

Company Registration No. 200303284M

## Koon Holdings Limited and its subsidiaries

Annual Financial Statements  
31 December 2018



## Koon Holdings Limited and its Subsidiaries

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## **Koon Holdings Limited and its Subsidiaries**

### **Directors' statement**

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

#### **Opinion of the directors**

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and of fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

#### **Directors**

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

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

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

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

## Koon Holdings Limited and its Subsidiaries

### Directors' statement

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#### Directors' interests in shares and debentures

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

Name of director	Shareholdings of director		
	At the beginning of year	At the end of year	At 21 January 2019
<i>Ordinary shares of the Company</i>			
Ang Sin Liu	18,660,800 <sup>(1)</sup>	18,660,800 <sup>(1)</sup>	18,660,800 <sup>(1)</sup>
Ang Ah Nui	122,571,819 <sup>(2)</sup>	122,571,819 <sup>(2)</sup>	122,571,819 <sup>(2)</sup>
Oh Keng Lim	10,159,996	10,159,996	10,159,996
Oh Koon Sun	7,205,378	7,205,378	7,205,378
Heather Chong	120,000	120,000	120,000

Notes:

(1) Included 18,340,800 shares registered in the name of a nominee.

(2) Included 45,000,000 shares registered in the name of a nominee.

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

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

**Employee performance share plan**

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

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

The terms of the Koon EPSP include the following:

(1) *Eligibility*

- (i) Employees who are eligible to participate in the Koon EPSP must:
  - be confirmed in his employment with the Group;
  - have attained the age of 21 years on or before the date of award; and
  - not be an un-discharged bankrupt.
- (ii) An executive director who meets the eligibility criteria above is eligible to participate in the Koon EPSP. However, controlling shareholders (including controlling shareholders who are executive directors) and their associates are not eligible to participate in the Koon EPSP.
- (iii) Non-executive directors are not eligible to participate in the Koon EPSP.

(2) *Awards*

- (i) Awards represent the right of a participant to receive fully paid-up shares free of charge, provided certain prescribed performance target(s) are met and upon the expiry of the prescribed vesting periods (if any).
- (ii) The Remuneration Committee shall decide, in relation to each award to be granted to a Participant:
  - the date on which the award will be granted;
  - the number of shares which are the subject of the award;
  - the prescribed performance targets;
  - the performance period during which the prescribed performance targets are to be satisfied;
  - the imposition of a vesting period and the duration of this vesting period, if any;
  - the extent to which the shares under that award shall be released on the condition that prescribed performance target(s) are being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period and upon the expiry of the prescribed vesting period; and
  - such other conditions as the Remuneration Committee may deem appropriate, in its absolute discretion.

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

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

(3) *Selection of Participants*

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

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

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

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

(4) *Timing*

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

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

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

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

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

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

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

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

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

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

(6) *Operation of the Koon EPSP*

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

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

## Koon Holdings Limited and its Subsidiaries

### Directors' statement

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

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

- (i) 994,000 shares awarded and vested in 2009;
- (ii) 330,000 shares awarded in 2010 which were vested equally over three years with 110,000 shares each issued in 2011 to 2013; and
- (iii) 360,000 shares awarded in 2011 of which 105,000 shares were forfeited due to the resignation of employees. Of the balance awards of 255,000 shares, 165,000 shares were vested in 2013 and 90,000 shares were vested in 2014.

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

Accumulated shares awarded were as follows:

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

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

#### Audit and Risk Committee

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

- (a) the audit plan of the external auditor;
- (b) the reports of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (c) the Group's financial and operating results and accounting policies;



**Directors' statement**

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

- (d) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditor's report on those financial statements;
- (e) the half-yearly and annual announcements as well as the related press release on the results and financial position of the Group;
- (f) the co-operation and assistance given by the management to the Group's external auditor; and
- (g) the re-appointment of the external auditor of the Group.

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

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

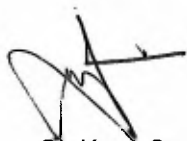
**Auditor**

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

On behalf of the board of directors,



Yuen Kai Wing  
Director



Oh Koon Sun  
Director

Singapore  
27 March 2019

## **Koon Holdings Limited and its Subsidiaries**

### **Independent auditor's report For the financial year ended 31 December 2018**

#### **Independent auditor's report to the members of Koon Holdings Limited**

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### **Report on the Audit of the Financial Statements**

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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

## **Koon Holdings Limited and its Subsidiaries**

### **Independent auditor's report For the financial year ended 31 December 2018**

#### **Independent auditor's report to the members of Koon Holdings Limited (cont'd)**

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

##### **1. Revenue recognition for construction contracts**

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

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

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

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

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

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

**Koon Holdings Limited and its Subsidiaries**

**Independent auditor's report  
For the financial year ended 31 December 2018**

**Independent auditor's report to the members of Koon Holdings Limited (cont'd)**

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

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

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

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

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

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

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

## **Koon Holdings Limited and its Subsidiaries**

### **Independent auditor's report For the financial year ended 31 December 2018**

#### **Independent auditor's report to the members of Koon Holdings Limited (cont'd)**

##### **Other Information**

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

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

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

##### **Responsibilities of Management and Directors for the Financial Statements**

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

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

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

## **Koon Holdings Limited and its Subsidiaries**

### **Independent auditor's report**

**For the financial year ended 31 December 2018**

### **Independent auditor's report to the members of Koon Holdings Limited (cont'd)**

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

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

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

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

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

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

**Koon Holdings Limited and its Subsidiaries**

**Independent auditor's report  
For the financial year ended 31 December 2018**

**Independent auditor's report to the members of Koon Holdings Limited (cont'd)**

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

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

**Report on Other Legal and Regulatory Requirements**

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

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



Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore

27 March 2019

# Koon Holdings Limited and its Subsidiaries

## Consolidated statement of comprehensive income For the financial year ended 31 December 2018

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

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



# Koon Holdings Limited and its Subsidiaries

## Balance sheets As at 31 December 2018

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

\* Less than \$1,000.

# Koon Holdings Limited and its Subsidiaries

## Balance sheets

As at 31 December 2018

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

\* Less than \$1,000.

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

**Koon Holdings Limited and its Subsidiaries**

**Statements of changes in equity  
For the financial year ended 31 December 2018**

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

**Koon Holdings Limited and its Subsidiaries**

**Statements of changes in equity  
For the financial year ended 31 December 2018**

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

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

**Koon Holdings Limited and its Subsidiaries**

**Statements of changes in equity  
For the financial year ended 31 December 2018**

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

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

**Koon Holdings Limited and its Subsidiaries**

**Consolidated statement of cash flows**  
**For the financial year ended 31 December 2018**

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

# Koon Holdings Limited and its Subsidiaries

## Consolidated statement of cash flows For the financial year ended 31 December 2018

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

### Note A

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

### Note B

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

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

**1. Corporate information**

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

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

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

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

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

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

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

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

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

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

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

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



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

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

*Exemptions applied on adoption of SFRS(I)*

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

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of \$6,083,000 was adjusted against the opening retained earnings as at 1 January 2017.
- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

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

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

**SFRS(I) 9 *Financial Instruments***

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

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

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

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

*Classification and measurement*

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

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

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

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

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

*Impairment*

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

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

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

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

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

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

Impairment

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

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

SFRS(I) 15 Revenue from Contracts with Customers

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

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

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017;
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

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

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

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

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

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

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

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

\* Less than \$1,000

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

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

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

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

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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

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

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

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

\* Less than \$1,000

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

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

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

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

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

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements

For the financial year ended 31 December 2018

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

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

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

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



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

**2.3 Standards issued but not yet effective**

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

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

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

**SFRS(I) 16 Leases**

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

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

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

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

SFRS(I) 116 Leases (cont'd)

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

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

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

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

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

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

**2.4 Basis of consolidation and business combinations**

**(a) Basis of consolidation**

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

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

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

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

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

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

**(b) Business combination and goodwill**

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

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

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

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

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

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

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

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

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

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

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

**2.6 *Foreign currency***

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

**(a) *Transactions and balances***

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

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

**(b) *Consolidated financial statements***

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

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

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

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

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

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

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

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

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

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

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

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

**2.8 Impairment of non-financial assets**

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

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

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

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

**2.9 Subsidiaries**

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

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

**2.10 Joint arrangements**

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

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

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

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

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

*(a) Joint operations*

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

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

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

*(b) Joint ventures*

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

**2.11 Joint ventures and associates**

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

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

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

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

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

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

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

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

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

**2.12 *Financial instruments***

**(a) *Financial assets***

*Initial recognition and measurement*

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

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

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

*Subsequent measurement*

Investments in debt instruments

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

**(i) *Amortised cost***

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



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

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

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

*(ii) Fair value through profit or loss*

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

Investments in equity instruments

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

*De-recognition*

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

*(b) Financial liabilities*

*Initial recognition and measurement*

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

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

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

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

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

*Subsequent measurement*

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

*De-recognition*

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

**2.13 Impairment of financial assets**

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

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

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

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

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

**2.14 *Contract assets***

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

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

**2.15 *Cash and cash equivalents***

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

**2.16 *Inventories***

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

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

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

**2.17 *Properties held for development***

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

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

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

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

**2.18 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

**2.19 Government grants**

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

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

**2.20 Borrowing costs**

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

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

**2.21 *Employee benefits***

*(a) Defined contribution plan*

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

*(b) Employee leave entitlement*

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

*(c) Share-based payments*

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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

**2.22 Leases**

*(a) As lessee*

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

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

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

*(b) As lessor*

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

**2.23 Revenue**

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

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

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

**2.23 Revenue (cont'd)**

*(a) Sale of precast components*

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

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

*(b) Construction contract revenue*

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

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

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

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

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

**2.23 Revenue (cont'd)**

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

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

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

Significant financing component

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

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

Contract modifications

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

*(c) Rental of machinery and equipment*

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



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

**2.23 Revenue (cont'd)**

*(d) Power station capacity credits*

Power station capacity credits are notional units of capacity that are valid for a particular reserve capacity year and are allocated to a specific generating plant by the Independent Market Operator in Australia. Capacity credits revenue is recognised when the performance obligations are satisfied (at a point in time when the power station capacity credits are consumed).

*(e) Service income*

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

**2.24 Dividend and interest income**

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

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

**2.25 Taxes**

*(a) Current income tax*

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

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

*(b) Deferred tax*

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

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

**2.25 Taxes (cont'd)**

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

**2.25 Taxes (cont'd)**

*(c) Sales tax*

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

**2.26 Segment reporting**

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

**2.27 Share capital and share issuance expenses**

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

**2.28 Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

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

**3. Significant accounting judgements and estimates**

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

*(a) Judgements made in applying accounting policies*

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

*(b) Key sources of estimation uncertainty*

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

*(i) Construction contract revenue*

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

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

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

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

*(i) Construction contract revenue (cont'd)*

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

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

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

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

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

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

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

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 4. Related party transactions

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

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

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\* Less than \$1,000

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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

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

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Land rental expenses	1,541	1,790
Marine transport expenses	1,695	5,428
Service charges	—	21
Purchase of precast components	—	35

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

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

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	2,692	2,674
Defined contribution plans	75	54
	<b>2,767</b>	<b>2,728</b>

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

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**5. Revenue**

*(a) Disaggregation of revenue*

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



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

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

Recognition of revenue from construction contracts over time

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

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

*(c) Contract assets and contract liabilities*

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

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

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

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

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

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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

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

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

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

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

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

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

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

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

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

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

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

**Koon Holdings Limited and its Subsidiaries****Notes to the financial statements  
For the financial year ended 31 December 2018**

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**6. Other income**

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

**7. Finance costs**

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

**Koon Holdings Limited and its Subsidiaries****Notes to the financial statements  
For the financial year ended 31 December 2018****8. Profit before tax**

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

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

**9. Taxation***Major components of taxation*

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

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

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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

##### Statement of comprehensive income:

##### *Relationship between taxation and accounting profit*

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

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

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

##### Unrecognised tax losses and deductible temporary differences

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

##### Tax consequences of proposed dividends

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

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 10. Earnings per share

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

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

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

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

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

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# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 11. Cash and bank balances

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

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

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

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

	<b>Group</b>			<b>Company</b>		
	2018	31 December	1 January	2018	31 December	1 January
	\$'000	2017	2017	\$'000	2017	2017
		\$'000	\$'000		\$'000	\$'000
Australian Dollars	10	7	13	10	7	13
United States Dollars	18	18	9	—	—	—

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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

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

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

#### 12. Trade receivables

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

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

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

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

Included in the Group's trade receivables balance are debtors with a carrying amount of \$13,707,000 (31 December 2017: \$20,682,000, 1 January 2017: \$14,529,000) which are past due at the reporting date for which the Group has not provided for any impairment allowance. These overdue balances include \$8,890,000 (31 December 2017: \$12,369,000, 1 January 2017: \$12,369,000), which arose from back-to-back contract arrangements under which the Group will not be making payment for the same amount included as trade payables in Note 24 if the trade receivable is not settled. Management expects that as there has not been a significant change in the credit quality and the amounts are still considered recoverable, no impairment allowance is necessary. The Group does not hold any collateral over these balances.

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



# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

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

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

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

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

#### Receivables that are impaired

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

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

#### *Movement in allowance for impairment:*

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

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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

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

##### Expected credit losses

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

	Group	
	Trade receivables	Contract assets
	2018	2018
	\$'000	\$'000
<i>Movement in allowance accounts:</i>		
At 1 January	684	8
Charge for the year	103	—
At 31 December	787	8

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

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 13. Other receivables

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

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

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 13. Other receivables (cont'd)

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

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

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

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

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

*Movement in allowance for impairment:*

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

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 13. Other receivables (cont'd)

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

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

### 14. Inventories

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

### 15. Investment securities (quoted)

	<b>Group</b>		
	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000
<i>At fair value through profit or loss</i>			
– Equity securities (quoted)	<u>18</u>	<u>26</u>	<u>26</u>

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**16. Properties held for development**

	<b>2018</b>	<b>Group</b>	<b>1 January</b>
	<b>\$'000</b>	<b>31 December 2017</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
Properties held for development	14,173	14,139	13,885

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

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

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

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 17. Subsidiaries

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

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

	2018 \$'000	Company 31 December 2017 \$'000	1 January 2017 \$'000
<i>Movement in allowance for impairment:</i>			
At 1 January	10,454	10,454	10,454
Charge for the year	—	—	—
At 31 December	10,454	10,454	10,454

#### (a) Composition of the Group

The Group has the following investments in subsidiaries:

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

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

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

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

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



**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

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

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

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

**Notes:**

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore

<sup>(2)</sup> Tesla group of companies ("Tesla Group") are audited by a member firm of EY Global in Australia

<sup>(3)</sup> Audited by other firms of auditors

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 17. Subsidiaries (cont'd)

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

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

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

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

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

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

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

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

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

*Summarised consolidated statement of comprehensive income:*

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

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

**18. Associates**

	<b>Group</b>	
	<b>31 December</b>	<b>1 January</b>
<b>2018</b>	<b>2017</b>	<b>2017</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Unquoted equity shares, at cost	—	*

\* Less than \$1,000.

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

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

\* Audited by other firms of auditors.

<sup>(1)</sup> Wound up on 7 January 2018.

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

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss for the year, representing total comprehensive loss for the year	—	(16)

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

**19. Joint arrangements**

*(a) Joint ventures*

	<b>Group</b>		
	<b>2018</b>	<b>31 December</b>	<b>1 January</b>
	<b>\$'000</b>	<b>2017</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<i>Represented as:</i>			
<u>Investment in joint ventures</u>			
- Sindo-Econ Pte Ltd and its subsidiary	—	—	3,606
- PT. Koon Construction Indonesia	174	163	166
- Others	*	*	*
	<u>174</u>	<u>163</u>	<u>3,772</u>
<u>Provision for share of a joint venture's losses</u>			
- Sindo-Econ Pte Ltd and its subsidiary	(10,430)	(3,961)	—

\* No investment cost

The Group provided for its share of further losses in Sindo-Econ Pte Ltd and its subsidiary during the year in excess of its interest in the joint venture as the Group has obligations for the joint venture.

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 19. Joint arrangements (cont'd)

#### (a) Joint ventures (cont'd)

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

Name of joint ventures	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held		
		2018 (%)	31 December 2017 (%)	1 January 2017 (%)
<b><u>Held through Econ Precast Pte Ltd:</u></b>				
Sindo-Econ Pte Ltd <sup>(1)</sup>	Investment holding and provision of management and consultancy services (Singapore)	50	50	50
<b><u>Held through Sindo-Econ Pte Ltd:</u></b>				
PT. Sindomas Precas <sup>(2)</sup>	Manufacture of precast components (Indonesia)	50	50	50
<b><u>Held through Koon Construction &amp; Transport Co. Pte Ltd:</u></b>				
PT. Koon Construction Indonesia <sup>(2)</sup>	Contractors for civil engineering and building works (Indonesia)	67	67	67

#### Notes:

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore

<sup>(2)</sup> Not required to be audited

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

	Group	
	2018 \$'000	2017 \$'000
Profit for the year, representing total comprehensive income for the year	—	—

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

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

*(a) Joint ventures (cont'd)*

Summarised financial information in respect of Sindo-Econ Pte Ltd and its subsidiary ("Sindo-Econ Group") and PT. Koon Construction Indonesia based on their SFRS (I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	<b>Sindo-Econ Group</b>		
	<b>2018</b>	<b>31 December 2017</b>	<b>1 January 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Summarised balance sheet:</i>			
Cash and bank balances	221	762	303
Trade receivables	6,840	20,446	12,192
Other receivables	10,425	8,981	8,620
Inventories	15,649	8,864	6,308
Current assets	33,135	39,053	27,423
Non-current assets	9,249	8,668	9,228
<b>Total assets</b>	<b>42,384</b>	<b>47,721</b>	<b>36,651</b>
Current liabilities <sup>(1)</sup>	62,322	53,800	26,857
Non-current liabilities	634	1,480	2,147
<b>Total liabilities</b>	<b>62,956</b>	<b>55,280</b>	<b>29,004</b>
<b>Net (liabilities)/assets</b>	<b>(20,572)</b>	<b>(7,559)</b>	<b>7,647</b>
Proportion of the Group's ownership	50%	50%	50%
Group's share of net (liabilities)/assets	(10,286)	(3,780)	3,823
Eliminations	(144)	(181)	(217)
<b>(Provision for share of losses)/Carrying amount of the investment</b>	<b>(10,430)</b>	<b>(3,961)</b>	<b>3,606</b>
(1) Includes current financial liabilities (excluding trade and other payables and provisions)	2,470	2,704	3,182

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

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

*(a) Joint ventures (cont'd)*

	<b>Sindo-Econ Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Summarised consolidated statement of comprehensive income:</i>		
Revenue	21,266	38,715
Interest income	1	2
Depreciation	(2,733)	(3,201)
Finance costs	(221)	(190)
Loss before tax	(13,012)	(15,207)
Taxation	—	—
<b>Loss for the year, representing total comprehensive loss for the year</b>	<b>(13,012)</b>	<b>(15,207)</b>

	<b>PT. Koon Construction Indonesia</b>		
	<b>2018</b>	<b>31 December 2017</b>	<b>1 January 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Summarised balance sheet:</i>			
Cash and bank balances	104	104	313
Pledged fixed deposits	—	—	32
Other receivables	137	131	*
Current assets	241	235	345
<b>Total assets</b>	<b>241</b>	<b>235</b>	<b>345</b>
Current liabilities	*	*	84
<b>Total liabilities</b>	<b>*</b>	<b>*</b>	<b>84</b>
<b>Net assets</b>	<b>241</b>	<b>235</b>	<b>261</b>
Proportion of the Group's ownership	67%	67%	67%
Group's share of net assets	161	157	175
Exchange gain/(loss) on translation of foreign operations	13	6	(9)
<b>Carrying amount of the investment</b>	<b>174</b>	<b>163</b>	<b>166</b>

\* Less than \$1,000



# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 19. Joint arrangements (cont'd)

#### (a) Joint ventures (cont'd)

#### PT. Koon Construction Indonesia

2018	2017
\$'000	\$'000

#### Summarised statement of comprehensive income:

Interest income	*	1
Profit/(Loss) before tax	16	(5)
Taxation	*	*
<b>Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year</b>	<b>16</b>	<b>(5)</b>

\* Less than \$1,000

#### (b) Joint operation

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

Name of joint operation	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held		
		2018 (%)	31 December 2017	1 January 2017
			(%)	(%)
POC-K JV	Contractor for infrastructure and civil engineering works (Singapore)	50	50	50

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

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 31 December 2018

20. Property, plant and equipment/Assets held for sale

(a) Property, plant and equipment

Group	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
<b>Cost:</b>										
At 1 January 2017	1,791	1,246	9,432	50	114,551	19,708	17,963	1,955	77	166,773
Government grants deduction	-	-	-	-	(480)	-	-	(2)	-	(482)
Additions	-	-	-	-	11,060	9,000	235	9	-	20,304
Disposals	-	96	-	-	(10,830)	(908)	(5,130)	(8)	-	(16,780)
Write-off	-	-	-	-	-	-	-	-	(77)	(77)
Exchange difference	(4)	(7)	-	-	(244)	-	-	-	-	(255)
Reclassification to Assets held for sale (Note 20(b))	(859)	(1,233)	-	-	(44)	-	-	-	-	(2,136)
At 31 December 2017 and 1 January 2018	928	102	9,432	50	114,013	27,800	13,068	1,954	-	167,347
Additions	-	-	-	-	1,434	5,041	245	26	-	6,746
Disposals	-	-	-	-	(2,006)	-	(259)	(14)	-	(2,279)
Write-off	-	-	-	-	-	-	-	(85)	-	(85)
Exchange difference	(69)	-	-	-	(2,478)	-	-	(5)	-	(2,552)
At 31 December 2018	859	102	9,432	50	110,963	32,841	13,054	1,876	-	169,177

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 31 December 2018

20. Property, plant and equipment/Assets held for sale (cont'd)

(a) Property, plant and equipment (cont'd)

Group	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
<b>Accumulated depreciation:</b>										
At 1 January 2017	-	300	3,756	45	47,045	2,769	7,371	1,777	-	63,063
Depreciation	-	44	1,001	5	12,952	3,705	2,337	122	-	20,166
Disposals	-	8	-	-	(6,822)	-	(2,291)	(8)	-	(9,113)
Exchange difference	-	(1)	-	-	(76)	-	-	-	-	(77)
Reclassification to Assets held for sale (Note 20(b))	-	(337)	-	-	(38)	-	-	-	-	(375)
<b>At 31 December 2017 and 1 January 2018</b>	-	14	4,757	50	53,061	6,474	7,417	1,891	-	73,664
Depreciation	-	2	1,002	-	9,824	4,115	1,683	47	-	16,673
Disposals	-	-	-	-	(1,676)	-	(245)	(14)	-	(1,935)
Write-off	-	-	-	-	-	-	-	(83)	-	(83)
Exchange difference	-	-	-	-	(894)	-	-	(4)	-	(898)
<b>At 31 December 2018</b>	-	16	5,759	50	60,315	10,589	8,855	1,837	-	87,421

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 31 December 2018

20. Property, plant and equipment/Assets held for sale (cont'd)

(a) Property, plant and equipment (cont'd)

Group	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
<b>Impairment:</b>										
At 1 January 2017	—	1	—	—	—	—	—	—	77	78
Additions	—	83	—	—	—	—	—	—	—	83
Write-off	—	—	—	—	—	—	—	—	(77)	(77)
At 31 December 2017, 1 January 2018 and 31 December 2018	—	84	—	—	—	—	—	—	—	84
<b>Carrying amount:</b>										
At 1 January 2017	1,791	945	5,676	5	67,506	16,939	10,592	178	—	103,632
At 31 December 2017	928	4	4,675	—	60,952	21,326	5,651	63	—	93,599
At 31 December 2018	859	2	3,673	—	50,648	22,252	4,199	39	—	81,672

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**20. Property, plant and equipment/Assets held for sale (cont'd)**

*(a) Property, plant and equipment (cont'd)*

Property, plant and equipment of the Group with carrying amount of \$67,505,000 (31 December 2017: \$78,672,000, 1 January 2017: \$84,159,000) are pledged as security for finance lease obligations (Note 26) and bank loans (Note 23).

	<b>Motor vehicles \$'000</b>	<b>Office equipment, furniture and fittings \$'000</b>	<b>Total \$'000</b>
<b>Company</b>			
<b>Cost:</b>			
At 1 January 2017	822	134	956
Additions	173	—	173
Disposals	(2)	—	(2)
At 31 December 2017 and 1 January 2018	993	134	1,127
Additions	—	3	3
At 31 December 2018	993	137	1,130
<b>Accumulated depreciation:</b>			
At 1 January 2017	429	134	563
Depreciation	151	—	151
At 31 December 2017 and 1 January 2018	580	134	714
Depreciation	148	*	148
At 31 December 2018	728	134	862
<b>Carrying amount:</b>			
At 1 January 2017	564	—	564
At 31 December 2017	413	—	413
At 31 December 2018	265	3	268

\* Less than \$1,000

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**20. Property, plant and equipment/Assets held for sale (cont'd)**

*(a) Property, plant and equipment (cont'd)*

Motor vehicles of the Company with carrying amount of \$265,000 (31 December 2017: \$413,000, 1 January 2017: \$564,000) are pledged as security for finance lease obligations (Note 26).

*(b) Assets held for sale*

	<b>Freehold land \$'000</b>	<b>Freehold buildings \$'000</b>	<b>Plant and machinery \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>Cost:</b>				
Reclassification from Property, plant and equipment (Note 20(a))	859	1,233	44	2,136
<b>Accumulated depreciation:</b>				
Reclassification from Property, plant and equipment (Note 20(a))	—	(337)	(38)	(375)
At 31 December 2017	859	896	6	1,761

In the previous year, the Group's wholly owned subsidiary, Econ Precast Sdn. Bhd., entered into an agreement for the sale of a freehold land, freehold building and plant and machinery in Malaysia. In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the freehold land, freehold building and plant and machinery were classified as held for sale at the end of the previous year. The sale was completed during the year.

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 21. Investment securities (unquoted)

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
<i>At fair value through other comprehensive income</i>			
– Equity securities (unquoted)	500	500	500
Less: Allowance for impairment	(500)	(500)	(500)
	–	–	–

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

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

### 22. Goodwill

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Cost at beginning of year	3,536	3,536	3,536
Less: Allowance for impairment	(3,536)	(3,536)	(3,536)
Carrying amount at end of year	–	–	–

Goodwill is allocated to the Electric Power Generation cash generating unit ("CGU") which is also a reportable operating segment. In 2015, an impairment loss of \$3,536,000 was recognised in profit or loss under the line item "Administrative and other expenses".

### 23. Loans and borrowings

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Current portion	33,246	34,559	24,175
Non-current portion	–	–	2,009
Total loans and borrowings	33,246	34,559	26,184

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 23. Loans and borrowings (cont'd)

Loans and borrowings comprise:

	Effective interest rate		Maturity dates		Group	
	31 December 2018	31 December 2017		1 January 2017	31 December 2017	1 January 2017
					\$'000	\$'000
Loan A – secured	–	–	7.31%	2017	–	5
Loan B – secured	–	4.12%	4.00%	2018	–	2,071
Loan C	–	3.13%	3.45%	2017 – 2018	–	2,000
Loan D – secured	–	2.30%	2.30%	2018	–	3,520
Loan E – secured	4.17%	3.77% to 3.78%	3.93% to 3.95%	2017 – 2019	5,800	5,800
Loan F	3.93%	3.23%	–	2018 – 2019	500	–
Loan G – secured	3.76%	3.25%	–	2018 – 2019	800	–
Loan H – secured	6.25%	–	–	2019	2,163	–
Bank overdrafts	5.25% to 6.00%	6.00%	–	On demand	5,320	–
					14,583	13,424
Bills payable <sup>(1)</sup>					18,663	21,135
						13,396
						12,788
Total					33,246	34,559
						26,184

(1) Bills payable are interest bearing with an average effective interest of 2.85% (31 December 2017: 3.12%, 1 January 2017: 2.62%) per annum.

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

Loan A has been fully repaid as at 31 December 2017. The loan was secured by all assets under the Tesla Group of companies as at 31 December 2016.

Loan B has been fully repaid as at 31 December 2018. The loan was secured by mortgage of a leasehold building of a subsidiary with a carrying amount of \$4,675,000 as at 31 December 2017 (1 January 2017: \$5,676,000).

Loans D has been fully repaid as at 31 December 2018. The loan was secured by mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of \$12,835,000 as at 31 December 2017 (1 January 2017: \$12,574,000).

Loan E is secured by mortgage of a property held for development by a subsidiary with an aggregated carrying amount of \$12,866,000 as at 31 December 2018 (31 December 2017: \$12,835,000, 1 January 2017: \$12,574,000).

Loan G is secured by mortgage of a leasehold building of a subsidiary with a carrying amount of \$3,673,000 as at 31 December 2018 (31 December 2017: \$4,675,000, 1 January 2017: \$5,676,000).

Loan H is a factoring loan secured by contract proceeds of the Group's construction projects. During the year, the Group has transferred the collection right of certain trade receivables to a financial institution under factoring agreements, but such transfer does not qualify for de-recognition of the financial assets as the Group has not transferred the significant risks and rewards relating to the transferred assets to the financial institution. Accordingly, the transferred assets continue to be recognised in its entirety and the consideration received is recognised as a liability. The carrying amount of trade receivables transferred under factoring agreements amount to \$1,649,000 as at 31 December 2018.



**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**23. Loans and borrowings (cont'd)**

A reconciliation of liabilities arising from financing activities, excluding bank overdrafts is as follows:

	1 January 2017	Cash flows	Non-cash changes			31 December 2017
	\$'000	\$'000	Acquisition \$'000	Foreign exchange movement \$'000	Other \$'000	\$'000
Loans and bills payable						
- Current	24,175	6,054	-	-	2,009	32,238
- Non-current	2,009	-	-	-	(2,009)	-
Finance lease obligations (Note 26)						
- Current	15,278	(16,679)	4,846	(62)	12,805	16,188
- Non-current	40,105	(3,301)	11,995	(135)	(12,805)	35,859
<b>Total</b>	<b>81,567</b>	<b>(13,926)</b>	<b>16,841</b>	<b>(197)</b>	<b>-</b>	<b>84,285</b>

The 'other' column relates to reclassification of non-current portion of loans and finance lease obligations due to passage of time.

Included in 'acquisition' column is an amount of \$405,000 relating to plant and equipment that was acquired in prior year but the finance lease arrangements were made in year 2017.

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**23. Loans and borrowings (cont'd)**

A reconciliation of liabilities arising from financing activities, excluding bank overdrafts is as follows:

	1 January 2018	Cash flows	Non-cash changes			31 December 2018
			Foreign			
	\$'000	\$'000	Acquisition \$'000	exchange movement \$'000	Other \$'000	\$'000
Loans and bills payable						
- Current	32,238	(4,645)	333	-	-	27,926
Finance lease obligations (Note 26)						
- Current	16,188	(15,578)	513	993	14,389	16,505
- Non-current	35,859	-	3,085	(1,791)	(14,389)	22,764
<b>Total</b>	<b>84,285</b>	<b>(20,223)</b>	<b>3,931</b>	<b>(798)</b>	<b>-</b>	<b>67,195</b>

The 'other' column relates to reclassification of non-current portion of loans and finance lease obligations due to passage of time.

Included in 'acquisition' column is an amount of \$523,000 relating to plant and equipment that was acquired in prior year but the finance lease arrangements were made in the current year.

**Koon Holdings Limited and its Subsidiaries****Notes to the financial statements  
For the financial year ended 31 December 2018****24. Trade payables**

	<b>2018</b>	<b>Group</b>	<b>1 January</b>
	<b>\$'000</b>	<b>31 December 2017</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
Amounts due to external parties	31,955	32,215	40,367
Amounts due to related parties	7,284	16,161	14,542
	<u>39,239</u>	<u>48,376</u>	<u>54,909</u>

Trade payables include an amount of \$8,890,000 (31 December 2017: \$12,369,000, 1 January 2017: \$12,369,000) which will not be settled unless receivables for the same amount, included in trade receivables (Note 12), is received.

The average credit period on the outstanding trade payables is 60 days (31 December 2017: 60 days, 1 January 2017: 60 days). No interest is payable on overdue balances.

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

The Group has the following trade payables which are denominated in foreign currencies:

	<b>2018</b>	<b>Group</b>	<b>1 January</b>
	<b>\$'000</b>	<b>31 December 2017</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
United States Dollars	25	—	12

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 25. Other payables

	Group			Company		
	2018	31 December	1 January	2018	31 December	1 January
	\$'000	2017	2017	\$'000	2017	2017
		\$'000	\$'000		\$'000	\$'000
Accrued expenses	3,432	3,334	4,202	553	697	974
Advance from investee company	—	350	350	—	—	—
Advances from customers	13,564	11,559	5,327	—	—	—
Sales tax payable	1,482	938	1,840	61	53	54
Amounts due to external parties	10,986	3,453	1,211	171	153	159
Amounts due to related parties	1,214	52	115	206	2	—
Amounts due to subsidiaries	—	—	—	15,179	18,069	18,450
Amounts due to joint ventures	—	35	4	3	—	—
Payable for purchase of property, plant and equipment	2,769	1,350	282	—	—	—
Others	573	621	770	6	6	5
	34,020	21,692	14,101	16,179	18,980	19,642

Analysed as:

Current	33,843	21,525	14,004	16,179	18,980	19,642
Non-current	177	167	97	—	—	—
	34,020	21,692	14,101	16,179	18,980	19,642

Advances from customers are unsecured, non-interest bearing, expected to be repayable within 12 months and do not pertain to fulfilment of future contract obligations.

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

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

The Group has the following other payables which are denominated in foreign currencies:

	Group		
	2018	31 December	1 January
	\$'000	2017	2017
		\$'000	\$'000
United States Dollars	—	19	91
Euro Dollars	36	—	—
Australian Dollars	5	16	—

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**26. Finance lease obligations**

Group	Minimum lease payments			Present value of minimum lease payments		
	2018	31 December	1 January	2018	31 December	1 January
	\$'000	2017	2017	\$'000	2017	2017
		\$'000	\$'000		\$'000	\$'000
Amounts payable under finance lease obligations:						
Not later than one year	17,886	18,190	17,084	16,505	16,188	15,278
Later than one year but not later than five years	23,881	36,976	41,919	22,764	35,859	40,105
Total minimum lease payments	41,767	55,166	59,003	39,269	52,047	55,383
Less: Amounts representing finance charges	(2,498)	(3,119)	(3,620)	N/A	N/A	N/A
Present value of minimum lease payments	39,269	52,047	55,383	39,269	52,047	55,383
Less: Amounts due for settlement within 12 months				(16,505)	(16,188)	(15,278)
Amounts due for settlement after 12 months				22,764	35,859	40,105

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 26. Finance lease obligations (cont'd)

Company	Minimum lease payments			Present value of minimum lease payments		
	2018	31 December	1 January	2018	31 December	1 January
	\$'000	2017	2017	\$'000	2017	2017
		\$'000	\$'000		\$'000	\$'000
Amounts payable under finance lease obligations:						
Not later than one year	70	87	87	65	79	76
Later than one year but not later than five years	76	146	233	74	139	218
Total minimum lease payments	146	233	320	139	218	294
Less: Amounts representing finance charges	(7)	(15)	(26)	N/A	N/A	N/A
Present value of minimum lease payments	139	218	294	139	218	294
Less: Amounts due for settlement within 12 months				(65)	(79)	(76)
Amounts due for settlement after 12 months				74	139	218

These obligations are secured by charges over the leased property, plant and equipment (Note 20). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

#### Group

The average lease term is 5 years (31 December 2017: 5 years, 1 January 2017: 3 years). The effective borrowing rates ranged between 2.35% and 6.58% (31 December 2017: 2.35% and 6.58%, 1 January 2017: 2.35% and 5.85%) per annum.

#### Company

The average lease term is 5 years (31 December 2017: 5 years, 1 January 2017: 5 years). The effective borrowing rates ranged between 4.22% and 5.24% (31 December 2017: 4.22% and 5.24%, 1 January 2017: 4.28% and 5.24%) per annum.

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 27. Deferred tax assets/(liabilities)

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Deferred tax assets	–	231	320
Deferred tax liabilities	(1,484)	(1,369)	(1,005)
Net	(1,484)	(1,138)	(685)

The following are the deferred tax assets/(liabilities) recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Fair value adjustment on property, plant and equipment \$'000	Accelerated tax depreciation \$'000	Research and development tax credit \$'000	Tax losses \$'000	Total \$'000
<b>Group</b>					
At 1 January 2017	(15)	(2,334)	1,664	–	(685)
Credit/(Charge) to profit or loss	30	(265)	(214)	(4)	(453)
Translation differences	–	4	(4)	–	–
At 31 December 2017 and 1 January 2018	15	(2,595)	1,446	(4)	(1,138)
Credit/(Charge) to profit or loss	(15)	190	(522)	4	(343)
Translation differences	–	72	(75)	–	(3)
At 31 December 2018	–	(2,333)	849	–	(1,484)

### Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, undistributed earnings of foreign subsidiaries which would be subject to tax when distributed amounted to \$3,188,000 (31 December 2017: \$1,071,000, 1 January 2017: \$1,643,000). No deferred tax liability has been recognised as the Group is in a position to control the dividend policy of the subsidiaries and there is no intent to distribute these retained earnings in the foreseeable future.

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 28. Share capital

	Group and Company			
	Number of ordinary shares 2018	Share Capital 2018 \$'000	Number of ordinary shares 2017	Share Capital 2017 \$'000
Issued and paid up:				
At beginning and end of year	263,097,800	25,446	263,097,800	25,446

The Company has one class of ordinary shares which carry one vote per share, has no par value and carries a right to dividend as and when declared by the Company.

The Company has an Employee Performance Share Plan ("Koon EPSP") which applies to the executive directors of the Company and the employees of the Group. However, controlling shareholders, including controlling shareholders who are executive directors and their associates are not eligible to participate in the Koon EPSP.

Koon EPSP is administrated by the Remuneration Committee.

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

- (i) 994,000 shares awarded and issued in 2009;
- (ii) 330,000 shares awarded in 2010 which were vested equally over three years with 110,000 shares each issued in 2011 to 2013; and
- (iii) 360,000 shares awarded in 2011 of which 105,000 shares were forfeited due to the resignation of employees. Of the balance awards of 255,000 shares, 165,000 shares were vested in 2013 and 90,000 shares were vested in 2014.



**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**28. Share capital (cont'd)**

Accumulated shares awarded were as follows:

	Number of shares					
	2018	Not vested 31 December 2017	1 January 2017	Vested and issued (Accumulated) 2018	31 December 2017	1 January 2017
Directors	–	–	–	344,000	344,000	344,000
Other members of key management	–	–	–	380,000	380,000	380,000
Other employees	–	–	–	855,000	855,000	855,000
Total number of shares granted under the Koon EPSP	–	–	–	1,579,000	1,579,000	1,579,000

**29. Capital reserve**

	Group			Company		
	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Capital reserve arising from:						
Restructuring exercise	13,006	13,006	13,006	13,006	13,006	13,006
Share-based payment	283	283	283	–	–	–
Acquisition of non- controlling interests in subsidiaries	(4,487)	(4,487)	(4,487)	–	–	–
	8,802	8,802	8,802	13,006	13,006	13,006

***Restructuring Exercise***

On 10 April 2003, pursuant to a Restructuring Exercise, the shareholders of Koon Construction & Transport Co. Pte Ltd ("KCTC") transferred their entire equity interest comprising 16,006,400 ordinary shares of \$1 each in KCTC to the Company in exchange for 59,999,998 ordinary shares of \$0.05 each in the Company. As a result, KCTC became a wholly-owned subsidiary of the Company.

Capital reserve of \$13,006,000 represents the difference between the par value of the 59,999,998 ordinary shares of \$0.05 issued and cost of investment in KCTC.

**29. Capital reserve (cont'd)**

***Share-based payment***

The share-based payment relates to the issuance of 200,000 shares of a subsidiary, Tesla Holdings Pty Ltd ("Tesla"), to three directors of the subsidiary in March 2012 at no consideration in recognition of their services to Tesla. This has been accounted for as share-based payment expense of AUD200,000 (\$283,000) based on a value of AUD1 per share offered to other shareholders during a capital raising exercise.

***Acquisition of non-controlling interests in subsidiaries, without a change in control***

In 2013, the Group acquired the remaining 25% equity interest of Econ Precast Pte Ltd and its subsidiaries at a consideration of \$5,500,000. The negative amount of \$4,626,000 in capital reserve represents the excess of the consideration paid over the non-controlling interest of \$874,000 that was eliminated through the acquisition.

In 2015, the Group increased its investments in Tesla by 2.9% by way of acceptance of Tesla's dividend re-investment plan and shares conversion resulting from loan repayment by an ex-employee of Tesla. The difference of \$139,000 between the consideration and the carrying value of the additional interest accounted was recognised as "Capital reserve" within equity.

**30. Operating segment information**

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

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

- Construction
- Precast
- Property
- Electric Power Generation

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

Management monitors other income and finance costs of its business units collectively for the purpose of making decisions about resource allocation and performance assessment.

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

**30. Operating segment information (cont'd)**

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

***Segment revenues and results***

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

	<b>Revenue</b>		<b>Results</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Construction	82,271	111,332	(2,039)	10,604
Precast	30,873	48,202	(1,986)	(3,086)
Property	—	—	(131)	(236)
Electric Power Generation	4,730	5,005	1,640	347
	117,874	164,539	(2,516)	7,629
Elimination	(1,021)	(739)	(281)	(333)
Total	116,853	163,800	(2,797)	7,296
Other income			13,467	4,933
Share of losses of joint ventures and associate			(6,496)	(7,623)
Finance costs			(3,179)	(3,143)
Profit before tax			995	1,463
Taxation			(513)	(1,362)
Profit for the year			482	101

**Koon Holdings Limited and its Subsidiaries****Notes to the financial statements  
For the financial year ended 31 December 2018****30. Operating segment information (cont'd)**

Consolidated revenue of \$116,853,000 (2017: \$163,800,000) after elimination of inter-segmental sales comprise revenue from construction segment of \$82,268,000 (2017: \$111,332,000), precast segment of \$29,855,000 (2017: \$47,463,000), property segment of nil (2017: nil) and electric power generation segment of \$4,730,000 (2017: \$5,005,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Performance is measured based on segment results before allocation of other income, share of results of joint ventures and associate, finance costs and taxation, as included in internal management reports. Segment results are used by management for the purposes of resource allocation and assessment of segment performance.

**Segment assets**

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Construction	163,062	157,688	164,075
Precast	52,336	49,473	45,989
Property	17,407	17,393	19,035
Electric Power Generation	23,721	28,376	25,657
	256,526	252,930	254,756
Elimination	(32,345)	(28,479)	(33,035)
Total segment assets	224,181	224,451	221,721
Unallocated corporate assets	2,451	2,780	3,412
Total assets	226,632	227,231	225,133

All assets are allocated to reportable segments other than all assets of the Company, deferred tax assets, tax recoverable and sales tax receivable of the Group and those eliminated at consolidation.

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

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

#### Other segment information

	Depreciation		Additions to property, plant and equipment		
	2018 \$'000	2017 \$'000	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Construction	14,167	16,381	5,925	11,355	25,491
Precast	1,429	1,576	799	4,562	33
Property	2	2	—	—	—
Electric Power Generation	1,075	2,207	22	4,387	1
	16,673	20,166	6,746	20,304	25,525

#### Segment results

The Construction segment results include reversal of provision for onerous contract amounting to \$27,000 (2017: provision for onerous contract amounting to \$1,000) and allowance for impairment of doubtful debts (net) amounting to \$116,000 (2017: \$214,000).

The Precast segment results include inventories written down amounting to \$46,000 (2017: \$17,000) and a write-off of office equipment and furniture and fittings with a carrying amount of \$2,000 (2017: assets under construction with a carrying amount of \$77,000).

The Property segment results has no write-down in 2018 (2017: write-down of \$83,000) on its property, plant and equipment.

#### Segment assets

The Construction and Precast segments assets include investments in joint ventures and associates amounting to \$174,000 (31 December 2017: \$163,000, 1 January 2017: \$166,000) and nil (31 December 2017: nil, 1 January 2017: \$3,606,000) respectively.

#### Geographical information

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

	Revenue		Non-current assets		
	2018 \$'000	2017 \$'000	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Singapore	112,123	158,414	61,652	70,871	82,915
Australia	4,730	5,005	20,018	22,724	20,715
Malaysia	—	381	14,175	14,143	13,887
Total	116,853	163,800	95,845	107,738	117,517

## Koon Holdings Limited and its Subsidiaries

### Notes to the financial statements For the financial year ended 31 December 2018

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

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

##### *Information about major customer*

Revenue from two major customers amount to \$44,803,000 (2017: \$72,713,000) arising from sales by the Construction and Precast segments.

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

As at 31 December 2018, the Company has provided corporate guarantees totalling \$114,625,000 (31 December 2017: \$122,310,000, 1 January 2017: \$114,158,000) and \$740,000 (31 December 2017: \$1,249,000, 1 January 2017: \$1,526,000) to financial institutions in respect of credit facilities utilised by the subsidiaries and a joint venture respectively.

#### 32. Operating lease arrangements – as lessee

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Minimum lease payments under operating leases recognised as an expense during the year	2,761	2,093	3,236

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

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Not later than one year	2,103	2,178	992
Later than one year but not later than five years	3,194	4,677	2,012
	5,297	6,855	3,004

Operating lease payments represent rentals payable by the Group for rental of office, equipment, yard premises and accommodation. Leases are negotiated for an average term of 3 years (31 December 2017: 3 years, 1 January 2017: 3 years).

# Koon Holdings Limited and its Subsidiaries

## Notes to the financial statements For the financial year ended 31 December 2018

### 33. Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group 31 December 2017 \$'000			Company 31 December 2017 \$'000		
	2018 \$'000	1 January 2017 \$'000	2018 \$'000	2018 \$'000	1 January 2017 \$'000	2018 \$'000
<b>Financial assets:</b>						
<u>At fair value through profit or loss</u>						
Equity securities (quoted)	18	26	26	—	—	—
<u>Loans and receivables</u>						
Trade receivables	29,725	34,914	38,459	—	—	—
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	37,994	25,823	12,104	6,609	9,342	9,734
Pledged fixed deposits	19	18	197	—	—	—
Cash and bank balances	2,921	7,495	14,997	68	85	263
	70,659	68,250	65,757	6,677	9,427	9,997
<b>Total financial assets</b>	70,677	68,276	65,783	6,677	9,427	9,997
<b>Financial liabilities:</b>						
<u>Financial liabilities at amortised cost</u>						
Loans and borrowings	33,246	34,559	26,184	—	—	—
Trade payables	39,239	48,376	54,909	—	—	—
Other payables (excluding advance from customers and sales tax payable)	18,974	9,195	6,934	16,118	18,927	19,588
	91,459	92,130	88,027	16,118	18,927	19,588
Finance lease obligations	39,269	52,047	55,383	139	218	294
<b>Total financial liabilities</b>	130,728	144,177	143,410	16,257	19,145	19,882

**34. Fair value of assets and liabilities***(a) Fair value hierarchy*

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

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

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

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

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

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the financial year:

	<b>Group 2018 \$'000</b>			
	<b>Quoted prices in active markets for identical instruments (Level 1)</b>	<b>Significant observable inputs other than quoted prices (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
<b><i>Assets measured at fair value</i></b>				
<b>Financial assets:</b>				
<u>Equity securities at fair value through profit or loss (Note 15)</u>				
- Quoted equity securities	18	–	–	18



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

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

Group 31 December 2017 \$'000				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Assets measured at fair value</i>				
<b>Financial assets:</b>				
<u>Equity securities at fair value through profit or loss (Note 15)</u>				
- Quoted equity securities	26	—	—	26

Group 1 January 2017 \$'000				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Assets measured at fair value</i>				
<b>Financial assets:</b>				
<u>Equity securities at fair value through profit or loss (Note 15)</u>				
- Quoted equity securities	26	—	—	26

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

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

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

	Group 2018 \$'000		Group 31 December 2017 \$'000		Group 1 January 2017 \$'000	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
<b>Financial liabilities</b>						
Finance lease obligations (non-current) (i)	(22,764)	(24,205)	(35,859)	(35,999)	(40,105)	(39,880)
Bank loans (non-current), fixed rate (i)	—	—	—	—	(1,187)	(1,184)

- (i) The fair value of finance lease obligations and interest-bearing bank loans with fixed interest rates are determined using discounted future principal and interest at the market interest rate at the end of the financial year. The estimated future cash flows are projected based on management's best estimates.

**35. Financial risks management objectives and policies**

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

**(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

**Trade receivables and contract assets**

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by SFRS(I) 9, which permits the use of the lifetime expected loss provision for impairment of all contract assets and trade receivables. To measure the ECLs, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information.

Given (i) the customers of the Group are well-known construction companies and government agencies and there was no history of default in prior years; and (ii) no adverse change in the business environment is anticipated, management considered the default rate of trade receivables and contract assets to be minimal and the expected credit loss rate of construction companies and government agencies to be nil for all ageing bands. As a result, no provision for impairment of trade receivables and contract assets is necessary.

**35. Financial risks management objectives and policies (cont'd)****(a) Credit risk (cont'd)**

For non-government organisations or smaller customers, the Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

Other receivables

Other receivables mainly comprised amounts due from related parties. The assessment of provision for impairment was limited to 12-month ECL. The Group has assessed and considered the credit risk for amounts due from related parties to be low and as a result no provision for impairment is necessary.

The following are credit risk management practices and quantitative information about amounts arising from expected credit loss for trade receivables and contract assets.

		Trade receivables			Total
		Current and more than 30 days past due	More than 180 days past due	More than 360 days past due	
31 December 2018	Contract assets	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	55,587	16,046	4,298	10,168	86,099
Loss allowance provision	(8)	(99)	(15)	(673)	(795)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Credit risk concentration profile

Concentration of credit risk exists when economic, industry or geographical factors similarly affect the Group's counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group's customers are mainly located in Singapore. The Group has significant concentration of credit risk in that its top 5 debtors accounted for \$22,237,000 (31 December 2017: \$37,211,000, 1 January 2017: \$40,364,000) or 75% (31 December 2017: 77%, 1 January 2017: 81%) of the net trade receivables balance at year end.

**35. Financial risks management objectives and policies (cont'd)**

**(a) Credit risk (cont'd)**

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade receivables) and Note 13 (Other receivables).

**(b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. Future routine working capital requirements are expected to be funded with cash and bank balances, internally generated cash flows and several credit lines to draw on for routine working capital requirements.

Credit lines are reviewed with providers of credit facilities from time to time. Based on these evaluations, management expects that there will be sufficient liquidity for the Group's operations in the next financial year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

**35. Financial risks management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

	<b>1 year or less \$'000</b>	<b>1 to 5 years \$'000</b>	<b>After 5 years \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>2018</b>				
<b>Financial assets:</b>				
Equity securities at fair value through profit or loss	18	—	—	18
Trade receivables	29,725	—	—	29,725
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	37,899	95	—	37,994
Pledged fixed deposits	19	—	—	19
Cash and bank balances	2,921	—	—	2,921
<b>Total undiscounted financial assets</b>	<b>70,582</b>	<b>95</b>	<b>—</b>	<b>70,677</b>
<b>Financial liabilities:</b>				
Loans and borrowings	33,389	—	—	33,389
Trade payables	39,239	—	—	39,239
Other payables (excluding advance from customers and sales tax payable)	18,797	177	—	18,974
Finance lease obligations	17,886	23,881	—	41,767
<b>Total undiscounted financial liabilities</b>	<b>109,311</b>	<b>24,058</b>	<b>—</b>	<b>133,369</b>
<b>Total net undiscounted financial liabilities</b>	<b>(38,729)</b>	<b>(23,963)</b>	<b>—</b>	<b>(62,692)</b>

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**35. Financial risks management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

	<b>1 year or less \$'000</b>	<b>1 to 5 years \$'000</b>	<b>After 5 years \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>31 December 2017</b>				
<b>Financial assets:</b>				
Equity securities at fair value through profit or loss	26	–	–	26
Trade receivables	34,914	–	–	34,914
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	25,706	117	–	25,823
Pledged fixed deposits	18	–	–	18
Cash and bank balances	7,495	–	–	7,495
<b>Total undiscounted financial assets</b>	<b>68,159</b>	<b>117</b>	<b>–</b>	<b>68,276</b>
<b>Financial liabilities:</b>				
Loans and borrowings	34,822	–	–	34,822
Trade payables	48,376	–	–	48,376
Other payables (excluding advance from customers and sales tax payable)	9,028	167	–	9,195
Finance lease obligations	18,190	36,976	–	55,166
<b>Total undiscounted financial liabilities</b>	<b>110,416</b>	<b>37,143</b>	<b>–</b>	<b>147,559</b>
<b>Total net undiscounted financial liabilities</b>	<b>(42,257)</b>	<b>(37,026)</b>	<b>–</b>	<b>(79,283)</b>

**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**35. Financial risks management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

	<b>1 year or less \$'000</b>	<b>1 to 5 years \$'000</b>	<b>After 5 years \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>1 January 2017</b>				
<b>Financial assets:</b>				
Equity securities at fair value through profit or loss	26	—	—	26
Trade receivables	38,459	—	—	38,459
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	11,987	117	—	12,104
Pledged fixed deposits	197	—	—	197
Cash and bank balances	14,997	—	—	14,997
<b>Total undiscounted financial assets</b>	<b>65,666</b>	<b>117</b>	<b>—</b>	<b>65,783</b>
<b>Financial liabilities:</b>				
Loans and borrowings	24,462	2,029	—	26,491
Trade payables	54,909	—	—	54,909
Other payables (excluding advance from customers and sales tax payable)	6,837	97	—	6,934
Finance lease obligations	17,084	41,919	—	59,003
<b>Total undiscounted financial liabilities</b>	<b>103,292</b>	<b>44,045</b>	<b>—</b>	<b>147,337</b>
<b>Total net undiscounted financial liabilities</b>	<b>(37,626)</b>	<b>(43,928)</b>	<b>—</b>	<b>(81,554)</b>



**Koon Holdings Limited and its Subsidiaries**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**35. Financial risks management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

	<b>1 year or less \$'000</b>	<b>1 to 5 years \$'000</b>	<b>After 5 years \$'000</b>	<b>Total \$'000</b>
<b>Company</b>				
<b>2018</b>				
<b>Financial assets:</b>				
Other receivables (excluding prepayments)	6,609	—	—	6,609
Cash and bank balances	68	—	—	68
Total undiscounted financial assets	6,677	—	—	6,677
<b>Financial liabilities:</b>				
Other payables (excluding sales tax payable)	16,118	—	—	16,118
Finance lease obligations	70	76	—	146
Total undiscounted financial liabilities	16,188	76	—	16,264
Total net undiscounted financial (liabilities)/assets	(9,511)	(76)	—	(9,587)
<b>31 December 2017</b>				
<b>Financial assets:</b>				
Other receivables (excluding prepayments)	6,832	2,510	—	9,342
Cash and bank balances	85	—	—	85
Total undiscounted financial assets	6,917	2,510	—	9,427
<b>Financial liabilities:</b>				
Other payables (excluding sales tax payable)	18,927	—	—	18,927
Finance lease obligations	87	146	—	233
Total undiscounted financial liabilities	19,014	146	—	19,160
Total net undiscounted financial (liabilities)/assets	(12,097)	2,364	—	(9,733)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements  
For the financial year ended 31 December 2018

35. Financial risks management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
<b>Company</b>				
<b>1 January 2017</b>				
<b>Financial assets:</b>				
Other receivables (excluding prepayments)	9,734	—	—	9,734
Cash and bank balances	263	—	—	263
Total undiscounted financial assets	9,997	—	—	9,997
<b>Financial liabilities:</b>				
Other payables (excluding sales tax payable)	19,588	—	—	19,588
Finance lease obligations	87	233	—	320
Total undiscounted financial liabilities	19,675	233	—	19,908
Total net undiscounted financial liabilities	(9,678)	(233)	—	(9,911)

**Notes to the financial statements**  
**For the financial year ended 31 December 2018**

**35. Financial risks management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)**

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	<b>1 year or less \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>2018</b>				
Financial guarantees	209	531	–	740
<b>31 December 2017</b>				
Financial guarantees	–	1,249	–	1,249
<b>1 January 2017</b>				
Financial guarantees	–	1,526	–	1,526
<b>Company</b>				
<b>2018</b>				
Financial guarantees	50,523	64,102	–	114,625
<b>31 December 2017</b>				
Financial guarantees	42,675	80,884	–	123,559
<b>1 January 2017</b>				
Financial guarantees	42,260	73,424	–	115,684

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Interest-yielding financial assets are mainly bank balances and fixed deposits. The interest rates for finance lease obligations, loan to investee company and certain bank loans are fixed on the date of inception. Any variation in the short-term interest rates will not have a material impact on the results of the Group.

The Group is exposed to the effect of changes of interest rates on loans and borrowings totalling \$33,246,000 (2017: \$33,372,000).

**35. Financial risks management objectives and policies (cont'd)**

**(c) Interest rate risk (cont'd)**

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 1% (2017: 1%) lower/higher with all other variables held constant, the Group's profit before tax would have been \$332,000 (2017: \$334,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

**(d) Foreign exchange risk**

The activities of the Company and its subsidiaries are mainly conducted in the functional currencies of the respective entities. Management considers the Group's exposure to foreign exchange risk to be low.

**36. Capital management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of relative proportions of debt and equity.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital includes equity attributable to the owners of the Company.

The Group is in compliance with externally imposed financial covenants as at 31 December 2018 and 31 December 2017.

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Loans and borrowings	33,246	34,559	26,184
Finance lease obligations	39,269	52,047	55,383
Less: Cash and bank balances (Note 11)	(2,921)	(7,495)	(14,997)
Net debt	69,594	79,111	66,570
Equity attributable to the owners of the Company	57,715	58,517	58,174
Net gearing ratio	121%	135%	114%

**37. Dividends**

No dividend was proposed for the financial years ended 31 December 2018 and 2017.

**38. Authorisation of financial statements**

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 27 March 2019.

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