KOON HOLDINGS LIMITED (KNH)

Half-Year Financial Statements and Dividend Announcement
Half-Year financial statements on consolidated results for the period ended 30 June 2019
(These figures have not been audited)

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

Name of entity

KOON HOLDINGS LIMITED

ABN or equivalent company reference

ARBN 105 734 709

Half year ('current period')

30 June 2019
(Previous corresponding period: 30 June 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET
Extracts from this report for announcement to the market

APPENDIX 4D

	Group		
	S$'000	Up/Down	Movement %
Revenue from ordinary activities	66,992	Down	6.4
Loss from ordinary activities after tax attributable to members	50,160	Down	N.M
Net Loss for the period attributable to members	50,160	Down	N.M

	Amount per share Singapore cent	Franked amount per share Singapore cent
Interim dividend	NA	NA
Previous corresponding period Interim dividend	NA	NA
Date the dividend (distribution) is payable	NA	
Record date to determine entitlements to the dividend (distribution)	NA	

Any other disclosures in relation to dividends

Nil

	Group	
	30/06/2019	30/06/2018
Net tangible assets per ordinary share (Singapore cents)	4.18 cents	23.66 cents

Additional Appendix 4D disclosure requirements can be found in the notes to the interim financial information attached thereto.

This report is based on the condensed interim financial information for the six months ended 30 June 2019 which have been subjected to a review by Ernst & Young LLP.

KOON HOLDINGS LIMITED (KNH)

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(These figures have not been audited)

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

1(a) Consolidated statement of comprehensive income for the period ended 30 June 2019

	Group		
	Half-Year ended 30 Jun		%
	2019	**2018**	Increase/
	S$'000	S$'000	(Decrease)
Revenue	66,992	71,578	(6.4)
Cost of sales	(82,198)	(61,767)	33.1
Gross (loss)/profit	(15,206)	9,811	(255.0)
Other income	5,243	3,840	36.5
Distribution costs	(62)	(7)	785.7
Administrative and other expenses	(8,527)	(7,652)	11.4
Finance costs	(1,566)	(1,431)	9.4
Impairment losses on financial assets	(26,705)	(44)	N.M
Share of losses of joint ventures	(2,794)	(3,423)	(18.4)
(Loss)/Profit before tax	(49,617)	1,094	N.M
Taxation	(358)	(757)	(52.7)
(Loss)/Profit for the period	(49,975)	337	N.M
Other comprehensive loss:			
Exchange loss on translation of foreign operations	(145)	(81)	79.0
Total comprehensive (loss)/income for the period	(50,120)	256	N.M
(Loss)/Profit for the period attributable to :			
Owners of the Company	(50,160)	232	N.M
Non-controlling interests	185	105	76.2
	(49,975)	337	N.M
Total comprehensive (loss)/income for the period attributable to :			
Owners of the Company	(50,249)	269	N.M
Non-controlling interests	129	(13)	N.M
	(50,120)	256	N.M
Earnings per share (cents per share):			
Basic	(19.07)	0.09	
Diluted	(19.07)	0.09	

N.M.: Not Meaningful

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

The discussion that follows compares the income statement for 6 months ended 30 June 2019 (1H2019) with previous corresponding period (1H2018)

Segment revenue and results

	Revenue		Results	
	Half-Year ended 30 June		Half-Year ended 30 June	
	2019	2018	2019	2018
	S$'000	S$'000	S$'000	S$'000
Construction Division	39,149	51,413	(48,097)	2,715
Precast Division	25,384	18,379	(3,121)	(654)
Property Division	-	-	(80)	(53)
Electric Power Generation Division	2,646	2,267	1,297	693
	67,179	72,059	(50,001)	2,701
Elimination	(187)	(481)	(499)	(593)
Total	66,992	71,578	(50,500)	2,108
Other income			5,243	3,840
Share of losses of joint ventures			(2,794)	(3,423)
Finance costs			(1,566)	(1,431)
(Loss)/Profit before tax			(49,617)	1,094
Taxation			(358)	(757)
(Loss)/Profit for the period			(49,975)	337

Revenue
Revenue for the half year ended 30 June 2019 (1H2019) decreased by 6.4% to S$67.0 million as compared to the previous period (1H2018). The decrease was mainly attributed to lower revenue recorded by Construction division: -

1. Revenue of Construction division decreased by 23.9% to S$39.1 million in 1H2019. This was mainly due to lower revenue recognition in 1H2019 from completing projects including (i) improvement to Sungei Pandan Kechil (West Coast Road to the sea), (ii) earthworks and construction of roads, drains and sewers at Sengkang West and (iii) proposed design and build of vehicular bridge at Grade Road and other associated works at Pulau Punggol Barat and (iv) the Group’s 50% share of revenue under POC-K JV for the land preparation works for airport development project, and completed projects such as sand mining and rock works at caisson quay wall at proposed reclamation at Tuas Finger One.

   The above decrease was partially offset by higher revenue from the project for the new road connections at Seletar Link and widening of TPE between Jalan Kayu and Punggol West flyovers.

2. Revenue of Precast division increased by 38.1% to S$25.4 million in 1H2019. This was mainly due to higher sales volume of precast products as compared to 1H2018.

3. Revenue of Electric Power Generation division increased by 16.7% to S$2.6 million in 1H2019. The higher revenue was mainly due to increase in reserve capacity pricing set by Independent Market Operator of Western Australia.

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

Gross (loss)/profit
The Group recorded a gross loss of S$15.2 million in 1H2019. The loss was mainly due to the Construction division which recorded a gross loss of S$15.8 million in 1H2019, mainly due to the finalization and cessation of certain projects and the reassessment of construction budgets for existing projects due to delays in project completion, and higher sub-contractor, material and labour costs. The Precast division also recorded a gross loss of S$0.9 million due to higher material and labour costs. The gross loss was partially offset by slightly higher gross margin contribution from Electric Power Generation division in 1H2019.

Other income
Other income increased by S$1.4 million to S$5.2 million in 1H2019. The increase was mainly due to higher gain on disposal of property, plant and equipment, insurance claims, rental income, sale of scrap and sale of concrete.

Administrative and other expenses
Administrative and other expenses increased by S$0.9 million to S$8.5 million in 1H2019. The increase was mainly due to impairment of property, plant and equipment of S$0.8 million under the Precast division.

Impairment losses on financial assets
Impairment losses on financial assets increased to S$26.7 million due to impairment losses on contract assets in 1H2019. The increase was mainly attributed to the following construction contracts:

1. Impairment of S$11.7 million due to contract remeasurement and finalisation of certain projects during the period such as the sand mining and rock works at caisson quay wall at proposed reclamation at Tuas Finger One and the land preparation works for airport development.

2. Impairment of S$4.4 million due to cancellation of the project for the proposed design and build of vehicular bridge at Grade Road and other associated works at Pulau Punggol Barat.

3. Impairment of S$10.0 million due to reassessment of the progress of existing projects towards completion taking into account delays which resulted in higher sub-contractor, material and labour costs for projects such as (i) improvement to Sungei Pandan Kechil (West Coast Road to the sea), (ii) earthworks and construction of roads, drains and sewers at Sengkang West and (iii) new road connections at Seletar Link and widening of TPE between Jalan Kayu and Punggol West flyovers.

Share of losses of joint ventures
Share of losses of joint ventures decreased by S$0.6 million to S$2.8 million in 1H2019. Share of results of joint ventures comprised mainly of the Group's 50% share of losses from the precast operation at Batam, Indonesia under Sindo-Econ Pte Ltd and its Indonesia subsidiary PT. Sindomas Precas ("Sindo-Econ Group"). The lower losses were mainly due to higher sales volume of precast products.

Taxation
The Group's tax expenses decreased by S$0.4 million to S$0.4 million in 1H2019. This was mainly attributed to lower earnings from Construction, Precast and Property divisions, partially offset by higher earnings from Electric Power Generation division.

Loss for the period
Due to gross loss, higher administrative and other expenses, partially offset by higher other income and lower share of losses of joint ventures, the Group recorded a loss of S$50.0 million in 1H2019 as compared to earnings of S$0.3 million in 1H2018.

KOON HOLDINGS LIMITED (KNH)

Half-Year Financial Statements and Dividend Announcement

Half-Year financial statements on consolidated results for the period ended 30 June 2019

(These figures have not been audited)

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

1(b) Consolidated statement of financial position as at 30 June 2019

	Group	Group	Group
	As at 30/06/2019	**As at 31/12/2018**	**As at 30/06/2018**
	S$'000	S$'000	S$'000
ASSETS			
Current assets			
Cash and bank balances	3,835	2,921	7,285
Pledged fixed deposits	19	19	19
Trade receivables	14,832	29,725	42,625
Other receivables	43,017	39,203	24,441
Inventories	2,153	3,053	2,857
Contract assets	39,609	55,579	40,919
Investment securities (quoted)	21	18	26
Assets held for sale	39,490	-	-
Total current assets	142,976	130,518	118,172
Non-current assets			
Other receivables	94	95	99
Properties held for development	-	14,173	14,526
Associates	-	-	*
Joint ventures	171	174	173
Property, plant and equipment	43,106	81,672	85,382
Right-of-use assets	4,087	-	-
Deferred tax assets	-	-	72
Total non-current assets	47,458	96,114	100,252
Total assets	**190,434**	**226,632**	**218,424**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	42,791	39,239	40,457
Other payables	36,257	33,843	25,994
Contract liabilities	18,116	7,704	405
Provision for onerous contract	435	-	-
Loans and borrowings	33,030	33,246	35,835
Lease liabilities	865	-	-
Finance lease obligations	18,776	16,505	24,768
Provision for share of a joint venture's losses	13,205	10,430	7,375
Income tax payable	54	113	762
Total current liabilities	163,529	141,080	135,596
Non-current liabilities			
Finance lease obligations	10,653	22,764	19,259
Lease liabilities	3,246	-	-
Other payables	188	177	165
Deferred tax liabilities	1,811	1,484	1,468
Total non-current liabilities	15,898	24,425	20,892
Total liabilities	**179,427**	**165,505**	**156,488**
Capital and reserves			
Share capital	25,446	25,446	25,446
Capital reserve	8,802	8,802	8,802
Accumulated (losses)/profits	(26,156)	24,004	23,977
Translation reserve	(626)	(537)	257
Equity attributable to owners of the Company	7,466	57,715	58,482
Non-controlling interests	3,541	3,412	3,454
Total equity	**11,007**	**61,127**	**61,936**
Total liabilities and equity	**190,434**	**226,632**	**218,424**

* Amount less than S$1,000

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

1(c) Consolidated statement of cash flows for the period ended 30 June 2019

	Group	
	Half-Year ended 30 Jun	
	2019	2018
	S$'000	S$'000
Operating activities		
(Loss)/Profit before tax	(49,617)	1,094
Adjustments for:		
Impairment losses on trade and other receivables	627	44
Impairment losses on contract assets	26,078	-
Depreciation of property, plant and equipment	9,677	8,986
Depreciation of right-of-use assets	807	-
Gain on disposal of assets held for sale	-	(3,192)
Net gain on disposal of property, plant and equipment	(2,350)	(148)
Property, plant and equipment written off	55	11
Impairment of property, plant and equipment	777	-
Interest expense	1,566	1,431
Interest income	(20)	(35)
Inventories written down	761	19
Share of losses of joint ventures	2,794	3,423
Unrealised exchange loss/(gain)	44	(379)
Fair value gain on investment securities	(3)	-
Provision/(Reversal of provision) for onerous contract (net)	435	(17)
Operating cash flows before changes in working capital	**(8,369)**	**11,237**
Changes in working capital:		
Contract assets (net)	304	(10,835)
Trade receivables	14,284	5,290
Inventories	136	(102)
Other receivables	(3,861)	2,548
Trade payables	1,037	(7,919)
Other payables	2,431	4,681
Cash flows from operations	5,962	4,900
Income tax paid	(84)	(887)
Net cash flows from operating activities	**5,878**	**4,013**
Investing activities		
Purchase of property, plant and equipment	(76)	(204)
Proceeds from disposal of assets held for sale	-	4,474
Proceeds from disposal of property, plant and equipment	9,986	142
Interest received	20	30
Net cash flows from investing activities	**9,930**	**4,442**
Financing activities		
Increase in pledged fixed deposits	-	(1)
Interest paid	(1,493)	(1,315)
Repayment of obligations under finance leases	(12,245)	(8,482)
Repayment of lease liabilities	(856)	-
Proceeds from bank loans	20,871	30,950
Repayment of bank loans	(22,655)	(34,489)
Proceeds from bills payable	33,791	36,033
Repayment of bills payable	(33,626)	(36,397)
Net cash flows used in financing activities	**(16,213)**	**(13,701)**
Net decrease in cash and cash equivalents	**(405)**	**(5,246)**
Effect of exchange rate changes on cash and cash equivalents	**(85)**	**(143)**
Cash and cash equivalents at 1 January	**(2,399)**	**5,174**
Cash and cash equivalents at 30 June	**(2,889)**	**(215)**

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

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

	30.06.2019	31.12.2018
	S$'000 (Unaudited)	S$'000 (Audited)
Cash and bank balances	3,835	2,921
Less: Bank overdrafts	(6,724)	(5,320)
Cash and cash equivalents	(2,889)	(2,399)

The discussion that follows compares the consolidated statement of financial position as at 30 June 2019 with that of 31 December 2018

Current assets
Current assets increased by S$12.5 million to S$143.0 million as at 30 June 2019.

The increase was mainly due to the following:

1. Increase in assets held for sale of S$39.5 million which include three marine vessels (Ogigo, Petra I and Reem Island) under Construction division, properties located in Johor, Malaysia which were previously held for development under Property division, and one automatic mesh welding machine under Precast division.

2. Increase in other receivables of S$3.8 million mainly due to increase in other receivables from the Group's joint venture under Precast division.

The above were partially offset by:

1. Decrease in trade receivables of S$14.9 million mainly under the Construction division, which was in line with lower revenue recorded during the period.

2. Decrease in contract assets of S$16.0 million mainly due to decrease of S$25.6 million of contract assets under the Construction division as a result of impairment loss of S$26.7 million during the period. The decrease was partially offset by the increase of S$9.6 million of contract assets under the Precast division, which was in line with the increase in revenue from Precast division during the period.

Non-current assets
Non-current assets decreased by S$48.7 million to S$47.5 million as at 30 June 2019 mainly due to the following:

1. Decrease in property, plant and equipment S$38.6 million. The decrease was mainly due to depreciation charges for the current period and reclassification of certain assets which include three marine vessels (Ogigo, Petra I and Reem Island) under Construction division and an automatic mesh welding machine under Precast division totaling S$25.3 million as assets held for sale.

2. Decrease in properties held for development by S$14.2 million under the Property division due to reclassification as assets held for sale.

The above were partially offset by recognition of right-of-use assets of S$4.1 million arising from first-time adoption of SFRS(I) 16.

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

Current liabilities
Current liabilities increased by S$22.4 million to S$163.5 million as at 30 June 2019 mainly due to:

1. Increase in current portion of finance lease obligations of S$2.3 million mainly due to reclassification of non-current portion of finance lease obligations as current.

2. Increase in trade payables and other payables of S$3.6 million and S$2.4 million respectively.

3. Increase in provision for share of a joint venture's losses of S$2.8 million during the current period.

4. Increase in contract liabilities of S$10.4 million under Precast division, which was mainly due to advances received from customers.

5. Increase in lease liabilities of S$0.9 million arising from first-time adoption of SFRS(I) 16.

Non-current liabilities
Non-current liabilities decreased by S$8.5 million to S$15.9 million as at 30 June 2019. This was mainly due to reclassification of non-current portion of finance lease obligations to current liabilities and repayments of finance lease obligations made during the period amounting to S$12.2 million. The decrease was partially offset by increase in lease liabilities of S$3.2 million arising from first-time adoption of SFRS(I) 16.

The discussion that follows compares the consolidated statement of cash flows for the 6 months to 30 June 2019 with that of corresponding period for the 6 months to 30 June 2018

Net cash flows from operating activities for 1H2019 was S$5.9 million. This was mainly due to working capital changes mainly attributed to lower contract assets and trade receivables, and higher trade and other payables, partially offset by higher other receivables.

Net cash flows from investing activities in 1H2019 was S$9.9 million. This was mainly due to cash inflow from disposal of property, plant and equipment of S$10.0 million.

Net cash flows used in financing activities was S$16.2 million in 1H2019. This was mainly due to repayment of bank loans, bills payable, finance lease obligations and lease liabilities of S$69.4 million and interest payment of S$1.5 million partially offset by proceeds from bank loans and bills payable of S$20.9 million and S$33.6 million respectively.

Due to the above factors, the Group recorded a negative cash and cash equivalents of S$2.9 million as at 30 June 2019.

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

1(d)(i) **Statements of changes in equity for the period ended 30 June 2019**

	Share capital	Capital reserve	Accumulated profits/ (losses)	Translation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2018 (FRS framework)	**25,446**	**8,802**	**30,132**	**(5,863)**	**58,517**	**3,467**	**61,984**
Cumulative effects of adopting SFRS (I)	-	-	(6,387)	6,083	(304)	-	(304)
Opening balance at 1 January 2018 (SFRS(I) framework)	**25,446**	**8,802**	**23,745**	**220**	**58,213**	**3,467**	**61,680**
Profit for the period	-	-	232	-	232	105	337
Other comprehensive income/(loss) for the period, net of tax	-	-	-	37	37	(118)	(81)
Total comprehensive income/(loss) for the period	**-**	**-**	**232**	**37**	**269**	**(13)**	**256**
Balance at 30 June 2018	**25,446**	**8,802**	**23,977**	**257**	**58,482**	**3,454**	**61,936**
Profit for the period	-	-	27	-	27	118	145
Other comprehensive loss for the period, net of tax	-	-	-	(794)	(794)	(160)	(954)
Total comprehensive (loss)/income for the period	**-**	**-**	**27**	**(794)**	**(767)**	**(42)**	**(809)**
Balance at 31 December 2018	**25,446**	**8,802**	**24,004**	**(537)**	**57,715**	**3,412**	**61,127**
Loss for the period	-	-	(50,160)	-	(50,160)	185	(49,975)
Other comprehensive loss for the period, net of tax	-	-	-	(89)	(89)	(56)	(145)
Total comprehensive (loss)/income for the period	-	-	(50,160)	(89)	(50,249)	129	(50,120)
Balance at 30 June 2019	**25,446**	**8,802**	**(26,156)**	**(626)**	**7,466**	**3,541**	**11,007**

1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Issued and paid up capital of the Company:	**S$'000**
Balance as at 30 June 2019 and 31 December 2018	25,446

There has been no change in the Company's share capital since 31 December 2018.

There were no outstanding share awards under the Koon Employee Performance Share Plan as at 30 June 2019 and 30 June 2018.

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

1(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Issued and paid up capital of the Company:	**No. of shares**
Balance as at 30 June 2019 and 31 December 2018	263,097,800

1(d)(iv) **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no treasury shares held by the Company.

2. **Whether the figures have been audited, or reviewed and in accordance with which standard (eg. The Singapore Standard of Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).**

The figures have been reviewed by the auditor in accordance with Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph in the independent auditor's review report, the auditor has not been able to obtain sufficient information to form a conclusion on the interim financial information. Accordingly, the auditor does not express a conclusion on the interim financial information.

4(a) **Details of entities over which control has been granted or lost during the period.**

None.

4(b) **Details of any dividend or distribution reinvestment plan in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.**

None.

4(c) **Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits(losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these of these disclosures for the previous corresponding period.**

Name of Joint Ventures/Associates	**% held by the Group**
(1) Sindo-Econ Pte Ltd	50%
(2) PT. Sindomas Precas	50%
(3) Penta-Ocean/Hyundai/Koon Joint Venture	20%
(4) Penta-Ocean/Koon Joint Venture*	20%
(5) POC-K JV **	50%
(6) PT. Koon Construction Indonesia	67%

The aggregate share of net losses of the joint ventures and associates in Sindo-Econ Pte Ltd, PT. Sindomas Precas, Penta-Ocean/ Hyundai/Koon Joint Venture, PT. Koon Construction Indonesia and POC-K JV in 1H2019 was S$2.8 million (1H2018: S$3.4 million).

* There was no profit or loss recognition under the Penta-Ocean/Koon Joint Venture in 1H2019 (1H2018: Nil).
** The Group has accounted for its 50% share of revenue, costs, assets and liabilities of POC-K JV with effect from FY2016.

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

4(d) **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 31 December 2018.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.**

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations which are effective for annual periods beginning on or after 1 January 2019.

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases on 1 January 2019, using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model. The rational of the change is to better reflect the economic substance of lease transactions. It requires a lessee to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in SFRS(I) 16. The Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of FRS17 Leases.

Leases are recognised as a right-of-use ("ROU") asset and corresponding liability at the date which the leased asset is available for use by the Group. These lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In applying SFRS(I) 16 for the first time, the Group has used certain practical expedients permitted by the standard.

On the adoption of SFRS(I) 16, the Group recognised ROU assets of S$4.9 million and lease liabilities of S$4.9 million on 1 January 2019 for the leases previously classified as operating leases. A depreciation expense on ROU assets of S$0.8 million and finance cost of S$0.1 million are charged to profit or loss of the Group for the period ended 30 June 2019.

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	1H2019	**1H2018**
Earnings per ordinary share for the period (Singapore cents):		
Basic	(19.07) cents	0.09 cents
Diluted	(19.07) cents	0.09 cents
Net (loss)/profit attributable to ordinary shareholders:	(S$50,160,000)	S$232,000
Weighted average number of ordinary shares:		
Basic	263,097,800	263,097,800
Diluted	263,097,800	263,097,800

7. **Net tangible value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) the corresponding period of the immediately preceding financial year.**

	Group	
	30/06/2019	**30/06/2018**
Net tangible value per ordinary share based on issued share capital as at the end of the reporting period (Singapore cents)	4.18 cents	23.66 cents

8. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and actual results.**

The Group did not make any forecast or prospect statement previously disclosed to shareholders.

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

9. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Building and Construction Authority estimated total construction demand in 2019 to range between S$27.0 billion and S$32.0 billion, comparable to the S$30.5 billion awarded in 2018. Of this amount, public sector projects are expected to account for about 60% of total construction demand(1).

As at 30 June 2019, the Group's Construction and Precast divisions have outstanding order books of approximately S$55 million and S$88 million respectively.

The Construction and Precast divisions, the Group's two largest revenue contributors, continue to face a challenging operating environment, with intense competition and increased costs. This is exacerbated by the Group's tight cash situation which has resulted in higher costs and disruption to our various projects both in the Construction and Precast divisions.

In view of the current situation, the Group has embarked on a major restructuring and realignment exercise. The Group has appointed various professionals to advise on the financial impact of the above, the implementation of such a restructuring and realignment exercise, and the potential options available to the Group, including the sale of its two non-core businesses, namely the Property and Electric Power Generation divisions. Non-productive or idling plant and equipment have also been disposed of or have been scheduled to be disposed. These will free up cash which is needed as working capital for existing projects as well as for repayment of existing creditors. In this regard, the Group has started talking to creditors to put in place repayment plans for its existing liabilities and most of these creditors (including financial institutions) have remained supportive.

In addition, in order to return to being profitable and improve operating cashflow, the Group has also undergone various costs-cutting measures such as reduction of its headcount and streamlining of its operating processes to improve efficiency and effectiveness. In order to be operationally cashflow positive, the Group intends to continue to secure more Construction and Precast projects, albeit more selectively.

The Group has also started discussions with various strategic parties on possible alliances and corporate exercises.

Appropriate announcement(s) setting out details of the foregoing will be released once there are further details. Shareholders and potential investors are advised to exercise caution in trading in the Company's shares as there is no certainty or assurance that the foregoing will materialize.

Footnote:
(1) "Singapore's total construction demand remain strong this year", BCA, 14 January 2019

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary
30 August 2019

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the half-year financial results for the period ended 30 June 2019 to be false or misleading in any material aspect.

On behalf of the board of directors,

Oh Koon Sun
Acting Managing Director

Oh Keng Lim
Executive Director

Singapore
30 August 2019