- c. the instrument of transfer is in respect of only one class of shares; and
- d. the amount of the proper duty with which each share certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force relating to stamps is tendered.

7.9 Issue of further Shares

Subject to the Singapore Companies Act, Cap. 50, no shares may be issued by the Directors without the prior approval of the Company in general meeting but subject thereto and to Article 8 of the Constitution, and to any special rights attached to any shares for the time being issued, the Directors may allot or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, provided always that:

- a. no shares will be issued to transfer a controlling interest in the Company without the prior approval of the members in a general meeting;
- b. no shares will be issued at a discount except in accordance with the Singapore Companies Act, Cap. 50;
- c. (subject to any direction to the contrary that may be given by the Company in a general meeting) any issue of shares for cash to members holding shares of any class will be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 8(A) of the Constitution with such adaptations as are necessary will apply; and
- d. the rights attaching to shares of a class other than ordinary shares will be expressed in the resolution creating the same.

7.10 Preference Shares

The Company is entitled to create and issue preference shares. The rights which are attached to preference shares may include a preferential right to dividends and certain priorities on redemption of shares and in a winding up.

7.11 Winding up

If the Company will be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets will consist of property of one kind or will consist of properties of different kinds, and may for such purpose set such value as the Liquidator deems fair upon any one or more class or classes of property and may determine how such division will be carried out as between the members or different classes of members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with the like authority will think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory will be compelled to accept any shares or other property in respect of which there is a liability.

On a voluntary winding up of the Company, no commission or fee will be paid to a Liquidator without the prior approval of the members in a General Meeting. The amount of such commission or fee will be notified to all members not less than seven days prior to the Meeting at which it is to be considered.

7.12 Share buy backs

The Company may buy Shares in itself on the terms and at the times determined by the Board, to the extent and in the manner permitted by the Corporations Act and the Singapore Companies Act.

7.13 Number of Directors

Subject as provided in the Constitution, the Directors, all of whom will be natural persons, will neither be less than 2 nor more than 12 in number. The Constitution provides the Company may by Ordinary Resolution from time to time vary the minimum and/or maximum number of Directors.

The Company may by Ordinary Resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Without prejudice thereto, the Directors will have power at any time so to do, but so that the total number of Directors will not thereby exceed the maximum number fixed by or in accordance with the Constitution. Any person so appointed by the Directors will hold office only until the next Annual General Meeting and will then be eligible for re-election, but will not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

At each Annual General Meeting, one-third of the Directors (other than the Managing Director) for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) will retire from office by rotation.

When a Director retires at a General Meeting under any provision of the Constitution, the General Meeting may by Ordinary resolution fill the office being vacated by electing thereto the retiring director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:

- (a) where at such meeting, it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost;
- (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected;
- (c) where the default is due to the moving of a resolution in contravention of Article 94 of the Constitution; or
- (d) where such Director has attained any retiring age applicable to the Office of Director.

7.14 Meeting of Directors

At any time, any Director may, and the Secretary on the requisition of a Director will, summon a meeting of the Directors. A Director may participate at a meeting of Directors by telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other, without a Director being in the physical presence of another Director or Directors in which event such Director will be deemed to be present at the meeting.

Questions arising at any meeting of the Directors will be determined by a majority of votes. In case of an equality of votes (except where only two Directors are present and form the quorum or when only two Directors are competent to vote on the question in issue) the chairman of the meeting will have a second or casting vote.

7.15 Other Matters Pertaining to the Directors

- (a) Director's power to vote on proposal, arrangement or contract in which that Director has an interest.

A Director shall not vote in respect of any contract or proposed contract or arrangement or any other proposal whatsoever in which that Director has any personal material interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which that Director is debarred from voting.

- (b) Directors' Remuneration

The ordinary fees of the Directors shall from time to time be determined by an Ordinary Resolution of the Company and shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening



the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees is payable shall be entitled only to rank in such division for a proportion of fees related to the period during which that Director has held office.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

The fees in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

The Directors may repay to any Director all such reasonable expenses as that Director may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

A Director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and a Director may hold and be remunerated in respect of any office or place of profit other than the office of Auditor of the Company (or any subsidiary thereof under the Company) or any other company in which the Company is in any way interested and a Director (or any firm of which that Director is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefore and in any such case as aforesaid (save as otherwise agreed) that Director may retain that Director's own absolute use and benefit all profits and advantages accruing to that Director thereunder or in consequence thereof.

The remuneration of a Managing Director shall from time to time be fixed by the Directors and may, subject to these Articles, be by way of salary or commission or participation in profits or by any or all these modes but the Managing Director shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

(c) **Borrowing Powers**

Subject to both the Constitution and the provisions of the Singapore Companies Act, Cap. 50, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(d) **Share Qualification**

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

7.16 Amending the Constitution

Where the Constitution has been approved by any stock exchange upon which the shares in the Company may be listed, no provisions of the Constitution will be deleted, amended or added without the prior written approval of such stock exchange which had previously approved the Constitution.

7.17 Material Contracts

The Directors believe that the contracts summarised below may be material to the continuing operations of the Company or may otherwise be potentially relevant to investors when making a decision whether to subscribe for Shares under the Offer.

The summaries are, of their nature, brief and indicative only and should be read on that basis. To fully understand the rights and responsibilities pursuant to the contracts and the nature and extent of these, it would be necessary to undertake a full legal review of each contract.

7.18 Civil Engineering Contracts

The Company's primary operating subsidiary, Koon, is the principal contracting party for the Group's civil contracting work.

There are currently less than 15 civil construction contracts, at varying stages of completion, between Koon and various Singaporean public government entities (the "Client"), including the Land Transport Authority, Sentosa Cove Corporation Ltd., the National University of Singapore, the Public Utilities Board, the Jurong Town Corporation, the Ministry of Defence and the Ministry of National Development. The construction periods for the contracts vary from 1 to 4 years. All of the civil construction contracts contain standard contract terms and conditions. The principal terms and obligations are as follows:

Security Deposit: Koon is required to deposit with the employer an amount as specified for the due performance of its obligations under the contract. Under the terms of the contract, the Client may utilise the Security Deposit to make good any loss or damage sustained or likely to be sustained as a result of any breach of the contract by Koon, including any liquidated damages.

Completion: Koon is obligated to complete the works within the time or times stated in the contract. In certain circumstances, the contract provides for an extended time for completion. These circumstances include force majeure, exceptionally adverse weather conditions and certain other specified excepted conditions.

Liquidated Damages: The contracts provide that if the construction works have not been substantially completed within the time for completion or any extended time period, Koon is liable to pay liquidated damages to the Client. If, however, a certificate of substantial completion has been issued before the expiration of the time for completion, the contract provides for a reduction in the amount of liquidated damages which are payable.

Defects: A defects liability period exists for a stipulated period after a certificate of completion has been issued. Where legitimate claims are made by the Client during the defects liability period, Koon is required to rectify any defects in the construction works at its own cost.

Termination: The contracts provide the Client with a right of termination by default where Koon has abandoned the contract, failed to commence the works or failed to execute the works with an accepted program, has persistently refused or failed to remove plant and equipment from the site or has persistently refused or failed to comply with a written instruction from the super-intending officer of the Client. Other terminating events include Koon committing an act of bankruptcy, agreeing to give a person any gift or consideration of any kind as an inducement or reward in relation to carrying out the contract, failing to provide the security deposit and failing to insure the works.

The representations and undertakings pursuant to the contracts are usual for agreements of this nature.

7.19 Shareholders Agreement

On 14 March 2003, Koon entered into a Shareholders Agreement with the other 50% Shareholder of Koon Zinkcon Pte Ltd, Boskalis International (S) Pte Ltd. The Shareholders Agreement replaces a Joint Venture Agreement executed by the parties on 6 May 1985.

The terms of the Agreement reflect the investment nature of Koon's shareholding in Koon-Zinkcon and it provides inter alia that Koon has no significant influence over the management of Koon-Zinkcon other than on an advisory basis and only with regards to the winning of new sub-contracts or in the resolution of issues on sub-contracts won by Koon-Zinkcon.



Under the terms of the Agreement, Boskalis is entitled to appoint 3 Directors to the Board of Koon-Zinkcon, correspondingly Koon has the right to only 1 appointment. The Board is responsible for delegating the management of Koon-Zinkcon to an Executive Committee consisting of 3 members. The Executive Committee is responsible for making decisions and setting the financial and operational policy decision required to manage Koon-Zinkcon. Appointments to the Executive Committee are the sole right and responsibility of Boskalis under the terms of the Agreement, Boskalis must ensure that Koon-Zinkcon distributes a significant portion of its profits in the form of dividends. Such dividends once distributed are not recoverable. In the event that the majority of the shares of either of the ultimate parents of Koon-Zinkcon are acquired by a third party, either the Company or Boskalis, as the case may be, may require the dissolution of Koon-Zinkcon.

7.20 Memorandum of Understanding

On 1 April 2003, the Company's primary operating Subsidiary, Koon, entered into a Memorandum of understanding ("MOU") with PT Citra Tunggal Hokindo, ("Hokindo") a company incorporated in Indonesia.

Hokindo owns a number of quarry concessions on the island of Karimun, Indonesia and is currently able to produce about 50,000 tons of armour rock per month. As part of its core business of reclamation and some shore protection, Koon requires large quantities of armour rock.

Under the terms of the MOU, Koon has agreed to take an equity stake of 40% in Hokindo for a total consideration of S\$2,400,000. In return, Koon will have access to armour rock at competitive prices.

7.21 Service Agreements

On 4 April 2003, Koon entered into Service Agreements with each of its Executive Directors namely, Mr. Oh Keng Lim (Chairman), Mr. Chua Liong King (Managing Director) and Mr. Oh Koon Sun (Executive Director).

The service agreements have a term of two years commencing on 1 April 2003. Under the terms of the Service Agreement, the executive is entitled to a base monthly salary, and an additional wage supplement equal to one month's salary together with an incentive bonus which is at the discretion of the Board and/or Shareholders.

The Service Agreements contain otherwise standard terms with regard to confidentiality and time and attention.

7.22 Employee Shares

Given the reasons for the listing, described in Section 1.5, the Directors have resolved to issue 1 million new Shares to employees ("Employee Shares") of S\$0.05 each, at par or S\$0.05 per Share. The number of Shares distributed to each employee is dependent on:

- a) the length of service of the employee;
- b) the seniority of the employee; and
- c) other considerations including other contributions made, or likely to be made, to the Company.

The Executive Directors are not entitled to and have not been given any Employee Shares.

Employee Shares will account for 1.2% of the enlarged share capital of the Company on listing assuming that all the Offer Shares have been subscribed for. No employee is entitled to more than 24,000 Shares. A profile of Shares issued is as follows.

Value of Shares at Offer Price	Employees		Shares	
	No.	%	No.	%
A\$1,000 or less	34	28.1%	37,000	3.7%
A\$1,000 to A\$1,999	37	30.6%	270,000	27.0%
A\$2,000 to A\$2,999	33	27.3%	350,000	35.0%
A\$3,000 to A\$3,999	9	7.4%	164,000	16.4%
A\$4,000 to A\$4,999	8	6.6%	179,000	17.9%
A\$5,000 or more	0	0%	0	0%
	121	100%	1,000,000	100%

7.23 Employee Share Option Scheme ("ESOS")

The Company has established an Employee Share Option Scheme.

The rules of the Koon Holdings Limited Share Option Scheme contain the usual terms for dealing with the administration of such plans. The key terms are set out below:

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 16 April 2003. Under the rules of the ESOS, the Executive and Non-Executive Directors, and employees of the Company, and employees of the Associates that we have control over, are eligible to participate in the ESOS.

The purpose of the ESOS and a summary of its rules are set out in Section 4.5.

7.24 Restructuring Agreement

A restructuring agreement dated 10 April 2003 was entered into between the Company and the Existing Shareholders relating to the restructuring of the Group (the "Restructuring Agreement"). Under the Restructuring Agreement, the Company became the holding Company of the Group. The restructuring exercise involved the sale by the Existing Shareholders of an aggregate of 16,006,400 ordinary shares of S\$1.00 each in the capital of Koon, representing the entire issued and paid up share capital of Koon to the Company for 60,000,000 new ordinary shares at S\$0.05 each of the Company.

7.25 Litigation

The Company is not and has not been, during the 12 months preceding the date of this Prospectus, engaged in any legal proceedings which would be likely to have a material adverse effect on its Business, financial condition or the results of its operations nor, in so far as the Directors are aware, are any such proceedings pending or threatened.

7.26 Interests of Directors

Other than as set out in this Prospectus,

- No Director or other person envisaged in section 711(4) of the Corporations Act has, or has had in the two years before the date of this Prospectus, any interest in the Offer, in the formation or promotion of the Company or in any property of the Company or proposed to be acquired by the Company in connection with the formation or promotion of the Company or the Offer;
- No amount, whether in cash or Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given to any Director to induce him or her to become, or to qualify him or her as a Director, and



- No amount, whether in cash or Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, for the services provided by a Director or other person envisaged in section 711(4) of the Corporations Act in connection with the formation or promotion of the Company or the Offer.

7.27 Holding of Shares

Directors are not required under the Constitution to hold any Shares in the Company. As at the date of this Prospectus, Directors hold the following shareholdings in the Company described below:

Director Shares	—Before the Invitation—		—After the Invitation—	
	No of Shares	Holding % of Total	No of Shares	Holding % of Total
Chua Liong King	9,494,531	15.8%	9,494,531	11.7%
Oh Keng Lim	4,999,998	8.3%	4,999,998	6.2%
Oh Koon Sun	3,528,689	5.9%	3,528,689	4.4%
No. of Shares held by Directors	18,023,218	30.0%	18,023,218	22.3%

7.28 Remuneration

Under the Constitution, each Director may be paid remuneration for ordinary services performed as Director. Under the Listing Rules, the maximum fee payable to Directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

The maximum aggregate remuneration that may be paid to each non-executive Director is S\$60,000. This remuneration may be divided among the non-executive Directors in such a fashion as the Board may determine. Notice of any proposed increase in the maximum aggregate remuneration payable to the non-executive Directors must be given to members in the notice covering the general meeting at which the increase is to be proposed.

Executive Directors are full time employees of the Company

The annual package of each Executive Director is:

Oh Keng Lim	S\$169,000
Chua Liong King	S\$351,000
Oh Koon Sun	S\$234,000

Each Executive Director will also be entitled to the use of a Company car at the Company's expense.

The Directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the Directors or a committee of Directors or general meetings of the Company or otherwise in connection with the execution of their duties as Directors.

In addition, any Director who is called on to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond his or her ordinary duties or to go or to reside abroad or otherwise for the purpose of the Company may, subject to law, be remunerated either by a fixed sum or a salary as determined by the Directors. This sum may be either in addition to or in substitution for his share in the remuneration for ordinary services.

7.29 Corporate Governance

The Board is responsible for the direction and supervision of the Company's business and the protection of the rights and interests of its shareholders.

The Board's primary responsibilities include:

- Formulating the strategic direction for Management;
- Monitoring financial performance and approving the Company's financial statements and annual budget;
- Ensuring that adequate systems of internal control are in place and appropriately monitored for compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Regular review of the Board's own performance and the procedures followed;
- Establishing special purpose sub-committees to deal with specific issues as and when they arise; and
- Reporting to Shareholders on the Company's performance.

The ongoing composition of the Board is subject to shareholder approval. All nominations for appointment to the Board are reviewed by the current Board. Currently, the Board comprises 6 Directors each of whom is described in Section 4.2. At each annual general meeting, one third of the Board (other than the Managing Director) will retire and, if those Directors so choose, they may offer themselves for re-election.

The Company's policies regarding the terms and conditions for remuneration relating to the appointment and retirement of the Board members are approved by the Board following professional advice, if required by the Board. The remuneration and terms and conditions of employment for the Executive Directors and senior executives are also reviewed and approved by the Board after seeking professional advice, if required by the Board.

Non-executive Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. The Chairman's prior approval of such expenditure is required.

7.30 Audit Committee

The Audit Committee comprises 3 Directors, details each of whom is described in Sections 4.3 and 4.4. The Audit Committee will meet periodically throughout the year. It is the policy of the Board that the members of the Audit Committee will be predominantly independent and non-executive Directors.

The Finance Manager, Chief Accountant or any member of the Accounts department and external auditors may attend meetings by invitation.

The main functions of the Audit Committee will be to consider:

- Any matter relating to the financial conduct of the Company and its Subsidiaries including an assessment of the appropriateness of accounting policies, practices and disclosures and whether the quality of the financial report are adequate; and
- Any other matter referred to it by the Board.



7.31 Ethical Standards

The Company supports and has adopted the Code of Conduct published by the Australian Institute of Company Directors.

Interests of Experts and Advisers except as set out in this Prospectus, no:

- Person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of the Company or the Group; or
- Financial adviser of the Offer,

holds, at the date this Prospectus was lodged with the ASIC, or has held in the two years prior to the date of lodgement of this Prospectus, any interest in:

- Any property acquired or proposed to be acquired by the Group in connection with the consolidation of the Group or the promotion of the Group;
- The formation, consolidation or the promotion of the Company or any entity in the Group; or
- The Offer.

7.32 Expenses of the Offer

Hunt & Hunt has acted as Australian legal adviser with respect to the Offer. In total, the Company has paid or agreed to pay Hunt & Hunt approximately A\$75,000 up to the date of this Prospectus for the provision of legal services. Should further work be required of Hunt & Hunt which falls outside its agreed scope of work, the Company will pay for those services according to Hunt & Hunt's normal time based charges.

Shadforth's Limited has acted as the Sponsor and Financial Adviser. Shadforth's has also undertaken to procure Applications for the Offer on a best efforts basis.

Deloitte Touche Tohmatsu (Australia) has acted as independent accountant with respect to the Offer and has:

- prepared the Investigating Accountants Report which appears in Section 6 of this Prospectus;
- performed accounting work in relation to the Offer, including the conduct of due diligence enquiries; and
- provided the taxation advice which appears in Section 6.

Deloitte & Touche (Singapore) has acted as Auditor to the Company.

In total, the Company has paid or agreed to pay Deloitte Touche Tohmatsu (Australia) and Deloitte & Touche (Singapore) approximately A\$115,000 up to the date of this Prospectus for the provision of those services. Should further work be required of Deloitte Touche Tohmatsu those services other than the Audit will be paid for according to Deloitte Touche Tohmatsu's normal time based charges.

Wong Tan & Molly Lim LLC is the legal adviser with respect to the Secondary Listing in Singapore. It has provided and will provide legal services to the Group with respect to the Singapore Secondary Listing. The Company has agreed to pay Wong Tan & Molly Lim LLC approximately S\$35,000 up to the date of the Prospectus for the provision of legal services in connection with the Secondary Listing.

Leong, Chua & Wong are the legal advisers to the Company. It has provided legal services to entities in the Group and also to the Existing Shareholders in relation to the Offer. The Company has paid or agreed to pay Leong, Chua & Wong approximately S\$20,000 up to the date of the Prospectus for the provision of legal services in connection with the Offer.

All expenses connected with the Offer are being borne by the Company. No form of payment of any kind will be made or agreed to be made to any expert or firm other than for cash. The approximate breakdown of expenses of the Offer (including any applicable GST and reimbursement of out of pocket expenses) are as follows:

Breakdown of expenses (rounded to the nearest A\$5,000):

Reporting Accountant	A\$ 115,000
Legal	A\$ 130,000
Financial Adviser	A\$ 50,000
Other Professionals	A\$ 45,000
ASX and ASIC	A\$ 35,000
Selling Commission	A\$ 160,000
Other Expense	A\$ 75,000
Total	A\$ 610,000

Except as set out above or elsewhere in this Prospectus, no sums have been paid or agreed to be paid to any professional adviser or other person in cash, shares or otherwise by any person in connection with the formation or promotion of the Company. Certain parties and employees of the above firms may subscribe for Shares in the context of the Offer.

7.33 Consents

None of the parties referred to below has made, or purports to have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based other than as specified below.

Each of the parties referred to below, to the maximum extent permissible by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and the statement or report included in this Prospectus with the consent of that party as specified below.

Shadforths Limited has given and has not before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Hunt & Hunt has given and has not before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Deloitte Touche Tohmatsu (Australia) has given and has not before the lodgement of this Prospectus with ASIC, withdrawn its written consent to both being named in this Prospectus in the form and context in which it is named and the inclusion of its Investigating Accountants Report in this Prospectus in the form and context in which it appears.

Deloitte & Touche (Singapore) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Wong Tan & Molly Lim LLC has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Leong, Chua & Wong has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Computershare Investor Services Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

7.34 ASX Listing

The Company will apply within 7 days after the date of this Prospectus for admission to the ASX Official List and quotation by ASX for all of the Shares. ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may admit the Company to the Official List of the ASX is not to be taken in any way as an indication of the merits of the Company.



7.35 CHESS

The Company will not issue share certificates to shareholders. The Company will apply to be admitted to CHESS in accordance with the Listing Rules and the SCH Business Rules. On admission to CHESS, the Shares will be maintained on an electronic issuer sponsored sub register and CHESS. These two sub registers together will make up the register of shares of the Company.

Shareholders who elect to hold their Shares on the issuer sponsored sub register will be provided with a holding statement that sets out the number of Shares issued to them.

For shareholders who hold Shares on the CHESS sub register the Company will issue an advice that sets out the number of Shares issued to them under the Offer and at the end of the month of issue, SCH will provide each shareholder with a holding statement that confirms the number of Shares issued.

The holding statement will also provide details of a Shareholder's HIN in the case of a holding on the CHESS sub register or security holder reference number in the case of a holding on the issuer sponsored sub register.

An updated holding statement will be sent to a shareholder at the end of each month where the balance of the investor's holding of Shares changes.

7.36 Documents Available for Inspection

Copies of the following documents may be inspected free of charge at the offices of Hunt & Hunt during normal business hours:

- Constitution, and
- The consents referred to in this section.

7.37 Governing Law

This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the law applicable in Tasmania. Each Applicant submits to the exclusive jurisdiction of the Courts of Tasmania.

7.38 Consent to Lodgement

This Prospectus is issued by the Company. In the opinion of the Directors, there have not been any circumstances which materially affected or will affect the operating or financial performance or value of the Company since the date of the accounts used in the preparation of the Investigating Accountant's Report, except as disclosed in the Prospectus.


Every Director of the Company has consented to the lodgement of this Prospectus with ASIC under the Corporations Act and this Prospectus has been signed by each Executive Director.



Oh Keng Lim, Chairman



Chua Liong King, Managing Director



Oh Koon Sun, Executive Director



B. GLOSSARY

In this Prospectus and any accompanying forms, the following definitions apply where the context so admits:

Group Companies

"Group" or "the Group"	: Means the Company, its subsidiaries Koon, Entire and Gems and its 50% owned investment Koon-Zinkcon.
"Company"	: Koon Holdings Limited
"Associates"	: Any company in which the Company has more than a 20% interest in and where the Company can exercise significant influence.
"Koon"	: Koon Construction & Transport Co. Pte. Ltd.
"Entire"	: Entire Engineering Pte Ltd
"Gems"	: Gems Marine Pte Ltd
"Koon-Zinkcon"	: Koon Zinkcon Pte Ltd

Other Terms

"Act" or "Corporations Act"	: Means the Corporations Act 2001 of Australia.
"Applicant"	: Means a person who submits an Application.
"Application"	: Means a valid Application to subscribe for the Offer Shares.
"Application Form"	: Means the Application forms attached to and forming part of this Prospectus.
"ASIC"	: the Australian Securities and Investments Commission.
"ASTC"	: ASX Settlement and Transfer Corporation Pty Ltd.
"ASX"	: Australian Stock Exchange.
"Auditor"	: Means Deloitte & Touche (Singapore).
"BCA"	: Building & Construction Authority, Singapore.
"CHESS"	: Clearing House Electronic Sub register System.
"Commission"	: The Australian Securities & Investment Commission.
"Constitution"	: Means the Memorandum and Articles of Association of Koon Holdings Limited.
"Closing Date"	: 6 June 2003
"Directors"	: Means the directors of the Company as it is constituted from time to time.
"Electronic Prospectus"	: Means the electronic version of the Prospectus hosted at www.koon.com.sg or www.koon.com.sg/prospectus or www.shadforths.com.au .
"Employee Shares"	: Means the 1,000,000 Shares that will be issued to employees upon final listing approval by the ASX, at par or S\$0.05 each and which has been described in Section 7.22 of this Prospectus.
"ENV"	: Ministry of the Environment, Singapore.
"ESOS"	: Employee Share Option Scheme.
"Existing Shareholders"	: Means all the shareholders of the Company prior to the Offer listed in Section 7.2.
"HIN"	: Holder Identification Number.
"Incentive Option"	: An option that has been issued under the Employee Share Option Scheme at a discount to the market price of the Company.
"Investigating Accountant's Report"	: The report contained in Section 6 of this Prospectus.

"ISO 9001:2000"	: An internationally recognised standard, issued and maintained by the International Organisation for Standardisation, pertaining to Quality Management Systems.
"ISO 14001"	: An internationally recognised standard, issued and maintained by the International Organisation for Standardisation, pertaining to Environmental Management Systems.
"OHSAS 18001"	: An internationally recognised certification, managed by the International Organisation for Standardisation, pertaining to Occupational Health & Safety Systems.
"JTC"	: Jurong Town Corporation, Singapore. A government related body that operates the principle industrial parks and zones in Singapore.
"LTA"	: Land Transport Authority, Singapore.
"Listing Rules"	: Means the Listing Rules of the ASX.
"Market Day"	: A day on which the ASX is open for trading.
"Market Price Option"	: An option that has been issued under the Employee Share Option Scheme at the prevailing market price of the Company.
"Minimum Subscription"	: Means A\$3.4 million.
"Offer"	: Means the whole of the Offer Shares of 20,000,000 new shares of Koon Holdings Limited at the Offer price on the terms and conditions set out in this Prospectus.
"Offer Period"	: Means the period commencing on the Opening Date and ending on the Closing Date.
"Offer Price"	: Australian dollar 20 (twenty) cents per Offer Share.
"Offer Shares"	: 20,000,000 (twenty million) new shares of Koon Holdings Limited.
"Opening Date"	: 19 May 2003
"Original Prospectus"	: Means the Prospectus dated 24 April 2003.
"Outstanding Shares"	: Means the issued and paid up ordinary shares of the Company.
"Paper Prospectus"	: Means the printed version of the Prospectus.
"PE"	: Professional Engineer, a certification and designation awarded by the Singapore Professional Engineers Board.
"Prospectus"	: Means this Replacement Prospectus dated 8 May 2003 for the issue of up to 20,000,000 Offer Shares.
"PSA"	: The Port of Singapore Authority. The government related company which develops, manages and owns the Singapore port.
"PUB"	: Public Utilities Board, Singapore.
"SCH"	: Securities Clearing House.
"Secondary Listing"	: Means the proposed secondary listing on the Singapore Stock Exchange.
"SingPower"	: Singapore Power Ltd.
"Shares"	: Means a fully paid ordinary share of the Company.
"Subscription Lists"	: Being the list which subscribers for the Offer are entered when their Application forms have been received and accepted.
"URA"	: Urban Redevelopment Authority, Singapore.
"Woodlands Project"	: Means the two Woodland water abstraction stations for the Public Utilities Board in Woodlands Crescent and Woodlands Avenue.

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing the form. To meet the requirements of the Corporations Act, this Application Form must not be handed unless attached to the prospectus.

Broker Code

Adviser Code

A I/we apply for

B I/we lodge full Application Money

Number of Shares in Koon Holdings Limited at \$0.20 per Share or such lesser number of Shares which may be allocated to me/us

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - Include State and Postcode

Unit Street Number Street Name or PO Box / Other Information

City / Suburb / Town

State

Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

F CHESS Participant

Holder Identification Number (HIN)

Cheque details - Make your cheque or bank draft payable to Koon Holdings Limited - Trust Account

G Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

How to complete this form

A

Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be multiples of 1,000 Shares.

B

Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per share.

C

Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable names. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D

Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E

Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F

CHES HIN (if applicable)

Koon Holdings Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G

Payment

Make your cheque or bank draft payable to "Koon Holdings Limited - Trust Account" in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box C.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be represented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the Applicant(s) should read this Prospectus to which the Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Koon Holdings Limited is upon and subject to the terms of the Prospectus and the Constitution of Koon Holdings Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

Lodgement of Application

Application Forms must be received at the Melbourne office of Computershare Investor Services Pty Limited by no later than 5.30 pm AEST on 6 June 2003.

Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited	OR	Computershare Investor Services Pty Limited
GPO Box 52		Level 12
MELBOURNE VIC 8060		565 Bourke Street
		MELBOURNE VIC 3000

Privacy Statement

All personal information collected in this application form will be handled in accordance with the Privacy Act 1988.

Koon Holdings Limited and Computershare Investor Services Pty Limited will use your personal information to:

- arrange the issue of new Shares; and
- maintain Koon Holdings Limited register of securityholders, facilitate distribution payments and other corporate actions and communications.

In using your personal information for these purposes, Koon Holdings Limited or Computershare Investor Services Pty Limited may have to disclose this information to particular organisations under certain circumstances. These organisations may include auditors, legal or accounting firms used in respect of the administration of your holdings.

If you do not consent to these uses or disclosures of your personal information you should not complete this application form.

If you wish to know what personal information Koon Holdings Limited or Computershare Investor Services Pty Limited holds about you, you may contact the Company at its Registered Office at 174 Collins Street Level Two, Hobart 7000, TAS or by phone on (613) 62369945 or its Head Office at 17B Pandan Road, Singapore 609269 or by phone on (65) 62615788

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Registry Use Only

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B I/we lodge full Application Money

Number of Shares in Koon Holdings Limited at \$0.20 per Share or such lesser number of Shares which may be allocated to me/us

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Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

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Unit Street Number Street Name or PO Box / Other Information

City / Suburb / Town

State

Postcode

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F CHESS Participant

Holder Identification Number (HIN)

Cheque details - Make your cheque or bank draft payable to Koon Holdings Limited - Trust Account

G Drawer

Cheque Number

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Amount of cheque

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

How to complete this form

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MELBOURNE VIC 8060		565 Bourke Street
		MELBOURNE VIC 3000

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- maintain Koon Holdings Limited register of securityholders, facilitate distribution payments and other corporate actions and communications.

In using your personal information for these purposes, Koon Holdings Limited or Computershare Investor Services Pty Limited may have to disclose this information to particular organisations under certain circumstances. These organisations may include auditors, legal or accounting firms used in respect of the administration of your holdings.

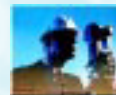
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If you wish to know what personal information Koon Holdings Limited or Computershare Investor Services Pty Limited holds about you, you may contact the Company at its Registered Office at 174 Collins Street Level Two, Hobart 7000, TAS or by phone on (613) 62369945 or its Head Office at 17B Pandan Road, Singapore 609269 or by phone on (65) 62615788

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



CORPORATE DIRECTORY



Board of Directors

(surnames are underlined)

Oh Keng Lim, Chairman and Executive Director

Chua Liong King, Managing and Executive Director

Oh Koon Sun, Executive Director

Christopher Chong Meng Tak, Non-Executive and Independent Director

Glenda Mary Sorrell-Saunders, Non-Executive and Independent Director

Dr Wang Kai Yuen, Non-Executive and Independent Director

Company Secretary

Harvey John Gibson
c/o Wise Lord & Ferguson
(Tasmanian representatives of Ernst & Young)
160 Collins Street, Hobart 7000, TAS, Australia

Sabrina Ruskin & Juliana Loh Joo Hui
c/o Compact Administrative Services Pte Ltd
6 Shenton Way #28-09
DBS Building Tower 2, Singapore 068809

Registered and Main Operating Office

Australian Office
174 Collins Street, Level Two
Hobart 7000, TAS, Australia
Tel: (613) 6236 9945
Fax: (613) 6236 9935

Singapore Registered & Head Office
17B Pandan Road, Singapore 609269
Tel: (65) 6261 5788
Fax: (65) 6266 0117
e-mail: lindye@koon.com.sg

Sponsoring Broker the Primary Listing on the ASX

Shadforth Limited
111 Macquarie Street, Hobart 7000, TAS, Australia

Sponsoring Bank to the Secondary Listing on the SGX-SESDAQ

HL Bank
20 Collyer Quay, #01-02 Tung Centre, Singapore 049319

Solicitors to the Offer

Hunt and Hunt
Level 9, 85 Macquarie Street, Hobart 7000, TAS, Australia

Solicitors to the Secondary Listing

Wong Tan & Molly Lim LLC
80 Robinson Road #17-02, Singapore 068898

Solicitors to the Company

Leong, Chua & Wong
2 Havelock Road, #04-05 Apollo Centre, Singapore 059763

Auditor & Investigating Accountant

Deloitte Touche Tohmatsu
Level 9, ANZ Centre, 22 Elizabeth Street, Hobart 7000, TAS, Australia

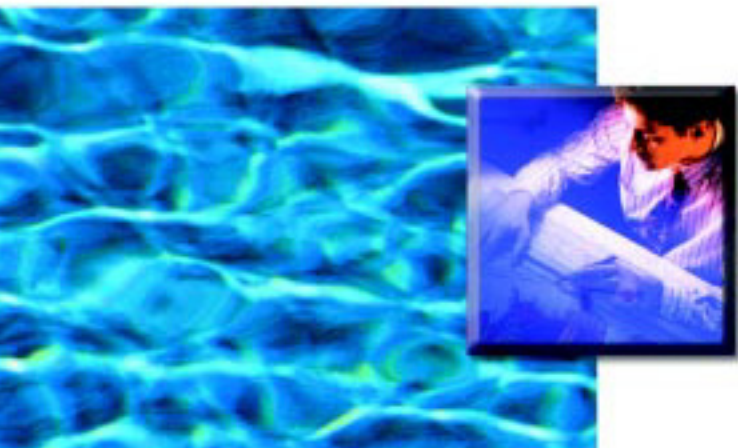
Principal Bankers

Development Bank of Singapore
6 Shenton Way, DBS Building Tower 1
Singapore 068809

Oversea-Chinese Banking Corporation
55 Chulia Street, OCBC Centre
Singapore 049513

Share Registry

Computershare Investor Services Pty Limited
Level 12, 565 Bourke Street, Melbourne 3001, VIC, Australia



KOON Civil Engineering with a Difference



... Highest pre-qualification¹ rating – ‘A1’

awarded by the Building and Construction Authority, Singapore ...

... Blue chip client base

– less than 1% debtor default ...

... Significant contracts-on-hand and near full work load

despite weak market conditions ...

... Significant growth opportunities

arising from industry consolidation ...

¹ To be eligible to tender for Government and many private jobs, contractors must pre-qualify by getting a rating from the Building and Construction Authority (BCA) of Singapore.



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SUPPLEMENTARY PROSPECTUS



KOON HOLDINGS LIMITED

Incorporated in the Republic of Singapore

SUPPLEMENTARY PROSPECTUS

Notice to Potential Investors

This Supplementary Prospectus is dated 6 June 2003 and was lodged with the Australian Securities and Investments Commission on that date.

This Supplementary Prospectus is a supplementary document to the Replacement Prospectus dated 8 May 2003 ("Prospectus") issued by Koon Holdings Limited ("the Company") and is to be read together with that Prospectus.

The Australian Securities and Investments Commission takes no responsibility for the contents of this Supplementary Prospectus.

Interpretation

Words and phrases defined in the Prospectus and used in this Supplementary Prospectus have the same meanings in this Supplementary Prospectus as they do in the Prospectus. Potential investors are referred to the Glossary at Section 8 on pages 75 and 76 of the Prospectus in this respect.

Reason for the Issue of this Supplementary Prospectus

At the time of lodgment of the Prospectus, the audit of Entire and Gems had been completed, however the audits of Koon and the Company were not able to be completed as the audited accounts for Koon-Zinkcon were not finalised at the date of lodgment.

Koon-Zinkcon's audit is undertaken by PricewaterhouseCoopers ("PWC") and has now been completed. Consequently the Group is now able to present audited consolidated statements for FY2002.

Important Notice

Page 1 of the Prospectus sets out four key dates relating to the Offer. They are replaced in their entirety by the following:

Applications Open
Monday, 19 May 2003

Applications Close (note the Company may vary this date)
Thursday, 19 June 2003

Expected date of dispatch of holding statements
Friday, 27 June 2003

Expected date of quotation of Shares on the ASX
Friday, 4 July 2003

Accordingly, subsequent references in the Replacement Prospectus to these dates also need to be amended. In particulars, references to the closing date in the following sections of the Replacement Prospectus ought be read as referring to the closing date of Thursday 19 June 2003:

- a) Section 1.7, entitled, 'How to Apply for the Offer Shares', on page 8 of the Replacement Prospectus, in the second line of the final paragraph;
- b) Section 1.9, entitled, 'Opening & Closing Dates', on page 9 of the Replacement Prospectus , in the third line;
- c) Section 8, entitled, 'Glossary', on page 75 of the Replacement Prospectus, in relation to the definition of 'Closing Date'; and
- d) The Application Form, on the reverse side under the heading, 'Lodgement of Application', in the first line.

Section 1 Details of the Offer

SECTION 1.11 CHESS

The following statement replaces the statement made in the first sentence of the second paragraph.

The Company proposes to participate in the Clearing House Electronic Sub register System ("CHESS"), operated by the ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of the ASX, in accordance with the Listing Rules and Securities Clearing House ("SCH") Business Rules.

As CHESS cannot be used directly for the transfer of securities of entities domiciled in countries whose laws have the effect that CHESS cannot be used for holding legal title to securities, the Company will establish a CHESS Depositary Interests ("CDI") Register.

Investors electing to hold their securities in the form of CDI's will not receive certificates. The entity will register the securities in the name of the depositary nominee and will create uncertificated CDI holdings in the names of the investors. Statements of beneficial ownership will be issued to all CDI holders.

The differences between holding CDIs and holding securities

CDI's are units of beneficial ownership in foreign securities held by an Australian depositary entity. The Company will use Chess Depositary Nominees Pty Limited (CDN) as the depositary entity.

The main difference between holding CDI's and holding securities is that the holder of CDI's has beneficial ownership of the equivalent number of securities of the foreign entity instead of legal title. Legal title is held by the depositary entity. The securities are registered in the name of the depositary entity and held by that entity on behalf and for the benefit of the CDI holders.

Using CDI's, sellers transfer beneficial ownership of the securities instead of legal title. Buyers may choose either to leave their holdings in the form of CDI's (so that legal title remains in the name of the depositary entity) or convert the CDI's into securities (so that the buyers can hold title in their own right).

Entitlements of CDI holdings

The Securities Clearing House (SCH) Business Rules, which are recognised under the Corporations Act, contain provisions which ensure that CDI holders have all the direct economic and other benefits of holding the underlying securities.

With the exception of voting arrangements, CDI holders have the same rights as holders whose securities are legally registered in their own name.

Voting and security holder meetings

The SCH Business Rules require the foreign entity to give notice of any meeting of a class of security holders to all CDI holders in that class. Listing rule 14.2A requires the foreign entity to permit holders of CDI's to attend the meeting unless the laws of the jurisdiction in which it is established prevent this. The notice must include a form permitting the CDI holder to direct the depositary entity to cast proxy votes in accordance with the written directions of the CDI holder. Under the SCH Business Rules the entity is required to collect and process these directions.

CDI holders cannot vote personally at a meeting of security holders. A person holding CDI's must convert them into the underlying securities in sufficient time before the meeting to enable them to vote personally.

Converting CDI's to underlying securities

Holders of CDI's in CHESS who wish to convert their CDI holdings to underlying securities can do so by instructing their sponsoring CHESS participant. The participant transmits a CHESS message to the entity's registry instructing the registry to transfer the securities from the depositary nominee into the name of the holder. The entity's registry then issues a certificate.

Holders of issuer sponsored CDI's who wish to convert their CDI holdings to underlying securities can do so by instructing the issuer's share registry. The registry will transfer the securities from the depositary nominee into the name of the holder. The entity's registry issues a certificate.

Converting underlying securities to CDI's

Holders of underlying securities who wish to convert their certificates holdings to CDI's in CHESS can do so by lodging their certificate with their sponsoring CHESS participant and signing the seller side of an Australian Standard Transfer Form. The participant lodges the certificate and transfer form with the entity's registry and transmits a CHESS message to the entity's registry instructing the registry to establish a CHESS holding. The registry then transfers the securities from the investor's name into the name of the depositary nominee and establishes a CDI holding in the name of the investor. CHESS then issues a CHESS holding statement to the investor.

Holders of underlying securities who wish to convert their certificated holdings to issuer sponsored CDI's can do so by lodging their certificate with the issuer's share registry and signing the seller side of an Australian Standard Transfer Form. The registry then transfers the securities from the investor's name into the name of the depositary nominee and establishes a CDI holding in the name of the investor. The entity's registry issues a holding statement to the investor.

CDI holding statements

Security holders who are sponsored by brokers or non-brokers that participate in CHESS and who have chosen to hold their foreign securities in the form of CDI's will receive periodic CHESS holding statements similar to CHESS holding statements for direct holders. CHESS will issue these statements on behalf of the depositary nominee. CDI holders who are issuer sponsored will receive uncertificated holding statements from the entity's Australian registry on behalf of the depositary nominee.

Section 3 The Group's Business and Financial Position

SECTIONS 3.6 AND 3.9 FINANCIAL PERFORMANCE AND POSITION

The Abbreviated Pro-forma Consolidated Statements of Financial Performance and the Abbreviated Pro-forma Consolidated Statements of Assets and Liabilities are shown below and replace those shown in Sections 3.6 and 3.9 in the Prospectus. These statements were and are prepared on an investment basis due to a change in the status of Koon-Zinkcon. Koon-Zinkcon has become an investment as the Company no longer exercises significant influence over Koon-Zinkcon. Reconciliation between these Abbreviated Proforma Statements and the Audited Consolidated Statements can be found on page 13 of this Supplementary Prospectus in Appendix A of the Investigating Accountant's Report.

The reason for the Abbreviated Pro-forma Consolidated Statement of Financial Performance and the Abbreviated Pro-forma Consolidated Statement of Assets & Liabilities replacing those shown in Sections 3.6 and 3.9 in the Prospectus, and the main differences between the tables which they replace, are as follows:

- 1) The Abbreviated Pro-forma Consolidated Statement of Financial Performance and the Abbreviated Pro-forma Consolidated Statement of Assets and Liabilities shown below, are based on the Audited Financial Statements for 1999 to 2002 inclusive, whilst those in the Prospectus were based on the Audited Financial Statements for 1999, 2000 and 2001 only and the Unaudited Financial Statements for 2002; and
- 2) With effect from January 1 2001 the group adopted SAS 12 (2001) – Income Tax. The effect of this change of accounting policy has been adjusted retrospectively in the 2001 financial year, resulting in a change to the proforma Net Profit after Tax.

The second paragraph of Section 3.6 on page 23 of the Replacement Prospectus is deleted in its entirety.

The two tables below replace in their entirety the two tables presented in Section 3.6 on page 22 of the Replacement Prospectus and 3.9 on page 25 of the Replacement Prospectus, respectively. The references to the Notes remain applicable. However, the single asterisk reference to the second paragraph of Section 3.6 of the Replacement Prospectus that appeared directly beneath both tables in the Replacement Prospectus has been deleted because the paragraph referred to has now been deleted.

Abbreviated Pro-forma Consolidated Statements of Financial Performance				
Based on Audited Financial Statements for 1999 to 2002				
For the year ended 31 December (S\$'000)				
	1999	2000	2001	2002
Revenue	176,071	87,276	70,219	59,619
Gross Operating Profit	5,653	3,365	(1,187)	4,904
Investment Income after Tax	-	-	11,214	4,159
Net Profit after Tax	926	(1,289)	3,240	3,508
As a percentage of Revenue				
Gross Operating Profit	3.2%	3.9%	-1.7%	8.2%
Net Profit after Tax	0.5%	-1.5%	4.6%	5.9%
Major Expenses				
Administrative expenses excluding depreciation and interest	2,480	2,748	3,249	3,244
Depreciation	2,941	2,179	1,936	2,298
Interest & Financing Cost	129	31	95	179

Abbreviated Pro-forma Consolidated Statements of Assets and Liabilities
Based on Audited Financial Statements for 1999 to 2002
As at 31 December (S\$'000)

	1999	2000	2001	2002
Current Assets	36,903	34,405	24,695	26,800
Non-Current Assets	6,214	4,564	6,932	8,636
Total Assets	43,117	38,969	31,627	35,436
Current Liabilities	32,485	30,486	16,921	16,464
Non-Current Liabilities	469	162	1,592	2,350
Total Liabilities	32,954	30,648	18,513	18,814
Shareholders' Funds	10,163	8,321	13,114	16,622
Total Assets	43,117	38,969	31,627	35,436
Current Assets to Current Liabilities	114%	113%	146%	163%
Total Debt to Total Assets	1.7%	0.9%	8.6%	10.5%
Net Cash to Shareholders' Funds	55%	134%	43%	40%
Total Debt (loans and finance leases)	717	362	2,721	3,706
Net Cash (total cash less total debt)	5,585	11,120	5,614	6,646
Gross Profit on Total Assets	13.1%	8.6%	-3.8%	13.8%
Net Profit on Shareholders' Funds	9.1%	-15.5%	24.7%	21.1%

SECTION 3.12 CASHFLOW

The following Statement of Cashflows and accompanying explanations are provided below for those investors who may be interested in such information and are to be read as a new section of the Prospectus, Section 3.12, entitled, 'Cashflow'.

Consolidated Statement of Cashflows based on Audited Consolidated Financials of the Company For the year ended 31 December (S\$'000)

Line	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Operating activities				
1 Profit from ordinary activities before taxation	1,493	10,233	(1,273)	(203)
<i>Adjustments for:</i>				
2 Interest expense	129	31	95	179
3 Depreciation of property, plant and equipment	2,941	2,179	1,936	2,298
4 (Gain) loss on disposal of fixed assets	(684)	(551)	(123)	(568)
5 Provisions (net)	1,058	127	182	212
6 Share of results of investee company	(349)	(11,229)	(4,963)	87
7 Cashflow provided by operations before change in working capital	4,589	790	(4,146)	2,005
<i>Changes in working capital</i>				
8 Contract work-in-progress	4,085	3,267	(6,567)	786
9 Trade and other receivables	(846)	6,671	13,425	(3,565)
10 Trade and other payables	(5,148)	(3,382)	(11,871)	(457)
11 Cash generated from operations	2,679	7,346	(9,159)	(1,232)
12 Income taxes (paid)/rebate	(129)	(1,121)	(333)	19
13 Cash flows from operating activities	2,550	6,224	(9,493)	(1,212)
Investing activities				
14 Dividend received	-	-	8,466	4,159
15 Purchase of property, plant and equipment	(2,280)	(555)	(4,327)	(3,796)
16 Proceeds from sale of property, plant and equipment	1,971	513	135	286
17 Others	-	(63)	-	-
18 Cash flows from investing activities	(308)	(106)	4,274	648
Financing activities				
19 Interest paid	(129)	(31)	(95)	(179)
20 Dividends paid	(1,083)	(1,091)	(553)	-
21 Payment of finance lease rentals	(857)	(355)	(200)	(275)
22 Proceeds from bank loans	-	-	2,804	1,680
23 Repayment of bank loans	(327)	-	(438)	(902)
24 Cash flows from financing activities	(2,396)	(1,477)	1,518	323
25 Net increase in cash and cash equivalents	(155)	4,642	(3,700)	(241)
26 Cash and cash equivalents at beginning of year	7,548	7,393	12,035	8,335
27 Cash and cash equivalents at the end of year	7,393	12,035	8,335	8,094

Notes

- a. Profit from ordinary activities before taxation (line 1) is from the Audited Consolidated Statement of Financial Performance of the Company. No proforma is required as a Statement of Cashflow removes the various accounting bases to a common cashflow basis.
- b. Interest Expense (line 2 which is reclassified from an operating activity to a financing activity in line 19) fell in FY2000 due to a reduction in leases outstanding (line 21) and a significant reduction in bank borrowings (line 23). The rise in FY2001 and FY2002 were due to a rise in bank borrowings (line 22) for the purchases of tugs and barges and for the funding of the construction of a new Headquarters (line 15), in those years respectively.
- c. Depreciation of property, plant and equipment (line 3) fell in FY2000 and FY2001 due to large disposals of older tugs and barges and other equipment (line 16) in FY1999 and FY2000. The rise in FY2002 was due to the acquisition of new tugs and barges in FY2001 to replace those sold (line 15).
- d. The Company has made modest but consistent gains on disposal of fixed assets (line 4) as a result of a prudent depreciation policy.
- e. The high provision (line 5) in FY1999 was due to an accounting policy of Koon-Zinkcon's that is to make provision for significant repairs and maintenance. This accounting policy ceased in FY2000. Other provisions include provision for anticipated contract losses and/or provisions for bad debts and/or provisions for remedial and other work.
- f. Working Capital comprises Contract work-in-progress (line 8), Trade and other receivables (line 9) and Trade and other payables (line 10). There are significant year-on-year changes due to the amount of work outstanding as at 31 December and the amount that has been paid to sub-contractors and/or for materials. It is the Directors' opinion that such significant year-on-year change is in the nature of the business.
- g. Dividend received (line 14) represents the dividends paid by Koon-Zinkcon.
- h. All other items are self explanatory and/or whose movements have been explained in one of the notes above.

Section 6 Investigating Accountant's Report

The Independent Accountant's Report below replaces in its entirety the Investigating Accountant's Report that is at pages 38 to 57 in Section 6 of the Replacement Prospectus.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 9, ANZ Centre
22 Elizabeth Street
Hobart TAS 7000 Australia

DX 111
Telephone +61 (3) 6237-7000
Facsimile +61 (3) 6237-7001
www.deloitte.com.au

**Deloitte
Touche
Tohmatsu**

5 June 2003

The Directors
Koon Holdings Limited
17B Pandan Road
SINGAPORE 609269

KOON HOLDINGS LIMITED – INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This report has been prepared at the request of the directors following the issue on June 3, 2003 by Koon Holdings Limited (Company) of its audited financial statements for the year ended December 31, 2002, for inclusion in the Supplementary Prospectus to be dated on or around June 6, 2003 in relation to the issue of up to 20 million Offer Shares in the Company. This report supersedes our Investigating Accountant's Report dated April 24, 2003.

References to the Company and the Group and other terms used in this Report have the same meaning as defined in the Replacement Prospectus.

We have been requested to prepare an Investigating Accountant's Report on historical and abbreviated proforma financial information as disclosed in Appendix A of this report.

Background

Koon Holdings Limited was incorporated in Singapore on April 9, 2003 as Koon Holdings Private Limited with an authorised capital of S\$50,000,000 divided into 1,000,000,000 ordinary shares of S\$0.05 each. The Company was converted into a public company on April 14, 2003 and changed its name to Koon Holdings Limited and acquired a 100% interest in Koon Construction & Transport Co. Pte. Ltd. in exchange for the issue of 60,000,000 new ordinary shares of S\$0.05 on April 10, 2003.

The Company is the holding company of a group, which includes wholly controlled entities:

- € Koon Construction & Transport Co. Pte. Ltd.;
- € Entire Engineering Pte Ltd; and
- € Gems Marine Pte Ltd.

Additionally the group holds a 50% investment in Koon Zinkcon Pte Ltd.

Financial Information

The proforma information of the Group provided in the Supplementary Prospectus comprises Abbreviated Proforma Statement of Financial Performance for the financial years ended December 31, 1999, December 31, 2000, December 31, 2001 and December 31, 2002 (abbreviated proforma financial information).

The Abbreviated Proforma Financial Information is an abridged version of the Company's financial information adjusted for the treatment of Koon Zinkcon Pte Ltd noted below.

In the years 1999, 2000, 2001 and 2002 Koon Zinkcon Pte Ltd was equity accounted in the Group financial statements.

The financial statements for the years ended December 31, 1999, December 31, 2000, December 31, 2001 and December 31, 2002 (as disclosed in Appendix A of this report) were audited by Deloitte & Touche (Singapore) in accordance with Singapore Standards on Auditing. These Standards require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements were free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements and assessment of the accounting principles used and significant estimates made by the Directors, as well as evaluation of the overall financial statements presentation. These procedures were undertaken to form a true and fair opinion whether the financial statements of the Company and consolidated financial statements of the Group were properly drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Statements of Accounting Standards. The audit reports were not qualified.

In our opinion the historical financial information as disclosed in Appendix A to this report has been correctly extracted from the audited financial statements for the years ended December 31, 1999, 2000, 2001 and 2002.

Proforma Adjustment – Koon Zinkcon Pte Ltd

Following a review by the shareholders of Koon Zinkcon Pte Ltd, the Company and Royal Boskalis Westminster NV, the other 50% shareholder, the shareholders have entered into a new agreement recognising the Company has no significant influence over Koon Zinkcon Pte Ltd. Accordingly, it has been resolved that Koon Zinkcon Pte Ltd should be accounted for as an investment in Koon Holdings Limited rather than by way of equity accounted.

Accordingly, the abbreviated proforma financial information has been restated to disclose Koon Zinkcon Pte Ltd as an investment of Koon Holdings Limited, with income being on receipt of dividends rather than by way of share of income. The attached Audited Financial Statements (Appendix A) for years ended December 31, 1999, 2000, 2001 and 2002 disclose Koon Zinkcon Pte Ltd on the equity accounted basis. A reconciliation between the abbreviated Proforma Statement of Financial Performance and the audited Statement of Financial Performance is contained in Appendix A.

Review of Historical and Abbreviated Proforma Financial Information

The historical and abbreviated proforma financial information has been prepared by the Directors of the Company based on the accounting policies set out in Appendix A.

For the purposes of this Report, we have reviewed the historical and abbreviated proforma financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the historical and abbreviated proforma financial information is not properly drawn up in accordance with the basis of preparation set out in Appendix A.

We have reviewed the historical financial information and the abbreviated proforma financial information for the four years ended December 31, 1999, 2000, 2001 and 2002 in accordance with Australian auditing standards applicable to review engagements and consider this information appropriate for inclusion in this Report. Our review procedures consisted primarily of review of audit files and company documentation and discussions with directors and senior management of Koon Construction & Transport Co. Pte. Ltd. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly we do not express an audit opinion.

With effect from January 1, 2001 the group adopted SAS 12 (2001) – Income Tax. The effect of this change of accounting policy has been adjusted retrospectively in the 2001 financial year. In addition, the group has retrospectively adjusted for income tax recoverable previously not recorded against accumulated profits and current assets. The effect of this change in policy resulted in the net profit after tax disclosed in the Abbreviated Proforma Statement of Financial Performance for 2001 decreasing from \$4.792m to \$3.240m.

Statement

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe that the abbreviated proforma financial information of this Supplementary Prospectus and the historical financial information set out in Appendix A are not properly drawn up in accordance with the summary of significant accounting policies described in Note 2 to Appendix A of this Report and the proforma adjustments to the accounting treatment of the investment in Koon Zinkcon Pte Ltd as described in this Report.

Subsequent Events

Subsequent to December 31, 2002 and up to the date of this Report, nothing has come to our attention that would cause us to believe that material transactions or events outside the ordinary course of business of the Group have occurred, other than the matters dealt with in this Report, which would require comment on, or adjustment to, the information contained in this Report, or which would cause such information to be misleading.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

L.T. Cox
Partner

KOON CONSTRUCTION & TRANSPORT CO. PTE. LTD.

SUMMARY OF AUDITED STATEMENTS OF GROUP FINANCIAL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31

	Notes	1999 S\$	2000 S\$	2001 ⁽⁴⁾ S\$	2002 S\$
Revenue	17	176,071,479	87,276,498	70,219,357	59,619,012
Cost of Sales		170,418,221	83,911,986	71,406,449	54,715,270
Gross (Loss) Profit	18	5,653,258	3,364,512	(1,187,092)	4,903,742
Other Operating Income		1,044,716	597,991	231,240	701,802
Administrative Expenses		5,203,421	4,865,953	5,180,795	5,467,527
Other Operating Expenses		217,860	61,010	4,115	74,534
(Loss) Profit from Operations		1,276,693	(964,460)	(6,140,762)	63,483
Finance Cost		129,442	31,358	94,705	179,252
(Loss) Profit before share of results of investee company (1) & (2)		1,147,251	(995,818)	(6,235,467)	(115,769)
Share of results of investee company	22	346,072	11,228,525	4,962,620	(87,118)
(Loss) Profit before income tax		1,493,323	10,232,707	(1,272,847)	(202,887)
Income Tax Expense	19	1,246,795	3,143,210	29,290	630,574
Profit (Loss) before Extraordinary item		246,528	7,089,497	(1,302,137)	(833,461)
Extraordinary Item (3)		984,540	-	-	-
Profit (Loss) after extraordinary item		1,231,068	7,089,497	(1,302,137)	(833,461)
Net (Loss) Profit for the Year		1,231,068	7,089,497	(1,302,137)	(833,461)

- (1) The investee company, namely Koon-Zinkcon, recognises revenue and profits on a completion basis. As most of the Koon-Zinkcon's projects are long term contracts, the earnings of the Koon-Zinkcon has been volatile. The Company, in accordance with the preferred basis laid out in the Generally Accepted Accounting Standards of Singapore, recognises revenue and profit on a percentage of completion basis.
- (2) The Company exercises no significant influence over the Koon-Zinkcon. As a result and from FY2003, the revenue and profits of the Koon-Zinkcon will be consolidated on a dividend and investment basis. The earnings of the Koon-Zinkcon will no longer be consolidated on an equity accounting basis. In order to present the financial position of the Group in a consistent manner in light of the change in consolidation policy, proforma financial information has been prepared.
- (3) The extraordinary item pertained to the gain on disposal of a subsidiary.
- (4) With effect from January 1 2001 the group adopted SAS 12 (2001) – Income Tax. The effect of this change of accounting policy has been adjusted retrospectively in the 2001 financial year. In addition the group has retrospectively adjusted for income tax recoverable previously not recorded against accumulated profits and current assets. The effect of this change is disclosed in Note 22. The adjustment has not been made to years prior to December 31, 2001 as it is not practicable to do so.

KOON CONSTRUCTION & TRANSPORT CO. PTE. LTD.

ABBREVIATED PROFORMA FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31

Abbreviated Pro-forma Consolidated Statements of Financial Performance Based on Audited Financial Statements for 1999 to 2002 For the year ended 31 December

	1999 S\$'000	2000 S\$'000	2001 ⁽¹⁾ S\$'000	2002 S\$'000
Revenue	176,071	87,276	70,219	59,619
Gross Operating Profit	5,653	3,365	(1,187)	4,904
Investment Income after tax	-	-	11,214	4,159
Net Profit after Tax	926	(1,289)	3,240	3,508
As a percentage of Revenue				
Gross Operating Profit	3.2%	3.9%	-1.7%	8.2%
Net Profit after Tax	0.5%	-1.5%	4.6%	5.9%
Major Expenses				
Administrative expenses excluding depreciation and interest	2,480	2,748	3,249	3,244
Depreciation	2,941	2,179	1,936	2,298
Interest & Financing Cost	129	31	95	179

RECONCILIATION OF PROFORMA FINANCIAL STATEMENTS TO 1999, 2000, 2001 & 2002 AUDITED FINANCIAL STATEMENTS

	1999 S\$	2000 S\$	2001 ⁽¹⁾ S\$	2002 S\$
Audited net profit/(loss) for the year	1,231,068	7,089,497	(1,302,137)	(833,461)
Less Share of results of associate company	(346,072)	(11,228,525)	(4,962,620)	87,118
Tax attributable thereto	41,166	2,850,000	(1,708,545)	(1,077,268)
Add Dividends	-	-	11,213,503	5,331,526
Abbreviated Pro-forma net profit/(loss) for the year	926,162	(1,289,028)	3,240,201	3,507,915

- (1) With effect from January 1 2001 the group adopted SAS 12 (2001) – Income Tax. The effect of this change of accounting policy has been adjusted retrospectively in the 2001 financial year. In addition the group has retrospectively adjusted for income tax recoverable previously not recorded against accumulated profits and current assets. The effect of this change is disclosed in Note 22. The adjustment has not been made to years prior to December 31, 2001 as it is not practicable to do so.

KOON CONSTRUCTION & TRANSPORT CO. PTE. LTD.

SUMMARY OF AUDITED STATEMENTS OF GROUP FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31

	Notes	1999 S\$	2000 S\$	2001 ⁽¹⁾ S\$	2002 S\$
ASSETS					
Current assets:					
Cash and bank balances		7,393,039	12,035,155	8,334,835	8,094,167
Trade receivables	4	26,884,625	20,120,551	6,904,051	8,690,208
Other receivables & prepayments	5	479,026	572,251	3,111,457	4,890,745
Construction work-in-progress	6	2,146,172	1,676,767	6,344,500	5,125,141
Total current assets		36,902,862	34,404,724	24,694,843	26,800,261
Non-current assets:					
Associates	8	946,457	1	1	1
Other investments	9	53,600	10,421,379	5,868,550	1,531,224
Property, plant & equipment	10	5,660,527	4,009,244	6,387,183	8,087,015
Total non-current assets		6,660,584	14,430,624	12,255,734	9,618,240
Total assets		43,563,446	48,835,348	36,950,577	36,418,501
LIABILITIES AND EQUITY					
Current liabilities:					
Trade payables	11	24,159,640	14,823,893	11,058,501	12,417,978
Other payables	12	5,985,858	11,939,271	3,833,803	2,017,060
Construction work-in-progress	6	-	2,797,414	898,103	464,489
Income tax payable		893,908	173,042	1,201	20,523
Current portion of obligations under finance leases	13	354,777	200,196	228,493	225,521
Proposed dividends		1,090,680	552,660	-	-
Current portion of long-term loan	14	-	-	901,411	1,319,013
Total current liabilities		32,484,863	30,486,476	16,921,512	16,464,584
Non-current liabilities:					
Obligations under finance leases	13	362,033	161,837	127,788	336,046
Long-term loan	14	-	-	1,464,194	1,824,599
Deferred taxation	15	107,000	-	-	189,650
Total non-current liabilities		469,033	161,837	1,591,982	2,350,295
Capital and reserves:					
Issued capital	16	9,760,000	9,760,000	16,006,400	16,006,400
Accumulated profits (losses)	22	849,550	8,427,035	2,430,683	1,597,222
Total equity		10,609,550	18,187,035	18,437,083	17,603,622
Total liabilities and equity		43,563,446	48,835,348	36,950,577	36,418,501

(1) With effect from January 1 2001 the group adopted SAS 12 (2001) – Income Tax. The effect of this change of accounting policy has been adjusted retrospectively in the 2001 financial year. In addition the group has retrospectively adjusted for income tax recoverable previously not recorded against accumulated profits and current assets. The effect of this change is disclosed in Note 22. The adjustment has not been made to years prior to December 31, 2001 as it is not practicable to do so.

KOON CONSTRUCTION & TRANSPORT CO. PTE. LTD.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31

	Notes	Issued Capital S\$	Proposed Dividends S\$	Accumulated profits (losses) S\$	Total S\$
Balance at December 31, 1999:					
As previously reported		9,760,000	-	849,550	10,609,550
Change in accounting policy - proposed dividend	21	-	1,090,680	-	1,090,680
Prior year adjustment - effect of adopting SAS 31	22	-	-	1,040,648	1,040,648
Adjusted balance at December 31, 1999.		9,760,000	1,090,680	1,890,198	12,740,878
Net profit for the year		-	-	7,089,497	7,089,497
Dividend paid		-	(1,090,680)	-	(1,090,680)
Proposed dividend		-	552,660	(552,660)	-
Adjusted Balance at December 31, 2000		9,760,000	552,660	8,427,035	18,739,695
Prior year adjustment - effect of adopting SAS 12	22/27	-	-	1,552,185	1,552,185
Balance as at December 31, 2000 as restated		9,760,000	552,600	9,979,220	20,291,880
Net loss for the year as previously reported		-	-	(2,497,260)	(2,497,260)
Prior year adjustment - effect of adopting SAS 12	22/27	-	-	1,195,123	1,195,123
Dividend paid		-	(552,660)	-	(552,660)
Bonus issue of shares		6,246,400	-	(6,246,400)	-
Balance at December 31, 2001		16,006,400	-	2,430,683	18,437,083
Net loss for the year		-	-	(833,461)	(833,461)
Balance at December 31, 2002		16,006,400	-	1,597,222	17,603,622

KOON CONSTRUCTION & TRANSPORT CO. PTE. LTD.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

1. GENERAL

The company is incorporated in the Republic of Singapore with its registered office and principal place of business at 17B Pandan Road, Singapore 609269. The financial statements are expressed in Singapore dollars.

The principal activities of the company are contractors for civil and drainage engineering, building, shore protection and, marine and foundation works.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention. They are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Statements of Accounting Standards (“SAS”).

The company has adopted all the applicable new/revised SAS which became effective during the year. The adoption of the new/revised SAS does not affect the results of current or prior periods, except for the effect of the adoption of SAS 12 (2001) Income Taxes as disclosed in note 22.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

In the company’s financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

GOODWILL – Goodwill represents the excess of the cost of an acquisition over the fair value of the group’s share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. The group will capitalise and amortise goodwill over periods of usually 5 years or longer as justified. The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

FINANCIAL ASSETS – Financial assets include cash and bank balances, trade and other receivables. Trade and other receivables are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts for estimated irrecoverable amounts.

IMPAIRMENT OF ASSETS – At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

FINANCIAL LIABILITIES AND EQUITY – Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade and other payables. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the proceeds received, net of direct issue costs.

FOREIGN CURRENCY TRANSACTIONS – Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the transactions dates. At each balance sheet date, monetary balances and balances carried at fair value that are denominated in foreign currencies are recorded at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

CONTRACT WORK-IN-PROGRESS – Uncompleted long-term construction contracts are stated at cost plus a proportion of attributable profits earned to date less full provision for all foreseeable losses on such contracts. Costs include direct materials, labour and those indirect costs related to the contract performance. Progress payments received and receivable are deducted against contract work-in-progress.

ASSOCIATES – An associate is an enterprise over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The share of the results of associates are accounted for in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any decline in the net recoverable value of individual investments. Where a group enterprise transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Investment in associates is stated in the financial statements of the company at cost less any impairment in net recoverable value.

OTHER INVESTMENTS – Quoted investments held on long term basis are stated at cost less any impairment in net irrecoverable value.

JOINT VENTURE COMPANY – A joint venture company is a company in which the group has a long-term equity interest and has by way of contractual arrangements, joint control in the company's operational and financial affairs.

The results, assets and liabilities of the joint venture are proportionately consolidated on a line-by-line basis in the financial statements of the group based on the audited financial statements of the joint venture, except where the joint venture is established for the primary purpose of tendering projects.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets using the straight-line method, on the following bases:

Leasehold property	- 7% to 10%
Plant and machinery	- 10% to 20%
Barges	- 14.3% to 20%
Tugboats	- 14.3% to 20%
Dump trucks	- 20%
Motor vehicles	- 20%
Office equipment, furniture and fittings	- 10% to 20%

Fully depreciated assets still in use are retained in the financial statements. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Leasehold property and tugboats under construction are not depreciated.

INCOME TAX – Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit except that a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of realisation.

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

Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease using the effective interest rate method.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

REVENUE RECOGNITION – Revenue and profits from contracts are recognised either on the completed contract method or the percentage of completion method. However, revenue from contract works which commenced in 1997 are recognised on the percentage of completion method provided that the work is at least 20% completed and the outcome can be reliably estimated.

Other revenue is recognised on the following basis:

Supply of services and personnel	- when the services are rendered
Supply of machinery and equipment	- on a straight-line basis over the lease term
Interest income	- on a time proportion basis over the period of the fixed deposits
Rental income	- on a straight-line basis over the lease term
Dividend income	- on the basis of dividends received and receivable during the year

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

RETIREMENT BENEFITS COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense as they are incurred.

3. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, without fixed repayment terms and interest-free.

Significant transactions with Koon Zinkcon Pte Ltd (Note 9):

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Services provided	66,021,838	18,185,295	5,160,235	15,940
Services received	(3,241,927)	(1,204,681)	(186,246)	(347,165)

4. TRADE RECEIVABLES

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Outside parties	26,046,009	18,955,768	7,395,323	8,982,131
Retention monies receivable	1,796,498	1,328,733	569,200	91,635
Less: Allowances for doubtful debts	(1,066,755)	(1,042,894)	(1,112,511)	(699,336)
	<u>26,775,752</u>	<u>19,241,607</u>	<u>6,852,012</u>	<u>8,374,430</u>
Koon Zinkcon Pte Ltd	-	805,387	52,039	315,778
Related parties	108,873	73,557	-	-
	<u>26,884,625</u>	<u>20,120,551</u>	<u>6,904,051</u>	<u>8,690,208</u>
Movements in above allowances:				
Balance at beginning of year	1,177,278	1,066,755	1,042,894	1,112,511
Written back	(176,732)	(21,607)	(86,805)	(92,526)
Bad debts written off	-	(2,254)	-	(586,327)
Current year charge	66,209	-	156,422	265,678
Balance at end of year	<u>1,066,755</u>	<u>1,042,894</u>	<u>1,112,511</u>	<u>699,336</u>

5. OTHER RECEIVABLES AND PREPAYMENTS

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Due from joint venture Partner (Note 7)	267,210	210,549	-	-
Income Tax Recoverable	-	-	2,723,387	2,378,130
Koon Zincon Pte Ltd	-	-	-	2,258,295
Directors	28,856	28,857	28,856	28,856
Other receivables	162,046	190,401	158,000	9,200
Deposits and prepayments	150,914	272,444	331,214	216,264
	<u>609,026</u>	<u>702,251</u>	<u>3,241,457</u>	<u>4,890,745</u>
Less: Allowances for doubtful debts	(130,000)	(130,000)	(130,000)	-
	<u>479,026</u>	<u>572,251</u>	<u>3,111,457</u>	<u>4,890,745</u>
Movement in above allowances:				
Balance at beginning of year	130,000	130,000	130,000	130,000
Bad debts written off	-	-	-	(130,000)
Balance at end of year	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>

Loans to directors are unsecured, interest-free and have no fixed terms of repayment.

6. CONSTRUCTION WORK-IN-PROGRESS

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Current cost incurred	280,354,435	136,510,824	205,752,499	109,235,779
Add: Attributable (losses) profits	4,266,588	1,525,892	(1,545,035)	3,956,510
	<u>284,621,023</u>	<u>138,036,716</u>	<u>204,207,464</u>	<u>113,192,289</u>
Less: Allowances for anticipated losses	(161,000)	(66,000)	(81,000)	(7,000)
	<u>284,460,023</u>	<u>137,970,716</u>	<u>204,126,464</u>	<u>113,185,289</u>
Less: Progress billings	(282,313,851)	(139,091,363)	(198,680,067)	(108,524,637)
	<u>2,146,172</u>	<u>(1,120,647)</u>	<u>5,446,397</u>	<u>4,660,652</u>
Comprising:				
Current Asset	2,146,172	1,676,767	6,344,500	5,125,141
Current Liability	-	(2,797,414)	(898,103)	(464,489)
	<u>2,146,172</u>	<u>(1,120,647)</u>	<u>5,446,397</u>	<u>4,660,652</u>
Movements in the above allowances				
Balance at beginning of year	7,547,000	161,000	66,000	81,000
Written back	(7,547,000)	(161,000)	-	(69,000)
Amount utilised	-	-	-	(5,000)
Current year's provision	161,000	66,000	15,000	-
Balance at end of year	<u>161,000</u>	<u>66,000</u>	<u>81,000</u>	<u>7,000</u>

7. JOINT VENTURES

Names	Groups Interest held (%)				Principal Activities
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	
Hyundai-Koon Joint Venture ⁽¹⁾	50	50	50	50	General contractors
Penta-Ocean/Koon Construction Joint Venture ⁽¹⁾	50	50	50	50	General contractors
Hyundai-Koon-Boskalis Joint Venture ⁽¹⁾	33.33	33.33	33.33	33.33	General contractors
Koon-Zinkcon Joint Venture ⁽²⁾	50	50	50	50	Dormant

⁽¹⁾ These joint ventures are established for the primary purpose of tendering for projects. The scope of works from successfully tendered projects are thereafter separately assigned to and undertaken by the respective joint venture partner who will be solely responsible for the work assigned and for all profits or losses arising therefrom.

⁽²⁾ The following amounts are included in the financial statements of the group as a result of proportionate consolidation of the above joint venture.

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Current assets	177,865	419,007	27,328	26,803
Current liabilities	801,068	-	2,328	1,803
Net assets	(623,203)	419,007	25,000	25,000
Revenue	6,899,316	-	-	-
Expenses	-	-	-	-

In 2000, the balances with a joint venture were unsecured, interest-free and with no fixed repayment terms.

8. ASSOCIATE

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Unquoted equity shares, at cost	500,000	1	1	1
Share of attributable post-acquisition profits	446,457	-	-	-
	946,457	1	1	1

9. OTHER INVESTMENTS

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Quoted equity shares, at cost ⁽¹⁾	53,600	116,760	116,760	116,760
Less: Impairment loss in value	-	(61,010)	(71,500)	(67,450)
	53,600	55,750	45,260	49,310
Unquoted equity shares, at cost ⁽²⁾	-	500,000	500,000	500,000
Share of attributable profits (Note 22)	-	9,865,629	5,323,290	981,914
	-	10,365,629	5,823,290	1,481,914
Total	53,600	10,421,379	5,868,550	1,531,224

Movement in the above impairment loss in value:

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Balance at beginning of year	-	-	61,010	71,500
Current year's provision	-	61,010	10,490	(4,050)
Balance at end of year	-	61,010	71,500	67,450

⁽¹⁾ Market value of quoted equity shares 53,600 55,760 45,260 49,310

⁽²⁾ This pertains to the investment in a jointly controlled entity, Koon Zinkcon Pte Ltd, a company incorporated in Singapore. Its principal activity is that of shore and seabed protection works and all types of reclamation dredging works. The group has 50% (2001 and 2000: 50%) interest in this equity. The group's share of reserves of this entity is accounted for using the equity method.

The group's share of results and assets and liabilities is as follows:

	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Current assets	18,376,124	9,777,586	6,907,242
Non-current assets	1,035,862	778,639	717,335
Current liabilities	(9,027,357)	(4,655,935)	(6,082,663)
Non-current liabilities	(19,000)	(77,000)	(60,000)
Net assets	10,365,629	5,823,290	1,481,914
Revenue	42,252,576	22,818,769	7,113,655
Other operating income ⁽³⁾	246,929	232,835	181,576
Expenses	32,619,820	18,314,519	7,382,350

The contract revenue of Koon Zinkcon Pte Ltd is recognised on an individual contract basis using the completed contract method.

The balances with the aforesaid entity are unsecured, interest free and have no fixed term of repayment.

⁽³⁾ Other operating income does not include finance income and share of Koon-Zinkcon's joint venture profits.

10. PROPERTY, PLANT & EQUIPMENT (2002)

	Leasehold Property	Plant & Machinery	Barges	Tugboats	Dump Trucks	Motor Vehicles	Office equip- ment, furniture & fittings	Leasehold property under construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:									
At beginning of year	1,666,785	6,354,062	6,506,657	3,087,126	2,778,652	2,801,000	421,723	443,713	24,059,718
Additions	-	298,088	381,350	-	-	352,268	106,184	2,870,256	4,008,146
Disposals	-	(504,956)	(1,460,490)	-	-	(108,126)	(116,347)	-	(2,189,919)
Reclassification	3,313,969	-	-	-	-	-	-	(3,313,969)	-
Adjustment ⁽¹⁾	-	-	486,830	-	-	-	-	-	486,830
At end of year	4,980,754	6,147,194	5,914,347	3,087,126	2,778,652	3,045,142	411,560	-	26,364,775
Accumulated Depreciation:									
At beginning of year	1,507,393	5,449,483	4,040,861	1,735,754	2,745,669	1,858,868	334,507	-	17,672,535
Depreciation for the year	289,843	641,771	465,443	381,824	32,938	430,449	56,116	-	2,298,384
Disposals	-	(497,581)	(1,460,487)	-	-	(108,125)	(113,796)	-	(2,179,989)
Adjustment ⁽¹⁾	-	-	486,830	-	-	-	-	-	486,830
At end of year	1,797,236	5,593,673	3,532,647	2,117,578	2,778,607	2,181,192	276,827	-	18,277,760
Depreciation for last year	87,990	403,216	505,158	413,103	81,995	386,966	57,923	-	1,936,351
Net book value:									
At beginning of year	159,392	904,579	2,465,796	1,351,372	32,983	942,132	87,216	443,713	6,387,183
At end of year	3,183,518	553,521	2,381,700	969,548	45	863,950	134,733	-	8,087,015

⁽¹⁾ This pertains to a barge which was claimed to be lost at sea and written off in the last financial year. The barge was found during the financial year and its cost and accumulated depreciation has been reinstated.

10. PROPERTY, PLANT & EQUIPMENT (continued) (2001)

	Leasehold Property	Plant & Machinery	Barges	Tugboats	Dump Trucks	Motor Vehicles	Office equip-ment, furniture & fittings	Tugboat under construction	Leasehold property under construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:										
At beginning of year	1,666,785	6,312,282	4,342,697	2,478,505	2,778,652	2,654,552	400,606	91,923	-	20,726,002
Additions	-	41,780	2,876,750	572,248	-	353,302	39,394	-	443,713	4,327,187
Disposals	-	-	(712,790)	(55,550)	-	(206,854)	(18,277)	-	-	(993,471)
Transfer	-	-	-	91,923	-	-	-	(91,923)	-	-
At end of year	1,666,785	6,354,062	6,506,657	3,087,126	2,778,652	2,801,000	421,723	-	443,713	24,059,718
Accumulated depreciation:										
At beginning of year	1,419,403	5,046,267	4,248,491	1,372,646	2,663,674	1,678,755	287,522	-	-	16,716,758
Depreciation for the year	87,990	403,216	505,158	413,103	81,995	386,966	57,923	-	-	1,936,351
Disposals	-	-	(712,788)	(49,995)	-	(206,853)	(10,938)	-	-	(980,574)
At end of year	1,507,393	5,449,483	4,040,861	1,735,754	2,745,669	1,858,868	334,507	-	-	17,672,535
Depreciation for last year	61,846	621,089	357,269	361,260	324,307	376,827	76,609	-	-	2,179,207
Net book value:										
At beginning of year	247,382	1,266,015	94,206	1,105,859	114,978	975,797	113,084	91,923	-	4,009,244
At end of year	159,392	904,579	2,465,796	1,351,372	32,983	942,132	87,216	-	443,713	6,387,183

11. TRADE PAYABLES

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	\$	\$	\$	\$
Outside parties	6,374,216	12,099,719	9,709,672	11,826,794
Koon Zinkcon Pte Ltd (Note 9)	17,771,282	2,710,032	1,348,829	591,184
Related party (Note 3)	14,142	14,142	-	-
	<u>24,159,640</u>	<u>14,823,893</u>	<u>11,058,501</u>	<u>12,417,978</u>

12. OTHER PAYABLES

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	\$	\$	\$	\$
Koon Zinkcon Pte Ltd (Note 9)	5,225,000	11,150,000	1,900,000	-
Directors	250,000	250,000	250,000	250,000
Other payables	510,858	539,271	1,683,803	1,767,060
	<u>5,985,858</u>	<u>11,939,271</u>	<u>3,833,803</u>	<u>2,017,060</u>

Loan from directors are unsecured, interest-free and have no fixed term of repayment.

13. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	1999	2000	2001	2002	1999	2000	2001	2002
	\$	\$	\$	\$	\$	\$	\$	\$
Amount payable under finance leases:								
Within one year	386,030	215,208	245,432	254,532	354,777	200,196	228,493	225,521
In the second to fifth years inclusive	389,189	173,981	136,988	353,890	362,033	161,837	127,788	336,046
	<u>775,219</u>	<u>389,189</u>	<u>382,420</u>	<u>608,422</u>	<u>716,810</u>	<u>362,033</u>	<u>356,281</u>	<u>561,567</u>
Less: Future finance charges	(58,409)	(27,156)	(26,139)	(46,855)				
Present value of lease obligations	716,810	362,033	356,281	561,567				
Less: Amount due for settlement within 12 months	(354,777)	(200,196)	(228,493)	(225,521)				
Amount due for settlement after 12 months	<u>362,033</u>	<u>161,837</u>	<u>127,788</u>	<u>336,046</u>				

For the year ended December 31, 2002, the borrowing rate is about 4.6% to 6.2% (2001: 4.6% to 6.2%).

14. LONG TERM LOAN

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Bank loan A	-	-	-	1,680,000
Bank loan B	-	-	2,365,605	1,463,612
	-	-	2,365,605	3,143,612
Current portion:				
Bank loan A	-	-	-	360,000
Bank loan B	-	-	901,411	959,013
	-	-	901,411	1,319,013
Non-current portion:	-	-	1,464,194	1,824,599

Bank loan A bears interest at 4.89% per annum and is repayable in 60 equal instalments. The loan is secured by a legal mortgage over leasehold property and personal guarantees from certain directors of the company.

Bank loan B bears interest at 6.3% to 6.5% per annum and is repayable in 36 equal monthly instalments. The loan is secured by a legal mortgage over 5 units of barges and a tugboat, personal guarantees from certain directors of the company and a corporate guarantee.

15. DEFERRED TAXATION

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Balance at beginning of financial year	298,000	107,000	-	-
Transfer to profit and loss account	(191,000)	(107,000)	-	189,650
Balance at end of financial year	107,000	-	-	189,650

16. ISSUED CAPITAL

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Authorised:				
30,000,000 (2000 : 10,000,000) ordinary shares of \$1 each	10,000,000	10,000,000	30,000,000	30,000,000
Issued and fully paid:				
16,006,400 (2000 : 9,760,000) ordinary shares of \$1 each	9,760,000	9,760,000	16,006,400	16,006,400

During 2001 the company:

- increased its authorised capital from 10,000,000 ordinary shares of \$1 each to \$30,000,000 ordinary shares of \$1 each; and
- issued bonus shares in the proportion of 64 new shares for every 100 existing shares held.

17. REVENUE

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	\$	\$	\$	\$
Income from Joint Venture	1,834,808	-	-	-
Revenue from contracts	150,393,861	78,559,871	63,369,896	54,605,681
Rental income	5,561,007	4,739,363	6,039,439	3,539,632
Supply of machinery, equipment and labour	15,854,926	3,076,737	520,909	621,375
Interest income	27,069	116,090	116,344	22,109
Other income	2,399,808	784,437	172,769	830,215
	<u>176,071,479</u>	<u>87,276,498</u>	<u>70,219,357</u>	<u>59,619,012</u>

18. (LOSS) PROFIT BEFORE SHARE OF RESULTS OF INVESTEE COMPANY

In additions to the charges and credits disclosed elsewhere in the notes, this item includes the following charges (credits):

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	\$	\$	\$	\$
Auditors' remuneration:				
Auditors of the Company				
Current year	35,000	46,000	51,000	51,000
Underprovision in prior year	-	11,000	5,000	1,000
Other auditors	2,500	2,500	2,500	-
Bad debts written off other receivables	40,000	-	-	14,889
Bad debts written off trade receivables	204,241	-	-	4,310
Depreciation expense	2,940,947	2,179,207	1,936,351	2,298,384
Directors' remuneration	1,326,189	1,367,954	1,499,100	1,453,216
Dividend income from quoted equity share (gross)	(450)	(245)	(65)	(378)
Interest expense to non-related Companies	129,442	31,358	94,705	179,252
Interest income from non-related Companies	(27,069)	(116,090)	(116,344)	(33,362)
(Gain) Loss on disposal of property, plant and equipment	(683,692)	(551,385)	(123,298)	(568,163)
Allowance for anticipated contract losses	161,000	66,000	15,000	-
Allowance for anticipated contract losses written back	(7,547,000)	(161,010)	-	(69,000)
Impairment loss in value of other investments	-	61,010	10,490	-
Impairment loss in value of other investments written back	-	-	-	(4,050)
Allowance for doubtful debts on trade receivables	130,000	-	156,422	265,678
Allowance for doubtful debts on trade receivables written back	66,209	(21,607)	(86,805)	(92,526)
Foreign exchange adjustment gain	-	-	(8,603)	(5,411)

19. INCOME TAX (CREDIT) EXPENSE

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Current	255,000	331,500	(2,717,108)	127,064
Deferred	-	-	1,552,185	128,465
Underprovision in prior years Current	1,141,629	68,710	155,450	218,192
Underprovision in prior years Deferred	(191,000)	(107,000)	-	61,185
	<u>1,205,629</u>	<u>293,210</u>	<u>(1,009,473)</u>	<u>534,906</u>
Share of tax of investee company	41,166	2,850,000	1,038,763	95,668
	<u>1,246,795</u>	<u>3,143,210</u>	<u>29,290</u>	<u>630,574</u>

In 2002 the income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 22% to profit before income tax and share of results of investee company as a result of several items, including non allowable deductions.

In 2001, the income tax charge for the company is lower than that derived by applying the standard rate of tax applicable to the company's profit due to the utilisation of unabsorbed tax losses of approximately \$6,087,000 to set off against taxable income.

In 2000, no provision for income tax was made on the company's profit due to the utilisation of unabsorbed tax losses of approximately \$358,000 to set off against taxable income.

In 2000, despite a group loss before income tax, the group had income tax expense mainly due to a subsidiary which had taxable income.

The realisation of future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited period subject to the conditions imposed by law including the retention of majority shareholders as defined.

20. STAFF COSTS AND NUMBER OF EMPLOYEES

	<u>1999</u> \$	<u>2000</u> \$	<u>2001</u> \$	<u>2002</u> \$
Staff costs	16,167,910	8,992,033	9,094,289	9,274,865
Cost of defined contribution plans included in staff costs	-	751,611	698,883	810,673
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Number of employees at end of year	294	324	305	309

21. DIVIDENDS

With effect from January 1, 2001, the company and the group adopted SAS 10 (2000) Events After the Balance Sheet Due. SAS 10 (2000) states that proposed dividends that are subject to approval by shareholders at the annual general meeting are not a liability; they are a part of shareholders' equity. Accordingly, proposed dividends for the years ended December 31, 1999 and December 31, 2000, which were shown as liabilities in those years, have been reclassified to shareholders' equity for presentation in the current year financial statements.

22. PRIOR YEAR ADJUSTMENTS

(a) Adoption of SAS 31 from January 1, 2000

Following the adoption of SAS 31 January 1, 2000, provision for contract, repairs and maintenance has been adjusted to the retained earnings of the investee company, Koon Zinkcon Pte Ltd. This adjustment is only required for FY2000. Accordingly, the share of the company's attributable profits are as follows for 2000:

	<u>2000</u>
	\$
Balance Sheet	
Equity accounted investment at January 1, 2000	946,447
Effect of adopting SAS 31	1,040,648
Share of results of associate company	11,228,525
Tax attributable thereto	<u>(2,850,000)</u>
Equity accounted investment at December 31, 2000	10,365,620

(b) Adoption of SAS 12 (2001) Income Tax from January 1, 2002

With effect from January 1, 2002, the company adopted SAS 12 (2001) Income Tax. Deferred tax asset is now recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available which the deductible temporary differences can be utilised. The effect of this change in accounting policy is adjusted retrospectively against accumulated profits brought forward from the previous financial year.

In addition, the group has retrospectively adjusted for income tax recoverable previously not recorded against accumulated profits and current assets.

The effects of the change in accounting policy and prior period adjustment are as follows:

	<u>Previously reported</u>	<u>Restatement</u>	<u>Prior year adjustment</u>	<u>Restated</u>
	\$	\$	\$	\$
As at December 31, 2000				
Balance Sheet:				
Accumulated profits	8,427,035	-	1,552,185	9,979,220
Current assets ⁽¹⁾	4,780,467	-	1,552,185	6,332,652
As at December 31, 2001				
Balance Sheet:				
Accumulated Profits	1,235,560	-	1,195,123	2,430,683
Current assets	21,971,456	2,723,387	-	24,694,843
Current liabilities	16,945,433	23,921	-	16,921,512
Profit and loss statement:				
Income tax expense	(1,224,413)	2,747,308	(1,552,185)	(29,290)

⁽¹⁾ Current assets relates to tax assets within the total current assets disclosed in the audited Statement of Group Financial Position.

23. CONTINGENT LIABILITIES

As at the balance sheet date

- a) the company has given letters of indemnity and performance bonds to third parties in the ordinary course of business in respect of construction contracts undertaken;
- b) the company has issued performance guarantee amounting to approximately \$2,453,700 in respect of materials supplied for a period of 10 years from the date of completion of the respective project from June 1997 and January 1998;
- c) the group has bankers guarantee issued in favour of third parties amounting to \$4,317,000 (2001: \$3,483,500); and
- d) a joint venture partnership, Koon-Zinkcon Joint Venture has issued performance guarantees in respect of materials supplied by the joint venture partnership for a period of 15 years from 1988; and

24. CAPITAL EXPENDITURE COMMITMENTS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	\$	\$	\$	\$
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	-	3,505,000	-	-

25. OPERATING LEASE COMMITMENTS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	\$	\$	\$	\$
Minimum lease payments paid under operating leases.	-	328,297	335,445	290,563

At the balance sheet date the commitments in respect of operating leases with a term of more than one year were as follows:

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	\$	\$	\$	\$
Within 1 year	436,000	359,000	291,000	359,000
Within 2 to 5 years	1,347,000	1,435,000	1,435,000	1,435,000
After 5 years	410,000	3,587,000	3,229,000	2,870,000

26. FINANCIAL RISKS

i) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amount owing to the group, resulting in a loss to the group. The group has adopted a stringent procedure in extending credit terms to customers and in monitoring its credit risk.

Credit terms to customers are determined after assessment of customers' credit standing followed by periodic review of their financial status and conduct of their credit lines with the group.

As at year end, the group has 4 major customers whose balances outstanding amounted to \$6,033,800 (2001: \$4,874,900).

ii) Liquidity risk

Liquidity risks is minimal as the group has adequate funds to finance its ongoing working capital.

iii) Interest rate risk

The group's exposure to interest rate risk is limited to excess funds placed with established financial institutions. Based on current market sentiments, variations in interest rate are not likely to have material consequences to the group.

iv) Foreign exchange risk

The group's trading activities are mainly conducted in Singapore dollars, hence exposure to foreign exchange risk is minimal.

v) Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities reported in the balance sheet approximates the carrying amount of those assets and liabilities.

27. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation. This includes the effect of the adoption of SAS 12 (2001) – Income Tax. Prior year comparatives have been adjusted to conform with the accounting for this standard where practicable. Deferred tax asset is now recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available which the deductible temporary differences can be utilised. The effect of this change in accounting policy is adjusted retrospectively against accumulated profits brought forward from the previous financial year. In addition, the group has retrospectively adjusted for income tax recoverable previously not recorded against accumulated profits and current assets.

The effects of the change in accounting policy are reflected in the Statements of Changes in Equity and in note 22.

Section 7 Additional Information

SECTION 7.2 SHARE CAPITAL

Section 7.2 on page 61 describes the share capital of the Company. The following is additional information that is to be inserted after the two sentences below the table of share capital. From that paragraph on, Section 7.2 now reads as follows:

‘Several of the shareholders are related to each other within a nuclear or extended family. No nuclear or extended family will own more than 30% of the enlarged share capital. The relationship between the Existing Shareholders is set out below:

1. Mr Chua Liong King and Mdm Ang Yian Hiong are husband and wife.
2. Mr Ong Orr Kay is the father of both Mr Ong Yow Seng and Mr Ong Lye Beng.
3. Mr Aw Joo Kim also known as Oh Joo Kim (deceased) and Mr Oh Keng Lim are brothers.
4. Mr Aw Joo Kim also known as Oh Joo Kim (deceased) is the father of Mr Oh Koon Sun.
5. Mr Oh Koon Sun is Mdm Tee Swee Kheng’s brother-in-law.
6. Mdm Tee Swee Kheng is the mother of Mr Aw Chin Loon, Mr Aw Hui Leng, Ms Aw Hui Teng and Ms Aw Chin Teng.
7. Mr Kua Ting Giap and Mdm Tay Lay Whatt are husband and wife.
8. Mr Kua Ting Giap and Mdm Tay Lay Whatt are the parents of Mr Kua Kay Seng and Mr Kua Kay Huat.
9. Mr Oh Keng Lim, Mr Chua Liong King and Mr Oh Koon Sun are Directors of the Company.

The Shares held by the Existing Shareholders rank *pari passu* in all respects with the existing shares issued in the capital of the Company.’

Consent to Lodgement of this Supplementary Prospectus

This Supplementary Prospectus is issued by the Company. In the opinion of the Directors, there have not been any circumstances which materially affected or will affect the operating or financial performance or value of the Company since the date of the accounts used in the preparation of the Investigating Accountant's Report, except as disclosed in the Supplementary Prospectus.


Every Director of the Company has consented to the lodgement of this Supplementary Prospectus with ASIC under the Corporations Act and this Supplementary Prospectus has been signed by each Executive Director.



Oh Keng Lim, Chairman



Chua Wong King, Managing Director



Oh Koon Sun, Executive Director

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