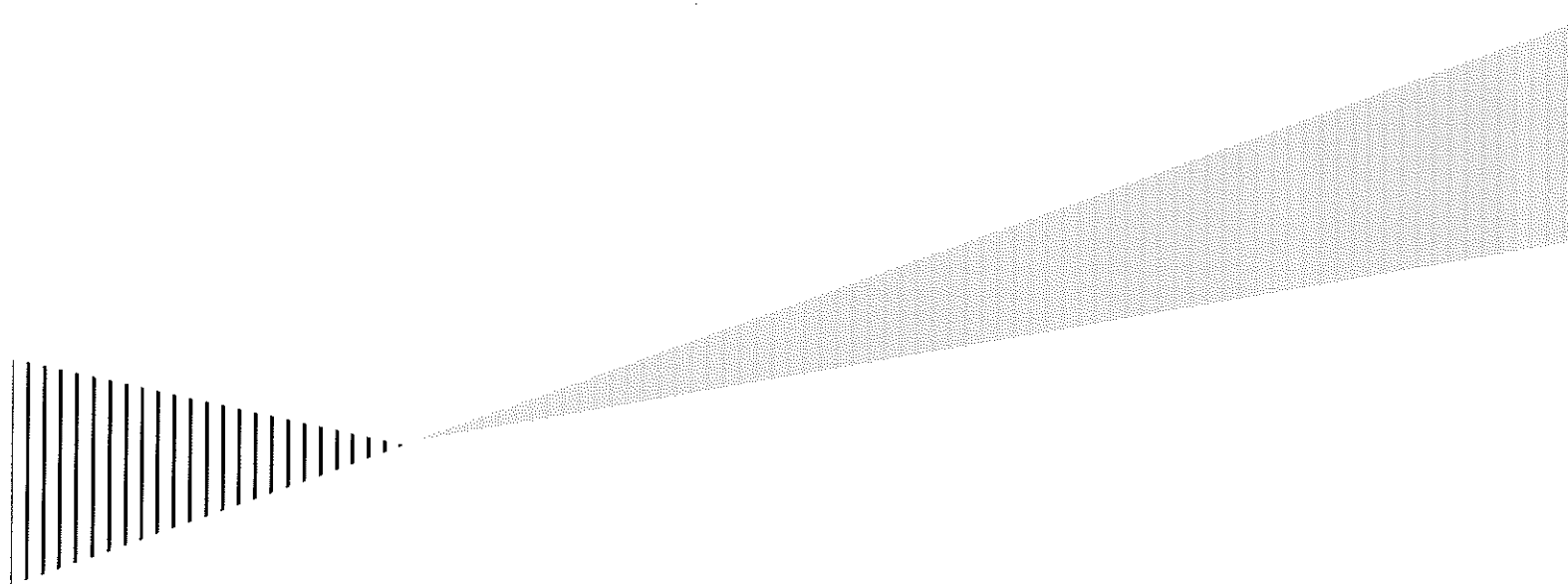


Company Registration No. 200303284M

Koon Holdings Limited and its subsidiaries

Interim Financial Information
For the six months ended 30 June 2014



Building a better
working world

Koon Holdings Limited and its subsidiaries

General information

Index

	Pages
Statement by directors	1
Independent auditor's review report	2
Interim consolidated statement of financial position	3
Interim consolidated statement of comprehensive income	4
Interim consolidated statement of changes in equity	5 – 6
Interim consolidated statement of cash flows	7 – 8
Notes to the interim financial information	9 – 30

Koon Holdings Limited and its subsidiaries

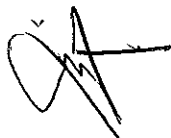
Statement by directors

On behalf of the Board of Directors, we, Yuen Kai Wing and Oh Koon Sun, being two of the directors of Koon Holdings Limited, do hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the accompanying interim financial information for the six months ended 30 June 2014 to be false or misleading.

On behalf of the board of directors:



Yuen Kai Wing
Director



Oh Koon Sun
Director

27 August 2014

Koon Holdings Limited and its subsidiaries

**Report on review of interim financial information
For the six-month period ended 30 June 2014**

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

Introduction

We have reviewed the accompanying interim financial information of Koon Holdings Limited and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the six months period then ended, selected notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 30.

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

Scope of Review

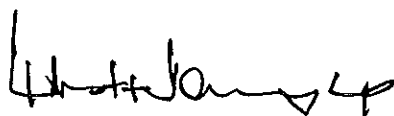
We conducted our review in accordance with the Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

Conclusion

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

Other matters

The financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 21 March 2014.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

27 August 2014

Koon Holdings Limited and its subsidiaries

Interim consolidated statement of financial position as at 30 June 2014

	Note	30.6.2014 \$'000 (Unaudited)	31.12.2013 \$'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		19,344	21,788
Pledged fixed deposits		880	2,560
Trade receivables		38,300	43,105
Other receivables		5,686	4,637
Inventories		7,154	10,881
Contract work-in-progress		5,331	10,870
Held-for-trading investments		37	33
Total current assets		76,732	93,874
Non-current assets			
Other receivables		313	351
Properties held for development		16,860	17,183
Associate		*	*
Joint ventures	5	84	—
Property, plant and equipment	6	62,913	65,128
Available-for-sale investments	7	841	538
Goodwill on consolidation	8	3,536	3,536
Deferred income tax		33	225
Total non-current assets		84,580	86,961
Total assets		161,312	180,835
LIABILITIES AND EQUITY			
Current liabilities			
Bank loans and bills payable	9	19,027	20,575
Trade payables		36,908	51,786
Provision		150	600
Other payables		12,136	11,935
Contract work-in-progress		855	765
Finance leases		6,759	7,841
Income tax payable		754	245
Total current liabilities		76,589	93,747
Non-current liabilities			
Bank loans	9	9,973	10,810
Finance leases		18,490	20,467
Other payables		95	2,500
Deferred income tax		1,734	1,531
Total non-current liabilities		30,292	35,308
Capital and reserves			
Share capital	10	25,446	25,433
Capital reserve		8,663	8,663
Fair value reserve		(98)	(405)
Accumulated profits		17,361	15,646
Translation reserve		(1,795)	(1,950)
Equity attributable to owners of the Company		49,577	47,387
Non-controlling interests		4,854	4,393
Total equity		54,431	51,780
Total liabilities and equity		161,312	180,835

* Amount less than \$1,000.

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of comprehensive income
For the six months ended 30 June 2014**

	Note	30.6.2014 \$'000 (Unaudited)	30.6.2013 \$'000 (Unaudited)
Continuing operations:			
Revenue		90,170	126,352
Cost of sales		(77,822)	(124,366)
Gross profit		12,348	1,986
Other income	11	2,988	845
Distribution costs		(2,675)	(1,457)
Administrative and other operating expenses		(8,874)	(9,343)
Finance costs		(956)	(1,418)
Share of losses of joint ventures (net)		(263)	–
Profit/(loss) before income tax		2,568	(9,387)
Income tax	12	(585)	(3,140)
Profit/(loss) for the period from continuing operations		1,983	(12,527)
Discontinued operation:			
Profit for the period from discontinued operation	13	–	1,062
Profit/(loss) for the period		1,983	(11,465)
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on fair value changes of available-for-sale investments		307	–
Exchange gain/(loss) on translation of foreign operations		348	(1,260)
Other comprehensive income/(loss), net of tax		655	(1,260)
Total comprehensive income/(loss) for the period		2,638	(12,725)
Profit/(loss) for the period attributable to:			
Owners of the Company		1,715	(10,094)
Non-controlling interests		268	(1,371)
		1,983	(11,465)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		2,177	(10,991)
Non-controlling interests		461	(1,734)
		2,638	(12,725)
Earnings/(loss) per share (cents):			
From continuing and discontinued operations:			
- Basic		0.65	(3.84)
- Diluted		0.65	(3.84)
From continuing operations:			
- Basic		0.65	(4.65)
- Diluted		0.65	(4.65)

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

**Interim consolidated statement of changes in equity
For the six months ended 30 June 2014**

	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
Balance at 1 January 2013	25,373	13,305	—	31,230	(523)	69,385	6,644	76,029
Loss for the period	—	—	—	(10,094)	—	(10,094)	(1,371)	(11,465)
Other comprehensive loss for the period	—	—	—	—	(897)	(897)	(363)	(1,260)
Total comprehensive loss for the period	—	—	—	(10,094)	(897)	(10,991)	(1,734)	(12,725)
<u>Contributions by and distributions to owners</u>								
Deferred tax assets on recognition of equity component of share-based payment	—	20	—	—	—	20	8	28
Issue of share capital (Note 10)	60	—	—	—	—	60	—	60
Dividends (Note 19)	—	—	—	(5,375)	—	(5,375)	—	(5,375)
Total contributions by and distributions to owners	60	20	—	(5,375)	—	(5,295)	8	(5,287)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of non-controlling interest	—	(4,626)	—	—	—	(4,626)	(874)	(5,500)
Disposal of subsidiaries	—	(16)	—	—	—	(16)	143	127
Total changes in ownership interests in subsidiaries	—	(4,642)	—	—	—	(4,642)	(731)	(5,373)
Total transactions with owners in their capacity as owners	60	(4,622)	—	(5,375)	—	(9,937)	(723)	(10,660)
Balance at 30 June 2013	25,433	8,683	—	15,761	(1,420)	48,457	4,187	52,644

Koon Holdings Limited and its subsidiaries

Interim consolidated statement of changes in equity
For the six months ended 30 June 2014

	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
Balance at 1 July 2013	25,433	8,683	—	15,761	(1,420)	48,457	4,187	52,644
Loss/(profit) for the period	—	—	—	(115)	—	(115)	373	258
Other comprehensive loss for the period, net of tax	—	—	(405)	—	(530)	(935)	(159)	(1,094)
Total comprehensive income/(loss) for the period	—	—	(405)	(115)	(530)	(1,050)	214	(836)
Deferred tax assets on recognition of equity component of share-based payment	—	(20)	—	—	—	(20)	(8)	(28)
Total transactions with owners in their capacity as owners	—	(20)	—	—	—	(20)	(8)	(28)
Balance at 31 December 2013 and 1 January 2014	25,433	8,663	(405)	15,646	(1,950)	47,387	4,393	51,780
Profit for the period	—	—	—	1,715	—	1,715	268	1,983
Other comprehensive income for the period, net of tax	—	—	307	—	155	462	193	655
Total comprehensive income for the period	—	—	307	1,715	155	2,177	461	2,638
Issue of share capital (Note 10)	13	—	—	—	—	13	—	13
Total transactions with owners in their capacity as owners	13	—	—	—	—	13	—	13
Balance at 30 June 2014	25,446	8,663	(98)	17,361	(1,795)	49,577	4,854	54,431

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries

Interim consolidated statement of cash flows
For the six months ended 30 June 2014

	30.6.2014	30.6.2013
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit/(loss) before income tax	2,568	(8,325)
<u>Adjustments for:</u>		
Inventories written-down	354	4
Allowance for doubtful debts	–	82
Fair value gain on held-for-trading investments	–	(13)
Depreciation of property, plant and equipment	4,914	6,484
Gain on disposal of property, plant and equipment	(365)	(6)
Gain on disposal of subsidiaries	–	(3,159)
Interest expense	956	1,422
Interest income	(56)	(406)
Share of losses of joint ventures (net)	263	–
Dividend income	(1,500)	–
Share-based payment expense	–	1,903
Reversal of provision	(450)	–
Provision of foreseeable loss on contract work-in-progress	(472)	276
Operating cash flows before movements in working capital	6,212	(1,738)
<u>Changes in working capital:</u>		
Contract work-in-progress (net)	6,100	2,018
Trade receivables	4,805	(967)
Inventories	3,373	259
Other receivables	(705)	(1,724)
Trade payables	(14,878)	(1,886)
Other payables (Note B)	(1,795)	756
Cash from/(used in) operations	3,112	(3,282)
Income tax refund	29	48
Net cash from/(used in) operating activities	3,141	(3,234)
Investing activities		
Acquisition of interest in joint venture	–	(100)
Capital contribution to joint venture	(800)	–
Net cash outflow from disposal of subsidiaries	–	(410)
Purchase of property, plant and equipment (Note A)	(2,034)	(324)
Purchase of properties held for development	–	(88)
Proceeds on disposal of property, plant and equipment	1,325	1,655
Acquisition of non-controlling interest in subsidiaries (Note B)	–	(1,500)
Dividend income	1,500	–
Interest received	56	361
Net cash from/(used in) investing activities	47	(406)

Koon Holdings Limited and its subsidiaries

Interim consolidated statement of cash flows
For the six months ended 30 June 2014

	30.6.2014	30.6.2013
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Financing activities		
Decrease in pledged fixed deposits	1,680	1,556
Dividends paid	–	(1,315)
Interest paid	(956)	(1,422)
Repayment of obligations under finance lease (net)	(3,992)	(3,047)
Proceeds from bank loans	–	8,800
Repayment of bank loans	(2,205)	(1,483)
Proceeds from bills payable	16,797	41,227
Repayment of bills payable	(16,977)	(39,952)
Net cash (used in)/from financing activities	(5,653)	4,364
Net (decrease)/increase in cash and cash equivalents	(2,465)	724
Cash and cash equivalents at 1 January	21,788	18,543
Effect of exchange rate changes on cash and cash equivalents	21	(277)
Cash and cash equivalents at 30 June	19,344	18,990

Note A

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with an aggregate cost of \$2,034,000 (30 June 2013: \$4,149,000) of which \$ nil (30 June 2013: \$3,825,000) was acquired under finance lease arrangements. Cash payments of \$2,034,000 (30 June 2013: \$324,000) were made for the purchase of property, plant and equipment.

Note B

During the six months ended 30 June 2013, the Group acquired non-controlling interest in subsidiaries for a consideration of \$5,500,000 of which \$1,500,000 was paid as deposit as at 31 December 2012 and \$2,500,000 remains unpaid as at 30 June 2014.

See accompanying notes to the interim financial information.

Koon Holdings Limited and its subsidiaries**Notes to the interim financial information****For the six months ended 30 June 2014**

1. General

Koon Holdings Limited (Registration No. 200303284M) ("the Company") is incorporated and domiciled 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 Stock Exchange and on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.14 %	31.12.13 %
Bukit Intan Pte. Ltd.	Trading of precast components (Singapore)	100	100
Contech Precast Pte. Ltd.	Manufacturing and trading of precast components (Singapore)	100	100
Entire Engineering Pte. Ltd.	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte. Ltd.	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Econ Precast Pte. Ltd.	Manufacturing and trading of reinforced concrete piles and precast components and supply of high tensile deformed baseline rods (Singapore)	100	100
Econ Precast Sdn. Bhd.	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	100

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

1. General (cont'd)

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.14 %	31.12.13 %
Koon Construction & Transport Co. Pte. Ltd.	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Koon Construction & Transport Sdn. Bhd.	Contractors for civil engineering and building works (Malaysia)	100	100
Koon Properties Pte. Ltd.	Investment holding (Singapore)	100	100
Koon-Top Pave Joint Venture ⁽¹⁾	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	—	100
Metro Coast Sdn. Bhd.	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd.	Property development (Malaysia)	100	100
Triumph Heights Sdn. Bhd.	Property development (Malaysia)	100	100
Tesla Holdings Pty. Ltd.	Investment holding (Australia)	71	71
Tesla Corporation Pty. Ltd.	Holding company for electric power generation business (Australia)	71	71
Tesla Corporation Management Pty. Ltd.	Owns and operates power plant (Australia)	71	71
Tesla Northam Pty. Ltd.	Owns and operates power plant (Australia)	71	71

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

1. General (cont'd)

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		30.6.14 %	31.12.13 %
Tesla Geraldton Pty. Ltd.	Owens and operates power plant (Australia)	71	71
Tesla Kemerton Pty. Ltd.	Owens and operates power plant (Australia)	71	71
Unison Progress Sdn. Bhd.	Property development (Malaysia)	100	100

Notes:

⁽¹⁾ The entity was deregistered on 6 June 2014.

2. Basis of preparation and changes in accounting policies

The interim financial information for the six months ended 30 June 2014 has been prepared in accordance with FRS 34, *Interim Financial Reporting*.

The interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) as indicated.

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The standards, interpretation and amendments to FRS that were issued but not effective as of 1 January 2014 are not expected to have a material impact on the financial performance or position of the Group in the period of their initial adoption.

3. Significant accounting judgments and estimates

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

(i) Judgments made in applying accounting policies

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

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the 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.

(a) Construction contracts

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

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

The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are \$5,331,000 and \$855,000 respectively (31 December 2013: \$10,870,000 and \$765,000 respectively). Management has performed cost studies, taking into account the costs to date and costs to complete each project, and evaluated exposures to liquidated damages. Based on these studies and evaluation, management considers that the above amounts relating to contract work in progress are fairly stated.

(b) Estimation of net realisable value for inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is generally the merchandise's selling price, less costs to sell. Management reviews inventory levels and usage patterns in order to identify slow-moving and obsolete items and to identify those inventories which are impaired in value. The carrying amount of the inventories after write down at the end of the reporting period is \$7,154,000 (31 December 2013: \$10,881,000).

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information

For the six months ended 30 June 2014

4. Related party transactions

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

	30.6.2014	30.6.2013
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Rental income	*	(176)
Sale of scrap	(87)	(402)
Sale of assets	(795)	-
Secondment fees for a director	(174)	(174)
Sub-contractor labour income	-	(65)
Other income	-	(18)
Purchase of precast components	3,571	-
Rental expenses	-	59
Charter expenses	-	255
Hire of equipment	24	-
Marine transport expenses	1,357	-
Agency fee charges	286	-
Other expense	39	44

*Amounts less than \$1,000

A joint venture of the Group had the following transactions with related parties (related by way of common shareholder) that are not members of the Group:

	30.6.2014	30.6.2013
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Rental expenses	371	-
Sale of assets	1,743	-

Compensation of directors and key management personnel

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

	30.6.2014	30.6.2013
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,244	1,576
Post-employment benefits	-	43
Share based payments	-	5
Total	1,244	1,624

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 interim financial information
For the six months ended 30 June 2014**

5. Joint ventures

	30.6.2014	31.12.2013
	\$'000	\$'000
	(Unaudited)	(Audited)
Balance at beginning of period/year	(145)	–
Capital contribution to joint venture	800	108
Share of (losses)/profits, net	(263)	230
Cash received	(308)	(483)
Total	84	(145)
Analysed as:		
Joint ventures	84	–
Other payable	–	(145)
Total	84	(145)

Details of the joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held	
		30.6.14 %	31.12.13 %
Penta-Ocean/Hyundai/Koon Joint Venture	Contractors for civil engineering and building work (Singapore)	20	20
Sindo-Econ Pte. Ltd.	Provision of management and consultancy services (Singapore)	50	50
PT Sindomas Precas	Manufacture of reinforced concrete piles and precast components (Indonesia)	50	50

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

6. Property, plant and equipment

	Capital work-in- progress \$'000	Freehold land \$'000	Freehold building \$'000	Leasehold building \$'000	Leasehold improve- ments \$'000	Plant and machinery \$'000	Barges and tugboats \$'000	Dump trucks and motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
Cost:										
At 31 December 2013	218	1,864	1,144	10,006	704	66,812	1,390	6,261	2,123	90,522
Additions	—	—	8	—	—	1,162	—	862	2	2,034
Disposals	—	—	—	—	(6)	(1,713)	—	(14)	(259)	(1,992)
Transfer	(11)	—	—	—	—	11	—	—	—	—
Exchange difference	—	42	—	—	—	1,884	—	—	41	1,967
At 30 June 2014	207	1,906	1,152	10,006	698	68,156	1,390	7,109	1,907	92,531
Accumulated depreciation:										
At 31 December 2013	—	—	135	1,227	491	18,494	750	3,036	1,261	25,394
Depreciation	—	—	27	560	167	3,328	99	525	208	4,914
Disposals	—	—	—	—	(4)	(1,064)	—	(13)	(257)	(1,338)
Exchange difference	—	—	(1)	—	—	608	—	—	41	648
At 30 June 2014	—	—	161	1,787	654	21,366	849	3,548	1,253	29,618
Carrying amount:										
At 30 June 2014	207	1,906	991	8,219	44	46,790	541	3,561	654	62,913
At 31 December 2013	218	1,864	1,009	8,779	213	48,318	640	3,225	862	65,128

Property, plant and equipment of the Group with carrying amount of \$50,066,000 (31 December 2013: \$57,100,000) are pledged as securities for finance lease agreements and bank loans.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

7. Available-for-sale investments

	30.6.2014	31.12.2013
	\$'000	\$'000
	(Unaudited)	(Audited)
Unquoted equity shares, at cost (a)	500	500
Less: Allowance for impairment loss	(500)	(500)
	<hr/>	<hr/>
Quoted equity shares, at cost (b)	841	538
	<hr/>	<hr/>
Total	841	538

- (a) The investment in unquoted equity shares represents an investment in a company that is engaged in construction projects. Management has determined that the Group does not have significant influence over the investee.

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

- (b) The investment in quoted equity shares represents investment in GPS Alliance Holdings Limited. The fair value is determined based on the quoted price of the investee.

8. Goodwill on consolidation

	30.6.2014	31.12.2013
	\$'000	\$'000
	(Unaudited)	(Audited)
Balance at beginning of period/year	3,536	5,438
Less: Disposal during the period/year	—	(1,902)
	<hr/>	<hr/>
Balance at end of period/year	3,536	3,536

Goodwill is allocated to the cash generating units ("CGU") identified that is expected to benefit from the business combination. The carrying amount of goodwill is attributed to the Electric power generation CGU.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

9. Bank loans and bills payable

	30.6.2014	31.12.2013
	\$'000	\$'000
	(Unaudited)	(Audited)
Long-term bank loans and bills payable	29,000	31,385
Less: Current portion	(19,027)	(20,575)
Non-current portion	9,973	10,810

Bank loans and bills payable comprise:

	30.6.2014	31.12.2013
	\$'000	\$'000
	(Unaudited)	(Audited)
Loan A	577	817
Loan B	884	1,135
Loan C	105	124
Loan D	523	641
Loan E	11	11
Loan F	5,000	5,578
Loan G	4,000	4,000
Loan H	5,800	5,800
Loan I	—	1,000
Bills payable	12,100	12,279
Total	29,000	31,385

- (i) Loan A bears fixed interest of 3.40% per annum (31 December 2013: 3.40% per annum). It is repayable in 48 monthly instalments commencing September 2011. The loan is secured by a charge over subsidiaries' plant and machinery and motor vehicle with a carrying amount of \$82,800 as at 30 June 2014 (31 December 2013: \$216,000).
- (ii) Loan B bears fixed interest of 5.30% per annum (31 December 2013: 5.30% per annum). It is repayable in 48 monthly instalments commencing December 2011 and June 2012. The loan is covered by a corporate guarantee of the company.
- (iii) Loan C is repayable in 96 monthly instalments commencing April 2008 and bears interest at effective interest rate of 7.40% per annum (31 December 2013: 7.40% per annum). The loan is secured by way of first legal charge over a subsidiary's freehold land with a carrying amount of \$859,000 as at 30 June 2014 (31 December 2013: \$859,000) and is guaranteed by another subsidiary.
- (iv) Loan D are repayable in 48 monthly instalments commencing June 2012 and January 2013 and the effective interest rate during the period is 3.29% per annum (31 December 2013: 3.27% per annum). The loans are covered by corporate guarantee of the Company.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information

For the six months ended 30 June 2014

9. Bank loans and bills payable (cont'd)

- (v) Loan E bears effective interest of 8.36% per annum (31 December 2013: 8.36% per annum). It is repayable in 72 monthly instalments commencing August 2011 and June 2012. The loans are secured by Tesla group of companies to finance the construction of the power plants in Australia. The loans are covered by a corporate guarantee from the Company and all assets under the Tesla group of companies.
- (vi) Loan F relates to a mortgage loan for the purchase of leasehold properties and is repayable in 72 monthly instalments commencing October 2012. The loan bears interest at effective interest rate of 1.09% per annum (31 December 2013: 1.09% per annum). It is covered by a corporate guarantee from the Company and secured by a mortgage of a leasehold building of a subsidiary with a carrying amount of \$8,180,000 (31 December 2013: \$8,684,000).
- (vii) Loan G bears effective interest rate of 2.15% (31 December 2013: 1.90%) per annum during the period, unsecured and is repayable within 6 months. The loan can be rolled over upon its maturity.
- (viii) Loan H is repayable in 45 monthly instalments after 30 months (31 December 2013: 18 months) from date of loan taken in June 2013 and bears interest rates range from 2.00% to 2.50% per annum.

Loan H is secured by the mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of \$15,167,000 as at 30 June 2014 (31 December 2013: \$15,588,000).

- (ix) Loan I bears effective interest of 2.55% per annum and is secured by the mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of \$15,588,000 as at 31 December 2013.

The loan was fully repaid during the six months ended 30 June 2014.

- (x) Bills payable relates to import financing facility provided by banks and bear interest rates range between 1.91% to 2.16% per annum (31 December 2013: range between 1.75% to 2.11% per annum). These facilities are covered by corporate guarantees from the Company.

The Group is in compliance with externally imposed capital requirements with the exception of a subsidiary whose net equity falls short of the minimum equity specified in a financial covenant of a bank. Bills payable to this bank as at 30 June 2014 amounted to \$4,142,000 (31 December 2013: \$3,473,000) and are included in current liabilities.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information

For the six months ended 30 June 2014

10. Share capital

During the six month ended 30 June 2014, the Group issued 90,000 shares (30 June 2013: 275,000 shares) to the participants of the Koon Employee Performance Share Plan. The shares were valued based on the five-day average prevailing share prices of \$0.15 per share (30 June 2013: \$0.22 per share) before the date of issue.

11. Other income

	(Unaudited)					
	Continuing operations		Discontinued operation		Group	
	30.6.14 \$'000	30.6.13 \$'000	30.6.14 \$'000	30.6.13 \$'000	30.6.14 \$'000	30.6.13 \$'000
Secondment fees for a director	174	174	–	–	174	174
Interest Income	56	151	–	255	56	406
Sale of scrap	184	267	–	–	184	267
Gain on disposal of property, plant and equipment	365	6	–	–	365	6
Dividends received	1,500	–	–	–	1,500	–
Government grants	601	27	–	–	601	27
Others	108	220	–	58	108	278
	2,988	845	–	313	2,988	1,158

12. Income tax

	(Unaudited)					
	Continuing operations		Discontinued operation		Group	
	30.6.14 \$'000	30.6.13 \$'000	30.6.14 \$'000	30.6.13 \$'000	30.6.14 \$'000	30.6.13 \$'000
Current tax	210	166	–	–	210	166
Overprovision of current tax in prior years	(37)	(44)	–	–	(37)	(44)
Deferred tax	371	236	–	–	371	236
Derecognition of deferred tax assets	26	2,749	–	–	26	2,749
Withholding tax	15	33	–	–	15	33
	585	3,140	–	–	585	3,140

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

13. Discontinued operation and disposal of subsidiaries

GPS Alliance Holdings Limited ("GPS Australia") was incorporated as a 51% held subsidiary in 2013. In March 2013, the Group, together with the minority shareholders carried out a share swap and shares in GPS Alliance Holdings Pte Ltd ("GPS Singapore") was transferred to GPS Australia in exchange for shares in GPS Australia. The exercise resulted in GPS Singapore becoming a wholly-owned subsidiary of GPS Australia.

In April 2013, GPS Australia issued 7,446,460 new shares to the minority shareholders in recognition of the past services rendered by the minority shareholders to GPS Group.

On 11 June 2013, the Group distributed 17,093,960 shares in its subsidiary, GPS Australia to the shareholders as a dividend in specie (Note 19). This resulted in a loss of control in GPS Australia, classification of residual interest in GPS Australia as an available-for-sale investment (Note 7) and classification of the operations of the GPS Australia and its subsidiaries as a discontinued operation for the Group in the interim condensed consolidated financial statements for the six months ended 30 June 2013.

The results of real estate agency operation for the period from 1 January 2013 to 10 June 2013 were as follows:

	1.1.2013 to 10.6.2013 \$'000 (Audited)
Revenue	11,408
Cost of sales	<u>(9,573)</u>
Gross profit	1,835
Other income	313
Administrative expense	(3,956)
Distribution costs	(285)
Finance cost	<u>(4)</u>
Loss before income tax	(2,097)
Income tax	<u>-</u>
Loss for the period, representing total comprehensive loss for the period	<u>(2,097)</u>
Loss for the period, representing total comprehensive loss for the period attributable to:	
- Owners of the Company	(1,026)
- Non-controlling interests	<u>(1,071)</u>
	<u>(2,097)</u>

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information
For the six months ended 30 June 2014

13. Discontinued operation and disposal of subsidiaries (cont'd)

Book values of net assets over which control was lost

	10.6.2013
	\$'000
	(Audited)
Non-current assets	
Available-for-sale investment	150
Property, plant and equipment	517
Deferred tax assets	3
Total non-current assets	<u>670</u>
Current assets	
Trade receivables	10,401
Other receivables	8,470
Cash and cash balances	410
Contract work-in-progress less progress billings	79
Inventories	20
Total current assets	<u>19,380</u>
Non-current liabilities	
Term loan	(6,416)
Finance lease	(50)
Total non-current liabilities	<u>(6,466)</u>
Current liabilities	
Trade payables	(8,281)
Other payables and accruals	(3,253)
Term loan	(246)
Provision for taxation	(53)
Finance lease	(34)
Total current liabilities	<u>(11,867)</u>
Attributable goodwill	<u>1,902</u>
Net asset derecognised	<u>3,619</u>

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information
For the six months ended 30 June 2014

13. Discontinued operation and disposal of subsidiaries (cont'd)

Book values of net assets over which control was lost (cont'd)

	1.1.2013 to 10.6.2013 \$'000 (Audited)
Gain on disposal:	
Recognition of fair value of shares in GPS Alliance Holdings Limited*	4,060
Net assets derecognised	(3,619)
Capital reserve derecognised	(256)
Non-controlling interest derecognised	2,031
Fair value of retained interest recognised as available-for-sale investment (Note 7)	943
Gain	<u>3,159</u>

* These shares were subsequently distributed to shareholders of Koon Holdings Limited.

The profit for the period from the discontinued operation was as follows:

	1.1.2013 to 10.6.2013 \$'000 (Audited)
Loss from real estate agency operation for the period	(2,097)
Gain on disposal of real estate agency operation	<u>3,159</u>
Net	<u>1,062</u>

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

14. Earnings/(Loss) per share

	30.6.2014 (Unaudited)	30.6.2013 (Unaudited)
From continuing and discontinued operations		
Earnings/(loss) from continuing operations (in '\$'000)	1,715	(12,227)
Loss attributable to owners of the company	–	(1,026)
Gain on disposal of real estate agency operations (Note 13)	–	3,159
Profit from discontinued operation (in '\$'000)	–	2,133
Profit/(loss) for the period attributable to owners of the Company (in '\$'000)	1,715	(10,094)
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	263,098	263,008
Effect of dilutive potential ordinary shares: Employee performance share plan (in '000)	–	135
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	263,098	263,143

From discontinued operation

Basic and diluted loss per share for the discontinued operation is 81 cents per share as at 30 June 2013, based on the loss from the period from the discontinued operations of \$2,133,000 and the denominators detailed above for both basic and diluted earnings per share.

15. Operating segment information

Products and services from which reportable segments derive their revenues

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the functionality of services provided. The Group's reportable segments are as follows:

- Construction
- Precast
- Property
- Electric power generation

The "Construction" segment relates to construction projects for land reclamation, roads and bridges.

The "Precast" segment relates to the supply and manufacturing of reinforced concrete piles and precast components and the supply of high tensile deformed bars/wire rods.

The "Property" segment relates to property development activities.

The "Electric power generation" segment relates to the operation of electricity power stations.

Koon Holdings Limited and its subsidiaries

Notes to the interim financial information
For the six months ended 30 June 2014

15. Operating segment information (cont'd)

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

Segment revenues and results

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

	Revenue		Results	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations:				
Construction	50,310	93,629	1,836	(3,911)
Precast	38,575	39,384	172	(5,247)
Property	—	—	23	(131)
Electric power generation	4,144	4,884	1,805	2,357
	93,029	137,897	3,836	(6,932)
Elimination	(2,859)	(11,545)	(1,994)	(1,882)
Total	90,170	126,352	1,842	(8,814)
Unallocated corporate income			1,945	845
Share of losses of joint ventures (net)			(263)	—
Finance costs			(956)	(1,418)
Profit/(loss) before income tax			2,568	(9,387)
Income tax			(585)	(3,140)
Profit/(loss) for the period			1,983	(12,527)
Discontinued operation:				
Property (real estate agency services)	—	11,451	—	(2,393)
Elimination	—	(43)	—	(13)
Total	—	11,408	—	(2,406)
Unallocated corporate income			—	3,472
Finance costs			—	(4)
Profit before income tax			—	1,062
Income tax			—	—
Profit for the period			—	1,062
Consolidated revenue for the period	90,170	137,760		
Consolidated profit/(loss) for the period			1,983	(11,465)

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

15. Operating segment information (cont'd)

Revenue reported above represents revenue generated from external customers and inter-segmental sales amounting to \$2,859,000 (30 June 2013: \$11,588,000) which have been eliminated on consolidation. Revenue from external customers of Construction, Precast, Property and Electric power generation segments was \$50,002,000 (30 June 2013: \$93,579,000), \$36,024,000 (30 June 2013: \$27,889,000), \$nil (30 June 2013: \$11,408,000) and \$4,144,000 (30 June 2013: \$4,884,000) respectively.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of share of loss of associate, the gain on deemed disposal of previously held interest in associate, dividend income, interest income, finance costs and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets

	30.6.2014	31.12.2013
	(Unaudited)	(Audited)
Construction	94,320	107,719
Precast	81,416	81,564
Property	27,326	28,264
Electric power generation	35,559	34,403
	<hr/>	<hr/>
Elimination	238,621 (79,732)	251,950 (73,156)
	<hr/>	<hr/>
Total segment assets	158,889	178,794
Unallocated corporate assets	2,423	2,041
	<hr/>	<hr/>
Total assets	161,312	180,835

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than deferred income tax asset of the Group and all assets of Koon Holdings Limited other than those eliminated at consolidation.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

15. Operating segment information (cont'd)

Other segment information

	Depreciation		Additions to property, plant and equipment	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations:				
Construction	2,075	1,731	1,819	2,107
Precast	2,147	3,907	214	1,760
Property	—	—	—	—
Electric power generation	692	738	1	72
Total	4,914	6,376	2,034	3,939
Discontinued operation:				
Property (real estate agency services)	—	108	—	210
Total	4,914	6,484	2,034	4,149

The Construction segment includes a reversal of anticipated losses amounting to \$472,000 (30 June 2013: charge of anticipated losses amounting to \$276,000).

The Precast segment includes allowance for doubtful debts amounting to \$nil (30 June 2013: \$82,000), reversal of provision amounting to \$450,000 (30 June 2013: \$nil) and inventories written off of \$354,000 (30 June 2013: \$4,000).

Geographical information

The Group mainly operates in three principal geographical areas - Singapore (country of domicile of holding company), Australia and Malaysia.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in joint ventures, finance lease receivables and other financial assets) by geographical location are detailed below.

	Revenue from external customers		Non-current assets	
	30.6.2014	30.6.2013	30.6.2014	31.12.2013
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Based on location of customer				
Singapore	85,386	132,876	36,495	39,121
Malaysia	640	—	17,181	17,294
Australia	4,144	4,884	30,903	30,546
Total	90,170	137,760	84,580	86,961

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

15. Operating segment information (cont'd)

Information about major customers

The Group's largest customer contributed revenue of \$28,940,000 (30 June 2013: \$58,280,000) to the Construction segment in Singapore.

16. Bank guarantees, performance bonds and commitments

As at the end of the reporting period, the Group has given unsecured letters of indemnity and performance bonds amounting to \$19,754,000 (31 December 2013: \$24,498,000) to third parties in the ordinary course of business in respect of construction and precast contracts undertaken.

17. Operating lease arrangements

	30.6.2014 (Unaudited)	30.6.2013 (Unaudited)
Minimum lease payments under operating leases recognised as an expense in the period	1,216	2,930

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

	30.6.2014 (Unaudited)	31.12.2013 (Audited)
Within one year	2,644	2,330
In the second to fifth year inclusive	2,896	2,087
In the sixth to tenth year inclusive	1,522	1,583
	<u>7,062</u>	<u>6,000</u>

Operating lease payments represent rentals payable by the Group for rental of premises. Leases are negotiated for an average term of 3 years (31 December 2013: 4 years).

18. 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, 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.

(b) Assets and liabilities measured at fair value

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

	30.6.2014 (Unaudited) \$'000			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements				
Assets				
Financial assets:				
<u>Held-for-trading financial assets</u>				
- Quoted equity instruments	37	—	—	37
<u>Available-for-sale financial assets (Note 7)</u>				
- Quoted equity instruments	841	—	—	841

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

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

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

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

	30.6.2014 (Unaudited)		31.12.2013 (Unaudited)	
	Carrying amount	Fair value	Carrying Amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Unquoted equity investments (i)	—	—	—	—
Financial liabilities				
Finance lease liabilities (non- current) (ii)	(18,490)	(18,073)	(20,467)	(20,162)
Bank loans (non- current), fixed rate (ii)	(6,038)	(6,218)	(6,289)	(6,535)

- (i) Unquoted equity investment represents 50.0% (31 December 2013: 50.0%) of total ordinary shares in Koon-Zinkon Pte. Ltd. which has been fully impaired in prior years.
- (ii) The fair value of finance lease liabilities and interest-bearing bank loans with fixed interest rates are determined using discounted future principal and interest at the market interest rate at the end of the reporting period. The estimated future cash flows are projected based on management's best estimates.

- (d) *Fair value of convertible loan receivable*

Included in other receivables is a convertible loan receivable amounting to \$630,000. The Group is entitled to convert the convertible loan receivable to unquoted equity shares in a privately-held company. The convertible loan receivable is carried at cost less impairment because its fair value cannot be reliably determined. The variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range of reasonable inputs are not sufficiently reliable to determine its fair value.

Koon Holdings Limited and its subsidiaries

**Notes to the interim financial information
For the six months ended 30 June 2014**

19. Dividends

No dividend was issued during the period from 1 January 2014 to 30 June 2014, for financial year ended 31 December 2013 to shareholders of Koon Holdings Limited.

During the period from 1 January 2013 to 30 June 2013, a final dividend (one-tier exempt) of \$0.005 per share (total dividend of \$1,315,000) on 263,007,800 ordinary shares, for financial year ended 31 December 2012 was paid to shareholders of Koon Holdings Limited.

As described in Note 13, on 11 June 2013, a special dividend in specie of 17,093,960 shares in a former subsidiary, GPS Alliance Holdings Limited, valued at \$4,060,000, was distributed to shareholders of Koon Holdings Limited.