

**Press Release - For Immediate Release****Koon posted S\$3.0 million net profit on the back of S\$212.4 million of revenue in FY2012**

- ▶ Revenue jumped 141.3% to a record high of S\$212.4 million
- ▶ Diversification strategy begins to gain traction
- ▶ Order book of S\$179.0 million and S\$82.7 million for the Construction and Precast divisions respectively
- ▶ Proposed final dividend of half Singapore cent per share

(S\$'mil)	FY2012	FY2011	Change (%)
Revenue	212.4	88.1	141.3
Gross Profit	22.9	8.2	177.9
Other Income	3.3	14.0	(76.6)
Administrative Expenses	(18.7)	(13.1)	42.8
Distribution Costs	(3.4)	(1.2)	187.7
Profit Attributable to Shareholders	3.0	7.6	(60.2)
Earnings per Share <sup>(1)</sup> (Singapore Cents)	1.75	4.63	(62.2)

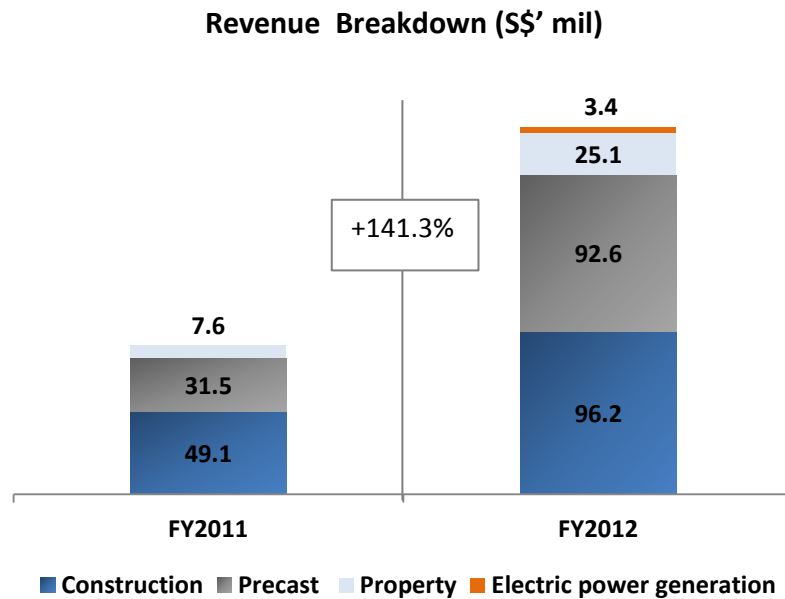
  

(S\$'mil)	As at 31 Dec 2012	As at 31 Dec 2011	Change (%)
Net Tangible Asset Per Share (Singapore Cents)	28.37	32.56	(12.9)
Cash & Cash Equivalents	18.5	19.6	(5.5)

(1) Basic weighted average number of ordinary shares for the period ended 31 Dec 2012 was 172,418,400 shares (FY2011: 164,098,000 shares)

**Singapore and Australia, 25 February 2013** - Koon Holdings Limited, (“Koon”, “崑控股有限公司” or the “Group”), one of Singapore’s leading construction companies - with businesses in civil engineering, precast, property and energy infrastructure - today reported S\$3.0 million net profit attributable to shareholders on the back of record revenue of S\$212.4 million for its full year ended 31 December 2012 (“FY2012”).

## Record Revenue Driven By Growth Across The Construction, Precast and Property Divisions



Growth in the Construction, Precast and Property divisions set the Group's revenue to reach a record S\$212.4 million in FY2012, a 141.3% jump from S\$88.1 million a year ago.

Major construction projects - Tampines Logistic Park project, the rehabilitation and earthworks at a landfill site off Tampines Road, the construction of the Seletar Link vehicular bridge, the widening of the Tampines Expressway, the shore protection works for T-Bund construction at Jurong Island and the construction of sea water intake facilities - contributed to the 96.0% revenue increase in the Construction division from S\$49.0 million in FY2011 to S\$96.2 million in FY2012. Precast revenue surged 193.6% from S\$31.5 million a year ago to S\$92.6 million in FY2012. Revenue from the Property division that was acquired in July 2011 more than tripled from S\$7.6 million to S\$25.1 million. Tesla Holdings Pty Ltd ("Tesla") which became the Group's subsidiary in March 2012 contributed S\$3.4 million in revenue.

Gross profit increased by 177.9% from S\$8.2 million in FY2011 to S\$22.9 million in FY2012 mainly due to improved margin from the Construction division as a result of cost saving initiatives implemented in FY2012, higher contribution from the Property division and additional contribution from Tesla.

Significant revenue growth, along with the Group's expansion plans, led to the corresponding increase in administrative and distribution expenses. Administrative expenses increased by 42.8% to S\$18.7 million while distribution expenses increased 187.7% to S\$3.4 million.

In FY2011, the Group recorded a one-off gain on disposal of leasehold property and non-recurrent dividend income totaling S\$12.1 million, while for FY2012 there was a one-off gain of S\$0.6 million on deemed disposal of previously held interest in associate company, Tesla before it became a subsidiary of the Group in March 2012. If the above-mentioned non-operating income in both years were excluded, net operating profit before tax would have been approximately S\$1.8 million in FY2012 as compared to a net operating loss before tax of approximately S\$5.4 million in FY2011.

**Commenting on the results for FY2012, Mr Tan Thiam Hee (“陈添喜”), Managing Director and Chief Executive Officer of Koon, said:** *“Our expansion plans and diversification strategies have started to bear fruit as seen from the rapid topline growth across the Group’s business activities. Revenue growth was largely driven by the Construction, Precast and Property divisions which grew by 96.0%, 193.6% and 230.6% respectively. Also, total profit from the three new business divisions had exceeded the profit contribution from the Construction division.*

*The Group’s track record and financial flexibility have proven to be vital in our journey to recalibrate our business model. At the same time, strong execution and coordination skill of our professionals contributed significantly to the progress we have made.”*

Following the Group’s expansion strategies in 2012, the Group total asset grew from S\$122.2 million a year ago to S\$236.5 million in FY2012 while total liabilities increased from S\$66.8 million to S\$156.5 million. As at end of the reporting period, net tangible asset per share was 28.37 Singapore cents, down from 32.56 Singapore cents. Cash and cash equivalents stood steady at approximately S\$18.5 million.

## **Transformation Progress In 2012**

### **Construction Division**

In August 2012, the Group announced the acquisition of properties at 11 and 15 Sixth Lok Yang road for an aggregate purchase consideration of S\$8.8 million. With an aggregate gross land area of 181,000 square feet and an aggregate gross built up area of 90,000 square feet, the properties can be used to house the Group’s corporate office as well as and other facilities that supports the Construction division.

### **Precast Division**

In December 2012, the Group announced the acquisition of the remaining 25% stake in Econ Precast Pte. Ltd. from JKM Engineers Pte. Ltd. for a consideration of S\$5.5 million. As a result, Koon now holds 100% stake in its Precast business.

### **Property Division**

In August 2012, the Group undertook a right issue exercise to fund the acquisition of four properties comprising lands and one retail unit in Kota Point Shopping Complex, Johor with a total consideration of S\$17.0 million.

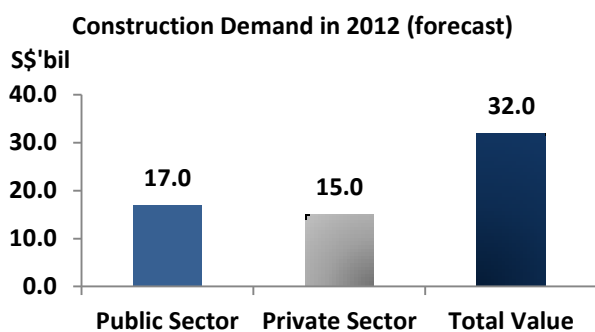
Within a short period of not more than 2 years, the Group’s Property division has made significant progress in expanding its business network and business activities to new areas such as property advisory services, property development as well as home furnishing.

### **Electric Power Generation Division**

In March 2012, the Group announced that it raised its ownership in Tesla Holdings Pty Ltd (“Tesla”) to 71.2%, resulting in Tesla becoming subsidiary of the Group. Based in Australia, Tesla is an energy infrastructure company with core capabilities to build and operate power stations that provide peak power to the State of Western Australia.

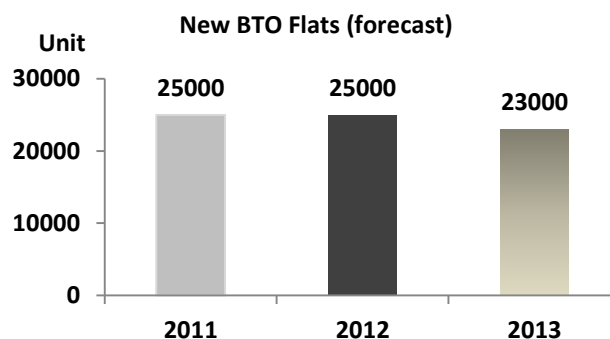
Since the Group's investment in Tesla in July 2010, it had successfully completed the construction of four 9.9MW diesel power plants in Western Australia - one in August 2011 and additional three in January 2013. With all four plants in operational phase, Tesla has generated additional recurring revenue to the Group.

## Outlook



Source: BCA

Note: Figures represent maximum range of the forecast



Source: HDB

In its latest report released in January 2013, the Building and Construction Authority (BCA) estimated construction demand to range from S\$26-32 billion in 2013. Boosted by public housing and rail construction projects, public sector is expected to contribute about S\$14-17 billion of construction works in 2013. <sup>(1)</sup>

In January 2013, the Government released the Population White Paper which projected Singapore's population could rise up to 6.9 million by 2030 from 5.3 million when the report was published. Following this, the Government outlined its plan to increase land supply by approximately 5,200 hectares from the current 71,400 hectares to 76,600 hectares through reclamation works. <sup>(2)</sup> The projects would be mainly around Pulau Tekong and Tuas as well as some areas around Pasir Panjang Port and Jurong Island. The increase in land area will be the size of nine Ang Mo Kio towns. <sup>(3)</sup>

Housing demand, alongside relevant Government's policies that encourage wider adoption of prefabrication method is expected to continue to boost demand for precast products. More than 70 percent of a typical HDB flat is constructed using precast components. <sup>(4)</sup> The Housing and Development Board ("HDB") launched 3,346 new flats in January 2013 and for this year, HDB targets to launch 23,000 BTO units. <sup>(5)</sup>

As for Property division, the current economic situation has created both challenges and opportunities for the Group. In January 2013, the Government introduced its seventh cooling measures in its attempt to create a stable and sustainable residential property market. Among the new restrictions are higher stamp duties and rules limiting buyers on how much they are allowed to borrow. <sup>(6)</sup> Thus, transaction volume is expected to moderate in the near future as market absorbs the impact of the latest measure.

To date, the Construction and Precast division has an outstanding order book of approximately S\$179.0 million and S\$82.7 million respectively. The outstanding order books for both the Construction and Precast divisions are expected to contribute to the Group's revenue progressively over the next 2 years. The Group also wishes to announce that the contract for the Siao Bien International Port project in Vietnam which was announced on 24 February 2010 had been officially terminated. The mutually-agreed termination of the Project is not expected to materially affect the Group's financial performance for the financial year ending 31 December 2013. All expenses relating to the project have already been provided for in previous audited accounts.

**Mr Tan concluded:** *“While sustained demand presents opportunities for the Group, we are also mindful that heightened competitive landscape, volatility in raw material prices and tight labour supply continues to exert pressure on the industry.*

*Building on our diversified business portfolio, we will continue to place emphasis on achieving optimum synergy between our complementary business units.”*

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This document is to be read in conjunction with Koon’s exchange filings on 25 February 2013, which can be downloaded via [www.sgx.com](http://www.sgx.com) and [www.asx.com.au](http://www.asx.com.au).

Footnote:

- (1) “Public sector projects to boost construction demand in 2013”, BCA, 16 January 2013
- (2) “Plan to grow space for rising population”, Straits Times, 01 February 2013
- (3) “Reclamation will add land the size of nine AMK towns”, Straits Times, 01 February 2013
- (4) “Simply “Prefabulous”!”, Ministry of National Development, May/June 2010 issue
- (5) “HDB’s first Launch for 2013 - 3,346 new flats in 6 towns”, HDB, 29 January 2013
- (6) “Tough action to cool property market”, Straits Times, 12 January 2013

*Issued on behalf of Koon Holdings Limited by ShareInvestor Pte Ltd*

#### **Media & Investor Contact**

##### **ShareInvestor Pte Ltd**

Mr Andy Lin  
Direct Line: +65 6517 8775  
Mobile: +65 9651 7743  
Email: [andy.lin@shareinvestor.com](mailto:andy.lin@shareinvestor.com)

Mr Andreas Chan  
Direct Line: +65 6517 8771  
Mobile: +65 9857 1123  
Email: [andreas.chan@shareinvestor.com](mailto:andreas.chan@shareinvestor.com)

##### **Koon Holdings Limited**

Mr Ben Teo  
Chief Financial Officer  
Tel: +65 6261 5788  
Fax: +65 6266 0117  
Email: [ir@koon.com.sg](mailto:ir@koon.com.sg)  
Website: [www.koon.com.sg](http://www.koon.com.sg)

### ***About Koon Holdings Limited (Bloomberg: KNH:SP; Reuters: KNH.AX)***

Listed on the Mainboard of the Australian Securities Exchange Limited and Singapore Exchange and Securities Trading Limited, Koon is one of Singapore's leading infrastructure construction and civil engineering group with an established track record of over 30 years. Continuously enhancing its capabilities along the value chain, Koon has gone from a transporter of rocks and stones to a main contractor in numerous iconic infrastructure and reclamation projects in Singapore (such as the Ulu Pandan Water Reclamation Plant, Pang Sua Canal, expanding Jurong Island and etc).

Registered with the Building and Construction Authority (BCA) under the A1 category, Koon is able to tender for civil engineering projects of unlimited value in Singapore. And testament to its niche expertise and capabilities in the infrastructure construction and civil engineering space, Koon has forged successful partnerships with other renowned infrastructure and construction companies to secure infrastructure construction and civil engineering projects domestically and regionally.

Demonstrating its quality management, environmental protection and safety management capabilities, Koon is ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certified. The Group has also taken structured approaches towards continuous improvements of its capabilities, quality service and product solutions. Testament to its commitment to environmental protection and green awareness, Koon was accorded the BCA Green & Gracious Builder Award. In addition, Koon also obtained the Bizsafe Partner Certification in 2009 and was accorded the BCA Construction Excellence Award 2012 in Civil Engineering for the technically challenging Serangoon Reservoir project.

Recognising the increasing use of precast concrete products to shorten construction time with better quality control and productivity, Koon moved into the upstream precast industry through the acquisitions of Econ Precast and Contech Precast in 2010. With a combined track record of more than 30 years, both Econ Precast and Contech Precast are approved precast works suppliers to Housing and Development Board projects with the highest grading (L6) from the BCA, enabling them to tender for precast works of unlimited value. This has successfully broadened the Group's product offerings and customer base with the cross-marketing of its products and integrated service solutions to a wider group of customers.

Investments are part of Koon's business strategy to generate diversified streams of recurring revenue, profit and cashflow. Besides quantitative requirements, the business fundamentals of each investment must be aligned with the Group's objective to deliver long term sustainable shareholder value. The acquisition of Tesla, an energy infrastructure company, provides a direct channel into the growing energy market in Australia. Aided by Tesla's expertise, Koon had completed the construction and commissioning of one 9.9MW diesel power plant in Western Australia in August 2011 and three similar plants in the second half of 2012.

In addition, the Group acquired a majority stake in GPS Alliance Holdings Pte Ltd that owns premier real estate agency, Global Property Strategic Alliance Pte Ltd, which is involved in a wide spectrum of real estate services that includes Corporate Leasing services; Investment Sales; En-bloc Sales; Full-time Sales; Domestic and International Project Sales. Since its establishment, GPS Alliance Holdings Pte Ltd has made significant progress in expanding its business network and business activities to new areas such as property advisory services, property development as well as home furnishing.