

Company Registration No. 200303284M

Koon Holdings Limited and its subsidiaries

Annual Financial Statements
31 December 2019



Koon Holdings Limited and its Subsidiaries

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Koon Holdings Limited and its Subsidiaries

Directors' statement

The directors 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 2019.

Opinion of the directors

The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations as and when they fall due is dependent on the matters set out in Note 2.2 to the financial statements.

The directors consider that different possibilities regarding the future exist and that the differing outcomes can cause the financial position as at 31 December 2019, together with profit or loss, other comprehensive income and changes in equity for the year then ended, to be very different from what is currently presented in the financial statements. The directors also consider that there are no practical means available to resolve such difficulties, due to the effect of the differing outcomes, in the preparation of these financial statements. Accordingly, the directors are of the opinion that, notwithstanding these difficulties, the preparation of these financial statements on a going concern basis provides sufficient information to serve the interests of shareholders and other stakeholders who may use these financial statements. Further details on the basis of preparation of these financial statements are set out in Note 2.1 to the financial statements.

In the opinion of the directors,

- (i) having regard to and taking into consideration the matters disclosed in the financial statements, in particular Note 2.2 to the financial statements, 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 2019 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, subject to the matters referred to in Note 2.2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Ang Sin Liu
Ang Ah Nui
Oh Koon Sun
Oh Keng Lim
Glenda Mary Sorrell-Saunders
Ko Chuan Aun
Yee Kit Hong (appointed on 19 August 2019)
Loo Woei Harn (appointed on 29 November 2019)
Tan Thiam Hee (appointed on 29 November 2019)

Koon Holdings Limited and its Subsidiaries

Directors' statement

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.

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 2020
<i>Ordinary shares of the Company</i>			
Ang Sin Liu	18,660,800 ⁽¹⁾	18,660,800 ⁽¹⁾	18,660,800 ⁽¹⁾
Ang Ah Nui	122,571,819 ⁽²⁾	122,571,819 ⁽²⁾	122,571,819 ⁽²⁾
Oh Keng Lim	10,159,996	10,159,996	10,159,996
Oh Koon Sun	7,205,378	7,205,378	7,205,378

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 date of appointment, if later 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 (2018: nil) ordinary shares issued during the year pursuant to the Koon EPSP.

Accumulated shares awarded were as follows:

	Number of shares			
	Not issued		Issued	
	2019	2018	2019	2018
Directors				
Tan Thiam Hee (resigned on 31 July 2013 and re-appointed on 29 November 2019)	—	—	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 Yee Kit Hong 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 four times in 2019 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) reviewed Interested Person Transactions;
- (c) the Group's financial and operating results and accounting policies;

Koon Holdings Limited and its Subsidiaries

Directors' statement

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.

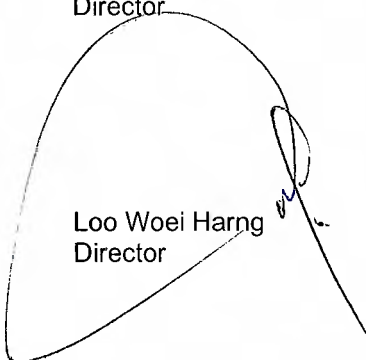
Auditor

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

On behalf of the board of directors,



Oh Koon Sun
Director



Loo Woei Harng
Director

Singapore
31 March 2020

Koon Holdings Limited and its Subsidiaries

Independent auditor's report

For the financial year ended 31 December 2019

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

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit 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 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of the going concern assumption

The Group recorded a net loss of \$95.1 million for the year ended 31 December 2019. As at that date, the Group's current liabilities exceeded its current assets by \$45.7 million and is in net deficit position of \$34.2 million. As at 31 December 2019, the Company's current liabilities exceeded its current assets by \$40.8 million and is in net deficit position of \$35.5 million. These factors and the other challenging conditions as disclosed in Note 2.2 indicate the existence of material uncertainties which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

As disclosed in Note 2.2 to the financial statements, the directors have prepared the financial statements on a going concern basis based on the assumption that the Group will be able to successfully complete the schemes of arrangement with its creditors, successfully implement the Group corporate restructuring exercise, will receive continuing support from its suppliers, financial institutions and all its other stakeholders and its future operations remain profitable.

However, based on the information available to us, we have not been able to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the use of the going concern assumption to prepare the financial statements as the validity of the going concern assumption is dependent on the successful outcome of the assumptions and Group's efforts as disclosed in Note 2.2 to the financial statements. The assumptions are premised on future events, the outcome of which is inherently uncertain.

Koon Holdings Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2019**

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

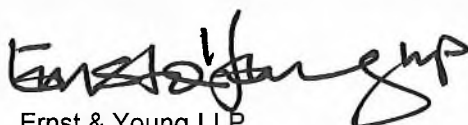
Responsibilities of Auditor for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group's and Company's financial statements in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the 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

31 March 2020

Koon Holdings Limited and its Subsidiaries

**Consolidated statement of comprehensive income
For the financial year ended 31 December 2019**

	Note	2019 \$'000	2018⁽¹⁾ \$'000 (Re-presented)
<u>Continuing operations</u>			
Revenue	5	89,270	112,123
Cost of sales		(150,306)	(102,287)
Gross (loss)/profit		(61,036)	9,836
Other income	6	28,134	13,334
Distribution costs		(63)	(45)
Administrative and other expenses		(12,608)	(14,113)
Finance costs	7	(2,175)	(2,588)
Impairment losses on financial assets	8	(37,732)	(116)
Impairment losses on non-financial assets	8	(12,211)	–
Share of results of joint ventures		–	(6,496)
Loss before tax from continuing operations	8	(97,691)	(188)
Taxation	9	1,385	(190)
Loss from continuing operations, net of tax		(96,306)	(378)
<u>Discontinued operation</u>			
Profit from discontinued operation, net of tax	10	1,215	860
(Loss)/Profit for the year		(95,091)	482
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange loss on translation of foreign operations		(272)	(1,035)
Other comprehensive loss, net of tax		(272)	(1,035)
Total comprehensive loss for the year		(95,363)	(553)
(Loss)/Profit for the year attributable to:			
Owners of the Company			
Continuing operations		(96,306)	(378)
Discontinued operation		898	637
		(95,408)	259
Non-controlling interests			
Discontinued operation		317	223
		(95,091)	482

⁽¹⁾ The comparative figures have been re-presented to report separately profit and loss items for continuing or discontinued operations

Koon Holdings Limited and its Subsidiaries

**Consolidated statement of comprehensive income
For the financial year ended 31 December 2019**

	Note	2019 \$'000	2018 ⁽¹⁾ \$'000 (Re-presented)
Total comprehensive (loss)/income attributable to:			
Owners of the Company			
Continuing operations		(96,284)	(342)
Discontinued operation		681	(156)
		(95,603)	(498)
Non-controlling interests			
Discontinued operation		240	(55)
		(95,363)	(553)
(Loss)/Earnings per share (cents per share):			
<u>Continuing operations</u>			
- Basic	11	(36.60)	(0.14)
- Diluted	11	(36.60)	(0.14)
<u>Discontinued operation</u>			
- Basic	11	0.34	0.24
- Diluted	11	0.34	0.24

⁽¹⁾ The comparative figures have been re-presented to report separately profit and loss items for continuing or discontinued operations

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 2019

		Group		Company	
	Note	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and bank balances	12	795	2,921	78	68
Pledged fixed deposits	12	—	19	—	—
Trade receivables	13	10,944	29,725	—	—
Other receivables	14	27,794	39,203	1,061	6,643
Inventories	15	—	3,053	—	—
Contract assets	13	13,358	55,579	—	—
Investment securities (quoted)	16	20	18	—	—
Assets held for sale	20(b)	18,167	—	—	—
Assets of disposal group classified as held for sale	10	24,060	—	10,730	—
Total current assets		95,138	130,518	11,869	6,711
Non-current assets					
Other receivables	14	—	95	—	—
Properties held for development	17	—	14,173	—	—
Subsidiaries	18	—	—	5,203	57,476
Joint ventures	19	—	174	—	—
Property, plant and equipment	20(a)	15,069	81,672	63	268
Total non-current assets		15,069	96,114	5,266	57,744
Total assets		110,207	226,632	17,135	64,455

Koon Holdings Limited and its Subsidiaries
Balance sheets
As at 31 December 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	23	59,261	39,239	—	—
Other payables	24	11,595	33,843	48,657	16,179
Contract liabilities	5(c)	—	7,704	—	—
Provisions	25	24,986	—	3,976	—
Loans and borrowings	22	27,622	33,246	—	—
Lease liabilities	21(b)	7,736	16,505	19	65
Provision for share of a joint venture's losses	19	—	10,430	—	—
Income tax payable		86	113	—	18
Liabilities directly associated with disposal group classified as held for sale	10	9,543	—	—	—
Total current liabilities		140,829	141,080	52,652	16,262
Non-current liabilities					
Lease liabilities	21(b)	3,614	22,764	3	74
Other payables	24	—	177	—	—
Deferred tax liabilities	26	—	1,484	—	1
Total non-current liabilities		3,614	24,425	3	75
Capital and reserves					
Share capital	27	25,446	25,446	25,446	25,446
Capital reserve	28	8,380	8,802	13,006	13,006
Accumulated (losses)/profits		(71,404)	24,004	(73,972)	9,666
Translation reserve		325	(537)	—	—
Reserves of disposal group held for sale	10	(635)	—	—	—
(Deficit)/equity attributable to owners of the Company		(37,888)	57,715	(35,520)	48,118
Non-controlling interests		—	3,412	—	—
Non-controlling interests of disposal group held for sale	10	3,652	—	—	—
Total (deficit)/equity		(34,236)	61,127	(35,520)	48,118
Total liabilities and equity		110,207	226,632	17,135	64,455

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 2019**

Group	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'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)
Closing balance at 31 December 2018	25,446	8,802	24,004	(537)	57,715	3,412	61,127

Koon Holdings Limited and its Subsidiaries

**Statements of changes in equity
For the financial year ended 31 December 2019**

Group	Share capital \$'000	Capital reserve \$'000	Accumulated (losses)/ profits \$'000	Translation reserve \$'000	Reserves of disposal group held for sale \$'000	(Deficit)/ Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Non- controlling interests of disposal group held for sale \$'000	Total \$'000
Opening balance at 1 January 2019	25,446	8,802	24,004	(537)	–	57,715	3,412	–	61,127
(Loss)/Profit for the year	–	–	(95,408)	–	–	(95,408)	317	–	(95,091)
Other comprehensive loss for the year, net of tax	–	–	–	(195)	–	(195)	(77)	–	(272)
Total comprehensive (loss)/income for the year	–	–	(95,408)	(195)	–	(95,603)	240	–	(95,363)
Reserves and non-controlling interests attributable to disposal group classified as held for sale	–	(422)	–	1,057	(635)	–	(3,652)	3,652	–
Closing balance at 31 December 2019	25,446	8,380	(71,404)	325	(635)	(37,888)	–	3,652	(34,236)

Koon Holdings Limited and its Subsidiaries**Statements of changes in equity
For the financial year ended 31 December 2019**

	Share capital \$'000	Capital reserve \$'000	Accumulated profits/(losses) \$'000	Total \$'000
<u>Company</u>				
Opening balance at 1 January 2018	25,446	13,006	9,659	48,111
Profit for the year, representing total comprehensive income for the year	—	—	7	7
Balance at 31 December 2018 and 1 January 2019	25,446	13,006	9,666	48,118
Loss for the year, representing total comprehensive loss for the year	—	—	(83,638)	(83,638)
Closing balance at 31 December 2019	25,446	13,006	(73,972)	(35,520)

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 2019

	Note	2019 \$'000	2018 \$'000
Operating activities			
Loss before tax from continuing operations		(97,691)	(188)
Profit before tax from discontinued operation		1,764	1,183
(Loss)/Profit before tax		(95,927)	995
<u>Adjustments for:</u>			
Impairment losses on financial assets	8	37,732	116
Impairment losses on non-financial assets	8	12,211	–
Impairment of investment in a joint venture	8	174	–
Reversal of provision for share of a joint venture's losses	6	(10,430)	–
De-recognition of other payables upon settlement with a creditor	6	(8,580)	–
Depreciation of property, plant and equipment		14,965	16,673
Fair value (gain)/loss on investment securities (quoted)		(2)	8
Property, plant and equipment written off		55	2
Interest expense		2,350	2,960
Interest income		(1)	(59)
Dividend income		–	(2,900)
Inventories written down		534	46
Gain on disposal of property, plant and equipment (net)		(3,316)	(278)
Gain on disposal of assets held for sale (net)		–	(3,030)
Provision/(Reversal of provision) for onerous contracts	8	1,250	(27)
Provision for performance bonds and guarantees	8	3,976	–
Provision for liquidated damages	8	19,760	–
Financial guarantees		327	–
Share of results of joint ventures		–	6,496
Unrealised exchange gain		(159)	(485)
Operating cash flows before changes in working capital		(25,081)	20,517
<u>Changes in working capital:</u>			
Contract assets (net)		20,629	(5,658)
Trade and other receivables		4,806	(6,625)
Inventories		2,301	(325)
Trade and other payables		4,649	1,640
Cash flows from operations		7,304	9,549
Income tax paid		–	(1,200)
Net cash flows from operating activities		7,304	8,349

Koon Holdings Limited and its Subsidiaries

Consolidated statement of cash flows
For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Investing activities			
Dividend received from investment securities		–	2,900
Proceeds from disposal of property, plant and equipment		29,463	500
Proceeds from disposal of assets held for sale		–	4,474
Purchase of property, plant and equipment (Note A)		(419)	(578)
Interest received		1	56
Net cash flows from investing activities		29,045	7,352
Financing activities			
Proceeds from bank loans		24,045	35,912
Repayment of bank loans		(26,195)	(37,753)
Proceeds from bills payable		37,987	70,299
Repayment of bills payable		(42,819)	(73,103)
Repayment of lease liabilities		(24,718)	(15,578)
Interest paid		(2,175)	(2,748)
Decrease/(Increase) in pledged fixed deposits		19	(1)
Net cash flows used in financing activities		(33,856)	(22,972)
Net increase/(decrease) in cash and cash equivalents		2,493	(7,271)
Effects of exchange rate changes on cash and cash equivalents		(6)	(302)
Cash and cash equivalents at 1 January		(2,399)	5,174
Cash and cash equivalents at 31 December	12	88	(2,399)

Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$5,175,000 (2018: \$6,746,000) of which \$nil (2018: \$3,075,000) was acquired under finance lease arrangements, \$2,514,000 (2018: \$333,000) was acquired under bank loans and bill payable and \$2,242,000 (2018: \$2,760,000) was still outstanding as at balance sheet date. Cash payment of \$419,000 (2018: \$578,000) was made for the purchase of property, plant and equipment.

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

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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 18 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)").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. The basis of preparation of the financial statements is affected by the matter described in Note 2.2 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.

2.2 Proposed scheme of arrangements and going concern

Proposed scheme of arrangements

The Company and its subsidiary, Koon Construction & Transport Co. Pte. Ltd. ("KCTC" and together with the Company, the "Applicants") have appointed Tan Kok Quan Partnership as their legal advisor and RSM Corporate Advisory Pte Ltd as their financial consultant and Scheme Manager to advise on strategies for restructuring the debts and liabilities of the Applicants so that the Group may continue as a going concern.

On 8 October 2019, applications were filed with the High Court of the Republic of Singapore ("Court") pursuant to section 211B of the Companies Act (Cap. 50) ("Act") to obtain an order, amongst other things, that no legal action or proceedings against the Applicants be commenced or continued against the Applicants for a period of 90 days from the date of the order to be granted ("Moratoria"), except by leave of the Court and subject to such terms as the Court may impose.

On 7 November 2019, the Applicants were granted Moratoria until 28 February 2020 to propose a scheme of arrangement to their creditors pursuant to section 210(1) of the Act ("Schemes"). The Moratoria have since been extended to 30 April 2020 to allow the Applicants sufficient time to put the Schemes in place.

The proposed schemes of arrangement to be made between the Company and its creditors (the "KHL Scheme") and between KCTC and its creditors (the "KCTC Scheme"), are necessary to address the various debt obligations owed by the Applicants to their respective creditors.

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

2.2 *Proposed scheme of arrangements and going concern (cont'd)*

Proposed scheme of arrangements (cont'd)

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.

Both the KHL Scheme meeting and KCTC Scheme meeting were held on 25 February 2020. The KHL Scheme meeting was adjourned after a major creditor's request for adjournment, as it would like to be provided with more information. 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.

At the adjourned KHL Scheme meeting held on 27 March 2020, the KHL Scheme was approved by a majority in number representing at least three-fourths in value of the creditors present and voting.

As both the Schemes have been approved by the Scheme creditors, the applications to the Court will be lodged to obtain the sanction required for the implementation of the respective Schemes.

Going concern

The Group and the Company have deficiency in net assets of \$34,236,000 and \$35,520,000 respectively as at 31 December 2019 and the Group incurred a net loss of \$95,091,000 for the financial year then ended. These factors and the challenging conditions affecting the construction and precast sectors in Singapore indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations (both short term and long term) as and when they fall due is dependent mainly on:

- a) the Court sanctioning the Schemes;
- b) the successful implementation of the Schemes;
- c) the Group's ability to secure funding as and when required;
- d) the profitability of future operations of the Group; and
- e) the continuing support of financial institutions, suppliers of goods and services and all other stakeholders.

The Group has also received expression of interests from various potential investors on possible restructuring exercises. The ability of the Group and the Company to continue as a going concern is also dependent on the successful implementation of the corporate restructuring exercise.

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

2.2 Proposed scheme of arrangements and going concern (cont'd)

Going concern (cont'd)

The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operation at least for a period of twelve months from the reporting date. This means that the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue in operation in the foreseeable future. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the balance sheet. In addition, the Group and the Company may have to provide for further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

The amount of assets and liabilities currently recorded in the accounting records of the Company and its subsidiaries, including amounts recoverable from or payable to group companies, are based on claims and payables which have arisen in the ordinary course of business. It is currently difficult to assess and estimate, with any degree of certainty, the amounts at which the assets will ultimately be realised or recovered, and the amounts at which liabilities should be recorded, owing to the uncertainties caused by the current difficult operating conditions and the ongoing restructuring of the Group.

The directors consider that different possibilities regarding the future exist and that the differing outcomes can cause the financial statements as at 31 December 2019 to be materially different from what is currently presented in these financial statements. The directors also consider that there are no practical means available to resolve such difficulties in the preparation of these financial statements for the financial year under review. In this respect, the directors are of the opinion that, notwithstanding these difficulties, the preparation of these financial statements on a going concern basis provides sufficient information to serve the interests of all stakeholders who may read these financial statements.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for annual financial periods beginning on or after 1 January 2019. Except for SFRS(I) 16 *Leases*, the adoption of these standards and interpretations did not have a material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

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

2.3 Changes in accounting policies (cont'd)

Lessor accounting under SFRS(I) is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was, as follows:

	Group Increase/ (decrease) \$'000	Company Increase/ (decrease) \$'000
Assets		
Property, plant and equipment	4,845	–
	<hr/>	<hr/>
Liabilities		
Lease liabilities	4,845	–
	<hr/>	<hr/>

The Group has lease contracts for various items of property, plant and equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 January 2019 is disclosed in Note 2.23.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 January 2019 is disclosed in Note 2.23. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

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

2.3 Change in accounting policies (cont'd)

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payment previously recognised, if any. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of \$72,802,000 were recognised and presented within property, plant and equipment in the statement of financial position. This includes the lease assets recognised previously under finance lease arrangement of \$67,957,000; and
- Lease liabilities of \$44,114,000 were recognised in the statement of financial position. This includes the lease obligation recognised previously under finance leases of \$39,269,000 that were reclassified from Finance lease obligations.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements

For the financial year ended 31 December 2019

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

2.3 Change in accounting policies (cont'd)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	Group \$'000	Company \$'000
Operating lease commitment as at 31 December 2018	5,297	–
Less: Commitments relating to short-term leases and leases of low-value assets	(430)	–
Add: Lease payments relating to renewal periods and changes in lease period not included in operating lease commitments as at 31 December 2018	343	–
Lease liabilities as at 1 January 2019	5,210	–
Weighted average incremental borrowing rate as at 1 January 2019	3.63%	–
Discounted operating lease commitments as at 1 January 2019	4,845	–
Add: Commitments relating to leases previously classified as finance leases	39,269	139
Lease liabilities as at 1 January 2019	44,114	139

2.4 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
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to References to the Conceptual Framework in SFRS(I) Standards	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

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.

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

2.5 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.

(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.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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

2.5 Basis of consolidation and business combinations (cont'd)

(b) Business combination and goodwill (cont'd)

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.

2.6 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.

2.7 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)

2.8 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 land	–	3 to 4 years
Leasehold buildings	–	1 to 9 years
Plant and machinery	–	2 to 25 years or end of project life (if shorter)
Barges and dredgers	–	3 to 24 years
Trucks and motor vehicles	–	5 to 10 years or end of project life (if shorter)

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.

2.9 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.

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

2.9 Impairment of non-financial assets (cont'd)

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.

2.10 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.

2.11 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.

(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.

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

2.11 *Joint arrangements (cont'd)*

(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 ventures is set out in Note 2.12.

2.12 *Joint ventures*

The Group accounts for its investments in joint ventures using the equity method from the date on which it becomes a 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 joint venture's profit or loss in the period in which the investment is acquired.

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

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

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 joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the 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 joint venture and its carrying value and recognises the amount in profit or loss.

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

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

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a 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

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 the amortisation process.

(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.

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

2.14 *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.

2.15 *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 2.14 also applies to contract assets.

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

2.17 *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.

2.18 *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.

2.19 *Provisions*

General

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.

Onerous contract

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

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

2.19 Provision (cont'd)

Onerous contract (cont'd)

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it

2.20 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".

2.21 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.

2.22 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.

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

2.22 Employee benefits (cont'd)

(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.

2.23 Leases

Policy applicable from 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9. The Group's right-of-use assets are presented within property, plant and equipment in Note 20(a).

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

2.23 Leases (cont'd)

(a) As lessee (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The accounting policy for rental income is set out in Note 2.24(c).

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

2.23 Leases (cont'd)

Policy applicable before 1 January 2019

(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 incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The accounting policy for rental income is set out in Note 2.24(c).

2.24 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.

(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.

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

2.24 Revenue (cont'd)

(a) Sale of precast components (cont'd)

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.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

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.

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

2.24 Revenue (cont'd)

(b) Construction contract revenue (cont'd)

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.

(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).

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

2.26 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.

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 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 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.

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

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(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.

2.27 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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.29 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.

2.30 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.31 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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

2.31 *Non-current assets held for sale and discontinued operations (cont'd)*

Property, plant and equipment are not depreciated once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 10. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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.

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

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

(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.

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 \$10,179,000 and \$nil (2018: \$48,299,000 and \$88,000) respectively.

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

The Group uses a provision matrix to calculate ECLs for trade and other 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 and other receivables and contract assets is disclosed in Note 34(a).

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

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

(ii) Provision for expected credit loss on trade and other receivables and contract assets (cont'd)

The carrying amount of trade receivables, other receivables and contract assets as at 31 December 2019 are \$10,944,000, \$27,794,000 and \$13,358,000 (2018: \$29,725,000, \$39,298,000 and \$55,579,000) respectively.

(iii) Impairment of property, plant and equipment

An impairment exists when the carrying value of property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset.

Management assesses, on an annual basis, whether there are trigger events indicating potential impairment. Where applicable, the Group considers independent valuation reports of valuation specialists to support the recoverable amounts of certain property, plant and equipment. The fair values are determined by external specialists using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions.

The carrying amount of the Group's property, plant and equipment is disclosed in Note 20(a).

(iv) Impairment of assets held for sale and disposal group classified as held for sale

An impairment exists when the carrying value of assets held for sale or a disposal group classified as held for sale is lower than its fair value less costs of disposal.

The fair value less costs of disposal calculation for assets held for sale is based on available data from binding sales transactions in an arm's length transaction of those assets or observable market prices less incremental costs for disposing the asset.

The fair value less costs of disposal calculation for the disposal group classified as held for sale is based on a discounted cash flow model derived from the budget for the next five years. The fair value is most sensitive to the discount rate and terminal yield rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying amount of the Group's assets held for sale and disposal group classified as held for sale is disclosed in Note 20(b) and Note 10 respectively.

(v) Impairment of investment in subsidiaries

The Company reviews the carrying amounts of investment in subsidiaries for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The Company evaluates the performance of the subsidiaries, among other factors, in determining whether there are indicators of impairment.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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

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

(v) Impairment of investment in subsidiaries (cont'd)

For the investments in subsidiaries, the Company has considered the net asset values of the individual subsidiaries for the purposes of determining whether any impairment loss needs to be recorded. The Company has assessed that the carrying amount of the Company's investment in certain subsidiaries exceeded the recoverable amount and an impairment loss was recorded during the year.

The carrying amount of the Company's investment in subsidiaries is disclosed in Note 18.

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:

	Group	
	2019	2018
	\$'000	\$'000
<u>Parties related to a substantial shareholder of the Group</u>		
Equipment rental income	(230)	(325)
Marine transport income	(283)	(873)
Secondment fee income	(189)	(348)
Sale of scrap metal	(139)	–
Subcontract income	(2,643)	(5,106)
Marine transport expenses	52	6
Equipment rental and charter expenses	1,072	454
Upkeep of barges expenses	281	–
Purchase of equipment	1,144	2,102
Subcontract expenses	–	51
Yard and dormitory rental expenses	391	499
Drydocking and repair expenses	6,140	–
<u>A substantial shareholder of the Group</u>		
Consultancy fee expenses	–	202
De-recognition of other payables upon waiver by the substantial shareholder of the Group	(202)	–
<u>Joint venture of the Group</u>		
Marine transport income	(3,117)	(2,427)
Equipment rental income	(732)	(327)
Sale of equipment	–	(82)
Purchase of precast components	42,823	19,932
Purchase of raw materials	–	1,327
<u>Parties related to directors of the Company</u>		
Professional fees	153	55

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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:

	Group	
	2019	2018
	\$'000	\$'000
Land rental expenses	1,563	1,541
Marine transport expenses	2,230	1,695
Purchase of raw materials	21	—

Compensation of directors and key management personnel

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

	Group	
	2019	2018
	\$'000	\$'000
Short-term benefits	2,132	2,692
Defined contribution plans	61	75
	2,193	2,767

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 2019**

5. Revenue

(a) Disaggregation of revenue

Segments

	Construction		Precast		Total revenue	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
						(Re-presented)

Primary geographical market

Singapore
Malaysia

	34,732	82,268	54,410	29,855	89,142	112,123
	–	–	128	–	128	–
	34,732	82,268	54,538	29,855	89,270	112,123

Major revenue streams

Construction contracts revenue
Sale of precast components
Rental of machinery and equipment

	25,171	73,093	–	–	25,171	73,093
	–	–	53,575	26,227	53,575	26,227
	9,561	9,175	963	3,628	10,524	12,803
	34,732	82,268	54,538	29,855	89,270	112,123

Timing of transfer of goods or services

Over time
At a point in time

	25,171	73,093	–	–	25,171	73,093
	–	–	53,575	26,227	53,575	26,227

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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:

	Group		1 January
	2019	2018	2018
	\$'000	\$'000	\$'000
Contract assets	13,358	55,579	44,295
Receivables from contracts with customers (Note 13)	10,944	29,725	34,914
Contract liabilities	–	(7,704)	(2,078)

The Group recognised impairment losses on contract assets of \$13,889,000 (2018: \$nil) and impairment losses on receivables arising from contracts with customers amounting to \$1,415,000 (2018: \$103,000).

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 2019

5. Revenue (cont'd)

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

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

	Group	
	2019	2018
	\$'000	\$'000
Contract assets reclassified to receivables	25,866	30,151
Changes in estimate of transaction price	(2,195)	(912)

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

	Group	
	2019	2018
	\$'000	\$'000
Revenue recognised from performance obligations satisfied in previous years due to changes in the estimated transaction price	–	465
Revenue recognised that was included in the contract liability balance at the beginning of the year	7,704	1,878

(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 2019, the aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations is approximately \$30,979,000 (2018: \$209,040,000). The Group expects that 88% (2018: 62%) may be recognised as revenue in the next financial year with the remaining 12% (2018: 38%) recognised as revenue in the following financial year.

Koon Holdings Limited and its Subsidiaries**Notes to the financial statements
For the financial year ended 31 December 2019****6. Other income**

	2019	Group
	\$'000	2018
		\$'000
		(Re-presented)
Gain on disposal of property, plant and equipment (net)	5,991	278
Gain on disposal of assets held for sale (net)	—	3,030
Reversal of provision for share of a joint venture's losses (Note 19)	10,430	—
De-recognition of other payables upon settlement with a creditor	8,580	—
Dividend income from investee	—	2,900
Interest income	1	3
Sale of scrap metal	164	5,040
Secondment fees for a director	189	348
Supply of labour	673	232
Government grants	177	198
Other service income	299	276
Rental of leasehold properties	285	927
Insurance claims	1,293	—
Others	52	102
	28,134	13,334

7. Finance costs

	2019	Group
	\$'000	2018
		\$'000
		(Re-presented)
Interest expense on:		
- Bank loans, bills payable and bank overdrafts	1,201	1,039
- Lease liabilities	816	1,330
- Significant financing component	158	219
	2,175	2,588

Koon Holdings Limited and its Subsidiaries**Notes to the financial statements****For the financial year ended 31 December 2019**

8. Loss before tax from continuing operations

The following items have been included in arriving at loss before tax from continuing operations:

	Group	
	2019	2018
	\$'000	\$'000
Depreciation of property, plant and equipment	12,371	15,598
Inventories written down, included in cost of sales	534	46
Employee benefits expense (including directors)	23,291	31,664
Directors' remuneration:		
- Directors of the Company	1,223	1,804
- Directors of subsidiaries	8	8
Defined contribution plans included in employee benefits expense (including directors)	786	1,052
Audit fees:		
- Auditor of the Company	265	279
- Other auditors	5	14
Foreign exchange loss (net)	269	579
Impairment losses on financial assets	37,732	116
Impairment losses on non-financial assets	12,211	—
Impairment of investment in a joint venture	174	—
Provision/(Reversal of provision) for onerous contracts (Note 25)	1,250	(27)
Provision for performance bonds and guarantees (Note 25)	3,976	—
Provision for liquidated damages (Note 25)	19,760	—

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

9. Taxation

Major components of taxation

The major components of taxation for the years ended 31 December 2019 and 2018 are as follows:

	2019 \$'000	Group 2018 \$'000 (Re-presented)
Current income tax:		
- Current income taxation	–	112
- Under provision in respect of previous years	4	58
Deferred income tax:		
- Origination and reversal of temporary differences	(1,275)	18
- (Over)/Under provision in respect of previous years	(114)	2
Taxation attributable to continuing operations	(1,385)	190
Taxation attributable to discontinued operation (Note 10)	549	323
Taxation recognised in profit or loss	(836)	513

Relationship between taxation and accounting (loss)/profit

A reconciliation between taxation and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019 \$'000	Group 2018 \$'000 (Re-presented)
Loss before tax from continuing operations	(97,691)	(188)
Profit before tax from discontinuing operations	1,764	1,183
	(95,927)	995
Tax at the domestic rates applicable to profits in the countries where the Group operates	(16,082)	470
Income not subject to taxation	(2,510)	(1,999)
Non-deductible expenses	3,521	1,037
Share of results of joint ventures	–	1,104
(Over)/Under provision in previous years (net)	(110)	42
Deferred tax assets not recognised	14,621	128
Utilisation of previously unrecognised deferred tax assets	(296)	(115)
Effect of partial tax exemption and tax relief	–	(183)
Others	20	29
Taxation recognised in profit or loss	(836)	513

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

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements

For the financial year ended 31 December 2019

9. Taxation (cont'd)

As at 31 December 2019, the Group had unutilised tax losses, unutilised capital allowances and deductible temporary differences of approximately \$99,322,000 (2018: \$15,054,000) which may be available for set off against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislations of the respective countries in which the companies operate.

10. Discontinued operation and disposal group classified as held for sale

The Company intends to dispose of the Electric Power Generation division, which is held through its 74.1% owned subsidiary, Tesla Holdings Pty Ltd. The Company has engaged an external consultant to assist in the sale during the year. The sale of Tesla Holdings Pty Ltd and its subsidiaries ("Tesla Group") is expected to be completed within a year from the reporting date. The disposal is part of the Group's ongoing restructuring and realignment exercise to sell its non-core businesses. As at 31 December 2019, the assets and liabilities of Tesla Group have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale" respectively, and its results are presented separately on the consolidated statement of comprehensive income as "Profit from discontinued operation, net of tax".

Income statement disclosures

The results of the disposal group for the years ended 31 December are as follows:

	2019 \$'000	2018 \$'000
Revenue from contracts with customer	5,104	4,730
Cost of sales	(2,389)	(2,615)
Gross profit	2,715	2,115
Other income	43	133
Administrative and other expenses	(459)	(474)
Finance costs	(535)	(591)
Profit before tax from discontinued operation	1,764	1,183
Taxation	(549)	(323)
Profit from discontinued operation, net of tax	1,215	860

Koon Holdings Limited and its Subsidiaries**Notes to the financial statements****For the financial year ended 31 December 2019**

10. Discontinued operation and disposal group classified as held for sale (cont'd)**Balance sheet disclosures**

The major classes of the assets and liabilities of Tesla Group classified as held for sale and the related reserves as at 31 December are, as follows:

	2019 \$'000
Assets:	
Property, plant and equipment	18,790
Trade receivables	791
Other receivables	809
Inventories	213
Cash and bank balances	3,457
Assets of disposal group classified as held for sale	<u>24,060</u>
	2019 \$'000
Liabilities:	
Trade payables	171
Other payables	373
Lease liabilities	8,350
Deferred tax liabilities	638
Income tax payable	11
Liabilities directly associated with disposal group classified as held for sale	<u>9,543</u>
Reserves:	
Capital reserve	422
Translation reserve	(1,057)
Reserves of disposal group classified as held for sale:	<u>(635)</u>
Non-controlling interests attributable to disposal group held for sale:	
Non-controlling interests	<u>3,652</u>

Koon Holdings Limited and its Subsidiaries**Notes to the financial statements****For the financial year ended 31 December 2019****10. Discontinued operation and disposal group classified as held for sale (cont'd)****Cash flow statement disclosures**

The cash flows attributable to the disposal group for the years ended 31 December are as follows:

	2019	2018
	\$'000	\$'000
Net cash inflows from operating activities	3,114	1,674
Net cash outflows from investing activities	(5)	(114)
Net cash outflows from financing activities	(1,725)	(3,439)
Net cash inflows/(outflows)	<u>1,384</u>	<u>(1,879)</u>

Earnings per share disclosures

Earnings per share (cents per share) from discontinued operation are as follows:

Basic	0.34	0.24
Diluted	<u>0.34</u>	<u>0.24</u>

11. (Loss)/Earnings per share

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

Diluted (loss)/earnings per share amounts are calculated by dividing (loss)/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 (loss)/profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2019	2018
	\$'000	\$'000
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	<u>(96,306)</u>	<u>(378)</u>
Profit from discontinued operation, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	<u>898</u>	<u>637</u>

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

11. Earnings per share (cont'd)

	Group	
	2019	2018
	No. of	No. of
	shares	shares
	'000	'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

12. Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	795	1,708	78	68
Fixed deposits	—	1,232	—	—
	795	2,940	78	68
Less: Pledged fixed deposits	—	(19)	—	—
Cash and bank balances	795	2,921	78	68

In 2018, the Group has certain fixed deposits amounting to \$19,000 pledged to banks for bank loan facilities granted (see Note 22). The pledged fixed deposits had an average tenure of approximately 365 days and earned interest at average effective rate of 3.35% per annum. The pledge on the fixed deposits was discharged in 2019. The non-pledged fixed deposits had an average tenure of approximately 61 days and earned interest at average effective rate of 2.06% per annum.

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

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Australian Dollars	8	10	8	10
United States Dollars	1	18	—	—

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

12. Cash and bank balances (cont'd)

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

	Group	
	2019	2018
	\$'000	\$'000
Cash and bank balances	795	2,921
Bank overdrafts (Note 22)	(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 (Note 10)	3,457	—
	88	(2,399)

13. Trade receivables and contract assets

(a) Trade receivables

	Group	
	2019	2018
	\$'000	\$'000
Amounts due from external parties	3,753	20,094
Amounts due from related parties	8,553	9,478
Amounts due from joint ventures	—	940
Less: Allowance for expected credit losses	(1,362)	(787)
	10,944	29,725

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 (2018: 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.

(b) Contract assets

As at 31 December 2019, the Group has contract assets of \$13,358,000 (2018: \$55,579,000) which is net of an allowance for expected credit losses of \$8,000 (2018: \$8,000).

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2019

13. Trade receivables and contract assets (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets is as follows:

	Group			
	Trade receivables 2019 \$'000	Contract assets 2019 \$'000	Trade receivables 2018 \$'000	Contract assets 2018 \$'000
At 1 January	787	8	684	8
Provision for expected credit losses	1,415	13,889	103	—
Written off	(840)	(13,889)	—	—
At 31 December	1,362	8	787	8

The significant changes in the balances of trade receivables and contract assets are disclosed in Note 5(c) while the information about the credit exposures are disclosed in Note 34(a).

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

	Group	
	2019 \$'000	2018 \$'000
United States Dollars	508	—

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements

For the financial year ended 31 December 2019

14. Other receivables

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Receivable for disposal of property, plant and equipment	—	152	—	—
Other deposits	218	825	86	2
Prepayments	397	1,065	65	34
Amounts due from external parties	1,264	621	25	25
Amounts due from related parties	266	1,906	137	1,814
Amounts due from joint ventures	48,120	34,572	—	—
Amounts due from subsidiaries	—	—	3,750	4,913
Tax recoverable	7	215	—	—
Sales tax receivable	150	24	—	—
Others	14	145	—	—
	50,436	39,525	4,063	6,788
Less: Allowance for expected credit losses				
- Due from external parties	(399)	(227)	—	—
- Due from joint ventures	(22,243)	—	—	—
- Due from subsidiaries	—	—	(3,002)	(145)
Allowance for expected credit losses	(22,642)	(227)	(3,002)	(145)
Total other receivables	27,794	39,298	1,061	6,643
Analysed as:				
Current	27,794	39,203	1,061	6,643
Non-current	—	95	—	—
	27,794	39,298	1,061	6,643

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

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

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

14. Other receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of other receivables is as follows:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At 1 January	227	214	145	145
Provision for expected credit losses	22,428	13	2,914	—
Written off	—	—	(57)	—
Attributable to disposal group held for sale	(13)	—	—	—
At 31 December	22,642	227	3,002	145

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 2019 and 2018.

15. Inventories

	Group	
	2019	2018
	\$'000	\$'000
Balance sheet:		
Raw materials	—	297
Finished goods	—	305
Construction materials	—	2,451
	—	3,053
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	45,062	25,776
Inclusive of the following charge:		
Inventories written down	534	46

16. Investment securities (quoted)

	Group	
	2019	2018
	\$'000	\$'000
<i>At fair value through profit or loss</i>		
– Equity securities (quoted)	20	18

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

17. Properties held for development

	Group	
	2019	2018
	\$'000	\$'000
Properties held for development	—	14,173

The Group intends to dispose of the properties previously held for development and has engaged an external consultant to assist in the sale during the year. The sale is expected to be completed within a year from the reporting date. The disposal is part of the Group's ongoing restructuring and realignment exercise to sell its non-core assets. In accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, properties held for development were classified as assets held for sale (Note 20(b)).

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

Description and Location	Site Area (square metre)	Interest held by the Group	
		2019	2018
		%	%
Lot 150205, Mukim Plentong, Johor Bahru, Malaysia	1,416	100	100
Lot 150216-150225, Mukim Plentong, Johor Bahru, Malaysia	1,807	100	100
Lot 68319, Mukim Plentong, Johor Bahru, Malaysia*	42,938	100	100

* Freehold land at Lot 68319 is pledged as security for certain bank loans of a subsidiary (Note 22)

18. Subsidiaries

	Company	
	2019	2018
	\$'000	\$'000
Unquoted equity shares, at cost	50,930	50,930
Deemed investment in a subsidiary*	17,000	17,000
Less: Allowance for impairment loss	(51,997)	(10,454)
	15,933	57,476
Reclassified to assets of disposal group classified as held for sale (Note 10)	(10,730)	—
	5,203	57,476

*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.

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

18. Subsidiaries (cont'd)

	Company	
	2019	2018
	\$'000	\$'000
<i>Movement in allowance for impairment loss:</i>		
At 1 January	10,454	10,454
Charge for the year	41,543	–
At 31 December	51,997	10,454

Impairment review of investment in subsidiaries

In the current year, the Company carried out a review of the recoverable amount of the investments in certain subsidiaries as those subsidiaries had been persistently making losses. The review led to the recognition of an impairment loss of \$41,543,000 (2018: \$nil) recognised in the financial year.

(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	
		2019 (%)	2018 (%)
<u>Held by the Company:</u>			
Entire Engineering Pte Ltd ⁽¹⁾	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte Ltd ⁽¹⁾	Contractors for civil and engineering works (Singapore)	100	100
Econ Precast Pte Ltd ⁽¹⁾	Manufacturing and trading of precast components and reinforced concrete piles (Singapore)	100	100
Green LCT Pte Ltd ⁽¹⁾	Chartering of ships, barges and boats with crew (freight) (Singapore)	100	100
Koon Construction & Transport Co. Pte Ltd ⁽¹⁾	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Koon Properties Pte Ltd ⁽¹⁾	Investment holding (Singapore)	100	100

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

18. Subsidiaries (cont'd)

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

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		2019 (%)	2018 (%)
<u>Held by the Company: (cont'd)</u>			
Petra I Pte Ltd ⁽¹⁾	Chartering of ships, barges and boats with crew (freight) and marine construction (Singapore)	100	100
Reem Island Pte Ltd ⁽¹⁾	Chartering of ships, barges and boats with crew (freight) (Singapore)	100	100
Tesla Holdings Pty Ltd ⁽²⁾	Investment holding (Australia)	74	74
<u>Held through subsidiaries:</u>			
Bukit Intan Pte Ltd ⁽¹⁾	Trading of precast components (Singapore)	100	100
Contech Precast Pte Ltd ⁽¹⁾	Manufacturing and trading of precast components (Singapore)	100	100
Econ Precast Sdn. Bhd ⁽³⁾	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	100
Koon Construction & Transport Sdn. Bhd. ⁽³⁾	Contractors for civil engineering and building works (Malaysia)	100	100
Metro Coast Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100
Tesla Corporation Pty Ltd ⁽²⁾	Holding company for electric power generation business (Australia)	74	74
Tesla Corporation Management Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	74
Tesla Geraldton Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	74
Tesla Kemerton Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	74

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

18. Subsidiaries (cont'd)

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

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		2019 (%)	2018 (%)
<u>Held through subsidiaries:</u> <u>(cont'd)</u>			
Tesla Northam Pty Ltd ⁽²⁾	Owns and operates power plant (Australia)	74	74
Triumph Heights Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100
Unison Progress Sdn. Bhd. ⁽³⁾	Property development (Malaysia)	100	100

Notes:

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

⁽²⁾ Tesla group of companies ("Tesla Group") are audited by a member firm of EY Global in Australia. Tesla Group is classified as a disposal group classified as held for sale (Note 10)

⁽³⁾ Audited by other firms of auditors

(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 allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
31 December 2019:					
Tesla Group	Australia	26%	317	3,652	—
31 December 2018:					
Tesla Group	Australia	26%	223	3,412	—

Tesla Group is classified as a disposal group held for sale as at 31 December 2019 (Note 10). The summarised financial information of Tesla Group is presented in Note 10.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements

For the financial year ended 31 December 2019

19. Joint arrangements

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

(a) Joint ventures

	Group	
	2019	2018
	\$'000	\$'000
<u>Investment in joint ventures</u>		
- Sindo-Econ Pte Ltd and its subsidiary ⁽¹⁾	—	—
- Others ⁽²⁾	—	174
	<u>—</u>	<u>174</u>
 <u>Provision for share of a joint venture's losses</u>		
- Sindo-Econ Pte Ltd and its subsidiary	—	(10,430)

⁽¹⁾ The investment cost was fully written off in previous years

⁽²⁾ The investment cost was fully written off during the year

During the year, the Group did not recognise losses relating to the joint venture where its share of losses exceeds the Group's interest in this joint venture. The Group's cumulative share of unrecognised losses as at 31 December 2019 was \$17,862,000, of which \$7,576,000 was the share of the current year's losses.

Arising from the corporate restructuring exercise, the Group assessed that it had no obligation in respect of these losses, and has accordingly, reversed the provision for share of the joint venture's losses of \$10,430,000 during the year. The reversal of provision was recognised as 'Other income' (Note 6) in the consolidated statement of comprehensive income of the Group for the year ended 31 December 2019.

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Notes to the financial statements
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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	
		2019 (%)	2018 (%)
<u>Held through Econ Precast Pte Ltd:</u>			
Sindo-Econ Pte Ltd ⁽¹⁾	Investment holding and provision of management and consultancy services (Singapore)	50	50
<u>Held through Sindo-Econ Pte Ltd:</u>			
PT. Sindomas Precas ⁽²⁾	Manufacture of precast components (Indonesia)	50	50

Notes:

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

⁽²⁾ Audited by a member firm of EY Global in Indonesia

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

	Group	
	2019 \$'000	2018 \$'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 2019

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") based on their latest available SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Sindo-Econ Group	
	2019	2018
	\$'000	\$'000
<i>Summarised balance sheet:</i>		
Cash and bank balances	291	221
Current assets	40,449	32,914
Non-current assets	4,590	9,249
Total assets	45,330	42,384
Current liabilities ⁽¹⁾	80,767	62,322
Non-current liabilities	286	634
Total liabilities	81,053	62,956
Net liabilities	(35,723)	(20,572)
Proportion of the Group's ownership	50%	50%
Group's share of net assets/(liabilities)	–	(10,286)
Eliminations	–	(144)
Carrying amount of the investment/(Provision for share of losses)	–	(10,430)
⁽¹⁾ Includes current financial liabilities (excluding trade and other payables and provisions)	634	2,470

Summarised consolidated statement of comprehensive income:

Revenue	43,478	21,266
Interest income	–	1
Depreciation	(18)	(2,733)
Finance costs	(266)	(221)
Loss before tax	(15,151)	(13,012)
Taxation	–	–
Loss for the year, representing total comprehensive loss for the year	(15,151)	(13,012)

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

19. Joint arrangements (cont'd)

(b) Joint operation

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

Name of joint operation	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		2019 (%)	2018 (%)
POC-K JV	Contractor for infrastructure and civil engineering works (Singapore)	–	50

The Group ceased to have any ownership interest in the joint operation following the termination of the joint venture agreement and the de-registration of the joint operation during the year.

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

(a) Property, plant and equipment

Group	Freehold land \$'000	Leasehold 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	Total \$'000
Cost:										
At 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 and 1 January 2019	859	—	102	9,432	50	110,963	32,841	13,054	1,876	169,177
Effect of adopting SFRS(I) 16	—	965	—	347	—	—	3,455	—	78	4,845
At 1 January 2019 (restated)	859	965	102	9,779	50	110,963	36,296	13,054	1,954	174,022
Additions	—	—	—	—	—	2,934	2,151	80	10	5,175
Disposals	—	—	—	—	—	(40,252)	(16,965)	(3,273)	(51)	(60,541)
Transfer to assets held for sale (Note 20(b))	—	—	—	—	—	—	(15,786)	(1,044)	—	(16,830)
Attributable to assets of disposal group classified as held for sale (Note 10)	(841)	(267)	—	(38)	—	(30,001)	—	—	(56)	(31,203)
Write-off	—	—	—	—	—	(3,116)	—	—	(74)	(3,190)
Exchange difference	(18)	—	—	—	—	(642)	—	—	(1)	(661)
At 31 December 2019	—	698	102	9,741	50	39,886	5,696	8,817	1,782	66,772

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Notes to the financial statements
For the financial year ended 31 December 2019

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

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

Group	Freehold land \$'000	Leasehold 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	Total \$'000
Accumulated depreciation:										
At 1 January 2018	-	-	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)
At 31 December 2018 and 1 January 2019	-	-	16	5,759	50	60,315	10,589	8,855	1,837	87,421
Depreciation	-	263	2	1,132	-	8,472	3,526	1,513	57	14,965
Disposals	-	-	-	-	-	(28,085)	(3,424)	(2,842)	(22)	(34,373)
Transfer to assets held for sale (Note 20(b))	-	-	-	-	-	-	(8,181)	(748)	-	(8,929)
Attributable to assets of disposed group classified as held for sale (Note 10)	-	(88)	-	(24)	-	(12,247)	-	-	(54)	(12,413)
Write-off	-	-	-	-	-	(3,062)	-	-	(73)	(3,135)
Exchange difference	-	-	-	-	-	(246)	-	-	(1)	(247)
At 31 December 2019	-	175	18	6,867	50	25,147	2,510	6,778	1,744	43,289

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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

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

Group	Freehold land \$'000	Leasehold 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	Total \$'000
Impairment:										
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–	84	–	–	–	–	–	–	84
Charge for the year (Note 8)	–	–	–	–	–	8,000	–	492	22	8,514
Transfer to assets held for sale (Note 20(b))	–	–	–	–	–	–	–	(184)	–	(184)
At 31 December 2019	–	–	84	–	–	8,000	–	308	22	8,414
Carrying amount:										
At 31 December 2018	859	–	2	3,673	–	50,648	22,252	4,199	39	81,672
At 31 December 2019	–	523	–	2,874	–	6,739	3,186	1,731	16	15,069

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 21(a).

Property, plant and equipment of the Group with carrying amount of \$67,505,000 as at 31 December 2018 are pledged as security for finance lease obligations (Note 21(b)) and bank loans (Note 22).

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

Impairment of property, plant and equipment

During the year, management assessed the recoverable amounts of the plant and equipment of the construction and precast segments in Singapore. Due to significant uncertainties regarding the going concern of these businesses, the Group recognised an impairment loss of \$8,414,000 (2018: \$nil).

The fair values were determined by external specialists and management had estimated the cost of disposal. The fair value measurement is categorised as Level 3 of the fair value hierarchy.

Disposals of property, plant and equipment

In 2019, the Group sold plant and equipment with total net carrying amount of \$26,144,000 (2018: \$344,000) for a cash consideration of \$29,463,000 (2018: \$500,000). The net gains on these disposals were recognised as part of "Other income" in the consolidated statement of comprehensive income.

Company	Motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
Cost:			
At 1 January 2018	993	134	1,127
Additions	—	3	3
At 31 December 2018, 1 January 2019 and 31 December 2019	993	137	1,130
Disposals	(612)	—	(612)
At 31 December 2019	381	137	518
Accumulated depreciation:			
At 1 January 2018	580	134	714
Depreciation	148	*	148
At 31 December 2018 and 1 January 2019	728	134	862
Depreciation	95	*	95
Disposal	(502)	—	(502)
At 31 December 2019	321	134	455
Carrying amount:			
At 31 December 2018	265	3	268
At 31 December 2019	60	3	63

* Less than \$1,000

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements

For the financial year ended 31 December 2019

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 as at 31 December 2018 were pledged as security for finance lease obligations (Note 21(b)).

(b) Assets held for sale

Group	Properties held for development \$'000	Barges and dredgers \$'000	Trucks and motor vehicles \$'000	Total \$'000
Cost:				
Reclassification from properties held for development (Note 17)	14,147	—	—	14,147
Reclassification from Property, plant and equipment (Note 20(a))	—	15,786	1,044	16,830
Accumulated depreciation:				
Reclassification from Property, plant and equipment (Note 20(a))	—	(8,181)	(748)	(8,929)
Impairment:				
Charge for the year	(3,697)	—	(184)	(3,881)
At 31 December 2019	10,450	7,605	112	18,167

In addition to information disclosed in Note 17, the Group's wholly owned subsidiary, Entire Engineering Pte Ltd entered into agreements for the sale of trucks and motor vehicles respectively. In accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, these plant and machinery were classified as held for sale at the end of the reporting period. The sale of the trucks and motor vehicles was completed subsequent to year end.

21. Leases

Group as a lessee

The Group has lease contracts for various items of property, plant and equipment used in its operations. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of machinery and office equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low value assets' recognition exemptions for these leases.

Company as a lessee

The Company has lease contracts for motor vehicles used in its operations. The Company's obligations under these leases are secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets.

Koon Holdings Limited and its Subsidiaries

**Notes to the financial statements
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21. Leases (cont'd)

(a) Right-of-use assets:

Information about Right-of-use assets classified within Property, plant and equipment (Note 20(a)) is disclosed as follows:

Group	Freehold land \$'000	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Barges and dredgers \$'000	Trucks and motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
Carrying amounts at 1 January 2019	859	965	4,019	40,724	23,439	2,718	78	72,802
Additions	-	-	-	5	2,152	-	-	2,157
Disposals	-	-	-	(7,936)	(12,762)	(109)	(25)	(20,832)
Depreciation	-	(263)	(1,132)	(5,518)	(2,920)	(1,080)	(38)	(10,951)
Transfers to assets held for sale	-	-	-	-	(7,605)	-	-	(7,605)
Attributable to assets of disposed group classified as held for sale	(841)	(179)	-	(17,754)	-	-	-	(18,774)
Exchange difference	(18)	-	-	(396)	-	-	-	(414)
Impairment	-	-	-	(3,739)	-	(104)	-	(3,843)
Carrying amounts at 31 December 2019	-	523	2,887	5,386	2,304	1,425	15	12,540
Company								
Carrying amounts at 1 January 2019	-	-	-	-	-	265	-	265
Depreciation	-	-	-	-	-	(95)	-	(95)
Disposals	-	-	-	-	-	(110)	-	(110)
Carrying amounts at 31 December 2019	-	-	-	-	-	60	-	60

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21. Leases (cont'd)

(b) *Lease liabilities*

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current:				
- Finance lease liabilities (Note 31)	–	16,505	–	65
- Lease liabilities	7,736	–	19	–
Total lease liabilities (current)	7,736	16,505	19	65
Non-current:				
- Finance lease liabilities (Note 31)	–	22,764	–	74
- Lease liabilities	3,614	–	3	–
Total lease liabilities (non-current)	3,614	22,764	3	74

The movements of lease liabilities during the year are disclosed in Note 22 and the maturity analysis of lease liabilities is disclosed in Note 34(b).

(c) *Amounts recognised in profit or loss*

	Group	Company
	2019	2019
	\$'000	\$'000
Depreciation of right-of-use assets	10,952	95
Interest expense on lease liabilities	175	7
Lease expense not capitalised in lease liabilities:		
- Expenses relating to short-term leases not capitalised in lease liabilities (included in cost of sales)	815	–
Total amount recognised in profit or loss	11,942	102

(d) *Total cash outflow*

The Group and the Company had total cash outflows for leases of \$25,708,000 and \$124,000 in 2019 respectively.

(e) *Variable lease payments*

The Group has several lease contracts that contain variable lease payments arising from rent adjustments by Jurong Town Corporation ("JTC"). The rent will be revised to the prevailing JTC-posted rates with a 5.5% escalation cap annually.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

22. Loans and borrowings

Loans and borrowings comprise:

	Effective interest rate		Maturity dates	Group	
	2019	2018		2019 \$'000	2018 \$'000
Loan A – secured	5.28%	4.17%	2020	5,800	5,800
Loan B	—	3.93%	2019	—	500
Loan C – secured	3.75%	3.76%	On demand	600	800
Loan D – secured	6.25%	6.25%	2020	712	2,163
Bank overdrafts	5.25% to 6.00%	5.25% to 6.00%	On demand	4,164	5,320
				11,276	14,583
Bills payable				16,346	18,663
Total loans and borrowings (current)				27,622	33,246

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

Loan A is a revolving credit facility loan secured by mortgage of a property held for sale (2018: property held for development) development by a subsidiary with a carrying amount of \$9,890,000 (2018: \$12,866,000) as at 31 December 2019. Loan A is repayable within 30 days and can be rolled over when due.

Loan C is secured by mortgage of a leasehold building of a subsidiary with a carrying amount of \$2,671,000 (2018: \$3,673,000) as at 31 December 2019.

Loan D 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 amounted to \$889,000 (2018: \$1,649,000) as at 31 December 2019.

Bills payable are interest bearing with an average effective interest of 2.85% (2018: 2.85%) per annum. Bills payable due but not paid as at 31 December 2019 of \$15,863,000 (2018: \$nil) is repayable on demand.

22. Loan and borrowings (cont'd)

Defaults and breaches

During the financial year, a subsidiary of the Group was not in compliance with certain covenant in respect of loans and borrowings. The subsidiary did not fulfil the requirement to maintain a certain net worth amount. The total carrying amount of loans and borrowings of \$3,754,000 was presented as current liabilities as at the end of the reporting period. The bank is contractually entitled to request for immediate repayment of the outstanding amount due to the breach of covenant. The non-compliance has not been remedied as at the date when these financial statements were authorised for issue.

The Group has also defaulted in interest and principal repayment of Loan C and bills payable carried at \$600,000 and \$15,863,000 respectively at the end of the reporting period. The Group experienced shortage of funds due to matters disclosed in Note 2.2 to the financial statements. The bank is contractually entitled to request for immediate repayment of the outstanding amounts due to the default in interest and principal repayment. The interest and principal amounts remained unpaid as at the date when these financial statements were authorised for issue.

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22. Loans and borrowings (cont'd)

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

	1 January 2019	Cash flows	Non-cash changes				31 December 2019
	\$'000	\$'000	Accretion of interests \$'000	Foreign exchange movement \$'000	De- recognised on termination of lease \$'000	Reclassified to 'Liabilities directly associated with disposal group classified as held for sale' (Note 10) \$'000	Others \$'000
Loans and bills payable							
- Current	27,926	(6,982)	2,514	-	-	-	23,458
Lease liabilities* (Note 21(b))							
- Current	18,116	(24,718)	277	(175)	(16)	(1,336)	7,736
- Non-current	25,998	-	223	-	(5)	(7,014)	3,614
Total	72,040	(31,700)	3,014	(175)	(21)	(8,350)	34,808

The 'Others' column relates to the reclassification of non-current portion of lease liabilities due to passage of time.

* Lease liabilities as at 1 January 2019 include the effect of adopting SFRS(I) 16 (See Note 2.3)

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22. 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
	\$'000	\$'000	Acquisition \$'000	Foreign exchange movement \$'000	Others \$'000	\$'000
Loans and bills payable						
- Current	32,238	(4,645)	333	-	-	27,926
Finance lease obligations						
- Current	16,188	(15,578)	513	993	14,389	16,505
- Non-current	35,859	-	3,085	(1,791)	(14,389)	22,764
Total	84,285	(20,223)	3,931	(798)	-	67,195

The 'Others' column relates to reclassification of non-current portion of 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

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23. Trade payables

	Group	
	2019	2018
	\$'000	\$'000
Amounts due to external parties	21,778	31,955
Amounts due to related parties	37,483	7,284
	<u>59,261</u>	<u>39,239</u>

The average credit period on the outstanding trade payables is 60 days (2018: 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:

	Group	
	2019	2018
	\$'000	\$'000
United States Dollars	1,243	25
Euro	805	—

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24. Other payables

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Accrued expenses	4,257	3,432	1,134	553
Advances from customers	1,327	13,564	—	—
Sales tax payable	264	1,482	82	61
Amounts due to external parties	4,033	10,986	372	171
Amounts due to related parties	1,088	1,214	—	206
Amounts due to subsidiaries	—	—	9,991	15,179
Amounts due to joint ventures	17	—	—	3
Payable for purchase of property, plant and equipment	—	2,769	—	—
Financial guarantees	327	—	37,072	—
Others	282	573	6	6
	11,595	34,020	48,657	16,179

Analysed as:

Current	11,595	33,843	48,657	16,179
Non-current	—	177	—	—
	11,595	34,020	48,657	16,179

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	
	2019	2018
	\$'000	\$'000
Euro	69	36
Australian Dollars	27	5

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Notes to the financial statements For the financial year ended 31 December 2019

25. Provisions

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Provision for performance bonds and guarantees	3,976	—	3,976	—
Provision for onerous contracts	1,250	—	—	—
Provision for liquidated damages	19,760	—	—	—
	<u>24,986</u>	<u>—</u>	<u>3,976</u>	<u>—</u>

The Group and the Company have issued certain performance bonds and guarantees in favour of the Group's customers. The performance bonds and guarantees were issued as security for the due performance of the Group's obligations under the contracts with the customers. The provision for performance bonds and guarantees in 2019 represents the estimated costs of compensation related to the non-performance of the Group's obligations under certain contracts with customers.

The provision for onerous contracts was recognised in 2019 for expected losses for certain construction contracts.

On 22 January 2020, a customer of the Group's Construction division made a claim against one of the Group's subsidiaries for costs arising from the early termination of a construction contract. The claim sum includes liquidated damages, losses and expenses incurred for maintaining the project as well as securing a replacement contractor. The provision for liquidated damages represents the estimated costs of compensation related to delays and non-performance of the Group's obligations under the contract.

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26. Deferred tax liabilities

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax liabilities	–	(1,484)	–	1

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
Group					
At 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 and 1 January 2019	–	(2,333)	849	–	(1,484)
Credit/(Charge) to profit or loss from continuing operations	–	1,017	–	372	1,389
Credit/(Charge) to profit or loss from discontinued operations	–	83	(640)	–	(557)
Translation differences	–	18	(4)	–	14
Attributable to assets of disposal group classified as held for sale (Note 10)	–	843	(205)	–	638
At 31 December 2019	–	(372)	–	372	–

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 \$nil (2018: \$3,188,000). 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.

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27. Share capital

	Number of ordinary shares 2019	Share Capital 2019 \$'000	Group and Company Number of ordinary shares 2018	Share Capital 2018 \$'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.

Accumulated shares awarded were as follows:

	Number of shares			
	Not vested		Vested and issued (Accumulated)	
	2019	2018	2019	2018
Directors	—	—	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

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

28. Capital reserve

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Capital reserve arising from:				
Restructuring exercise	13,006	13,006	13,006	13,006
Share-based payment	283	283	—	—
Acquisition of non-controlling interests in subsidiaries	(4,487)	(4,487)	—	—
	8,802	8,802	13,006	13,006
Transfer to reserves of disposal group (Note 10)	(422)	—	—	—
	8,380	8,802	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.

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.

29. 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
- 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with the profit or loss in the consolidated financial statements. Other income, share of results of joint ventures, finance costs and taxation are managed on a Group basis and are not allocated to operating segments.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements

For the financial year ended 31 December 2019

29. Operating segment information (cont'd)

The Group classified Electric Power Generation operating segment as a discontinued operation in 2019 and is not required to include it as a reportable segment. The comparative figures have been re-presented to report separately the results of continuing operations within the segment disclosures.

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

Segment revenues and results

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

	Revenue		Results	
	2019 \$'000	2018 \$'000 (Re-presented)	2019 \$'000	2018 \$'000 (Re-presented)
Construction	34,731	82,271	(88,467)	(2,039)
Precast	54,513	30,873	(31,199)	(1,986)
Property	—	—	(3,846)	(131)
	89,244	113,144	(123,512)	(4,156)
Elimination	26	(1,021)	(138)	(282)
Total	89,270	112,123	(123,650)	(4,438)
Other income			28,134	13,334
Share of results of joint ventures			—	(6,496)
Finance costs			(2,175)	(2,588)
Loss before tax from continuing operations			(97,691)	(188)
Taxation			1,385	(190)
Loss from continuing operations, net of tax			(96,306)	(378)
Profit from discontinued operation, net of tax (Note 10)			1,215	860
(Loss)/Profit for the year			(95,091)	482

Koon Holdings Limited and its Subsidiaries**Notes to the financial statements
For the financial year ended 31 December 2019**

29. Operating segment information (cont'd)

Consolidated revenue of \$89,270,000 (2018: \$112,123,000) after elimination of inter-segmental sales comprise revenue from construction segment of \$34,731,000 (2018: \$82,271,000), precast segment of \$54,513,000 (2018: \$30,873,000) and property segment of \$nil (2018: \$nil).

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, 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

	Group	
	2019	2018
	\$'000	\$'000
Construction	58,936	163,062
Precast	30,546	52,336
Property	13,577	17,407
Elimination	(17,367)	(32,345)
	85,692	200,460
Unallocated corporate assets	455	2,451
Total segment assets from continuing operations	86,147	202,911
Discontinued operation (Note 10)	24,060	23,721
Total assets	110,207	226,632

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

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
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29. Operating segment information (cont'd)

Other segment information

	Depreciation		Additions to property, plant and equipment		Impairment loss on financial assets		Impairment loss on non-financial assets	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Construction	11,263	14,167	2,307	5,925	16,808	116	1,653	—
Precast	2,577	1,429	2,863	799	20,924	—	6,861	—
Property	2	2	—	—	—	—	3,697	—
	13,842	15,598	5,170	6,724	37,732	116	12,211	—

Segment assets

The Construction and Precast segments assets include investments in joint ventures amounting to \$nil (2018: \$174,000).

Geographical information

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

	Revenue		Non-current assets	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore	89,142	112,123	15,069	61,652
Malaysia	128	—	*	14,175
Total	89,270	112,123	15,069	75,827

* Less than \$1,000

29. Operating segment information (cont'd)

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

Information about major customer

Revenue from six major customers amount to \$71,026,000 (2018: \$44,803,000) arising from sales by the Construction and Precast segments.

30. Bank guarantees, performance bonds and commitments

As at 31 December 2019, the Company has provided corporate guarantees totalling \$68,495,000 (2018: \$114,625,000) and \$654,000 (2018: \$740,000) to financial institutions in respect of credit facilities utilised by the subsidiaries and a joint venture respectively.

31. Commitments

(a) Operating lease commitments – as lessee

The Group leases equipment, office, yard premises and accommodation under non-cancellable operating lease agreements. These leases have varying terms.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group 2018 \$'000
Not later than one year	2,103
Later than one year but not later than five years	3,194
	<hr/> 5,297 <hr/>

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to \$2,761,000.

As disclosed in Note 2.3, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term and low-value leases.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

31. Commitments (cont'd)

(b) *Finance lease commitments – as lessee*

Group as a lessee

As at 31 December 2018, the Group leases property, plant and equipment under finance leases. The average lease term is 5 years. The effective borrowing rates ranged between 2.35% and 6.58% per annum.

The future minimum lease payments under finance lease and their present values are as follows:

	Minimum lease payments 2018 \$'000	Present value of minimum lease payments 2018 \$'000
Group		
Amounts payable under finance lease obligations:		
Not later than one year	17,886	16,505
Later than one year but not later than five years	23,881	22,764
Total minimum lease payments	41,767	39,269
Less: Amounts representing finance charges	(2,498)	N/A
Present value of minimum lease payments	39,269	39,269
Less: Amounts due for settlement within 12 months		(16,505)
Amounts due for settlement after 12 months		22,764

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

Finance lease obligations were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.3.

31. Commitments (cont'd)

(b) Finance lease commitments – as lessee (cont'd)

Company as a lessee

As at 31 December 2018, the Company leases motor vehicles under finance leases. The average lease term is 5 years. The effective borrowing rate was 5.24% per annum.

The future minimum lease payments under finance lease and their present values are as follows:

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

Finance lease obligations were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.3.

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2019

32. Categories of financial instruments

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

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
<u>At fair value through profit or loss</u>				
Equity securities (quoted)	20	18	—	—
<u>Financial assets at amortised cost</u>				
Trade receivables	10,944	29,725	—	—
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	27,240	37,994	996	6,609
Pledged fixed deposits	—	19	—	—
Cash and bank balances	795	2,921	78	68
	38,979	70,659	1,074	6,677
Total financial assets	38,999	70,677	1,074	6,677
Financial liabilities:				
<u>Financial liabilities at amortised cost</u>				
Loans and borrowings	27,622	33,246	—	—
Lease liabilities	11,350	39,269	22	139
Trade payables	59,261	39,239	—	—
Other payables (excluding advances from customers and sales tax payable)	10,004	18,974	48,575	16,118
Total financial liabilities	108,237	130,728	48,597	16,257

33. 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 2018 and 2019.

(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 reporting period:

	Group 2019 \$'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
<u>At fair value through profit or loss (Note 16)</u>				
- Investment securities (quoted)	20	–	–	20

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2019

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

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

	Group 2018 \$'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
<u>At fair value through profit or loss (Note 16)</u>				
- Investment securities (quoted)	18	—	—	18

Level 3 fair value measurements

Property, plant and equipment

As disclosed in Note 20(a), the recoverable amounts of certain plant and equipment were based on fair value less cost of disposal which was determined by an independent valuer. These considered replacement costs of similar assets owned by the Group adjusted for age, condition and technological obsolescence.

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

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their fair values due to their short-term nature.

The carrying amounts of lease liabilities (non-current) approximate their fair values as the implicit interest rates approximate the market interest rates prevailing at the financial year end.

34. 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.

34. 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 and amounts due from joint ventures. 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 for these balances. The amounts due from joint ventures is assessed to be credit-impaired as the joint ventures are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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 \$'000
		Contract assets \$'000	Other receivables \$'000	Current and more than 30 days past due \$'000	More than 180 days past due \$'000	More than 360 days past due \$'000
2019						
Gross carrying amount		13,366	50,436	3,025	3,432	5,847
Expected credit loss		(8)	(22,642)	—	(613)	(747)
						76,106
						(24,010)

		Trade receivables				Total \$'000
		Contract assets \$'000	Current and more than 30 days past due \$'000	More than 180 days past due \$'000	More than 360 days past due \$'000	
2018						
Gross carrying amount		55,587	16,046	4,298	10,168	86,099
Expected credit loss		(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.

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

(a) Credit risk (cont'd)

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 \$9,354,000 (2018: \$22,237,000) or 85% (2018: 75%) of the net trade receivables balance at year end.

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.

(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

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34. 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
Group				
2019				
Financial assets:				
Investment securities (quoted)	20	—	—	20
Trade receivables	10,944	—	—	10,944
Other receivables (excluding prepayments, tax recoverable and sales tax receivable)	27,240	—	—	27,240
Cash and bank balances	795	—	—	795
Total undiscounted financial assets	38,999	—	—	38,999
Financial liabilities:				
Loans and borrowings	27,622	—	—	27,622
Lease liabilities	7,960	3,792	—	11,752
Trade payables	59,261	—	—	59,261
Other payables (excluding advance from customers and sales tax payable)	10,004	—	—	10,004
Total undiscounted financial liabilities	104,847	3,792	—	108,639
Total net undiscounted financial liabilities	(65,848)	(3,792)	—	(69,640)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2019

34. 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
Group				
2018				
Financial assets:				
Investment securities (quoted)	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
Total undiscounted financial assets	70,582	95	—	70,677
Financial liabilities:				
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
Lease liabilities	17,886	23,881	—	41,767
Total undiscounted financial liabilities	109,311	24,058	—	133,369
Total net undiscounted financial liabilities	(38,729)	(23,963)	—	(62,692)

Koon Holdings Limited and its Subsidiaries

Notes to the financial statements
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34. 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
Company				
2019				
Financial assets:				
Other receivables (excluding prepayments)	996	—	—	996
Cash and bank balances	78	—	—	78
Total undiscounted financial assets	1,074	—	—	1,074
Financial liabilities:				
Other payables (excluding sales tax payable)	48,575	—	—	48,575
Lease liabilities	20	3	—	23
Total undiscounted financial liabilities	48,595	3	—	48,598
Total net undiscounted financial liabilities	(47,521)	(3)	—	(47,524)
2018				
Financial assets:				
Other receivables (excluding prepayments)	6,609	—	—	6,609
Cash and bank balances	68	—	—	68
Total undiscounted financial assets	6,677	—	—	6,677
Financial liabilities:				
Other payables (excluding sales tax payable)	16,118	—	—	16,118
Lease liabilities	70	76	—	146
Total undiscounted financial liabilities	16,188	76	—	16,264
Total net undiscounted financial liabilities	(9,511)	(76)	—	(9,587)

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

(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 lease liabilities 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 \$27,622,000 (2018: \$33,246,000).

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 1% (2018: 1%) lower/higher with all other variables held constant, the Group's loss before tax would have been \$276,000 (2018: \$332,000) lower/higher, 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.

35. Capital management

It is the policy of the Board of Directors to maintain an appropriate capital base to support the Group's businesses and maximise shareholders' value through the optimisation of debt and equity balance. It is also the policy of the Board of Directors to monitor the return on capital (comprising share capital and reserves) and the level of dividends to ordinary shareholders. The Company's ability to manage its capital has, however, been constrained by the current difficult operating conditions and the Scheme (see Note 2.2).

36. Dividends

No dividend was proposed for the financial years ended 31 December 2019 and 2018.

37. Events occurring after the reporting period

Schemes of Arrangements

Both the KHL Scheme meeting and KCTC Scheme meeting were held on 25 February 2020. The KHL Scheme meeting was adjourned after a major creditor's request for adjournment, as it would like to be provided with more information. 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.

At the adjourned KHL Scheme meeting held on 27 March 2020, the KHL Scheme was approved by a majority in number representing at least three-fourths in value of the creditors present and voting.

The Company and KCTC will in April 2020 apply to obtain the High Court's sanction pursuant to the Companies Act.

Coronavirus disease ("COVID-19")

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020.

We have seen some impact on our business to date. The outbreak and the response of governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. These measures and policies have to a certain extent, affected the supply of construction materials and the performance of the Group's subcontractors.

The scale and duration of these developments remain uncertain as at the date of the financial statements however they may impact on the future earnings, cash flow and financial condition of the Group. It is not possible to estimate the impact of the outbreak's near-term and longer term effects or the governments' efforts to combat the outbreak and support businesses. We do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The consolidated financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

38. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 31 March 2020.

