

Company Registration No. 200303284M

Koon Holdings Limited and its subsidiaries

Interim Financial Information
For the six months ended 30 June 2017

Koon Holdings Limited and its subsidiaries

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Koon Holdings Limited and its subsidiaries

Statement by directors

On behalf of the Board of Directors, we, Yuen Kai Wing and Oh Koon Sun, being two of the directors of Koon Holdings Limited, do hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the accompanying interim financial information for the six months ended 30 June 2017 to be false or misleading.

On behalf of the board of directors:



Yuen Kai Wing
Director



Oh Koon Sun
Director

29 August 2017

Koon Holdings Limited and its subsidiaries

**Report on review of interim financial information
For the six-month period ended 30 June 2017**

Independent Auditor's Review Report to the Members of Koon Holdings Limited

Introduction

We have reviewed the accompanying condensed interim financial information of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months period then ended, selected notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 26.

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

Scope of Review

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

Conclusion

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



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

29 August 2017

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of comprehensive income
For the six months ended 30 June 2017**

	Note	30.6.2017 \$'000 (Unaudited)	30.6.2016 \$'000 (Unaudited)
Revenue		81,764	108,930
Cost of sales		(72,754)	(96,325)
Gross profit		9,010	12,605
Other income	5	1,505	675
Distribution costs		(9)	(1,331)
Administrative and other expenses		(6,223)	(8,024)
Finance costs		(1,380)	(1,331)
Share of losses of associate		(16)	-
Share of losses of joint ventures		(2,516)	(354)
Profit before tax		371	2,240
Taxation	6	(247)	(262)
Profit for the period		124	1,978
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange gain/(loss) on translation of foreign operations		105	(148)
Other comprehensive income/(loss), net of tax		105	(148)
Total comprehensive income for the period		229	1,830
Profit/(Loss) for the period attributable to:			
Owners of the Company		193	2,115
Non-controlling interests		(69)	(137)
		124	1,978
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		250	2,071
Non-controlling interests		(21)	(241)
		229	1,830
Earnings per share (cents per share):			
- Basic	7	0.07	0.80
- Diluted	7	0.07	0.80

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

Interim consolidated statement of financial position as at 30 June 2017

	Note	30.6.2017 \$'000 (Unaudited)	31.12.2016 \$'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		7,514	14,997
Pledged fixed deposits		199	197
Trade receivables		49,673	49,560
Other receivables		20,636	13,529
Inventories		3,206	3,403
Contract work-in-progress		25,460	21,695
Held for trading investments		26	26
Total current assets		106,714	103,407
Non-current assets			
Other receivables		119	117
Properties held for development		13,811	13,885
Associates		*	*
Joint ventures	8	1,275	3,772
Property, plant and equipment	9	95,847	103,632
Available-for-sale investments	10	—	—
Goodwill	11	—	—
Deferred tax assets		369	320
Total non-current assets		111,421	121,726
Total assets		218,135	225,133
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		55,207	54,909
Other payables		11,996	14,004
Contract work-in-progress		10,217	11,238
Bank loans and bills payable	12	26,840	24,175
Finance lease obligations		14,905	15,278
Income tax payable		675	634
Total current liabilities		119,840	120,238
Non-current liabilities			
Bank loans	12	166	2,009
Finance lease obligations		35,206	40,105
Other payables		101	97
Deferred tax liabilities		914	1,005
Total non-current liabilities		36,387	43,216
Capital and reserves			
Share capital	13	25,446	25,446
Capital reserve		8,802	8,802
Accumulated profits		30,202	30,009
Translation reserve		(6,026)	(6,083)
Equity attributable to owners of the Company		58,424	58,174
Non-controlling interests		3,484	3,505
Total equity		61,908	61,679
Total liabilities and equity		218,135	225,133

*Less than \$1,000.

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of changes in equity
For the six months ended 30 June 2017**

	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
Opening balance at 1 January 2016	25,446	8,802	29,461	(5,923)	57,786	3,646	61,432
Profit/(Loss) for the period	-	-	2,115	-	2,115	(137)	1,978
Other comprehensive loss for the period, net of tax	-	-	-	(44)	(44)	(104)	(148)
Total comprehensive income/(loss) for the period	-	-	2,115	(44)	2,071	(241)	1,830
Contribution of capital by non-controlling interests	-	-	-	-	-	129	129
Dividends	-	-	(1,315)	-	(1,315)	-	(1,315)
Total transactions with owners in their capacity as owners	-	-	(1,315)	-	(1,315)	129	(1,186)
Balance at 30 June 2016 and 1 July 2016	25,446	8,802	30,261	(5,967)	58,542	3,534	62,076
Loss for the period	-	-	(252)	-	(252)	(50)	(302)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	(116)	(116)	150	34
Total comprehensive income/(loss) for the period	-	-	(252)	(116)	(368)	100	(268)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	(129)	(129)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(129)	(129)
Balance at 31 December 2016 and 1 January 2017	25,446	8,802	30,009	(6,083)	58,174	3,505	61,679
Profit/(Loss) for the period	-	-	193	-	193	(69)	124
Other comprehensive income for the period, net of tax	-	-	-	57	57	48	105
Total comprehensive income/(loss) for the period	-	-	193	57	250	(21)	229
Closing balance at 30 June 2017	25,446	8,802	30,202	(6,026)	58,424	3,484	61,908

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of cash flows
For the six months ended 30 June 2017**

	30.6.2017 \$'000 (Unaudited)	30.6.2016 \$'000 (Unaudited)
Operating activities		
Profit before tax	371	2,240
<u>Adjustments for:</u>		
Inventories written down	–	55
Depreciation of property, plant and equipment	10,738	9,691
Net gain on disposal of property, plant and equipment	(477)	(84)
Interest expense	1,380	1,331
Interest income	(33)	(34)
Share of losses of joint ventures/associate	2,532	354
Fair value loss on held for trading investments	–	5
Unrealised exchange (gain)/loss	(50)	315
Impairment of property, plant and equipment	83	–
Provision/(Reversal) of foreseeable losses on contract work-in-progress (net)	1	(18)
Operating cash flows before changes in working capital	14,545	13,855
<u>Changes in working capital:</u>		
Contract work-in-progress (net)	(4,787)	2,512
Trade receivables	(110)	12,511
Other receivables	(6,345)	(364)
Inventories	197	1,757
Trade payables	293	(7,190)
Other payables	(3,400)	(2,226)
Cash flows from operations	393	20,855
Income tax paid	(345)	(535)
Net cash flows from operating activities	48	20,320
Investing activities		
Purchase of property, plant and equipment (Note A)	(75)	(4,221)
Proceeds from disposal of property, plant and equipment	1,108	93
Proceeds from issuance of shares by subsidiary to non-controlling interests	–	129
Proceeds from government grant	482	–
Interest received	30	31
Net cash flows from/(used in) investing activities	1,545	(3,968)

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of cash flows
For the six months ended 30 June 2017**

	30.6.2017	30.6.2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Financing activities		
(Increase)/Decrease in pledged fixed deposits	(2)	4
Interest paid	(1,217)	(1,179)
Dividends paid	–	(1,315)
Repayment of obligations under finance leases	(8,751)	(6,469)
Proceeds from bank loans	7,800	7,800
Repayment of bank loans	(9,591)	(11,781)
Proceeds from bills payable	28,055	29,454
Repayment of bills payable	(25,442)	(32,468)
Net cash flows used in financing activities	(9,148)	(15,954)
Net (decrease)/increase in cash and cash equivalents	(7,555)	398
Effect of exchange rate changes on cash and cash equivalents	72	(372)
Cash and cash equivalents at 1 January	14,997	26,702
Cash and cash equivalents at 30 June	7,514	26,728

Note A

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with an aggregate cost of \$4,658,000 (30 June 2016: \$20,224,000) of which \$3,360,000 (30 June 2016: \$15,841,000) was acquired under finance lease arrangements and \$1,223,000 (30 June 2016: \$162,000) remained outstanding. Cash payments of \$75,000 (30 June 2016: \$4,221,000) were made for the purchase of property, plant and equipment.

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

1. General

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

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

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.17 %	31.12.16 %
<u>Held by the Company:</u>			
Entire Engineering Pte Ltd	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte Ltd	Contractors for civil and engineering works (Singapore)	100	100
Econ Precast Pte Ltd	Manufacturing and trading of precast components and reinforced concrete piles (Singapore)	100	100
Koon Properties Pte Ltd	Investment holding (Singapore)	100	100
Koon Construction & Transport Co. Pte Ltd	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Petra I Pte. Ltd.	Chartering of ships, barges and boats with crew (freight) and marine construction (Singapore)	100	–
Reem Island Pte Ltd	Chartering of ships, barges and boats with crew (freight) (Singapore)	100	100
Tesla Holdings Pty Ltd	Investment holding (Australia)	74	74

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information
For the six months ended 30 June 2017

1. General (cont'd)

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.17 %	31.12.16 %
<u>Held through subsidiaries:</u>			
Bukit Intan Pte Ltd	Trading of precast components (Singapore)	100	100
Contech Precast Pte Ltd	Manufacturing and trading of precast components (Singapore)	100	100
Econ Precast Sdn. Bhd.	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	100
Koon Construction & Transport Sdn. Bhd.	Contractors for civil engineering and building works (Malaysia)	100	100
Metro Coast Sdn. Bhd.	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd.	Property development (Malaysia)	100	100
Tesla Corporation Pty Ltd	Holding company for electric power generation business (Australia)	74	74
Tesla Corporation Management Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Geraldton Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Kemerton Pty Ltd	Owns and operates power plant (Australia)	74	74
Tesla Northam Pty Ltd	Owns and operates power plant (Australia)	74	74
Triumph Heights Sdn. Bhd.	Property development (Malaysia)	100	100
Unison Progress Sdn. Bhd.	Property development (Malaysia)	100	100

2. Basis of preparation and changes in accounting policies

The interim financial information for the six months ended 30 June 2017 has been prepared in accordance with FRS 34, *Interim Financial Reporting*.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

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

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group.

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

3. Significant accounting judgements and estimates

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

(i) Judgements made in applying accounting policies

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

(ii) Key sources of estimation uncertainty

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

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

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

(a) *Construction contracts*

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs.

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

The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are \$25,460,000 and \$10,217,000 respectively (31 December 2016: \$21,695,000 and \$11,238,000 respectively). Management has performed cost studies, taking into account the costs to date and costs to complete each project, and evaluated exposures to liquidated damages. Based on these studies and evaluation, management considers that the above amounts relating to contract work-in-progress are fairly stated.

(b) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables (excluding cash and bank balances) as at 30 June 2017 is \$68,699,000 (31 December 2016: \$61,664,000).

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information For the six months ended 30 June 2017

4. Related party transactions

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

	30.6.2017	30.6.2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<u>Parties related to a substantial shareholder of the Group</u>		
Equipment rental income	(376)	–
Marine transport income	(1,895)	–
Sale of scrap metal	(55)	(17)
Sale of precast components	–	(50)
Sale of property, plant and equipment	(19)	(20)
Sale of raw materials	–	(4)
Secondment fee income	(174)	(174)
Subcontract income	(2,396)	(271)
Subcontract award/purchase of precast components	17,744	3,141
Equipment rental and charter expenses	1,091	1,129
Marine transport expenses	2	889
Upkeep of barges expenses	–	680
Purchase of equipment and engineering services	1,394	1,715
Purchase of raw materials	30	–
Purchase of property, plant and equipment	18	–
Yard and dormitory rental expenses	259	–
Secondment fee expenses	–	93
Agency fee expenses	1	251
 <u>Parties related to directors of the Company</u>		
Professional fee	29	28
Other services	–	14
 <u>Parties related to a director of a subsidiary</u>		
Professional fee	–	2

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

4. Related party transactions (cont'd)

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

	30.6.2017	30.6.2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Land rental expenses	972	790
Marine transport expenses	2,585	8
Service charges	14	5

Compensation of directors and key management personnel

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

	30.6.2017	30.6.2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,415	1,511
Deferred contribution plans	27	25

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

5. Other income

	30.6.2017	30.6.2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Secondment fees for a director	174	174
Interest income from fixed deposits	33	34
Sale of scrap metal	158	77
Gain on disposal of property, plant and equipment	477	84
Government grants	158	222
Rental income from leasehold properties	149	--
Property tax refund	155	--
Supply of labour	180	58
Others	21	26

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

6. Taxation

	30.6.2017	30.6.2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
- Current income taxation	336	483
- Under/(Over) provision in respect of previous years	44	(28)
Deferred income tax:		
- Origination and reversal of temporary differences	(107)	(193)
- Over provision in respect of previous years	(26)	-
Taxation recognised in profit or loss	<u>247</u>	<u>262</u>

7. Earnings per share

	30.6.2017	30.6.2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company used in the computation of basic and diluted earnings per share	<u>193</u>	<u>2,115</u>
	30.6.2017	30.6.2016
	No of shares	No of shares
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares:		
Basic earnings per share computation	263,098	263,098
Diluted earnings per share computation	<u>263,098</u>	<u>263,098</u>

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

8. Joint arrangements

(a) *Joint ventures*

	30.6.2017	31.12.2016
	\$'000	\$'000
	(Unaudited)	(Audited)
Sindo-Econ Pte Ltd and its subsidiary	1,112	3,606
PT. Koon Construction Indonesia	163	166
Others	*	*
Total	1,275	3,772

* No investment cost

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

Name of joint ventures	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.17 %	31.12.16 %
<u>Held through Econ Precast Pte Ltd:</u>			
Sindo-Econ Pte Ltd	Investment holding and provision of management and consultancy services (Singapore)	50	50
<u>Held through Sindo-Econ Pte Ltd:</u>			
PT. Sindomas Precas	Manufacture of precast components (Indonesia)	50	50
<u>Held through Koon Construction & Transport Co. Pte Ltd:</u>			
PT. Koon Construction Indonesia	Contractors for civil engineering and building works (Indonesia)	67	67

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

8. Joint arrangements (cont'd)

(b) Joint operation

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

Name of joint operation	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.17 %	31.12.16 %
POC-K JV	Contractor for infrastructure and civil engineering works (Singapore)	50	50

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

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information
For the six months ended 30 June 2017

9. Property, plant and equipment	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Barges and dredgers \$'000	Trucks and motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Assets under construction \$'000	Total \$'000
Cost:										
At 1 January 2017	1,791	1,245	9,432	50	114,233	19,708	17,963	1,955	77	166,454
Additions	-	-	-	-	4,586	-	67	5	-	4,658
Government grant received in relation to purchase of asset	-	-	-	-	(480)	-	-	(2)	-	(482)
Disposals	-	-	-	-	(3,410)	-	(260)	(8)	-	(3,678)
Exchange difference	13	88	-	-	396	-	-	1	-	498
At 30 June 2017	1,804	1,333	9,432	50	115,325	19,708	17,770	1,951	77	167,450
Accumulated depreciation:										
At 1 January 2017	-	299	3,756	45	46,727	2,769	7,371	1,777	-	62,744
Depreciation	-	29	501	3	7,036	1,867	1,235	67	-	10,738
Disposals	-	-	-	-	(1,920)	-	(239)	(8)	-	(2,167)
Exchange difference	-	7	-	-	120	-	-	-	-	127
At 30 June 2017	-	335	4,257	48	51,963	4,636	8,367	1,836	-	71,442
Impairment:										
At 1 January 2017	-	1	-	-	-	-	-	-	77	78
Additions	-	83	-	-	-	-	-	-	-	83
At 30 June 2017	-	84	-	-	-	-	-	-	77	161
Carrying amount:										
At 30 June 2017 (Unaudited)	1,804	914	5,175	2	63,362	15,072	9,403	115	-	95,847
At 31 December 2016 (Audited)	1,791	945	5,676	5	67,506	16,939	10,592	178	-	103,632

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

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

Property, plant and equipment of the Group with carrying amount of \$77,375,000 (31 December 2016: \$84,159,000) are pledged as security for finance lease obligations and bank loans.

10. Available-for-sale investments

	30.6.2017	31.12.2016
	\$'000	\$'000
	(Unaudited)	(Audited)
Unquoted equity shares, at cost	500	500
Less: Allowance for impairment	(500)	(500)
	<u>—</u>	<u>—</u>

The investment in unquoted equity shares represents investment in a company that is engaged in construction projects.

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

11. Goodwill

	30.6.2017	31.12.2016
	\$'000	\$'000
	(Unaudited)	(Audited)
Cost at beginning of period/year	3,536	3,536
Less: Impairment loss	(3,536)	(3,536)
Carrying amount at end of period/year	<u>—</u>	<u>—</u>

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

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

12. Bank loans and bills payable

	30.6.2017 \$'000 (Unaudited)	31.12.2016 \$'000 (Audited)
Current portion	26,840	24,175
Non-current portion	166	2,009
Total bank loans and bills payable	27,006	26,184

Bank loans and bills payable comprise:

	Effective interest rate		Maturity dates	30.6.2017 \$'000 (Unaudited)	31.12.2016 \$'000 (Audited)
	30.6.2017	31.12.2016		(Unaudited)	(Audited)
Loan A - secured	–	7.31%	2017	–	5
Loan B - secured	4.00%	4.00%	2018	1,446	2,071
Loan C	3.17%	3.45%	2017	2,000	2,000
Loan D - secured	2.30%	2.30%	2018	2,360	3,520
Loan E - secured	3.81% to 3.83%	3.93% to 3.95%	2017	5,800	5,800
				11,606	13,396
Bills payable ⁽¹⁾				15,400	12,788
Total				27,006	26,184

⁽¹⁾ Bills payable are interest bearing with an average effective rate of 2.66% (31 December 2016: 2.62%) per annum.

The Company has provided corporate guarantees for the bank loans and bills payable.

Loan A has been fully paid as at 30 June 2017. The loan was secured by all assets under the Tesla Group of companies.

Loan B is secured by mortgage of a leasehold building of a subsidiary with a carrying amount of \$5,175,000 (31 December 2016: \$5,676,000).

Loan D and E are secured by mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of \$12,507,000 as at 30 June 2017 (31 December 2016: \$12,574,000).

13. Share capital

No new shares were issued to the participants of the Koon Employee Performance Share Plan during the six-month ended 30 June 2017 (year ended 31 December 2016: nil shares).

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

14. Operating segment information

Products and services from which reportable segments derive their revenues

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

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

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

Segment revenues and results

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

	Revenue		Results	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Construction	57,153	87,511	4,285	4,203
Precast	22,099	25,781	(1,328)	188
Property	–	–	(151)	112
Electric Power Generation	2,561	2,411	(142)	(262)
	81,813	115,703	2,664	4,241
Elimination	(49)	(6,773)	114	(991)
Total	81,764	108,930	2,778	3,250
Other income			1,505	675
Share of losses of joint ventures/associate			(2,532)	(354)
Finance costs			(1,380)	(1,331)
Profit before tax			371	2,240
Taxation			(247)	(262)
Profit for the period			124	1,978

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

14. Operating segment information (cont'd)

Consolidated revenue of \$81,764,000 (30 June 2016: \$108,930,000) after elimination of inter-segmental sales comprise revenue from Construction segment of \$57,153,000 (30 June 2016: \$87,496,000), Precast segment of \$22,050,000 (30 June 2016: \$19,023,000), and Electric Power Generation segment of \$2,561,000 (30 June 2016: \$2,411,000).

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

Segment assets

	30.6.2017	31.12.2016
	\$'000	\$'000
	(Unaudited)	(Audited)
Construction	154,197	164,075
Precast	50,385	45,989
Property	17,934	19,035
Electric Power Generation	24,760	25,657
	<hr/>	<hr/>
Elimination	247,276 (32,463)	254,756 (33,035)
	<hr/>	<hr/>
Total segment assets	214,813	221,721
Unallocated corporate assets	3,322	3,412
	<hr/>	<hr/>
Total assets	218,135	225,133

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

Other segment information

	Depreciation		Additions to property, plant and equipment	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Construction	8,498	7,269	427	20,201
Precast	731	980	4,229	22
Property	1	—	—	—
Electric Power Generation	1,508	1,442	2	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total	10,738	9,691	4,658	20,224

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

14. Operating segment information (cont'd)

Segment results

The Construction segment results include provision of foreseeable losses amounting to \$1,000 (30 June 2016: reversal of provision of \$18,000).

The Precast segment results include inventories written down amounting to nil (30 June 2016: \$55,000).

Segment assets

The Construction and Precast segments assets include investments in joint ventures and associates amounting to \$1,275,000 (31 December 2016: \$3,772,000).

Geographical information

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

	Revenue		Non-current assets	
	30.6.2017	30.6.2016	30.6.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Singapore	78,961	104,454	76,350	82,915
Malaysia	242	2,065	13,816	13,887
Australia	2,561	2,411	19,492	20,715
Total	81,764	108,930	109,658	117,517

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

Information about major customers

Revenue from two major customers amounted to \$41,591,000 (30 June 2016: two major customers amounted to \$85,809,000 from Construction and Precast segments) arising from sales by Construction and Precast segments.

15. Bank guarantees, performance bonds and commitments

As at 30 June 2017, the Company has provided corporate guarantees totalling \$104,416,000 and \$1,497,000 (31 December 2016: \$114,158,000 and \$1,526,000 respectively) to financial institutions in respect of credit facilities utilised by the subsidiaries and a joint venture respectively.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

16. Operating lease arrangements – as lessee

	30.6.2017	31.12.2016
	\$'000	\$'000
	(Unaudited)	(Audited)
Minimum lease payments under operating leases recognised as an expense during the period	483	3,236

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

	30.6.2017	31.12.2016
	\$'000	\$'000
	(Unaudited)	(Audited)
Not later than one year	851	992
Later than one year but not later than five years	1,622	2,012
Later than five years	50	–
	<u>2,523</u>	<u>3,004</u>

Operating lease payments represent rentals payable by the Group for rental of office, equipment, yard premises and accommodation. Leases are negotiated for an average term of 5 years (31 December 2016: 3 years).

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

17. Fair value of assets and liabilities

(a) *Fair value hierarchy*

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

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

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

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy in 30 June 2017 and 31 December 2016.

(b) *Assets and liabilities measured at fair value*

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

	30.6.2017 (\$'000) (Unaudited)			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
<u>Held for trading financial assets</u>				
- Quoted equity instruments	26	—	—	26

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information
For the six months ended 30 June 2017

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

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

	31.12.2016			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value				
Financial assets:				
<u>Held for trading financial assets</u>				
- Quoted equity instruments	26	-	-	26

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

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

	30.6.2017 (Unaudited)		31.12.2016 (Audited)	
	Carrying amount	Fair value (Level 3)	Carrying Amount	Fair value (Level 3)
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Unquoted equity investment (i)	-	-	-	-
Financial liabilities				
Finance lease obligations (non-current) (ii)	(35,206)	(37,161)	(40,105)	(39,880)
Bank loans (non-current), fixed rate (ii)	-	-	(1,187)	(1,184)

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2017**

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

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

- (i) Unquoted equity investment represents 50% (31 December 2016: 50%) of total ordinary shares in Koon-Zinkon Pte. Ltd. which has been fully impaired in prior years.
- (ii) The fair value of finance lease liabilities and interest-bearing bank loans with fixed interest rates are determined using discounted future principal and interest at the market interest rate at the end of the reporting period. The estimated future cash flows are projected based on management's best estimates.

18. Dividends

No dividend was issued during the period from 1 January 2017 to 30 June 2017 in respect of financial year ended 31 December 2016. A final dividend of 0.50 cents per share was issued to shareholders of Koon Holdings Limited during the period from 1 January 2016 to 30 June 2016 in respect of financial year ended 31 December 2015.

