



KOON HOLDINGS LIMITED (KNH)

Full Year Financial Statements and Dividend Announcement

Full Year financial statements on consolidated results for the year ended 31 December 2019
(These figures have not been audited)

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

Name of entity

KOON HOLDINGS LIMITED

ABN or equivalent company reference

ARBN 105 734 709

Full year ('current period')

31 December 2019

(Previously corresponding period: 31 December 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Extracts from this report for announcement to the market

APPENDIX 4E

	Group		
	S\$'000	Up/Down	Movement %
Revenue from continuing operations	95,741	Down	14.6
Loss from continuing operations after tax attributable to members	(96,175)	N.M.	N.M.
Net loss for the year attributable to members	(95,277)	N.M.	N.M.

N.M.: Not Meaningful

	Amount per share Singapore cent	Franked amount per share Singapore cent
Final dividend	NA	NA
Previously corresponding period Final 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

Net tangible (liabilities)/assets per ordinary share (Singapore cents)

Group	
As at 31/12/2019	As at 31/12/2018
(12.96 cents)	23.23 cents

Additional Appendix 4E disclosure requirements can be found in the notes to the full year financial statements attached thereto.

This report is based on the consolidated full year financial statements which are in the process of being audited by Ernst & Young LLP.



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INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Group		
	Year ended 31 December		%
	2019	2018	Increase/
	S\$'000	S\$'000	(Decrease)
Continuing operations			
Revenue	95,741	112,123	(14.6)
Cost of sales	(148,610)	(102,287)	45.3
Gross (loss)/profit	(52,869)	9,836	N.M
Other income	27,985	13,334	109.9
Distribution costs	(63)	(45)	40.0
Administrative and other expenses	(12,396)	(14,113)	(12.2)
Finance costs	(2,175)	(2,588)	(16.0)
Impairment losses on financial assets	(44,584)	(116)	N.M
Impairment losses on non-financial assets	(12,154)	-	N.M
Share of losses of joint ventures	-	(6,496)	(100.0)
Loss before tax from continuing operations	(96,256)	(188)	N.M
Taxation	81	(190)	(142.6)
Loss from continuing operations, net of tax	(96,175)	(378)	N.M
Discontinued operation			
Profit from discontinued operation, net of tax	1,215	860	41.3
(Loss)/Profit for the year	(94,960)	482	N.M
Other comprehensive loss:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange loss on translation of foreign operations	(272)	(1,035)	(73.7)
Other comprehensive loss, net of tax	(272)	(1,035)	
Total comprehensive loss for the year	(95,232)	(553)	N.M
(Loss)/Profit for the year attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax	(96,175)	(378)	N.M
Profit from discontinued operation, net of tax	898	637	41.0
	(95,277)	259	
Non-controlling interests			
Profit from discontinued operation, net of tax	317	223	42.2
	(94,960)	482	
Total comprehensive loss for the year attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax	(96,153)	(342)	N.M
Profit/(Loss) from discontinued operation, net of tax	681	(156)	N.M
	(95,472)	(498)	
Non-controlling interests			
Profit/(Loss) from discontinued operation, net of tax	240	(55)	N.M
	(95,232)	(553)	

N.M.: Not Meaningful

Continuing operations exclude the Electric Power Generation division which has been classified as held for sale in FY2019 and is classified as a discontinued operation with comparatives re-presented accordingly.



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The discussion that follows compares the Financial Performance for the 12 months to 31 December 2019 (FY2019) with that of corresponding year to 31 December 2018 (FY2018)

Revenue

Revenue for the year ended 31 December 2019 (FY2019) decreased by S\$16.4 million to S\$95.7 million as compared to the previous corresponding financial year (FY2018).

1. Revenue of Construction division decreased by 50.1% to S\$41.1 million in FY2019. This was mainly due to lower revenue recognition in FY2019 from the following:
 - a. completed projects such as sand mining and rock works at caisson quay wall at proposed reclamation at Tuas Finger One;
 - b. completing projects including (i) improvement to Sungei Pandan Kechil (West Coast Road to the sea) and (ii) earthworks and construction of roads, drains and sewers at Sengkang West; and
 - c. projects which were ceased or terminated during the year including (i) proposed design and build of vehicular bridge at Grade Road and other associated works at Pulau Punggol Barat and (ii) land preparation works for airport development project under POC-K JV.

The above decrease was partially offset by higher revenue recognition 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 76.6% to S\$54.5 million in FY2019. This was mainly due to higher sales volume of precast products as compared to FY2018.

Gross (loss)/profit

The Group recorded a gross loss of S\$52.9 million in FY2019. The loss was mainly due to the Construction division which recorded a gross loss of S\$52.7 million due to delays in completion of projects and higher sub-contractor, material and labour costs. Additional provisions were also made for liquidated damages related to the early termination of a project, and the finalisation and cessation of other projects.

Other income

Other income increased by S\$14.7 million to S\$28.0 million in FY2019. The increase was mainly due to the reversal of provision for the Group's share of losses from the precast operation at Batam, Indonesia under Sindo-Econ Pte Ltd and its Indonesian subsidiary, PT. Sindomas Precas ("Sindo-Econ Group") of S\$10.4 million as the Group has assessed that it has no obligations in respect of the losses of the joint venture. The Group also recorded higher gain on disposal of property, plant and equipment, insurance claims, rental income, sale of scrap and sale of construction materials.

Administrative and other expenses

Administrative and other expenses decreased by S\$1.7 million to S\$12.4 million in FY2019 due to cost-cutting measures implemented by the Group.

Impairment losses on financial assets

Impairment losses on financial assets increased to S\$44.6 million due to: (i) impairment of trade and other receivables of S\$23.9 million, mainly arising from expected credit losses on receivables from Sindo-Econ Group of S\$22.2 million, and (ii) impairment of contract assets under the Precast and Construction division of S\$8.4 million and S\$12.3 million respectively.

As part of the Group's on-going restructuring and realignment exercise, the Group has novated or terminated certain loss-making contracts under the Precast division, and is in the process of novating or terminating the remaining loss-making contracts to cut further losses. The Group has recorded an impairment loss of S\$8.4 million on contract assets relating to these Precast contracts due to uncertainty of their recoverability.

The impairment of contract assets of S\$12.3 million under the Construction division was mainly 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.



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Impairment losses on non-financial assets

Impairment losses on non-financial assets increased to S\$12.2 million mainly due to impairment of property, plant and equipment of S\$8.3 million and impairment of assets held for sale of S\$3.7 million.

As part of the Group's on-going restructuring and realignment exercise, management has put forward a plan to dispose non-productive or idling plant and equipment held in the precast and construction segments. One of the component of this disposal exercise was to review the utilisation pattern of machinery and equipment to assess whether there is any indication of impairment. Management also performed an in-house valuation to determine the fair value less cost of disposal of these assets. The impairment charge was based on the recoverable amounts estimated by management.

Share of losses of joint ventures

Share of results of joint ventures mainly comprised the Group's 50% share of losses from Sindo-Econ Group. The Group did not record any share of losses of joint ventures in FY2019 as it has capped its share of losses from Sindo-Econ Group to its cost of investment.

Loss from continuing operations, net of tax

Due to operating loss and losses from impairment of financial and non-financial assets, which was partially offset by higher other income and S\$nil share of losses of joint ventures, the Group recorded a loss after tax of S\$96.2 million in FY2019 as compared to a loss after tax of S\$0.4 million in FY2018.

Discontinued operation

The Electric Power Generation division has been classified as held for sale in FY2019 and is classified as a discontinued operation with comparatives re-presented accordingly. Management is committed to the plan to sell this non-core business and expects the sale to be completed within the next twelve months.

Profit after tax from Electric Power Generation division increased by 41.3% to S\$1.2 million in FY2019 due to higher revenue recorded arising from the increase in reserve capacity pricing set by Independent Market Operator of Western Australia.



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1(b) Consolidated Statement of Financial Position as at 31 December 2019

	Group	
	As at 31/12/2019 S\$'000	As at 31/12/2018 S\$'000
ASSETS		
Current assets		
Cash and bank balances	795	2,921
Pledged fixed deposits	-	19
Trade receivables	11,089	29,725
Other receivables	27,888	39,203
Inventories	-	3,053
Contract assets	13,171	55,579
Investment securities (quoted)	20	18
Assets held for sale	18,351	-
Assets of disposal group classified as held for sale	24,060	-
Total current assets	95,374	130,518
Non-current assets		
Other receivables	-	95
Properties held for development	-	14,173
Joint ventures	-	174
Property, plant and equipment	12,100	81,672
Right-of-use assets	3,045	-
Total non-current assets	15,145	96,114
Total assets	110,519	226,632
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables	58,342	39,239
Other payables	15,087	33,843
Contract liabilities	-	7,704
Provisions	21,291	-
Loans and borrowings	27,641	33,246
Lease liabilities	1,502	-
Finance lease obligations	6,215	16,505
Provision for share of a joint venture's losses	-	10,430
Income tax payable	-	113
Liabilities directly associated with disposal group classified as held for sale	9,543	-
Total current liabilities	139,621	141,080
Non-current liabilities		
Finance lease obligations	2,015	22,764
Lease liabilities	1,599	-
Other payables	-	177
Deferred tax liabilities	1,389	1,484
Total non-current liabilities	5,003	24,425
Total liabilities	144,624	165,505
Capital and reserves		
Share capital	25,446	25,446
Capital reserve	8,381	8,802
Accumulated (losses)/profits	(71,273)	24,004
Translation reserve	325	(537)
Reserves of disposal group held for sale	(636)	-
Equity attributable to owners of the Company	(37,757)	57,715
Non-controlling interests	-	3,412
Non-controlling interests of disposal group held for sale	3,652	-
Total equity	(34,105)	61,127
Total liabilities and equity	110,519	226,632



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1(c) Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Group	
	Year ended 31 December	
	2019	2018
	S\$'000	S\$'000
Operating activities		
Loss before tax from continuing operations	(96,256)	(188)
Profit before tax from discontinued operations	1,764	1,183
(Loss)/Profit before tax	(94,492)	995
Adjustments for:		
Impairment losses on financial assets	44,584	116
Impairment losses on non-financial assets	12,154	-
Depreciation of property, plant and equipment	13,382	16,673
Depreciation of right-of-use assets	1,584	-
Loss on termination of leases	3	-
Net gain on disposal of property, plant and equipment and assets held for sale	(3,348)	(3,308)
Property, plant and equipment written off	55	2
Interest expense	2,350	2,960
Interest income	(1)	(59)
Inventories written down	534	46
Dividend income	-	(2,900)
Share of results of joint ventures	-	6,496
Fair value (gain)/loss on investment securities (quoted)	(2)	8
Unrealised exchange gain	(159)	(485)
Provision/(Reversal of provision) for liquidated damages and onerous contracts	21,291	(27)
Reversal of provision for share of a joint venture's losses	(10,430)	-
Operating cash flows before changes in working capital	(12,495)	20,517
Contract assets (net)	14,031	(5,658)
Trade and other receivables	4,498	(6,625)
Inventories	2,301	(325)
Trade and other payables	(1,356)	1,640
Cash flows from operations	6,979	9,549
Income tax paid	-	(1,200)
Net cash flows from operating activities	6,979	8,349
Investing activities		
Interest received	1	56
Purchase of property, plant and equipment	(419)	(578)
Proceeds from disposal of property, plant and equipment and assets held for sale	29,463	4,974
Dividend received from investment securities	-	2,900
Net cash flows from investing activities	29,045	7,352
Financing activities		
Interest paid	(2,175)	(2,748)
Decrease/(Increase) in pledged fixed deposits	19	(1)
Repayment of obligations under finance leases	(22,712)	(15,578)
Repayment of lease liabilities	(1,701)	-
Repayment of loans and borrowings, net	(6,963)	(4,645)
Net cash flows used in financing activities	(33,532)	(22,972)
Net increase/(decrease) in cash and cash equivalents	2,492	(7,271)
Effects of exchange rate changes on cash and cash equivalents	(5)	(302)
Cash and cash equivalents at 1 January	(2,399)	5,174
Cash and cash equivalents at 31 December	88	(2,399)



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

	As at 31/12/2019 S\$'000	As at 31/12/2018 S\$'000
Cash and bank balances	795	2,921
Less: Bank overdrafts	(4,164)	(5,320)
Cash and cash equivalents of continuing operations	(3,369)	(2,399)
Add: Cash and cash equivalents of disposal group classified as held for sale	3,457	-
Cash and cash equivalents	88	(2,399)

The Company and its subsidiary, Koon Construction & Transport Co., Pte. Ltd. ("KCTC"), are proposing schemes of arrangements with their creditors, namely the Koon Holdings Limited Scheme ("KHL Scheme") and the ("KCTC Scheme"). The ability of the Company to continue as a going concern is dependent on the successful implementation of the Schemes.

Pursuant to section 210 of the Companies Act, a scheme would be binding on the creditors of the company if a majority in number (over 50%) representing at least three-fourths (75%) in value of the creditors in every voting class, voting in person or by proxy, voted in favour of the scheme at the scheme meeting. Alternatively, the scheme meeting would be adjourned if the abovementioned proportions of the company's creditors voted for an adjournment.

Before the commencement of the KHL Scheme Meeting on 25 February 2020, a major creditor requested that the KHL Scheme Meeting be adjourned as it would like to be provided with more information before committing to its vote. The proposed adjournment was put to the creditors present and voting, and the KHL Scheme Meeting was adjourned to a later date to be determined.

Separately, KCTC also held the KCTC Scheme Meeting on 25 February 2020. The KCTC Scheme was approved by a majority in number representing at least three-fourths in value of the creditors present and voting at the KCTC Scheme Meeting.

The Company will make arrangements to address the creditors' concerns / queries, and arrange for the adjourned KHL Scheme Meeting to be convened on a subsequent date before the moratorium expires in April 2020. The Company and KCTC will update the Company's creditors accordingly.



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The discussion that follows compares the Financial Position as at 31 December 2019 with that of 31 December 2018

Current assets

Current assets decreased by S\$35.1 million to S\$95.4 million as at 31 December 2019.

The decrease was mainly due to the following:

1. Decrease in trade and other receivables of S\$30.0 million mainly due to impairment of trade and other receivables of S\$23.9 million, and collections during the year.
2. Decrease in contract assets of S\$42.4 million mainly due to impairment loss of S\$20.7 million and billings to customers during the year.
3. Decrease in inventories of S\$3.1 million mainly due to sale of inventories during the year and inventories written down of S\$0.5 million under the Construction Division.

The above were partially offset by:

1. Increase in assets held for sale of S\$18.4 million which included one marine vessel (Reem Island) under Construction division and properties located in Johor, Malaysia which were previously classified as properties held for development under Property division.
2. Reclassification of non-current assets of Electric Power Generation division as current assets due to its classification as a disposal group held for sale in FY2019.

Non-current assets

Non-current assets decreased by S\$81.0 million to S\$15.1 million as at 31 December 2019 mainly due to the following:

1. Decrease in property, plant and equipment of S\$69.6 million. The decrease was mainly due to the following:
 - a. reclassification of property, plant and equipment of Electric Power Generation division to assets of disposal group classified as held for sale in FY2019;
 - b. disposal of property, plant and equipment including two marine vessels (Ogigo and Petra I),
 - c. reclassification of one marine vessel (Reem Island) as an asset held for sale; and
 - d. depreciation and impairment of property, plant and equipment.
2. Decrease in properties held for development by S\$14.2 million under the Property division due to reclassification to assets held for sale.

The above were partially offset by recognition of right-of-use assets of S\$3.0 million arising from the adoption of SFRS(I) 16 in FY2019.



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Current liabilities

Current liabilities decreased by S\$1.5 million to S\$139.6 million as at 31 December 2019 mainly due to:

1. Decrease in current portion of finance lease obligations of S\$10.3 million mainly due to repayment of finance lease obligations during the year, including those relating to two marine vessels which were disposed during the year (Ogigo and Petra I).
2. Decrease in loans and borrowings of S\$5.6 million due to repayments made during the year.
3. Decrease in contract liabilities of S\$7.7 million mainly due to delivery of precast products during the year for which consideration had been received in advance from customers previously.
4. Decrease in provision for share of a joint venture's losses of S\$10.4 million as the Group has capped its share of losses of Sindo-Econ Group to its cost of investment.

The above were partially offset by the following:

1. Increase in provisions of S\$21.3 million mainly due to provisions for liquidated damages arising from the early termination of the project for the proposed design and build of vehicular bridge at Grade Road and other associated works at Pulau Punggol Barat.
2. Increase in lease liabilities of S\$1.5 million arising from the adoption of SFRS(I) 16 in FY2019.

Non-current liabilities

Non-current liabilities decreased by S\$19.4 million to S\$5.0 million as at 31 December 2019. This was mainly due to reclassification of non-current portion of finance lease obligations to current liabilities and repayments of finance lease obligations during the period. The decrease was partially offset by increase in lease liabilities of S\$1.6 million arising from the adoption of SFRS(I) 16 in FY2019.

The discussion that follows compares the Consolidated Statement of Cash Flows for the 12 months to 31 December 2019 (FY2019) with that of corresponding year to 31 December 2018 (FY2018)

Net cash flows from operating activities for FY2019 was S\$7.0 million. This was mainly due to working capital changes arising from operating activities.

Net cash flows from investing activities in FY2019 was S\$29.0 million. This was mainly due to cash inflow from disposal of property, plant and equipment and assets held-for-sale of S\$29.5 million, partially offset by purchase of property, plant and equipment of S\$0.4 million.

Net cash flows used in financing activities was S\$33.5 million in FY2019. This was mainly due to net repayment of bank loans, bills payable, finance lease obligations and lease liabilities of S\$31.4 million and interest payment of S\$2.2 million.

Due to the above factors, the Group recorded cash and cash equivalents of S\$0.1 million as at 31 December 2019.



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1(d)(i) Statements of changes in equity for the year ended 31 December 2019

	Share capital	Capital reserve	Accumulated profits/(losses)	Translation reserve	Reserves of disposal group held for sale	Equity attributable to owners of the Company	Non-controlling interests	Non-controlling interests of disposal group held for sale	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'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 year	-	-	259	-	-	259	223	-	482
Other comprehensive loss for the year, net of tax	-	-	-	(757)	-	(757)	(278)	-	(1,035)
Total comprehensive income/(loss) for the year	-	-	259	(757)	-	(498)	(55)	-	(553)
Balance at 31 December 2018	25,446	8,802	24,004	(537)	-	57,715	3,412	-	61,127
Loss for the year	-	-	(95,277)	-	-	(95,277)	317	-	(94,960)
Other comprehensive loss for the year, net of tax	-	-	-	(195)	-	(195)	(77)	-	(272)
Total comprehensive (loss)/income for the year	25,446	8,802	(71,273)	(732)	-	(37,757)	3,652	-	(34,105)
Reserves of disposal group classified as held for sale	-	(421)	-	1,057	(636)	-	(3,652)	3,652	-
Balance at 31 December 2019	25,446	8,381	(71,273)	325	(636)	(37,757)	-	3,652	(34,105)

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 31 December 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 31 December 2019 and 31 December 2018.

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

No. of shares

Issued and paid up capital of the Company:

Balance as at 31 December 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 year reported on.

There were no treasury shares held by the Company.



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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 not been audited nor reviewed by the Company's auditors.

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

Not applicable.

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

The following joint ventures were ceased or terminated during the year

Name of Associates/Joint Ventures	% previously held by the Group
(1) Penta-Ocean/Hyundai/Koon Joint Venture	20%
(2) Penta-Ocean/Koon Joint Venture	20%
(3) POC-K JV	50%

- 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	% held by the Group
(1) Sindo-Econ Pte. Ltd.	50%
(2) PT. Sindomas Precas	50%
(3) PT. Koon Construction Indonesia	67%

The aggregate share of net losses of the joint ventures in FY2019 was S\$nil (2018: S\$6.5 million).

The Group did not record any share of losses of joint ventures in FY2019 as it has capped its share of losses from Sindo-Econ Group to its cost of investment.

- 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 as those adopted in the most recent audited financial statements for the year ended 31 December 2018.



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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 financial statements for the current reporting period 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 rationale of the change is to better reflect the economic substance of lease transactions. It requires a lessee to recognise a right-of-use asset ("ROU") 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 applied the practical expedient to grandfather the definition of lease on transition. This means that SFRS(I) 16 will be applied to all contracts entered into before 1 January 2019 which previously have been identified as "operating leases" under the principles of FRS 17 *Leases*.

ROU asset and its corresponding lease liability are recognised at the date at which the leased asset is available for use by the Group. They 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\$4.8 million and lease liabilities of S\$4.8 million on 1 January 2019 for the leases previously classified as operating leases. A depreciation expense on ROU assets of S\$1.6 million and finance cost of S\$0.2 million were charged to profit or loss of the Group for the financial year ended 31 December 2019.

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	
	2019	2018
(Loss)/Earnings per ordinary share for the year (Singapore cents):		
<u>Continuing operations</u>		
Basic	(36.55 cents)	(0.14) cents
Diluted	(36.55 cents)	(0.14) cents
<u>Discontinued operation</u>		
Basic	0.34 cents	0.24 cents
Diluted	0.34 cents	0.24 cents
Net (loss)/profit attributable to ordinary shareholders (S\$'000):	(95,277)	259
Weighted average number of ordinary shares:		
Basic	263,097,800	263,097,800
Diluted	263,097,800	263,097,800



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(These figures have not been audited)

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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 year reported on; and (b) the corresponding period of the immediately preceding financial year.**

Group	
31/12/2019	31/12/2018

Net tangible (liabilities)/assets per ordinary share based on issued share capital as at the end of the reporting year (Singapore cents)	(12.96 cents)	23.23 cents
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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.

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 2020 to range between S\$28.0 billion and S\$33.0 billion, comparable to the S\$33.4 billion awarded in 2019. Of this amount, public sector projects are expected to account for about 60% of total construction demand⁽¹⁾.

As at 31 December 2019, the Group's Construction and Precast divisions have outstanding order books of approximately S\$43.8 million and S\$2.6 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 liquidity 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 since mid 2019. The Group has appointed various professionals to assist in the implementation of such a restructuring and realignment exercise, and 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 progressively disposed 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 to existing creditors.

In addition, in order to return to profitability and improve operating cash flow, the Group has also undergone various cost-cutting measures such as reduction of its headcount and streamlining of its operations to improve efficiency and effectiveness.

The Company and its subsidiary, Koon Construction & Transport Co., Pte. Ltd. ("KCTC"), are proposing schemes of arrangements with their creditors, namely the Koon Holdings Limited Scheme ("KHL Scheme") and the ("KCTC Scheme").

Before the commencement of the KHL Scheme Meeting on 25 February 2020, a major creditor requested that the KHL Scheme Meeting be adjourned as it would like to be provided with more information before committing to its vote. The proposed adjournment was put to the creditors present and voting, and the KHL Scheme Meeting was adjourned to a later date to be determined.

Separately, KCTC also held the KCTC Scheme Meeting on 25 February 2020. The KCTC Scheme was approved by a majority in number representing at least three-fourths in value of the creditors present and voting at the KCTC Scheme Meeting.

Footnote:

⁽¹⁾ "Singapore's construction demand for 2020 expected to remain strong", BCA, 8 January 2020



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The Company will make arrangements to address the creditor's concerns / queries, and arrange for the adjourned KHL Scheme Meeting to be convened on a subsequent date before the moratorium expires in April 2020. The Company and KCTC will update the Company's creditors accordingly.

The Group has also received expression of interests from various strategic parties and potential investors on possible restructuring exercises. Appropriate announcement(s) setting out details of the foregoing will be released once there are further details.

10. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statement, with comparative information for the immediately preceding year.

Segment revenues and results

	Revenue		Earnings	
	Year ended 31 December		Year ended 31 December	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Construction Division	41,052	82,271	(87,337)	(2,039)
Precast Division	54,513	30,873	(28,152)	(1,986)
Property Division	-	-	(3,846)	(131)
	95,565	113,144	(119,335)	(4,156)
Adjustments and eliminations ⁽¹⁾	176	(1,021)	(2,731)	(282)
Total	95,741	112,123	(122,066)	(4,438)
Other income			27,985	13,334
Share of losses of joint ventures			-	(6,496)
Finance costs			(2,175)	(2,588)
Loss before tax from continuing operations			(96,256)	(188)
Taxation			81	(190)
Loss from continuing operations, net of tax			(96,175)	(378)
Profit from discontinued operation, net of tax			1,215	860
(Loss)/Profit for the year			(94,960)	482

Segment assets

	As at	As at
	31/12/2019	31/12/2018
	S\$'000	S\$'000
Construction Division	59,153	163,062
Precast Division	30,640	52,336
Property Division	13,577	17,407
Electric Power Generation Division (a disposal group classified as held for sale)	24,060	23,721
	127,430	256,526
Adjustments and eliminations ⁽¹⁾	(16,911)	(29,894)
Total assets	110,519	226,632

⁽¹⁾ Unallocated corporate expenses and inter-segment transactions which are eliminated upon consolidation are reflected in the 'Adjustments and eliminations' row. All assets of the Company and inter-segment assets which are not eliminated upon consolidation are reflected in the 'Adjustments and eliminations' row.



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11. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Business Segments: -

Revenue – Construction

Revenue of Construction division decreased by 50.1% to S\$41.1 million in FY2019. This was mainly due to lower revenue recognition in FY2019 from the following:

- a. completed projects such as sand mining and rock works at caisson quay wall at proposed reclamation at Tuas Finger One;
- b. completing projects including (i) improvement to Sungei Pandan Kechil (West Coast Road to the sea) and (ii) earthworks and construction of roads, drains and sewers at Sengkang West; and
- c. projects which were ceased or terminated during the year including (i) proposed design and build of vehicular bridge at Grade Road and other associated works at Pulau Punggol Barat and (ii) land preparation works for airport development project under POC-K JV.

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

Revenue – Precast

Revenue of Precast division increased by 76.6% to S\$54.5 million in FY2019. This was mainly due to higher sales volume of precast products as compared to FY2018.

Earnings - Construction

Construction division recorded significant higher losses in FY2019 due to negative gross margin from construction contracts, and impairment of financial and non-financial assets.

Earnings - Precast

Precast division recorded significant higher losses in FY2019 due to impairment of financial and non-financial assets.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary
28 February 2020



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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 full year financial results for the year ended 31 December 2019 to be false or misleading in any material aspect.

On behalf of the board of directors,

Mr. Oh Koon Sun
Acting Managing Director

Mr. Loo Woei Harn
Executive Director

Singapore
28 February 2020