STRENGTH IN GROWTH

KOON HOLDINGS LIMITED

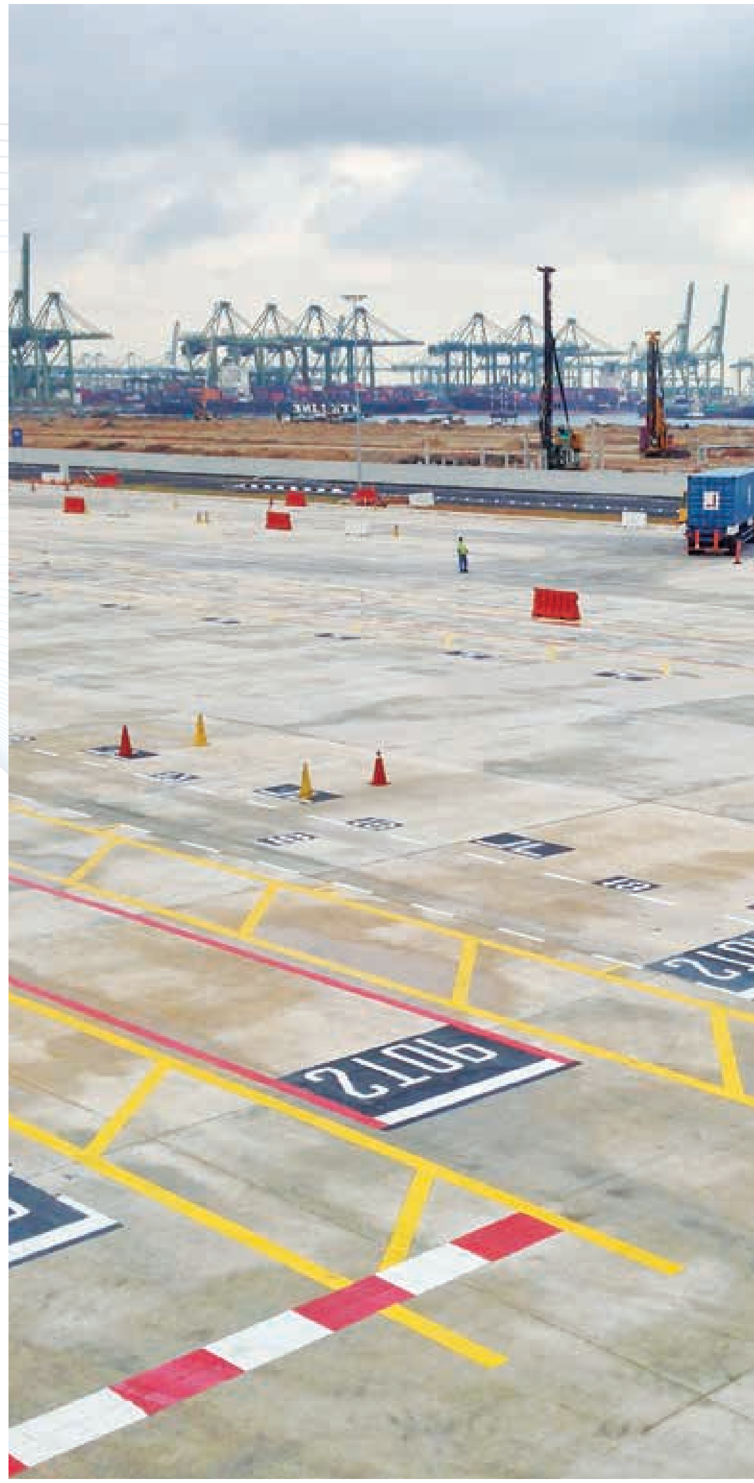
ANNUAL REPORT 2014

CORPORATE PROFILE

Koon Holdings Limited (ASX stock code: KNH, SGX stock code: 5DL) is one of Singapore's leading infrastructure and civil engineering service providers specialising in reclamation and shore protection works.

With a history tracing back to 1975, Koon has been in the construction industry for four decades. Our core strengths lie in our focus on delivering quality projects, customer satisfaction as well as commitment to safety standards. These values have guided us well as we continue to strengthen our presence in our operating markets.

Over the years, Koon has grown from a company with a single focus in civil engineering into a construction player with businesses in civil engineering, precast and energy infrastructure.



VISION & MISSION

To be an innovative builder creating value for all stakeholders.

We are dedicated to providing quality works, innovative solutions and effective professional services to our customers.

We strive to establish lasting relationships with our customers by exceeding their expectations and gaining their trust based on safety, quality, timely service and anticipation of their needs.

We respect and treat all employees fairly and encourage them to have initiative, be innovative and productive and nurture them to achieve their fullest potential.

SERVICE EXCELLENCE

We provide services exceeding customers' expectations, safe and timely project delivery and at the same time we adopt corporate social responsibility.

PARTNERSHIP – FORGE PARTNERSHIP WITH STAKEHOLDERS

We strive to develop lasting win-win relationships with our stakeholders.

INNOVATION

We always look for ways to do things cheaper, faster and better.

RESOURCE – PEOPLE DEVELOPMENT

We believe everyone has their strength and we strive to develop our staff to their fullest potential to achieve organisation goals.

INTEGRITY

We uphold ourselves with professionalism, honesty and sincerity and deliver what we promised through adopting best practices.

TEAMWORK AND UNITY

We can achieve more together through mutual respect and trust, open sharing and communication.

CONTENTS

INFRASTRUCTURE CONSTRUCTION AND CIVIL ENGINEERING

Backed by its proven track record and experience, the Group's 100% owned subsidiary, Koon Construction & Transport Co. Pte Ltd ("Koon") is a well-established civil engineering contractor in Singapore. Koon is registered with the Building and Construction Authority ("BCA") under the A1 grade – the highest grading for civil engineering category, which allows it to tender for public civil engineering projects of unlimited value in Singapore.

With staff strength of more than 500, Koon has built a strong portfolio in its niche operating market serving government-related bodies such as the Land Transport Authority ("LTA"), the Housing and Development Board ("HDB"), the Public Utilities Board ("PUB"), the Defence Science and Technology Agency ("DSTA"), JTC Corporation and PSA Corporation Limited. Koon has undertaken numerous infrastructure construction works encompassing land reclamation, shore protection and terminal/port projects. Depending on the nature of the project secured, Koon is able to spearhead the entire project as main contractor or collaborate with our long-time partners such as Penta-Ocean Construction Company Ltd ("Penta-Ocean") and Hyundai Engineering & Construction Co. Ltd. ("Hyundai").

For more than two decades, Koon has taken part in various land reclamation works which have helped expanded the land area of Singapore by about 20%. These completed projects now form the new coastal lines of Singapore:

- North: Punggol
- South: Marina Bay, Tanjung Rhu, Sentosa Cove & Pasir Panjang
- East: Changi
- West: Jurong Island & Tuas View

Over the past few years, we have executed and completed a high percentage of public civil infrastructure projects. Amongst the more noticeable ones are:

- Construction of Seletar Link Bridge and widening of the Tampines Expressway. Project value: S$40 million
- Rehabilitation and earthworks at Tampines Road. Project value: S$40 million
- Construction of Container Berths and Stacking Yards at Pasir Panjang Terminal, Phase III. Project value secured under Joint Venture with Penta-Ocean and Hyundai: S$100 million
- Construction Industries Park at Seletar. Project value: S$81 million
- Serangoon Reservoir project. Project value: S$126 million
- Infrastructure Package 1 for Gardens by the Bay at Marina South. Project value: S$30 million
- Wetlands at Lorong Halus Landfill. Project value: S$19 million

Aligning with industry benchmarks, Koon is ISO 9001:2008 (quality), ISO 14001:2004 (environment) and OHSAS 18001:2007 (safety) certified. Koon also won the BCA Construction Excellence Award 2012 in Civil Engineering for the technically-challenging Serangoon Reservoir project.

COMMITMENT TO QUALITY PROJECT AND SAFE WORK ENVIRONMENT

Delivering quality works and at the same time creating safe working environment for our people and partners have been our guiding principles. The Group is focused on cultivating a culture of safety by going beyond setting workplace rules. Regular interactions with both on-site and off-site staff to promote safety awareness remain our priority as we believe workplace safety is a collective responsibility.

Recognised for its commitment to incorporate safety as part of its business model, Koon has obtained the certification for BizSAFE Partner and the certification for attaining the BizSAFE Level STAR from the Workplace Safety and Health Council since 2009. Koon was also accorded certification of appreciation by PSA Corporation Limited for its good safety record consecutively in year 2012, 2013 and 2014 relating to projects undertaken at Pasir Panjang Terminal.

SUSTAINABLE APPROACH

The Group continues to adopt best practices including progressive efforts towards a more sustainable building approach. Testament to our efforts and progress on this front, Koon received the BCA Green and Gracious Builder Award (Excellent category) in 2013, which was one tier above its earlier achievement of Merit category in 2012.

INFRASTRUCTURE CONSTRUCTION AND CIVIL ENGINEERING

Koon is **committed to delivering quality works and maintaining safe working environment** in project execution

PRECAST

The Group moved into the upstream precast industry through the acquisitions of Econ Precast Pte Ltd ("Econ") and Contech Precast Pte Ltd ("Contech") in 2010.

With a combined track record of more than 30 years, both Econ and Contech are approved precast products suppliers to Housing and Development Board projects with the highest grading (L6) from the BCA, enabling them to tender for public precast works of unlimited value. Over the years, Econ and Contech have established themselves as one of the leading precast manufacturers in Singapore.

Operating casting yards in Singapore, Malaysia and Batam, Indonesia, the Precast division manufactures and markets a comprehensive range of precast products which include:

- prestressed and precast beams and columns
- reinforced concrete piles
- reinforced concrete
- refuse chutes
- staircase flights
- architectural facade wall panels and external walls
- volumetric components such as space adding items, utility rooms and lift-wells used mainly in HDB's Main Upgrading Program and Lift Upgrading Program
- tunnel segments

Our extensive customer base includes the HDB and LTA.

PRECAST

Both Econ and Contech are **approved precast works suppliers to the HDB projects** with the highest grading (L6) from the BCA.

ELECTRIC POWER GENERATION

As part of the Group's business strategy to generate diversified streams of recurring income, the Group acquired a stake in Tesla Holdings Pty Ltd ("Tesla Group") in July 2010. The Group currently holds 71.2% equity interest in Tesla Group.

Tesla Group is an Australian energy infrastructure company which has successfully attained capacity credit allocations from the Independent Market Operator of Western Australia. These allocations provide Tesla Group an incentive by granting a recurring source of income for the initial capital investment of power generation plants.

Tesla Group currently owns and operates a total of four diesel power generation plants of 9.9 MW each in Western Australia. Its first Picton plant was commissioned in August 2011 and the remaining three plants, namely Kermerton plant, Northam plant and Geraldton plant, were commissioned in late 2012.

Tesla Group's power generation plants are situated on the South West Interconnected System ("SWIS") electricity grid in Western Australia to provide peaking power to the SWIS under the Western Australian government capacity pricing mechanism. Tesla Group generates recurring revenue based on a two-tier revenue matrix (standby fee and actual usage fee) from the operation of its four power generation plants in Western Australia.

NORTHAM


KEMERTON


GERALDTON

ELECTRIC POWER GENERATION

Tesla Group owns and operates **four 9.9 MW diesel power generation plants** that provide peak power electricity in Western Australia

FINANCIAL SUMMARY

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER (S$'000)

	2010[a]	2011[b]	2012[b]	2013[b]	2014
Revenue	79,381	88,055	212,724	231,369	163,917
Gross Profit	16,101	8,223	20,598	14,411	26,646
Other Income	7,181	14,038	2,994	5,416	3,796
Administrative and Other Operating Expenses	9,446	13,129	20,991	22,546	17,472
Profit/(Loss) before Income Tax	14,897	6,736	(2,409)	(8,941)	6,656
Profit/(Loss) after Income Tax	12,798	7,533	23	(11,207)	6,308
Profit/(Loss) Attributable to Shareholders	13,032	7,605	46	(10,209)	5,824

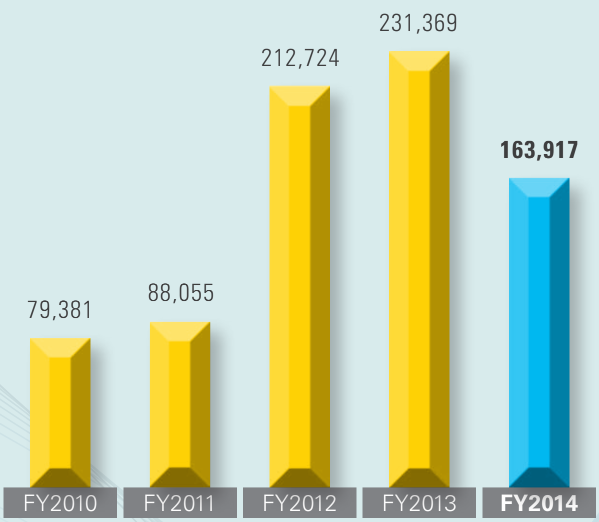
Financial Position

	2010	2011	2012	2013	2014
Current Assets	72,771	79,181	122,365	93,874	88,480
Non-Current Assets	25,928	42,997	110,210	86,961	83,378
Total Assets	**98,699**	**122,178**	**232,575**	**180,835**	**171,858**
Current Liabilities	45,574	61,443	121,307	93,747	96,154
Non-Current Liabilities	3,346	5,396	35,239	35,308	18,951
Total Liabilities	**48,920**	**66,839**	**156,546**	**129,055**	**115,105**
Shareholders' Fund	47,676	52,801	69,385	47,387	52,083
Non-controlling interests	2,103	2,538	6,644	4,393	4,670
Total Liabilities and Equity	**98,699**	**122,178**	**232,575**	**180,835**	**171,858**
Current Assets to Current Liabilities	160%	129%	101%	100%	92%
Net Gearing Ratio*	–	–	61%	75%	70%

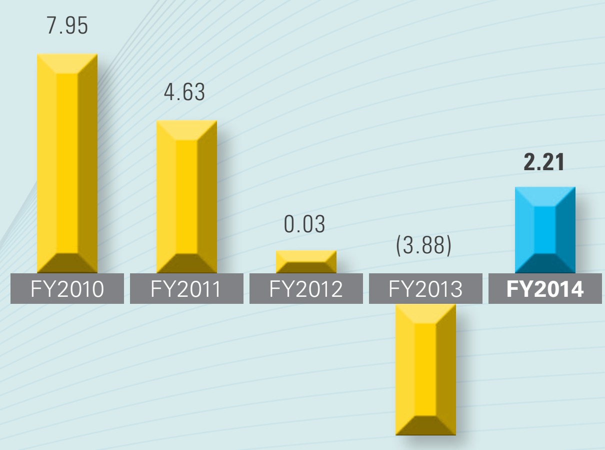
a Included the results of discontinued marine logistics operation.
b Included the results of discontinued real estate agency operation.
* Net Gearing Ratio = (Bills payable, bank loan and finance lease less cash and bank balances)/shareholders' fund.

FINANCIAL SUMMARY

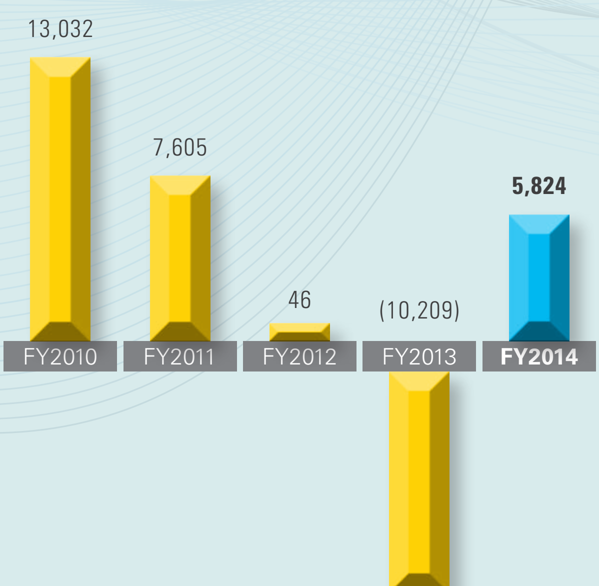
REVENUE (S$'000)



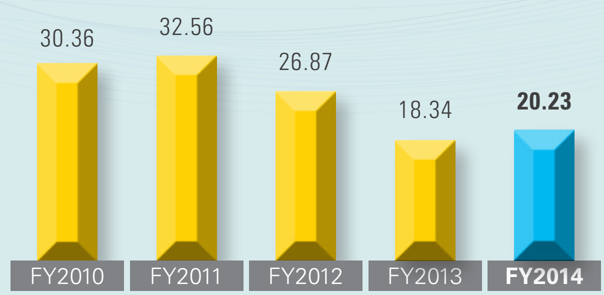
BASIC EARNINGS/(LOSS) PER SHARE (SINGAPORE CENTS)



PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S$'000)



NET TANGIBLE ASSETS PER SHARE (SINGAPORE CENTS)



MESSAGE FROM CHAIRMAN & MANAGING DIRECTOR

DEAR SHAREHOLDERS,

The financial year ended 31 December 2014 ("FY2014") has been an encouraging year for the Group. We continued to forge ahead and focused on our core competencies. The Group recorded revenue of S$163.9 million in FY2014 as compared with S$220.0 million in the previous financial year ("FY2013"). Despite the decrease in revenue, the Group has turnaround to achieve a net profit attributable to shareholders of S$5.8 million in FY2014 as compared to our loss making position in FY2013.

The improvement in the Group's earnings in FY2014 was mainly attributed to the profitability from both the Construction and Precast divisions, higher other income and contributions from joint ventures, as well as lower income tax expenses.

Leveraging on our core competencies, we continued to secure new construction and precast contracts and improved on project costs management. The Construction division had fewer loss making projects in FY2014. We were also able to achieve better efficiency in our precast yards, which also contributed to higher gross profits. The improved gross profits from the Construction and Precast divisions were partially offset by lower profit from the Electric Power Generation division due to lower revenue amid a weak Australian dollar against the Singapore dollar.

Other income had increased from S$1.9 million to S$3.8 million in FY2014 mainly due to a dividend income of S$1.5 million from Koon Zinkcon Pte Ltd.

Following shareholders' approval at last year's Annual General Meeting held on 29 April 2014 for the Group's joint venture arrangements with ASL Marine Holdings Ltd to establish a plant in Batam, Indonesia for the manufacture of precast concrete components, the Group's share of profit from joint ventures under Sindo-Econ Pte Ltd and its Indonesia subsidiary PT Sindomas Precas had increased to S$1.0 million in FY2014.

As announced in November 2014, a joint venture between the Group's wholly owned subsidiary, Koon Construction & Transport Co. Pte Ltd and Penta-Ocean Construction Company Ltd was awarded a S$1.1 billion contract by the Ministry of Transport to carry out land preparation works for the expansion of Singapore Changi Airport. The Group has a 20% stake in this joint venture. Works for this project will be carried out in several phases over the next few years.

BUSINESS OUTLOOK

According to figures released in January 2015 by the Building and Construction Authority, the total construction demand for public and private construction contracts is projected to be between S$29 billion and S$36 billion in 2015, with majority from the public sector. The precast business will remain a beneficiary of government policies, as public housing projects and MRT tunneling projects continue to adopt precast concrete components.

Despite the positive outlook, companies in the construction industry continue to face challenges against the backdrop of rising competition, higher manpower and material costs and tighter labour. The Group will continue to adopt a prudent and selective stance towards new projects, with a key focus on maintaining profitability.

As at 31 December 2014, our Construction and Precast divisions had outstanding order book of approximately S$368 million and S$80 million respectively. Subsequent to FY2014, the Precast division has secured additional

MESSAGE FROM CHAIRMAN & MANAGING DIRECTOR

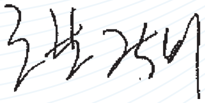
Despite the decrease in revenue, the Group has turnaround to achieve a net profit attributable to shareholders of **S$5.8 million** in FY2014

new contracts worth approximately S$20 million for the supply of precast concrete segments for cable tunnel and MRT tunnel construction projects.

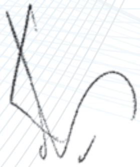
NOTE OF APPRECIATION

We would like to express our appreciation to our Board of Directors, for their invaluable guidance and support. We would also like to thank our management and staff for their commitment and hard work; and our shareholders, customers, suppliers and partners for their continuing support. Through our partnership, we can continue to achieve new heights.

Yours Sincerely,



ANG SIN LIU
Non-Executive Chairman



YUEN KAI WING
Managing Director

ANG SIN LIU

YUEN KAI WING

PERFORMANCE REVIEW

The Group's revenue of S$163.9 million in FY2014 was 25.5% lower as compared with S$220.0 million in FY2013.

Revenue from the Construction division decreased by 36.3% from S$146.5 million in FY2013 to S$93.4 million in FY2014. This was mainly due to the substantial completion of a number of projects: (i) construction of the Seletar Link Bridge and widening of the Tampines Expressway; (ii) rehabilitation and earthworks at Tampines Road; (iii) construction of container stacking yard for P26, P31, P32 & P33 berths at PSA Pasir Panjang Terminal and (iv) construction of seawater intake facilities at Jurong Island, which was partially offset by revenue generated from projects including: (i) construction of roads, drains, sewers and a vehicular bridge at Ayer Merbau Road; (ii) construction of roads, drains, culverts and drainage outfall at Tuas South Boulevard; (iii) foundation works for a 4-storey vehicle storage and workshop at Choa Chu Kang Way; (iv) construction of container stacking yard for P36 to P41 berths at PSA Pasir Panjang Terminal and (v) reclamation works at Pulau Ubin and Pulau Tekong.

Revenue from the Precast division fell by 6.5% from S$77.6 million in FY2013 to S$72.6 million in FY2014 as there were lower deliveries during the year. Under the Electric Power Generation division, revenue from the Group's 71.2% owned subsidiaries, the Tesla Holdings Pty Ltd group of companies ("Tesla Group"), was 17.0% lower at S$7.5 million in FY2014. The decline was mainly attributed to a lower reserve capacity price per MW in FY2014 set by the Independent Market Operator of Western Australia and partly due to a weak Australian dollar against the Singapore dollar.

Despite lower revenue, overall gross profit had more than doubled to S$26.7 million in FY2014. This was mainly attributed to higher gross profits recorded by both the Construction and Precast divisions, partially offset by lower gross profit from the Electric Power Generation division. The Construction division had fewer loss making projects and provisions during the year as compared with FY2013. For the Precast division, the improved performance was mainly attributed to improved efficiency of its precast yards and fewer production disruptions as compared to FY2013. The Electric Power Generation division recorded lower gross profit in line with lower revenue; partially offset by reduced tariff charges from Western Power during the year.

Other income doubled to S$3.8 million in FY2014, boosted by dividend income of S$1.5 million from Koon Zinkcon Pte Ltd, increased government grants of S$0.7 million as well as a gain on the disposal of plant and equipment of S$0.4 million. The increase was partially offset by lower interest income, lower reversal of allowance for doubtful debts and lower miscellaneous income.

Distribution costs increased by 46.1% to S$5.3 million in FY2014 due to higher delivery and handling costs incurred by the Precast division. During the year, the division produces from its casting yard at Batam Indonesia in addition to its Singapore and Malaysia casting yards.

Administrative expenses declined by 6.0% from S$18.6 million in FY2013 to S$17.5 million in FY2014, mainly due to the absence of a one-off renovation expense of S$0.4 million incurred in FY2013. There were also lower plant and machinery write downs, lower unrealized exchange losses and lower professional fees incurred in FY2014.

Finance costs declined by 25.4% to S$1.9 million in FY2014. This was mainly due to lower interest expense incurred by Tesla Group arising from the refinancing of its power plants in FY2013.

The Group's share of results of joint ventures and associates improved from S$0.2 million in FY2013 to S$0.9 million in FY2014. This comprised the Group's 50% share of profit of S$1.0 million from the joint ventures for the precast operation at Batam Indonesia under Sindo-Econ Pte Ltd and its subsidiary PT Sindomas Precas, partially offset by its share of S$0.1 million loss from a construction project joint venture.

Despite higher earnings, the Group recorded lower tax expenses of S$0.4 million in FY2014 mainly due to utilisation of unabsorbed tax losses carried forward from previous years.

PERFORMANCE REVIEW

With improved profits from the Construction and Precast divisions, earning contribution from the Electric Power Generation division, higher other income and lower tax expenses, the Group recorded net earnings of S$6.3 million in FY2014, a reversal from its net loss of S$11.2 million incurred in FY2013.

BALANCE SHEET

The Group's total assets declined by S$9.0 million to S$171.9 million as at 31 December 2014, and total liabilities declined by S$14.0 million to S$115.1 million as at 31 December 2014. Shareholder's equity improved by S$4.7 million to S$52.1 million as at 31 December 2014. The Group achieved net tangible asset per share of 20.23 Singapore cents as at 31 December 2014, up from 18.34 Singapore cents as at a year ago.

Current assets decreased by S$5.4 million to S$88.5 million as at 31 December 2014 mainly due to lower cash and cash equivalents of S$4.7 million and lower pledged fixed deposits of S$1.8 million. Pledged fixed deposits declined due to lower deposits pledged by Tesla Group to secure the requisite banker guarantees issued to the regulatory agencies in Australia. Inventory balance was S$4.0 million lower due to lower finished goods and raw materials under the Precast division. These were partially offset by an increase in other receivables of S$4.6 million due from Penta-Ocean/Koon Joint Venture ("JV") arising from payments made on behalf of JV for acquisition of machinery and equipment.

Non-current assets decreased by S$3.6 million to S$83.4 million as at 31 December 2014. The Group's property, plant and equipment decreased by S$4.0 million mainly due to depreciation charges of S$9.5 million, write offs and disposals amounting to S$0.9 million and foreign exchange adjustments of S$1.0 million, which were partially offset by the purchase of plant and equipment totaling S$7.4 million under the Construction and Precast divisions. Development properties held under the Group's Malaysian subsidiaries decreased by S$0.8 million, due mainly to a weak Malaysia ringgit against the Singapore dollar. The declines were partially offset by an increase in joint ventures of S$1.3 million, comprising the Group's 50% share of investment and earnings attributed to Sindo-Econ Pte Ltd and its Indonesia subsidiary PT Sindomas Precas.

The decline in total liabilities was mainly due to a S$7.4 million decrease in trade payables and a S$5.4 million decrease in bank borrowings and finance leases, as well as reduction in other payables and provision.

The Group's current portion of finance leases as at 31 December 2014 included the final balloon installments totalling S$9.6 million ("Balloon Installments") of the borrowings for three power plants under Tesla Group which were initially scheduled for repayment in December 2015. Subsequent to 31 December 2014, Tesla Group has entered into a refinancing arrangement with its bank to defer the payment due date of the Balloon Installments to March 2016.

CASH FLOW

Cash generated from operations of S$6.6 million for FY2014 was derived from the Group's pre-tax profit of S$6.7 million, after adjusting for non-cash items and changes in working capital. Cash inflow from working capital changes was mainly due to the decrease in inventory and contract work-in-progress, partially offset by the increase in trade and other receivables as well as the decrease in trade and other payables. Tax paid for FY2014 amounted to S$0.4 million and net cash generated from operating activities amounted to S$6.1 million in FY2014.

Net cash used in investing activities amounted to S$2.0 million in FY2014. This was mainly due to cash outlay of S$3.5 million for purchase of property, plant and equipment under the Construction and Precast divisions, capital contribution of S$0.8 million to Sindo-Econ Pte Ltd under the Precast division; partially offset by cash inflow of S$0.7 million from the disposal of property, plant and equipment and dividend income of S$1.5 million from Koon Zinkcon Pte Ltd.

Net cash used in financing activities was S$8.8 million in FY2014, mainly due to the repayment of obligations under finance leases and bank loans net of new borrowings.

As a result, the Group recorded lower but still healthy cash and cash equivalents of S$17.1 million as at end of FY2014.

FINANCIAL YEAR REVIEW

DECREASE IN REVENUE
Due to lower revenue from Construction, Precast and Electric Power Generation divisions

INCREASE IN GROSS PROFIT
Due to higher gross profit recorded by both the Construction and Precast divisions; partially offset by lower gross profit from the Electric Power Generation division

INCREASE IN OTHER INCOME
Mainly due to dividend income of S$1.5 million from Koon Zinkcon Pte Ltd, increased government grants and gain on disposal of plant and equipment; partially offset by decrease in interest income, lower reversal of allowance for doubtful debts and lower miscellaneous income

INCREASE IN DISTRIBUTION COSTS
Due to higher delivery and handling costs incurred by Precast division

DECREASE IN ADMINISTRATIVE AND OTHER OPERATING EXPENSES
Mainly due to the absence of a one-off renovation expenses incurred in FY2013, lower plant and machineries write downs, unrealised exchange losses, professional fees and write down of business development expenses; partially offset by an increase in staff salaries.

DECREASE IN FINANCE COSTS
Mainly due to lower interest expenses incurred by Tesla Group arising from the refinancing of its power plants in FY2013

SHARE OF (LOSS)/PROFIT OF ASSOCIATES
Comprised the share of (loss)/profit from a construction project joint venture

SHARE OF PROFIT/(LOSS) OF JOINT VENTURES
Comprised share of profit/(loss) from the precast operations at Batam Indonesia under Sindo-Econ Pte Ltd and its subsidiary PT Sindomas Precas

DECREASE IN INCOME TAX
Mainly due to utilisation of unabsorbed tax losses carried forward from previous years. The Group's tax expenses in FY2013 comprised mainly a net reversal of prior year deferred tax assets of S$2.4 million

PROFIT FROM DISCONTINUED OPERATION
Attributed to the gain arose from disposal of GPS Alliance Holdings Limited in FY2013

DECREASE IN CASH AND CASH EQUIVALENTS
Net cash flows from operating activities of S$6.1 million was attributed to the decrease in contract work-in-progress and inventories; partially offset by the increase in trade and other receivables, decrease in trade and other payables

Due to higher net cash used in investing activities of S$2.0 million and offset by lower net cash used in financing activities of S$8.8 million, the Group's cash and cash equivalent decreased by 21.5% to S$17.1 million at end of FY2014

Financial Performance (S$' million)	FY2014	FY2013
Continuing operations		
Revenue	**163.92**	219.96
Cost of sales	**(137.27)**	(207.39)
Gross profit	**26.65**	12.57
Other income	**3.80**	1.95
Distribution costs	**(5.31)**	(3.63)
Administrative and other operating expenses	**(17.47)**	(18.59)
Finance costs	**(1.89)**	(2.53)
Share of (loss)/profit of associates	**(0.08)**	0.48
Share of profit/(loss) of joint ventures	**0.96**	(0.25)
Profit/(Loss) before income tax	**6.66**	(10.00)
Income tax	**(0.35)**	(2.27)
Profit/(Loss) for the year from continuing operations	**6.31**	(12.27)
Discontinued operation:		
Net Profit for the year from discontinued operation	**–**	1.06
Profit/(Loss) for the year	**6.31**	(11.21)

Cashflow (S$' million)	FY2014	FY2013
Net cash flows from operating activities	**6.13**	16.66
Net cash used in investing activities	**(2.01)**	(0.57)
Net cash used in financing activities	**(8.81)**	(12.22)
Net(decrease)/increase in cash and cash equivalents	**(4.69)**	3.87
Cash and cash equivalents at 1 January	**21.79**	18.54
Effects of exchange rate changes on cash and cash equivalents	*****	(0.62)
Cash and cash equivalents at 31 December	**17.10**	21.79
Add: Pledged fixed deposits	**0.80**	2.56
Total cash at the end of the year	**17.90**	24.35

* less than S$10,000

FINANCIAL YEAR REVIEW

DECREASE IN PLEDGED FIXED DEPOSITS
Due to lower deposits pledged by Tesla Group to secure the requisite banker guarantees issued to the regulatory agencies in Australia

INCREASE IN OTHER RECEIVABLES
Mainly due to amount due from Penta-Ocean/Koon Joint Venture("JV") for payments made on behalf of JV for acquisition of machinery and equipment

DECREASE IN INVENTORIES
Mainly due to lower finished goods and raw material inventory under the Precast division

INCREASE IN JOINT VENTURES
Arising from the Group's 50% share of investment and earnings attributed to Sindo-Econ Pte Ltd and its subsidiary PT Sindomas Precas

DECREASE IN PROPERTY, PLANT AND EQUIPMENT
Mainly due to depreciation charge, write off and disposal of plant and equipment and foreign exchange adjustment; partially offset by purchase of plant and equipment under the Construction and Precast divisions

INCREASE IN BANK LOANS AND BILLS PAYABLE (CURRENT)
Mainly due to working capital requirement

DECREASE IN TRADE PAYABLES
The decrease is in line with lower revenue in FY2014

INCREASE IN OTHER PAYABLES
Mainly due to increase in payables for the acquisition of machinery and equipment under the Construction division

INCREASE IN WORK-IN-PROGRESS
Mainly due to higher progress claims as at year end

INCREASE IN FINANCE LEASES (CURRENT)
The current portion of finance leases in FY2014 included the final balloon installments totalling S$9.6 million ("Balloon Installments") of the borrowings for three power plants under Tesla Group which were initially scheduled for repayment in December 2015. Subsequent to the balance sheet date, Tesla Group has entered into a refinancing arrangement with its bank to defer the payment due date of the Balloon Installments to March 2016

DECREASE IN BANK LOANS (NON-CURRENT)
Mainly due to repayment of bank loans

DECREASE IN FINANCE LEASES (NON-CURRENT)
Mainly due to classification of the Balloon Installments totalling S$9.6 million of the borrowings under Tesla Group to be under current liabilities in FY2014

DECREASE IN OTHER PAYABLES (NON-CURRENT)
Mainly due to classification of a payable of S$2.5 million attributed to the acquisition of the remaining 25% interest in Econ Precast Pte Ltd to be under current liabilities in FY2014

Financial Position (S$' million)	FY2014	FY2013
ASSETS		
Current assets		
Cash and cash equivalents	**17.09**	21.79
Pledged fixed deposits	**0.80**	2.56
Trade receivables	**44.12**	43.10
Other receivables	**9.23**	4.64
Inventories	**6.87**	10.88
Contract work-in-progress	**10.33**	10.87
Held for trading investments	**0.04**	0.03
Total current assets	**88.48**	93.87
Non-current assets		
Other receivables	**0.24**	0.35
Properties held for development	**16.39**	17.18
Associates	*****	*
Joint ventures	**1.33**	–
Property, plant and equipment	**61.15**	65.13
Available-for-sale investments	**0.73**	0.54
Goodwill on consolidation	**3.54**	3.54
Deferred tax assets	**–**	0.23
Total non-current assets	**83.38**	86.97
Total assets	**171.86**	180.84
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans and bills payable	**21.66**	20.58
Trade payables	**44.41**	51.78
Provision	**–**	0.60
Other payables	**12.63**	11.94
Contract work-in-progress	**1.91**	0.77
Finance leases	**15.01**	7.84
Income tax payable	**0.53**	0.25
Total current liabilities	**96.15**	93.76
Non-current liabilities		
Bank loans	**8.92**	10.81
Finance leases	**8.68**	20.47
Other payables	**0.09**	2.50
Deferred tax liabilities	**1.26**	1.53
Total non-current liabilities	**18.95**	35.31
Total liabilities	**115.10**	129.07
Capital and Reserves		
Share capital	**25.45**	25.43
Capital reserve	**8.66**	8.66
Fair value reserve	**(0.21)**	(0.41)
Accumulated profits	**21.47**	15.65
Translation reserve	**(3.28)**	(1.95)
Equity attributable to owners of the Company	**52.09**	47.38
Non-controlling interests	**4.67**	4.39
Total equity	**56.76**	51.77
Total liabilities and equity	**171.86**	180.84

* less than S$10,000

BOARD OF DIRECTORS

ANG SIN LIU

Non-Executive Chairman

Mr Ang is the founder and advisor of ASL Marine Holdings Ltd listed on the Singapore Stock Exchange. Mr Ang is an astute businessman with diverse business interests including the trading of scrap steel material, building construction works, property leasing, shipbuilding and ship repair.

YUEN KAI WING

Managing Director

Mr Yuen joined the Group in April 2012 and brought with him more than 21 years of experience in the construction industry. Before joining the Company, Mr Yuen was the Regional Manager of North East Asia, Van Oord N.V. and the General Manager of Van Oord (Shanghai) Dredging Co. Ltd. He was responsible for the business and operations in North East Asia including the Eastern Part of Russia, Japan, Korea and Greater China such as Taiwan, China, Macau and Hong Kong.

Mr Yuen has a Master of Business Administration from the China Europe International Business School in China and a Bachelor Degree in Civil Engineering from Hogeschool Utrecht in the Netherlands.

BOARD OF DIRECTORS

OH KOON SUN

Executive Director

Mr Oh and the late Mr Aw Joo Kim (his father) co-founded the predecessor to the Company in 1975. The predecessor was a sole proprietorship involved in the business of transporting stone and rocks. Mr Oh was in charge of that sole proprietorship, namely as a sub-contractor for Obayashi on the East Coast Phase V reclamation. Prior to founding the sole proprietorship, Mr Oh was involved in the family's trading business. His extensive hands-on experience in trading and deep familiarity with local businesses benefits Koon, as his principal task at the Company is the negotiation of quantity, quality and price of stone, rock, equipment, tugs & barges with selected sub-contractors and for the sourcing of consumables. Mr Oh is also the main contact person for Koon-Zinkcon.

OH KENG LIM

Executive Director

Mr Oh joined the predecessor to the Company in 1976, when the sole proprietorship was preparing for its conversion into a private partnership in 1977. Before this Mr Oh was involved in several trading ventures. For over 27 years prior to 2003, Mr Oh has been involved in the project accounting, administration and risk controls of the Company. Since 2003 he has devolved many of his day-to-day duties and now primarily serves in a supervisory and oversight capacity. Mr Oh remains very familiar with all aspects of the Company's businesses, particularly with the Company's many suppliers.

BOARD OF DIRECTORS

ANG AH NUI

Non-Executive Director
Member of the Audit and Remuneration Committees

Mr Ang joined the Group in April 2012 and brought with him more than 30 years of extensive experience and knowledge of the marine industry. Mr Ang is the Deputy Managing Director of ASL Marine Holdings Ltd listed on the Singapore Stock Exchange. His core responsibilities in ASL Marine Group of companies include the setting of business strategies and direction, corporate plans and policies as well as general management and business development of its ship repair and conversion and ship chartering operations.

CHRISTOPHER CHONG MENG TAK

Non-Executive and Independent Director
Chairman of the Audit and Remuneration Committees
Member of the Nominating Committee

Christopher is one of our two Australian resident directors. He is a co-founder and partner of ACH Investments Pte Ltd, a specialist corporate advisory firm regulated by the Monetary Authority of Singapore. Prior to co-founding ACH Investments Pte Ltd, Christopher was a multi-award winning analyst and the Managing Director of HSBC James Capel Securities (Singapore) Pte Ltd (now known as HSBC Securities (Singapore) Pte Ltd).

Christopher has significant experience in corporate governance and corporate affairs. Christopher is an Independent Director of 3 other public companies, namely GLG Corp Ltd listed on the Australian Securities Exchange, ASL Marine Holdings Ltd and Ying Li International Real Estate Limited, both listed on the Singapore Stock Exchange. Christopher is a member of the Australian Institute of Company Directors, International Division and on the advisory board of the Centre for Stewardship and Corporate Governance. He is also a Director and/or adviser to private companies, several significant Asian families and to two regulatory branches of the Singapore Government.

Christopher has a Bachelor of Science (Econ), a Master of Business Administration, is a member of the Institute of Chartered Accountants of Scotland, a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Australian Institute of CPAs, a Fellow of the Singapore Institute of Directors, a Fellow of the Australian Institute of Company Directors and a Master Stockbroker of the Securities & Derivatives Industry Association of Australia.

BOARD OF DIRECTORS

GLENDA MARY SORRELL-SAUNDERS

Non-Executive and Independent Director
Chairman of the Nominating Committee
Member of the Audit and Remuneration Committees

Glenda is the Managing Director of Matrix Management Group Pty Ltd, a Project Management and Quantity Surveying firm with operations in Victoria and Tasmania. Prior to founding Matrix Management Group, Glenda worked as a Director with Rawlinson (Aust) Pty. Ltd.

Glenda is also an Independent Director of GPS Alliance Holdings Limited listed on the Australian Securities Exchange. Glenda started her professional life with Farrow Laing and Partners in South Africa. Glenda has considerable experience in major industrial and civil projects including infrastructure works; steel-processing plants; and on coal, diamond & gold mines. Glenda also lectured at the University of the Witwatersrand in the Faculty of Architecture during the 1990's prior to her immigration to Australia.

Glenda has a Bachelor of Science (Quantity Surveying) from the University of Witwatersrand, South Africa and is a Tasmanian Division Councillor of the Property Council of Australia. She is also a member of the Australian Institute of Quantity Surveyors.

KO CHUAN AUN

Non-Executive and Independent Director
Member of the Nominating Committee

Mr Ko is currently the President/Executive Director of KOP Ltd. Prior to that, Mr Ko was the Chief Executive Officer of Scorpio East Holdings Ltd. He has more than 15 years of working experience with the then Trade Development Board of Singapore ("TDB"). His last appointment with then TDB was Head of China Operations.

Mr Ko also holds chairmanships and directorships in various private and public companies. He was appointed as an Independent Director of KSH Holdings Ltd and San Teh Ltd as well as Super Group Ltd.

Mr Ko holds a Diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Programme. In the past 25 years, Mr Ko has been very actively involved in business investments in the PRC market. In 2001, Mr Ko was appointed as a member of the Steering Committee of the Network China. In addition, between the years 2003 and 2005, Mr Ko served as the Chairman of the Tourism Sub-Committee under the Singapore-Sichuan Trade & Investment Committee.

KEY MANAGEMENT

LILIAN TAN YIN YEN

Chief Financial Officer

Lilian joined the Group as Chief Financial Officer in November 2013. She oversees the financial management, investor relations, human resource, statutory and regulatory compliance of the Group. Prior to joining the Group, Lilian was Chief Financial Officer of a few companies listed on the Mainboard of the Singapore Stock Exchange. She has close to 30 years' experience in management and finance related fields covering marine, construction, resource recovery, renewable energy and manufacturing industries.

Lilian holds a Bachelor of Accountancy Degree from the National University of Singapore. She is a fellow member of the Institute of Singapore Chartered Accountants. In 2009, Lilian was awarded the Chief Financial Officer of the Year for mid-cap companies under the Singapore Corporate Awards.

OUR PEOPLE

The Group believes that a sustainable business is built upon the contribution of our people. Human capital development remains as our priority as we move forward to achieve our business objectives. We support our employees with professional training and development programs including those administered by BCA, e.g. Built Environment Apprenticeship programs for employees of our Construction division. Since 2011 Koon has been collaborating with BCA to provide sponsorships under the BCA-Industry Built Environment Undergraduate Sponsorship program. Set up under one of the Singapore Government's key plans to sustain productivity in the construction sector, this program aims to attract young talents and nurture them as future industry leaders.

GENERAL INFORMATION

BOARD OF DIRECTORS

Ang Sin Liu (Non-Executive Chairman)
Yuen Kai Wing (Managing Director)
Oh Keng Lim (Executive Director)
Oh Koon Sun (Executive Director)
Ang Ah Nui (Non-Executive Director)
Christopher Chong Meng Tak (Non-Executive and Independent Director)
Glenda Mary Sorrell-Saunders (Non-Executive and Independent Director)
Ko Chuan Aun (Non-Executive and Independent Director)

SINGAPORE COMPANY SECRETARIES

Ong Beng Hong
Tan Swee Gek

AUSTRALIA COMPANY SECRETARY

Leanne Ralph

SINGAPORE REGISTERED OFFICE

11 Sixth Lok Yang Road
Singapore 628109
Tel: (65) 62615788
Fax: (65) 62660117
Website: www.koon.com.sg

AUSTRALIA REGISTERED OFFICE

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Sydney NSW 2000, Australia

SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte.Ltd.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

AUSTRALIA SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000, Australia

AUDITORS

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner: Terry Wee Hiang Bing
(Appointed with effect from financial year ended
31 December 2014)

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Limited
RHB Bank Berhad
Standard Chartered Bank

CORPORATE STRUCTURE

AS AT 31 DECEMBER 2014

KOON HOLDINGS LIMITED

- Koon Construction & Transport Co Pte Ltd **(100%)**
  - Koon Zinkcon Pte Ltd **(50%)**
    - Jurong & Tuas Rock Contractors JV **(75%)**
  - Mesco (B) Sdn Bhd **(50%)**
  - Penta-Ocean/Koon/Hyundai/Van Oord Joint Venture - JV1 **(5%)**
  - Penta-Ocean/Koon-Ham-Dredging International-Boskalis Joint Venture - JV2 **(20%)**
  - Penta-Ocean/Koon/Dredging International/Boskalis/Ham Joint Venture - JV3 **(20%)**
  - Penta-Ocean/Hyundai/Koon Joint Venture - JV4 **(20%)**
  - Penta-Ocean/Koon Joint Venture - JV5 **(20%)**
  - POC - K JV - JV6 **(50%)**
  - Koon Construction & Transport Sdn Bhd **(100%)**
- Entire Construction Pte Ltd **(100%)**
- Entire Engineering Pte Ltd **(100%)**
- Koon Properties Pte Ltd (formerly known as Gems Marine Pte Ltd) **(100%)**
  - Metro Coast Sdn Bhd **(100%)**
  - Seven Star Development Sdn Bhd **(100%)**
  - Triumph Heights Sdn Bhd **(100%)**
  - Unison Progress Sdn Bhd **(100%)**
- Econ Precast Pte Ltd **(100%)**
  - Econ Precast Sdn Bhd **(100%)**
  - Contech Precast Pte Ltd **(100%)**
  - Bukit Intan Pte Ltd **(100%)**
  - Sindo-Econ Pte Ltd **(50%)**
    - **90%** PT Sindomas Precas **(50%)**
  - **5%** PT Sindomas Precas
- Tesla Holdings Pty Ltd **(71.2%)**
  - Tesla Corporation Management Pty Ltd **(100%)**
  - Tesla Corporation Pty Ltd **(100%)**
  - Tesla Geraldton Pty Ltd **(100%)**
  - Tesla Kemerton Pty Ltd **(100%)**
  - Tesla Northam Pty Ltd **(100%)**

PRESERVING **VALUES**

Commitment to quality projects and safety standards

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to ensuring good corporate governance practices, to promote corporate transparency and to protect and enhance shareholder value. This statement outlines the main corporate governance practices currently in place for the Koon Group and exceptions, if any, to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (2nd Edition). The Board believes the Group accords with the overwhelming majority of the principles and recommendations of the ASX Corporate Governance Council.

The corporate governance policies and practices described below are those that have been in place for the 2014 financial year, or as at the date of this report where indicated. The Board continues to review the governance framework and practices of the Group to ensure they meet the interests of security holders.

Functions and Responsibilities of the Board

The Board of Directors is responsible for setting the strategic direction of the Group and for overseeing and monitoring the Group's businesses and affairs. The Directors are accountable to the shareholders for the Group's performance. Day-to-day management of the Group's affairs and the implementation of its strategy are delegated to the Executive Directors and senior executives.

The principal functions of the Board include:

- Setting the corporate strategy and direction of the Group, including but not limited to approval of broad policies, strategies and financial objectives of the Group.
- Monitoring the implementation of the strategy, the business performance and the results and ensuring appropriate resources are available.
- Approving financial plans and key management recommendations.
- Appointing the Executive Directors and other key personnel and reviewing their performance.
- Identifying and reviewing of risk and the establishment of monitoring and feedback systems with respect to risk management, internal controls, financial reporting and compliance.
- Overseeing the management of occupational health & safety and environmental performance.

The Board's approval is required for matters such as the Group's financial plans and annual budget, key operational initiatives, acceptance of bank facilities, major investment and divestment proposals, material acquisitions and disposal of assets, interested person transactions of a material nature and release of the Group's half yearly and full year financial results to the Australian Securities Exchange ("ASX") and the Singapore Exchange Securities Trading Limited ("SGX-ST"). Apart from matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits and delegates authority for transactions below those limits to management so as to optimise operational efficiency.

CORPORATE GOVERNANCE STATEMENT

Board's Composition and Balance

The Board comprises eight Directors, two of whom are non-executive directors and three of whom are non-executive, independent directors. Whilst the majority of the Board is not comprised of independent directors, the Board believes that there is appropriate composition of skills amongst existing Directors and all Directors ensure that they approach their roles with independent judgement. In view of the scope and nature of the operations of the Group, the Board and the Nominating Committee are of the view that there is no individual or small group of individuals dominating the Board's decision-making process and the Board's current size is appropriate for facilitating effective decision-making.

The Board comprises business leaders and professionals with industry and financial backgrounds. Its composition enables the management to benefit from a diverse and objective external perspective on the issues raised before the Board.

To assist the Board in the execution of its responsibilities and to provide independent oversight of management, various Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, have been constituted with clear written terms of reference. These Committees are made up mainly of independent non-executive Directors and the effectiveness of each Committee is constantly monitored by the Board.

There were no new directors appointed by the Company during the financial year ended 31 December 2014. Any newly-appointed director will be given a formal letter and will be provided a full information file setting out their duties and obligations upon their appointment and will undergo an orientation program to be familiar with the Group's businesses and governance practices. Directors are also invited to sites to meet with management and gain a better understanding of the Group's business operations. To keep pace with regulatory changes, the director's own initiatives are supplemented from time to time with information updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies and regulations and guidelines from ASX and SGX-ST that affect the Company and/or the directors in discharging their duties. Further and during the year, certain Directors had attended seminars and/or meetings including meetings of AICD, on corporate governance, role of a director, and updates on the regulatory environment in Singapore and/or Australia.

Chairman and Managing Director

The Chairman is a non-executive director. The roles of the Chairman and Managing Director are separated. The separation of roles is to ensure that the working of the Board and the executive responsibility of the Group's business are kept distinct, increasing the accountability and capacity of the Board for independent decision-making. While the Chairman is not an independent director, the Board is confident that he remains free from bias in carrying out his role as Chairman, and is able to bring independent judgment to bear on Board decisions without interference from business or other relationships that could materially interfere with his independent judgment.

CORPORATE GOVERNANCE STATEMENT

The Chairman and the Audit Committee Chairman share responsibility for scheduling meetings to enable the Board to discharge its duties and to coordinate the activities of the independent non-executive Directors and act as principal liaison between the independent non-executive Directors and the Managing Director on sensitive issues. The Chairman, with the assistance of the Management and the Executive Directors, prepares the agenda and other material for meetings and ensures that the information is of a sufficient quality and quantity to enable the Board to make informed decisions. The Executive Directors are responsible for ensuring compliance with the Group's guidelines on corporate governance.

The Chairman and the Audit Committee Chairman are also available to shareholders where they have concerns, and which contact through the normal channels of the Managing Director has failed to resolve or for which such contact is inappropriate.

Board Membership

The Nominating Committee ("NC") shall, from time to time, make recommendations on the number and composition of the Board of Directors, subject to the conditions set out in the Company's Articles and Memorandum of Association.

The Nominating Committee currently comprises three members, all of whom are independent. It is chaired by Ms Glenda Mary Sorrell-Saunders and has as its members, Mr Christopher Chong Meng Tak and Mr Ko Chuan Aun.

The Nominating Committee has a formal written Charter and, accordingly, is mainly responsible for:

- Monitoring the contribution and performance of the Directors and the Board.
- Deciding how the Directors are enhancing long-term shareholder value.
- Re-nominating and/or proposing new Directors.

For appointment of new directors to the Board, if a vacancy arises, the NC will, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The NC does so by evaluating the existing strengths and capabilities of the Board, assessing the likely future needs of the Board, assessing whether this need can be fulfilled by the appointment of one person and if not, consulting with the Board in respect to the appointment of two people, seeking likely candidates widely and sourcing resumes to review, undertaking background checks on the resumes received, narrowing the list of possible candidates to a short list and then inviting the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there is no expectation gap. The NC will seek candidates widely and beyond people directly known to the directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any person. The NC will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

CORPORATE GOVERNANCE **STATEMENT**

Every year, the NC reviews and affirms the independence of the Company's independent non-executive Directors. Each director is required to complete a Director's independence checklist annually to confirm their independence. This checklist requires each director to assess whether they consider themselves independent despite not being involved in any relationship which would interfere or be reasonably perceived to interfere with the exercise of independent judgment in carrying out functions as an independent non-executive Director of the Company. Among the items included in the Checklist are disclosures pertaining to any employment, including compensation received from the Company or any of its related corporations, relationship to an Executive Director of the Company or its related corporations, having an immediate family member employed by the Company or any of its related corporations as senior executive officer whose remuneration is determined by the Remuneration Committee, shareholding, or partnership or directorship (including those held by immediate family members) in an organisation to which the Company or its subsidiaries received significant payments in the current or immediate past financial year. The NC will then review the checklist completed by each director to determine whether the director is independent. Mr Christopher Chong Meng Tak and Ms Glenda Mary Sorrell-Saunders have served on the Board since 2003 and their independence has been subject to particularly rigorous review. The Board notes that both Mr Chong and Ms Sorrell-Saunders should be considered independent because they have been active during Board discussions and have on many occasions voiced strong opinions which may have differed from Management's view. Furthermore, Mr Chong and Ms Sorrell-Saunders each have a wealth of experience and knowledge in their respective fields which the Board and Management would be able to tap on (please refer to page 18 and 19 of this Annual Report for a more details write-up on their backgrounds). As such, the Board has established that both directors remain independent in character and judgement and there were no relationships with Management or substantial shareholders or circumstances which were likely to affect, or could appear to affect, their independence. The Board is therefore satisfied with their performance and continued independence. Furthermore, the Board holds the view that continuity and stability of the Board is also important and the aforesaid Directors, through their years of involvement with the Company, have gained valuable insight and understanding of the Company and together with their diverse experience and expertise, have contributed and will continue to contribute effectively as Independent Directors by providing educated, impartial and autonomous views at all times. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

The NC also reviews directors with multiple directorships. With the exception of (i) Mr Ang Ah Nui who currently holds one concurrent directorship in another company listed on SGX-ST, (ii) Mr Ko Chuan Aun who currently holds four concurrent directorships in other companies listed on SGX-ST (including as the President/Executive Director of KOP Limited, a company listed on SGX-ST), (iii) Mr Christopher Chong Meng Tak who currently holds three concurrent directorships in other listed companies in SGX-ST and ASX, and (iv) Ms Glenda Mary Sorrell-Saunders who currently holds one concurrent directorship in another company listed on ASX, the remaining directors do not hold any concurrent directorships in any other listed companies.

The NC is satisfied that the directors with multiple directorships have given adequate time and attention to the affairs of the Company, through attendance at meetings of the Board and Board Committees, including electronic and telephone communications.

CORPORATE GOVERNANCE **STATEMENT**

Pursuant to Article 91 of the Company's Articles of Association, every director (other than the Managing Director) shall retire from office once every three years and for this purpose, one-third of the Board is to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). Article 97 of the Company's Articles of Association also provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment and such re-election shall not be taken into account in determining the number of directors who are to retire by rotation under Article 91 as set out above. Thereafter, the director is subject to re-election at least once in every three years. In addition, pursuant to Section 153 of the Companies Act, Chapter 50, of Singapore, a director of or over the age of seventy years must retire and submit himself for re-appointment at each AGM.

Directorships or Chairmanships held by the Company's directors in other listed companies:

Name of Director	Date Appointed/ last re-elected	Directorship in other listed companies	
		Current	Past 3 years
Ang Sin Liu (Chairman, Non-executive Director)	27 April 2012/ 27 April 2014	Nil	Nil
Ang Ah Nui (Non-executive Director)	27 April 2012/ 25 April 2013	ASL Marine Holdings Ltd	Nil
Yuen Kai Wing (Managing Director	27 April 2012/ 25 April 2013	Nil	Nil
Oh Koon Sun (Executive Director)	9 April 2003/ 27 April 2014	Nil	Nil
Oh Keng Lim (Executive Director)	9 April 2003/ 25 April 2013	Nil	Nil

CORPORATE GOVERNANCE STATEMENT

Name of Director	Date Appointed/ last re-elected	Directorship in other listed companies	
		Current	Past 3 years
Christopher Chong Meng Tak (Independent Non-executive Director)	11 April 2003/ 25 April 2013	ASL Marine Holdings Ltd GLG Corp Ltd[1] Ying Li International Real Estate Limited	Lorenzo International Limited (resigned with effect from 7 October 2014) Koda Ltd Xpress Holdings Ltd
Glenda Mary Sorrell-Saunders (Independent Non-executive Director)	April 11, 2003/ 25 April 2013	GPS Alliance Holdings Limited[1]	Nil
Ko Chuan Aun (Independent Non-executive Director)	16 January 2012/ 27 April 2014	KSH Holdings Limited Super Group Ltd KOP Limited (formerly known as Scorpio East Holdings Ltd) Sah Teh Limited	Brothers (Holdings) Limited

[1]: Listed in Australia Stock Exchange

Board Performance

The Nominating Committee, in considering the re-appointment of a Director, must evaluate the Director's contribution and performance, such as their attendance at meetings of the Board or Board Committees, and also their participation, candour and other contributions.

The Nominating Committee assesses the Board's performance taking into consideration quantitative and qualitative criteria such as the success of the strategic and long-term objectives set by the Board.

The performance criteria includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability and the Board's performance in relation to discharging its principal functions and responsibilities, the Directors' standards of conduct and financial targets such as return on assets, return on equity and the Company's share price performance and a benchmark index of its industry peers. In assessing the individual Director's performance and the effectiveness of the Board, the NC takes into consideration the individual Director's industry knowledge and/or functional expertise, contribution and workload requirements. The Board, however, notes that the financial indicators provide only a snapshot of the Company's performance, and do not fully reflect on-going risk or measure the sustainable long-term wealth and value creation of the Company.

CORPORATE GOVERNANCE STATEMENT

Directors' Attendance at Board and Committee Meetings

The Board conducts regular scheduled meetings and ad-hoc Board meetings are convened when warranted by circumstances relating to matters that are material to the Group. Telephonic attendance and video conferencing at Board meetings are allowed under the Company's Articles of Association. The following table sets out the Directors' attendance at Board and Committee meetings held in 2014.

	No. of meetings attended			
Name	**Board**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Ang Sin Liu	4	3*	1*	1*
Ang Ah Nui	4	4	2*	2
Yuen Kai Wing	4	4*	2*	2*
Oh Koon Sun	4	4*	2*	2*
Oh Keng Lim	4	4*	2*	2*
Christopher Chong Meng Tak	4	4	2	2
Glenda Mary Sorrell-Saunders	4	4	2	2
Ko Chuan Aun	4	4*	2	2*
No. of meetings held	**4**	**4**	**2**	**2**

*: Attended as an invitee to meeting

Training of Directors

The Company does not have a formal training programme for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be provided with an full information file and also attend an orientation course where they will be briefed on the business operations and regulatory issues relating to the Group. Directors are also informed of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive training to improve themselves in the discharge of their duties as directors.

CORPORATE GOVERNANCE STATEMENT

Access to Information

All Directors have separate, independent and unrestricted access to all levels of senior executives in the Group and the Company Secretaries. All Directors are continuously updated by Management on the developments within the Group and are furnished with complete and adequate information in a timely manner to enable full deliberation on the issues to be considered at the respective meetings. Board papers with sufficient background and explanatory information are circulated before each meeting. From time to time, managerial staff, lawyers, the Company's auditors or external consultants engaged on specific projects are invited to attend the Board and Board Committee meetings so as to provide additional insight into the matters for discussions.

Hence, the Board is of opinion that, under the present arrangement, information provided to the Board is sufficient and timely for it to perform its duties effectively.

Access to Independent Professional Advice

Any director has the right to seek independent legal, accounting or other professional assistance at Company's expense on matters relevant to carrying out their duties as a director. Directors must ensure that the costs are reasonable and must inform the Chairman and seek approval from the Board before such advice is sought.

Remuneration

The Remuneration Committee comprises three members, all of whom are non-executive Directors and two of whom are Independent Directors. The Remuneration Committee is chaired by Mr Christopher Chong Meng Tak and has as its members, Mr Ang Ah Nui and Ms Glenda Mary Sorrell-Saunders.

The Remuneration Committee has a formal written Charter and, accordingly, is mainly responsible for:

(i) in consultation with the Chairman of the Board, recommending to the Board for its endorsement, a framework of remuneration for the Board and the key executives of the Company, covering all aspects of remuneration, including and without limitation, Directors' fees, salaries, allowances, bonuses, employees performance shares and benefits-in-kind;

(ii) determining the specific remuneration packages for each Executive Director of the Company (or Executive of similar rank if he is not an Executive Director);

(iii) reviewing the remuneration of senior management/key executives;

(iv) proposing, for approval by the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;

CORPORATE GOVERNANCE STATEMENT

(v) considering what compensation commitments the Executive Directors' contracts of service, if any, would entail in the event of early termination;

(vi) considering whether Directors should be eligible for benefits under long-term incentive schemes;

(vii) overseeing the administration of the Company's Employees Performance Shares Plan, including without limitation, as follows:

  (a) identifying Directors and employees of the Company and its related companies to whom employee performance shares should be granted,

  (b) determining the number, the timing and the vesting period for the granting of employee performance shares,

The Group's remuneration policy is to provide remuneration packages appropriate to attract, retain and motivate the Executive Directors and senior executives required to run the Group successfully. The Company has in place service contracts for each of its Executive Directors which set out the framework of their remuneration. The Remuneration Committee will, upon the expiry of such service contracts, recommend to the Board a framework for the remuneration of such Executive Directors. Senior executives, including the Executive Directors, are also subject to an annual performance review in which performance is measured against objectives related to the Company's strategy and business plans. The performance reviews for the financial year ended 31 December 2014 have been satisfactorily completed.

The Company's Employee Performance Shares Plan ("Koon EPSP") was approved by the Shareholders of the Company at an Extraordinary General Meeting held on 12 October 2009. Since the approval and adoption of the Koon EPSP, as at the date of Annual Report 1,579,000 ordinary shares have been issued under Koon EPSP. More information regarding the Koon EPSP can be found in Directors' Report.

Directors' Remuneration and Incentives

The Executive Directors do not receive directors' fees. The fees for non-executive Directors comprised a basic retainer fee and additional fees for other appointments.

CORPORATE GOVERNANCE **STATEMENT**

The remuneration of the Directors of the Company and top five Key Executives of the Group for the financial year ended 31 December 2014 are:–

	Salary[1] %	Bonus[1] %	Other benefits[2] %	Directors' Fees[3] %	Total %	Total S$
Non-Executive Directors						
Ang Sin Liu	–	–	–	100%	100%	50,000
Ang Ah Nui	–	–	–	100%	100%	48,000
Christopher Chong Meng Tak	–	–	–	100%	100%	72,000
Glenda Mary Sorrell-Saunders	–	–	–	100%	100%	59,000
Ko Chuan Aun	–	–	–	100%	100%	41,000
Total remuneration						270,000
Executive Directors						
Yuen Kai Wing	54%	23%	23%	–	100%	716,673
Oh Koon Sun	73%	12%	15%	–	100%	376,758
Oh Keng Lim	73%	12%	15%	–	100%	298,254
Total remuneration						1,391,685

[1]: Salary and bonus include Central Provident Fund contributions
[2]: Other benefits include car benefits and tax borne by the Company for Mr Yuen Kai Wing
[3]: Directors' fees are subject to shareholders approval at the Annual General Meeting.

Top Five Executives of the Group	Salary[1] %	Bonus[1] %	Other benefits[2] %	Total %
S$250,000 to S$400,000				
Lilian Tan Yin Yen	72%	18%	10%	100%
Ben Tan*	100%	0%	0%	100%
Up to S$250,000				
Yew Wing Kiong**	91%	9%	0%	100%
Lim Et Seng	86%	14%	0%	100%
Chew Weng Kee	88%	12%	0%	100%

* Mr Ben Tan resigned in July 2014
** Mr Yew Wing Kiong joined in May 2014
[1]: Salary and bonus include Central Provident Fund contributions
[2]: Other benefits include car benefits

CORPORATE GOVERNANCE **STATEMENT**

The aggregate remuneration of top five Key Executives of the Group amounted to S$1,148,340 for the financial year ended 31 December 2014.

Accountability

The Board recognises its responsibility to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. Further, the Board has adopted the practice of communicating major developments in its business and operations to shareholders, the ASX and SGX-ST, employees and other stakeholders.

Audit Committee

The Audit Committee comprises three members, all of whom are non-executive Directors and two of whom are Independent Directors. The Audit Committee is chaired by Mr Christopher Chong Meng Tak and has as its members Mr Ang Ah Nui and Ms Glenda Mary Sorrell-Saunders. The Audit Committee has a formal written Charter and, accordingly, is mainly responsible for reviewing and approving the following:

Internal Control

(i) ensuring that a review (which may be carried out by the internal auditors) of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually;

(ii) appraising and reporting to the Board on the audit undertaken by the external auditors and internal auditors, the adequacy of disclosure of information and appropriateness/quality of the system of management and internal control;

(iii) approving changes or new policies related to its area of responsibility;

Internal and External Audit

(i) ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company;

(ii) reviewing and approving the audit plans of the external and internal auditors in ensuring that audit resources are allocated according to the key business and financial risk areas, focusing on optimum coverage and efforts between the external and internal auditors;

(iii) reviewing the internal auditors' evaluation of the system of internal accounting controls;

(iv) reviewing the reports of the external auditors and internal auditors and considering the effectiveness of responses/actions taken by Management on the audit recommendations and observations;

CORPORATE GOVERNANCE **STATEMENT**

(v) reviewing the assistance given by Management to the external and internal auditors;

(vi) reviewing the cost effectiveness of the audit, the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors, seeking to balance the maintenance of objectivity and value for money;

(vii) recommending to the Board the appointment, reappointment or removal of the external auditors for the ensuing year, and to reviewing and recommending for the approval of the Board the remuneration and terms of engagement of the external auditors;

(viii) reviewing the suitability of audit firms to meet its audit obligations, having regard to the adequacy of the resources and experience of the audit firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the scope and results of audit, the cost effectiveness, the independence and objectivity of the auditors and the number and experience of supervisory and professional staff assigned to the particular audit;

Financial Reporting

(i) reviewing and approving/recommending for approval the half yearly financial statements (including the annual financial statements and, in particular, any significant financial reporting issues and judgments to ensure the integrity of the financial statements), the Annual Report of the Company and any formal announcements relating to the Company's financial performance with Management and the external auditors.

The Audit Committee has full access to, and co-operation of, Management and has been given the resources required for it to discharge its functions properly. It may also invite any Director and Executive Officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee Chairman and the Audit Committee. The external auditors and internal auditors meet with the Audit Committee without the presence of Management at least once annually.

Whistle-Blowing Policy

The Group has in place a whistle-blowing policy and procedure by which staff can, in confidence, raise concerns about misconducts in the Group or possible improprieties relating to financial reporting or other matters. All complaints are to be directed to the Chairman of the Audit Committee. Where investigation is necessary, the Audit Committee will direct an independent investigation to be conducted on the complaint received. Details of the whistle-blowing policy have been made available to all employees.

Diversity Policy

The Company has not established a policy concerning diversity because diversity issues are already embedded within the Company's Code of Conduct, its Mission, its Vision and its Value Statements. As a result of the Company not having a formal policy on diversity, there are no measurable objectives for achieving gender diversity. However, the Company is an equal opportunity employer. As can be seen below, women are well represented amongst the Company's senior executives and managers. The Company also has one female director of long-standing.

CORPORATE GOVERNANCE **STATEMENT**

Across the Group the current gender split as at 31 December 2014 is as follows:

	Female	**Male**
All employees	59	779
Managers	9	18
Senior Executives	1	2
Directors	1	7

Recognising and Managing Risks

The Management is responsible for identifying and managing risks. The Board is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. In addition to maintaining appropriate insurance and other risk management measures, identified risks are managed through:

- Established policies and procedures for the management of funding and financial instruments.
- Standards and procedures in relation to environmental and health and safety matters.
- Training programs in relation to legal and compliance issues.
- Procedures requiring significant capital and revenue expenditure and other contractual commitments are approved at an appropriate level or by the Board.
- Risk management systems and policies that govern the management of risk.

The internal audit function as part of its activities monitors Management's actions to manage risk. The external and internal audit functions are separate and independent of each other.

The Company has outsourced its internal audit function to BDO LLP who have conducted its internal audit for the Group for the financial year 2014 and reported directly to the Audit Committee on its findings. There were no major internal control weaknesses highlighted by BDO LLP for the attention of Audit Committee for the financial year 2014. The Audit Committee has reviewed BDO LLP's report on internal controls and processes and is satisfied with the adequacy of the same. The Audit Committee will annually assess and ensure the adequacy of the internal audit function.

The Board and the Audit Committee are satisfied that the Company's framework of internal controls is adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding its assets and Shareholders' investments. Such framework serves to provide reasonable assurance against material misstatement or loss.

The Board has received assurance from the Managing Director and the Chief Financial Officer:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with the relevant accounting standards; and
- that the risk management and internal compliance and control systems which implement the policies adopted by the Board in relation to financial reporting risks are sound, appropriate and operating efficiently and effectively in all material respects.

CORPORATE GOVERNANCE STATEMENT

Code of Conduct

Conduct of Directors and employees is addressed in "Vision & Mission" on page 1 of this Annual Report. This statement outlines expected conduct and ethical behaviour expected from Directors, Management and all employees.

Communication with Shareholders

While there are no written policies in relation to the Company's communication with its shareholders, the Board is mindful of its obligations to provide timely disclosure of material information presented in a fair and objective manner to shareholders and does so through the Annual Report, results announcements, its website at www.koon.com.sg and other announcements on developments within the Group or in relation to disclosures required by the stock markets. The information is released through ASX and SGX-ST websites and is also available on the Company's website.

The date of the release of result announcement is disclosed before the date of announcement through ASX and SGX-ST websites. On the day of announcement, the financial statements as well as the accompanying press release and/or presentation slides are released onto the ASX and SGX-ST websites. For half and full year results announcements, results briefing by Management is held for media and analysts to explain the financial results and provide insight to the development and outlook of the industry.

The Company also engages an external investor relation consultant firm to support the Group in promoting communication with shareholders and investment community.

The Board regards the Annual General Meeting ("AGM") as an opportunity to communicate directly with shareholders and encourages greater shareholder participation. The Chairman and other Directors attend the AGM and are available to answer questions from shareholders at the AGM. The external auditors are also present to assist Directors in addressing any relevant queries from shareholders.

All shareholders will receive the Annual Report of the Company and notice of AGM by post and through notices published in the newspapers within the mandatory period. The shareholders can also access information on the Group at the Group's corporate website at www.koon.com.sg. The website provides, inter alia, all publicly disclosed financial information, corporate announcements, press release, Annual Reports and profiles of the Group.

Interested Person Transactions

The Group has established an internal policy to ensure that transactions with interested persons are reported in a timely manner to the Audit Committee for review and the transactions are carried out on arm's length basis on terms not prejudicial to the interests of the Group and its minority shareholders.

During the financial year ended 31 December 2014, the following transactions were entered into by the Group involving the interest of the substantial shareholder or Director, which were either subsisting at the end of the financial year or, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE STATEMENT

Name of interested persons	Aggregate value of all interested person transactions S$'000
ASL Offshore & Marine Pte Ltd	
– Charter expenses	169
Sintech Metal Industries Pte Ltd	
– Sales of scrap metal	87
– Hire of equipment	48
Singa Tenaga Investments Pte Ltd	
– Secondment fee income	348
PT Cemera Intan Shipyard	
– Sale of property, plant and equipment	60
Matrix Management Group Pty Ltd	
– Professional fee	61

In addition, as reported in 2013 Annual Report, as part of its expansion strategy, the Company had entered into a joint venture arrangement with ASL Marine Holdings Ltd ("ASL") in 2013 to establish a plant in Batam, Indonesia for the manufacture of precast concrete products ("Joint Venture"). A joint venture company, Sindo-Econ Pte Ltd ("Sindo-Econ") was established in May 2013 by the Company's wholly owned subsidiary, Econ Precast Pte Ltd ("Econ Precast") and Intan Overseas Investments Pte Ltd ("Intan Overseas Investments"), a wholly owned subsidiary of ASL. Econ Precast and Intan Overseas Investments each have a 50% equity interest in Sindo-Econ. In November 2013, Sindo-Econ, Econ Precast and Intan Overseas Investments acquired the entire issued share capital of PT Sindomas Precas ("Batam JV") for the purpose of establishing the plant and undertaking the precast operations in Batam. Sindo-Econ holds a 90% equity interest in Batam JV while each of Econ Precast and Intan Overseas Investments holds a 5% equity interest in Batam JV.

Shareholders' approval for the Joint Venture was obtained at the 2014 Annual General Meeting held on 29 April 2014.

Mr Ang Sin Liu is the Non-Executive Chairman of the Company and Mr Ang Ah Nui is a Non-Executive Director of the Company, and together they hold an aggregate interest of 51.48% of the Company. Mr Ang Sin Liu and Mr Ang Ah Nui are also controlling shareholders of ASL. Accordingly, for the purposes of ASX Listing Rule 10.1, ASL and its subsidiaries are associates of substantial holders, Mr Ang Sin Liu and Mr Ang Ah Nui.

Joint Venture Agreement

The Joint Venture Agreement is the "umbrella agreement" for this transaction. The Joint Venture Agreement was entered into on 14 March 2014 by the Company and its subsidiaries, Econ Precast, Contech Precast, Bukit Intan Pte Ltd ("Bukit Intan") and Sindo-Econ, Batam JV, ASL and ASL's subsidiaries, ASL Offshore & Marine Pte Ltd ("ASLOM") and PT Cemara Intan Shipyard ("PT CIS") and sets out the terms upon which the parties will establish and conduct the joint venture precast operations at Batam with effect from 1 January 2014. The principal terms of the Joint Venture Agreement are set out below.

CORPORATE GOVERNANCE STATEMENT

Between Bukit Intan, Sindo-Econ, Batam JV and ASL

Econ Precast and/or Contech Precast will, at their sole discretion, subcontract external precast orders to Bukit Intan. The subcontract value ("Initial Subcontract Value") awarded to Bukit Intan will be calculated to be 90% of the order price secured by Econ Precast or Contech Precast from external parties.

Upon receiving the subcontract award from Econ Precast or Contech Precast, Bukit Intan will in turn award the production subcontract to Batam JV at an agreed price ("Production Subcontract Price") and will provide part of the raw materials required ("Key Raw Materials"), to Batam JV for precast operations.

ASLOM, a subsidiary of ASL, has entered into a transport agreement with Bukit Intan in accordance with which ASLOM will undertake the marine transport logistics for the delivery of goods between Batam and Singapore at an agreed price ("ASL Freight Charge").

The Production Subcontract Price will be calculated to be 97% of the Initial Subcontract Value after deducting the costs of Key Raw Materials and the ASL Freight Charge.

Sindo-Econ owns the majority of the movable plant and equipment which will be used by Batam JV in its precast operations. In consideration for the use of the plant and equipment by Batam JV, Sindo-Econ will charge Bukit Intan an agreed agency fee ("JV Agency Fee") which will be calculated to be 8% of the Production Subcontract Price.

Shareholders should note that the award of subcontracts by Econ Precast and Contech Precast, through Bukit Intan, to Batam JV will be made on arms length commercial terms in the ordinary course of business of Econ Precast and Contech Precast and will be the same, in all material respects (save for the subcontract value), as the terms of precast orders made by customers of Econ Precast and Contech Precast.

Shareholders should also note that the financial risk and rewards of the activities of Sindo-Econ and Batam JV will be shared equally between the Company and ASL in accordance with their respective 50% equity interests in Sindo-Econ and Batam JV.

Between Batam JV and ASL

PT CIS, a subsidiary of ASL, owns the land at Batam where the precast operations are conducted by Batam JV. PT CIS has entered into a land lease agreement with Batam JV in accordance with which Batam JV leases the premises, including the use of immovable infrastructure facilities built by PT CIS for use in the precast operations, at an agreed rental rate calculated by reference to the area of land occupied by Batam JV ("ASL Rental").

CORPORATE GOVERNANCE STATEMENT

Purchase of Plant and Equipment by Sindo-Econ and Batam JV

To facilitate the establishment of the precast manufacturing plant at Batam, Sindo-Econ will procure the movable plant and equipment for use by Batam JV in its precast operations from subsidiaries of the Company and ASL as well as from external suppliers.

Batam JV will also procure certain smaller equipment (including precast moulds) required for its precast operations. Batam JV will procure its equipment from subsidiaries of the Company and ASL as well as from external suppliers.

The following transactions in connection with the Joint Venture were conducted during the financial year ended 31 December 2014:

	Aggregate value of all interested person transactions
Name of interested persons	**S$'000**
Sindo-Econ Pte Ltd & PT Sindomas Precas	
– Subcontract award/purchase of precast components by the Group (Production Subcontract Price)	10,408
ASL Offshore & Marine Pte Ltd	
– Marine transport services to the Group (ASL Freight Charge)	2,547
Sindo-Econ Pte Ltd	
– Agency fee charges to the Group (JV Agency Fee)	833
– Sale of property, plant and equipment by the Group	735
– Sale of property, plant and equipment by ASL	1,253
PT Sindomas Precas	
– Land rental charges by ASL (ASL Rental)	743
– Service charges by ASL	10
– Sale of property, plant and equipment by ASL	490

The above transactions were conducted in accordance with the general framework of the Joint Venture approved by shareholders at the 2014 Annual General Meeting held on 29 April 2014. The terms of the Joint Venture entered into between the Company and/or its subsidiaries and ASL, and the transactions entered into between the Company and/or its subsidiaries and ASL during the financial year ended 31 December 2014 do not differ in any material respect from agreements and contracts entered into with the Company's non-related parties.

Through the Joint Venture, the Company can utilise the resources of ASL at Batam to expand its precast manufacturing operations beyond the Company's existing plants in Singapore and Malaysia.

CORPORATE GOVERNANCE **STATEMENT**

Dealing in Company's Securities by Directors and Employees

A policy regarding Directors and employees trading in the Company's securities was approved by the Board in February 2011 in accordance with new ASX Listing Rules which came into effect on 1 January 2011.

The policy is provided to all Directors and employees.

The Share Trading Policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' price.

Under the Policy, Directors and Prescribed Employees are restricted from dealing in the Company's securities during the following Blackout Periods, except in exceptional circumstances:

– The period commencing two weeks before the half year results and one month before the full year results are released and ending on the date of their release; and

– Any other period determined by the Board from time to time.

A copy of the Share Trading Policy can be found on the Company website.

DIRECTORS' REPORT

The directors are pleased to present their report 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 2014.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

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:

	Shareholdings registered in the name of director		
Name of directors and companies in which interests are held	**At the beginning of year**	**At the end of year**	**At 21 January 2015**
Ordinary shares of the Company			
Ang Sin Liu	12,860,800	12,860,800	12,860,800
Ang Ah Nui	122,571,819	122,571,819	122,571,819
Oh Keng Lim	10,159,996	10,159,996	10,159,996
Oh Koon Sun	7,205,378	7,205,378	7,205,378
Christopher Chong Meng Tak	160,000	160,000	160,000

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.

DIRECTORS' **REPORT**

Directors' receipt and entitlement to contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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).

DIRECTORS' REPORT

Employee performance share plan (Continued)

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

(2) *Awards (Continued)*

(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 or prescribed performance target(s) being satisfied (whether fully or partially) 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.

(3) *Selection of Participants*

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

Christopher Chong Meng Tak – 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.

DIRECTORS' REPORT

Employee performance share plan (Continued)

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

(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%.

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.

DIRECTORS' REPORT

Employee performance share plan (Continued)

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

(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.

(b) In 2010, the Remuneration Committee approved the grant of awards comprising 330,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of three years starting 2011.

In 2011, the Remuneration Committee approved the grant of awards comprising 360,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of two years starting 2013. As at 31 December 2014, 105,000 shares (31 December 2013: 105,000 shares) were forfeited due to the resignation of employees.

During the year, 90,000 (2013: 275,000) ordinary shares have been issued pursuant to the Koon EPSP.

Accumulated shares awarded were as follows:

	Number of shares			
	Not issued		Issued	
	2014	2013	2014	2013
Directors				
Tan Thiam Hee (resigned on 31 July 2013)	–	–	**140,000**	140,000
Oh Koon Sun	–	–	**104,000**	104,000
Oh Keng Lim	–	–	**100,000**	100,000
	–	–	**344,000**	344,000
Other members of key management	–	15,000	**380,000**	365,000
Other employees	–	75,000	**855,000**	780,000
Total number of shares granted under the Koon EPSP	–	90,000	**1,579,000**	1,489,000

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

DIRECTORS' REPORT

Audit committee

The Audit Committee of the Company is chaired by Christopher Chong Meng Tak and includes Glenda Mary Sorrell-Saunders and Ang Ah Nui. Christopher Chong Meng Tak and Glenda Mary Sorrell-Saunders are independent directors. The Audit Committee has met four times in 2014 and had reviewed the following, where relevant, with the executive directors and external auditors of the Company:

(a) the audit plans of the internal and external auditors;

(b) the reports of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(c) the Group's financial and operating results and accounting policies;

(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 auditors' 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 Company and the Group;

(f) the co-operation and assistance given by the management to the Group's external auditors; and

(g) the re-appointment of the external auditors of the Group.

The Audit 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 auditors have unrestricted access to the Audit Committee.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

DIRECTORS' REPORT

Auditor

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

On behalf of the board of directors,

Yuen Kai Wing
Director

Oh Koon Sun
Director

Singapore
20 March 2015

STATEMENT BY DIRECTORS

We, Yuen Kai Wing and Oh Koon Sun, being two of the directors of Koon Holdings Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Yuen Kai Wing
Director

Oh Koon Sun
Director

Singapore
20 March 2015

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF KOON HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages 53 to 137, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF KOON HOLDINGS LIMITED

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

20 March 2015

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Continuing operations:			
Revenue	5	**163,917**	219,961
Cost of sales		**(137,271)**	(207,385)
Gross profit		**26,646**	12,576
Other income	6	**3,796**	1,944
Distribution costs		**(5,308)**	(3,633)
Administrative and other operating expenses		**(17,472)**	(18,590)
Finance costs	7	**(1,888)**	(2,530)
Share of (loss)/profit of associates	19	**(81)**	483
Share of profit/(loss) of joint ventures	20	**963**	(253)
Profit/(Loss) before income tax	8	**6,656**	(10,003)
Income tax	9	**(348)**	(2,266)
Profit/(Loss) for the year from continuing operations		**6,308**	(12,269)
Discontinued operation:			
Net profit for the year from discontinued operation	32	**–**	1,062
Profit/(Loss) for the year		**6,308**	(11,207)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
Gain/(Loss) on fair value changes of available-for-sale investments		**193**	(405)
Exchange loss on translation of foreign operations		**(1,541)**	(1,949)
Other comprehensive loss, net of tax		**(1,348)**	(2,354)
Total comprehensive income/(loss) for the year		**4,960**	(13,561)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**5,824**	(10,209)
Non-controlling interests		**484**	(998)
		6,308	(11,207)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**4,683**	(12,041)
Non-controlling interests		**277**	(1,520)
		4,960	(13,561)
Earnings/(Loss) per share (cents per share):			
– Basic	10	**2.21**	(3.88)
– Diluted	10	**2.21**	(3.88)
Earnings/(Loss) per share from continuing operations attributable to owners of the Company (cents per share)			
– Basic	10	**2.21**	(4.69)
– Diluted	10	**2.21**	(4.69)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**17,094**	21,788	**449**	355
Pledged fixed deposits	11	**800**	2,560	**–**	–
Trade receivables	12	**44,117**	43,105	**–**	–
Other receivables	13	**9,226**	4,637	**9,494**	8,790
Inventories	14	**6,873**	10,881	**–**	–
Contract work-in-progress	15	**10,334**	10,870	**–**	–
Held for trading investments	16	**36**	33	**–**	–
Total current assets		**88,480**	93,874	**9,943**	9,145
Non-current assets					
Other receivables	13	**239**	351	**–**	–
Properties held for development	17	**16,388**	17,183	**–**	–
Subsidiaries	18	**–**	–	**59,302**	59,302
Associates	19	*****	*	**–**	–
Joint ventures	20	**1,332**	–	**–**	–
Property, plant and equipment	21	**61,152**	65,128	**254**	388
Available-for-sale investments	22	**731**	538	**731**	538
Goodwill on consolidation	23	**3,536**	3,536	**–**	–
Deferred tax assets	29	**–**	225	**–**	–
Total non-current assets		**83,378**	86,961	**60,287**	60,228
Total assets		**171,858**	180,835	**70,230**	69,373

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

BALANCE SHEETS
AS AT 31 DECEMBER 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	25	**44,409**	51,786	**–**	–
Provision	26	**–**	600	**–**	–
Other payables	27	**12,631**	11,935	**16,699**	13,146
Contract work-in-progress	15	**1,910**	765	**–**	–
Bank loans and bills payable	24	**21,660**	20,575	**–**	–
Finance leases	28	**15,016**	7,841	**54**	51
Income tax payable		**528**	245	**4**	–
Total current liabilities		**96,154**	93,747	**16,757**	13,197
Non-current liabilities					
Bank loans	24	**8,920**	10,810	**–**	–
Finance leases	28	**8,681**	20,467	**101**	156
Other payables	27	**89**	2,500	**–**	2,500
Deferred tax liabilities	29	**1,261**	1,531	**–**	–
Total non-current liabilities		**18,951**	35,308	**101**	2,656
Capital and reserves					
Share capital	30	**25,446**	25,433	**25,446**	25,433
Capital reserve	31	**8,663**	8,663	**13,006**	13,006
Fair value reserve		**(212)**	(405)	**(212)**	(405)
Accumulated profits		**21,470**	15,646	**15,132**	15,486
Translation reserve		**(3,284)**	(1,950)	**–**	–
Equity attributable to owners of the Company		**52,083**	47,387	**53,372**	53,520
Non-controlling interests		**4,670**	4,393	**–**	–
Total equity		**56,753**	51,780	**53,372**	53,520
Total liabilities and equity		**171,858**	180,835	**70,230**	69,373

* Less than $1,000.

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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
Group								
Opening balance at 1 January 2013	**25,373**	**13,305**	**–**	**31,230**	**(523)**	**69,385**	**6,644**	**76,029**
Loss for the year	–	–	–	(10,209)	–	(10,209)	(998)	(11,207)
Other comprehensive loss for the year, net of tax	–	–	(405)	–	(1,427)	(1,832)	(522)	(2,354)
Total comprehensive loss for the year	**–**	**–**	**(405)**	**(10,209)**	**(1,427)**	**(12,041)**	**(1,520)**	**(13,561)**
Contributions by and distributions to owners								
Issue of share capital (Note 30)	60	–	–	–	–	60	–	60
Dividends (Note 40)	–	–	–	(5,375)	–	(5,375)	–	(5,375)
Total contributions by and distributions to owners	**60**	**–**	**–**	**(5,375)**	**–**	**(5,315)**	**–**	**(5,315)**
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interest	–	(4,626)	–	–	–	(4,626)	(874)	(5,500)
Disposal of subsidiaries (Note 32)	–	(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**	**(4,642)**	**–**	**(5,375)**	**–**	**(9,957)**	**(731)**	**(10,688)**
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 year	–	–	–	5,824	–	5,824	484	6,308
Other comprehensive income/(loss) for the year, net of tax	–	–	193	–	(1,334)	(1,141)	(207)	(1,348)
Total comprehensive income/(loss) for the year	**–**	**–**	**193**	**5,824**	**(1,334)**	**4,683**	**277**	**4,960**
Contributions by and distributions to owners								
Issue of share capital (Note 30)	13	–	–	–	–	13	–	13
Total transactions with owners in their capacity as owners	**13**	**–**	**–**	**–**	**–**	**13**	**–**	**13**
Closing balance at 31 December 2014	**25,446**	**8,663**	**(212)**	**21,470**	**(3,284)**	**52,083**	**4,670**	**56,753**

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

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total $'000
Company					
Opening balance at 1 January 2013	**25,373**	**13,006**	**–**	**18,736**	**57,115**
Profit for the year	–	–	–	2,125	2,125
Other comprehensive loss for the year, net of tax	–	–	(405)	–	(405)
Total comprehensive income/(loss) for the year	**–**	**–**	**(405)**	**2,125**	**1,720**
Contributions by and distributions to owners					
Issue of share capital (Note 30)	60	–	–	–	60
Dividends (Note 40)	–	–	–	(5,375)	(5,375)
Total transactions with owners in their capacity as owners	**60**	**–**	**–**	**(5,375)**	**(5,315)**
Balance at 31 December 2013 and 1 January 2014	**25,433**	**13,006**	**(405)**	**15,486**	**53,520**
Loss for the year	–	–	–	(354)	(354)
Other comprehensive income for the year, net of tax	–	–	193	–	193
Total comprehensive income/(loss) for the year	**–**	**–**	**193**	**(354)**	**(161)**
Contributions by and distributions to owners					
Issue of share capital (Note 30)	13	–	–	–	13
Total transactions with owners in their capacity as owners	**13**	**–**	**–**	**–**	**13**
Closing balance at 31 December 2014	**25,446**	**13,006**	**(212)**	**15,132**	**53,372**

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
Operating activities		
Profit/(Loss) before income tax from continuing operations	**6,656**	(10,003)
Profit before income tax from discontinued operations	**–**	1,062
	6,656	(8,941)
Adjustments for:		
Reversal of allowance for doubtful debts (net)	**(113)**	(425)
Depreciation of property, plant and equipment	**9,541**	12,050
Dividend income	**(1,500)**	–
Fair value gain on held-for-trading investment	**(3)**	(10)
Gain on disposal of subsidiaries	**–**	(3,159)
Interest expense	**1,888**	2,534
Interest income	**(118)**	(653)
Inventories written-down	**1,078**	195
Net (gain)/loss on disposal of property, plant and equipment	**(327)**	778
(Reversal of)/provision for foreseeable loss on work-in-progress	**(111)**	4,202
Reversal of provision	**(600)**	–
Share-based payment expenses	**–**	1,903
Share of profit of joint ventures/associates (net)	**(882)**	(230)
Unrealised exchange gain	**(389)**	–
Operating cash flows before changes in working capital	**15,120**	8,244
Changes in working capital:		
Contract work-in-progress (net)	**1,792**	5,399
Trade receivables	**(899)**	5,005
Other receivables	**(3,347)**	8,614
Inventories	**2,930**	3,025
Trade payables	**(7,377)**	(11,639)
Other payables	**(1,650)**	(1,893)
Cash flows from operations	**6,569**	16,755
Income tax paid	**(443)**	(97)
Net cash flows from operating activities	**6,126**	16,658

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
Investing activities		
Acquisition of interest in a joint venture	–	(108)
Acquisition of non-controlling interest in subsidiaries (Note A)	–	(1,500)
Capital contribution to a joint venture	**(800)**	–
Dividend received from investee company	**1,500**	–
Net cash outflow from disposal of subsidiaries	–	(410)
Proceeds from disposal of property, plant and equipment	**662**	2,845
Purchase of properties held for development	–	(239)
Purchase of property, plant and equipment (Note B)	**(3,487)**	(1,815)
Interest received	**118**	653
Net cash used in investing activities	**(2,007)**	(574)
Financing activities		
Repayment of obligations under finance leases	**(7,916)**	(7,351)
Proceeds from bank loans	**2,400**	9,800
Repayment of bank loans	**(3,419)**	(2,669)
Proceeds from bills payable	**32,583**	49,354
Repayment of bills payable	**(32,369)**	(58,831)
Interest paid	**(1,849)**	(2,534)
Decrease in pledged fixed deposits	**1,760**	1,325
Dividend paid	–	(1,315)
Net cash used in financing activities	**(8,810)**	(12,221)
Net (decrease)/increase in cash and cash equivalents	**(4,691)**	3,863
Effects of exchange rate changes on cash and cash equivalents	**(3)**	(618)
Cash and cash equivalents at 1 January	**21,788**	18,543
Cash and cash equivalents at 31 December	**17,094**	21,788

Note A

In 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 in 2012, $1,500,000 was paid in 2013 and $2,500,000 remains unpaid as at 31 December 2014.

Note B

During the year, the Group acquired property, plant and equipment with an aggregate cost of $7,431,000 (2013: $9,136,000) of which $3,944,000 (2013: $7,321,000) was acquired under finance lease arrangement. Cash payment of $3,487,000 (2013: $1,815,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 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 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 ("FRS").

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

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

2.2 *Changes in accounting policy*

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 which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.3 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets*	1 July 2014
(e) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 40 *Investment Property*	1 July 2014
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. **Summary of significant accounting policies** (Continued)

2.3 ***Standards issued but not yet effective*** (Continued)

Except for FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments*, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting period on adoption of FRS 115 and FRS 109 are described below:

FRS 115 *Revenue from Contracts with Customers*

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption.

The adoption of FRS 109 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

2. Summary of significant accounting policies (Continued)

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss;
– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.4 *Basis of consolidation and business combinations* (Continued)

(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.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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 acquire (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 acquire are assigned to those units.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.4 *Basis of consolidation and business combinations* (Continued)

(c) *Business combinations achieved in stages*

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

2.5 *Transactions with non-controlling interests*

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

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

2.6 *Foreign currency*

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

(a) *Transactions and balances*

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

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

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.6 ***Foreign currency*** (Continued)

(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.

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

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

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

Freehold buildings	–	30 to 50 years
Leasehold buildings	–	4 to 10 years (over the terms of lease)
Leasehold improvements	–	10 years or over leasehold period (if shorter)
Plant and machinery	–	3 to 25 years or end of project (if shorter)
Barges and dredgers	–	6 to 10 years
Dump trucks and motor vehicles	–	3 to 10 years or end of project (if shorter)
Office equipment, furniture and fittings	–	3 to 15 years

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.7 *Property, plant and equipment* (Continued)

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.

2.8 *Impairment of non-financial assets*

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

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the 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.

2.9 *Subsidiaries*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.10 *Joint arrangements*

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

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

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

(a) *Joint operations*

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

(a) its assets, including its share of any assets held jointly;
(b) its liabilities, including its share of any liabilities incurred jointly;
(c) its revenue from the sale of its share of the output arising from the joint operation;
(d) its share of the revenue from the sale of the output by the joint operation; and
(e) its expenses, including its share of any expenses incurred jointly.

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

(b) *Joint ventures*

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

2.11 *Joint ventures and associates*

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.11 *Joint ventures and associates* (Continued)

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

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

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

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

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

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

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.12 ***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 financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. **Summary of significant accounting policies** (Continued)

2.12 ***Financial instruments*** (Continued)

(a) *Financial assets* (Continued)

(ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows 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 is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.12 *Financial instruments* (Continued)

(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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

2. Summary of significant accounting policies (Continued)

2.13 ***Impairment of financial assets*** (Continued)

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial asset has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.13 *Impairment of financial assets* (Continued)

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.14 *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.

2.15 *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.

2.16 *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 represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

2.17 *Construction contracts*

The Group principally operates fixed price construction contracts. Construction contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.17 ***Construction contracts*** (Continued)

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.18 ***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 each balance sheet date 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.19 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

2.20 *Borrowing costs*

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

2.21 *Employee benefits*

(a) *Defined contribution plan*

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

(b) *Employee leave entitlement*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.21 ***Employee benefits*** (Continued)

(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 on a straight-line basis 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 employee benefits 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.

2.22 ***Leases***

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.

2. Summary of significant accounting policies (Continued)

2.23 *Non-current assets held for sale and discontinued operations*

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. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.24 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Construction contracts revenue*

Revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.24 *Revenue* (Continued)

(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) *Charter income*

Charter income is recognised on a straight-line basis over the term of the charter agreement.

(e) P*ower 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 in the month when the benefits are derived.

(f) *Dividend income*

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

(g) *Interest income*

Interest income is recognised using the effective interest method.

2.25 *Taxes*

(a) *Current income tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. **Summary of significant accounting policies** (Continued)

2.25 ***Taxes*** (Continued)

(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 income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.25 ***Taxes*** (Continued)

(b) *Deferred tax* (Continued)

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.

2.26 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment results are regularly reviewed by management in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 ***Share capital and share issue 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 (Continued)

2.28 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. **Significant accounting judgements and estimates** (Continued)

(b) *Key sources of estimation uncertainty*

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

(i) Construction 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 as at 31 December 2014 are $10,334,000 and $1,910,000 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.

If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $2,778,294 (2013: $2,638,939) lower and $805,615 (2013: $409,525) higher respectively.

(ii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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3. **Significant accounting judgements and estimates** (Continued)

(b) *Key sources of estimation uncertainty* (Continued)

(ii) Impairment of loans and receivables (Continued)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables and convertible loan receivable (excluding cash and bank balances) as at 31 December 2014 is $52,429,000 (2013: $47,123,000).

If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by $5,242,900 (2013: increase by $4,712,300).

(iii) Impairment of goodwill on consolidation

As disclosed in Note 23 to the financial statements, the recoverable amount of the cash generating unit which goodwill has been allocated to is determined based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount 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 key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 23 to the financial statements.

The carrying amount of goodwill on consolidation as at 31 December 2014 is $3,536,000 (2013: $3,536,000).

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of the unrecognised tax losses at 31 December 2014 was disclosed in Note 9.

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $4,125,000 (2013:$4,399,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year, the Group entered into the following transactions with parties related to a substantial shareholder of the Group at terms agreed between the parties:

	Group	
	2014	**2013**
	$'000	**$'000**
Equipment rental income	*****	(214)
Sale of property, plant and equipment	**(795)**	–
Secondment fee income	**(348)**	(348)
Sales of scrap metal	**(87)**	(1,231)
Other income	**–**	(203)
Subcontract award/purchase of precast components	**10,408**	2,536
Rental expenses	**–**	87
Charter expenses	**169**	354
Hire of equipment	**48**	42
Marine transport expenses	**2,547**	252
Agency fee charges	**833**	127
Professional fee	**61**	65

*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:

	Group	
	2014	**2013**
	$'000	**$'000**
Land rental expenses	**743**	124
Purchase of equipment	**1,743**	–
Service charges	**10**	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4. Related party transactions (Continued)

Compensation of directors and key management personnel

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

	Group	
	2014	**2013**
	$'000	**$'000**
Short-term benefits	**2,413**	2,504
Defined contribution plans	**78**	57
Share-based payment expense	**–**	5
	2,491	2,566

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

5. Revenue

	Continuing operations		Discontinued operation		Group	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Construction contracts revenue	**90,012**	145,123	**–**	–	**90,012**	145,123
Sale of goods	**63,759**	64,742	**–**	–	**63,759**	64,742
Real estate brokerage income	**–**	–	**–**	11,408	**–**	11,408
Power station capacity credits	**7,538**	9,077	**–**	–	**7,538**	9,077
Rental of machinery and equipment	**2,608**	989	**–**	–	**2,608**	989
Rendering of services	**–**	30	**–**	–	**–**	30
	163,917	219,961	**–**	11,408	**163,917**	231,369

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6. Other income

	Continuing operations		Discontinued operation		Group	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Fair value gain on held for trading investments	–	10	–	–	–	10
Gain on disposal of property, plant and equipment	386	–	–	–	386	–
Interest income from loan to investee company	–	–	–	255	–	255
Interest income from fixed deposits	118	398	–	–	118	398
Dividend income	1,500	–	–	–	1,500	–
Sale of scrap	419	384	–	–	419	384
Reversal of allowance for doubtful debts	193	425	–	–	193	425
Secondment fees for a director	348	348	–	–	348	348
Government grants	766	57	–	–	766	57
Others	66	322	–	58	66	380
	3,796	1,944	–	313	3,796	2,257

7. Finance costs

	Continuing operations		Discontinued operation		Group	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Interest on:						
Bank loans and bills payables	732	1,674	–	–	732	1,674
Bank overdraft	–	–	–	3	–	3
Finance leases	1,156	856	–	1	1,156	857
	1,888	2,530	–	4	1,888	2,534

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8. Profit/(Loss) before income tax

The following items have been included in arriving at profit/(loss) before income tax:

	Continuing operations		Discontinued operation		Group	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Depreciation of property, plant and equipment	**9,541**	12,050	**–**	–	**9,541**	12,050
Inventories written down	**1,078**	195	**–**	–	**1,078**	195
Employee benefits expense (including directors)	**26,976**	34,423	**–**	1,124	**26,976**	35,547
Directors' remuneration:						
– directors of the Company	**1,613**	1,728	**–**	–	**1,613**	1,728
– directors of subsidiaries	**293**	–	**–**	267	**293**	267
Defined contribution plans included in employee benefits expense (including directors)	**1,149**	1,242	**–**	117	**1,149**	1,359
Audit fees:						
– paid to auditors of the Company	**237**	307	**–**	14	**237**	321
– paid to other auditors	**55**	83	**–**	–	**55**	83
Foreign exchange loss	**66**	*	**–**	*	**66**	*
Reversal of allowance for doubtful debts (net)	**(113)**	(425)	**–**	–	**(113)**	(425)
(Reversal of)/Provision for foreseeable losses, included in cost of sales	**(111)**	4,202	**–**	–	**(111)**	4,202
(Gain)/Loss on disposal of property, plant and equipment (net)	**(327)**	778	**–**	–	**(327)**	778

*Amounts less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9. Income tax

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Continuing operations		Discontinued operation		Group	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current income tax:						
– Current income taxation	**476**	291	**–**	–	**476**	291
– Over provision in respect of previous years	**(115)**	(467)	**–**	–	**(115)**	(467)
Deferred income tax:						
– Origination and reversal of temporary differences	**322**	(306)	**–**	–	**322**	(306)
– Over provision in respect of previous years	**(335)**	–	**–**	–	**(335)**	–
– Write down of deferred tax assets due to continued losses	**–**	2,748	**–**	–	**–**	2,748
Income tax expense recognised in profit or loss	**348**	2,266	**–**	–	**348**	2,266

Statement of comprehensive income:

	Group	
	2014	**2013**
	$'000	**$'000**
Deferred tax expense related to other comprehensive income:		
– Translation differences	**(32)**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9. **Income tax** (Continued)

Relationship between tax expense and accounting profit/(loss)

A reconciliation between income tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Profit/(Loss) before income tax	**6,656**	(8,941)
Tax at domestic rates applicable to profits in the countries where the Group operates	**1,524**	(1,173)
Tax effect of income not taxable and expenses not deductible (net)	**(269)**	603
Tax effect of share of results of joint venture/associate	**(150)**	39
Overprovision in prior years (net)	**(450)**	(467)
Write down of previously recognised deferred tax assets due to continued losses	**–**	2,748
Deferred tax assets not recognised	**295**	435
Utilisation of previously unrecognised deferred tax assets	**(569)**	–
Effect of partial tax exempt income	**(57)**	(10)
Others	**24**	91
Income tax expense recognised in profit or loss	**348**	2,266

Unrecognised tax losses and deductible temporary differences

At the end of the reporting period, the Group has tax losses and deductible temporary differences of approximately $24,082,000 (2013: $25,875,000) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Tax consequences of proposed dividends

There are no income tax consequences (2013: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 40).

NOTES TO THE FINANCIAL STATEMENTS

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10. Earnings/(Loss) per share

(a) *Continuing operations*

Basic earnings per share from continuing operations are calculated by dividing profit/(loss) from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share from continuing operations are calculated by dividing profit/(loss) from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Group	
	2014	**2013**
	$'000	**$'000**
Profit/(Loss) for the year attributable to owners of the Company	**5,824**	(10,209)
Less: Profit from discontinued operation, net of tax, attributable to owners to the Company		
Loss attributable to owners of the Company (Note 32)	–	(1,026)
Gain on disposal of real estate agency operations (Note 32)	–	3,159
	–	2,133
Profit/(Loss) from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings/(loss) per share from continuing operations	**5,824**	(12,342)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10. Earnings/(Loss) per share (Continued)

(a) *Continuing operations* (Continued)

	Group	
	2014	**2013**
	No. of shares	**No. of shares**
	'000	**'000**
Weighted average number of ordinary shares for basic earnings/(loss) per share computation	**263,098**	262,996
Effect of dilutive potential ordinary shares:		
– Employee performance share plan	**–**	90
Weighted average number of ordinary shares for diluted earnings/(loss) per share computation	**263,098**	263,086

(b) *Earnings per share computation*

The basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings/(loss) per share computation and dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for diluted earnings/(loss) per share computation respectively. These profit and share data are presented in the tables in Note 10(a) above.

11. Cash and cash equivalents

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**17,041**	21,788	**449**	355
Fixed deposits	**853**	2,560	**–**	–
Cash and bank balances	**17,894**	24,348	**449**	355
Less: Pledged fixed deposits	**(800)**	(2,560)	**–**	–
Cash and cash equivalents	**17,094**	21,788	**449**	355

The Group has certain fixed deposits amounting to $800,000 (2013: $2,560,000) pledged to banks for bank loan facilities granted (see Notes 24 and 34). The pledged fixed deposits have an average tenure of approximately 162 days (2013: approximately 145 days) and earn interest at average effective rate of 1.10% (2013: 1.53%) per annum. Management expects the pledge on the fixed deposits to be discharged within the next 12 months. Accordingly, the pledged fixed deposits have been presented under current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. Cash and cash equivalents (Continued)

The Group and the Company have the following cash and cash equivalents which are denominated in foreign currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Australian Dollars	**43**	16	**43**	16

12. Trade receivables

	Group	
	2014	2013
	$'000	$'000
Amounts due from outside parties	**30,980**	29,829
Amounts due from related parties	**81**	147
Retention monies receivable	**4,923**	4,163
Unbilled receivables	**9,837**	10,783
Less: Allowance for impairment	**(1,704)**	(1,817)
	44,117	43,105

Retention monies held by customers are included in current assets as they are expected to be realised in the normal operating cycle upon completion of contract work.

The average credit period on the outstanding trade receivables is 30 days (2013: 30 days). No interest is charged on trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of $13,301,000 (2013: $11,820,000) which are past due at the reporting date for which the Group has not provided for any impairment allowance. These overdue balances include $12,369,000 (2013: $11,072,000), which arise from back-to-back contract arrangements under which the Group will not be making payment for the same amount included as trade payables in Note 25 if the trade receivable is not settled. Management expects that as there has not been a significant change in the credit quality and the amounts are still considered recoverable, no impairment allowance is necessary. The Group does not hold any collateral over these balances.

12. Trade receivables (Continued)

The table below is an analysis of trade receivables:

	Group	
	2014	**2013**
	$'000	**$'000**
Not past due and not impaired	**30,816**	31,285
Past due but not impaired	**13,301**	11,820
	44,117	43,105
Impaired receivables – individually assessed	**1,704**	1,817
Less: Allowance for impairment	**(1,704)**	(1,817)
	–	–
Total trade receivables (net)	**44,117**	43,105

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

	Group	
	2014	**2013**
	$'000	**$'000**
3 months to 6 months	**267**	427
6 months to 12 months	**627**	6
12 months to 24 months	**38**	315
24 months to 36 months	**12,369**	11,072
	13,301	11,820

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that no further allowance for the impairment is necessary.

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

The Group and the Company do not have any trade receivables which are denominated in foreign currencies.

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12. Trade receivables (Continued)

Receivables that are impaired

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

	Group Individually impaired	
	2014	**2013**
	$'000	**$'000**
Trade receivables – nominal amounts	**1,704**	1,817
Less: Allowance for impairment	**(1,704)**	(1,817)
	–	–
Movement in allowance for impairment:		
At 1 January	**1,817**	2,242
Charged for the year	**80**	–
Reversed during the year	**(193)**	(425)
At 31 December	**1,704**	1,817

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

13. Other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Receivable for sale of property, plant and equipment	**839**	33	**–**	–
Other deposits	**613**	699	**–**	–
Prepayments	**518**	801	**48**	54
Amounts due from related parties	**1,791**	913	**151**	–
Amounts due from joint ventures	**3,445**	–	**–**	–
Amounts due from subsidiaries	**–**	–	**8,540**	8,400
Tax recoverable	**357**	6	**–**	–
Sales tax receivables	**278**	163	**–**	–
Convertible loan receivable (Note 37(d))	**661**	–	**661**	–
Others	**963**	2,373	**239**	481
Less: Allowance for impairment from a subsidiary	**–**	–	**(145)**	(145)
	9,465	4,988	**9,494**	8,790

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13. Other receivables (Continued)

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Analysed as:				
Current	**9,226**	4,637	**9,494**	8,790
Non-current	**239**	351	**–**	–
	9,465	4,988	**9,494**	8,790

Amounts due from related parties and subsidiaries are unsecured, interest-free and are repayable on demand.

Amounts due from joint ventures are unsecured, interest-free and are expected to be repayable in the next 12 months.

Convertible loan receivable is secured against unquoted equity shares in a privately-held company, bears interest at 8% per annum if no conversion takes place.

Included in Others, are two loan receivables from an ex-employee amounted to $136,000 (2013: $128,000) payable to Tesla Group and $239,000 (2013: $249,000) payable to the Company respectively. Both loan receivables are secured against the equity shares of Tesla Group. The loan payable to Tesla Group is interest free and payable upon dividend distribution by Tesla Group. The loan payable to the Company bears interest equal to the dividend distribution by Tesla Group and repayable in 2015.

At the end of the reporting period, the Company has provided an allowance of $145,000 (2013: $145,000) for impairment of the unsecured loan to a subsidiary company with a nominal amount of $344,000 (2013: $361,000).

There has been no movement in this allowance account for the financial year ended 31 December 2014 (2013: charge of $145,000 for impairment loss).

The Group and the Company have the following other receivables which are denominated in foreign currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Australian Dollars	**239**	249	**239**	249
United States Dollars	**661**	–	**661**	–

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14. Inventories

	Group	
	2014	2013
	$'000	$'000
Balance sheet:		
Raw materials	**2,231**	3,715
Finished goods	**4,642**	7,166
	6,873	10,881
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**61,288**	75,219
Inclusive of the following charge:		
– Inventories written down	**1,078**	195

15. Contract work-in-progress

	Group	
	2014	2013
	$'000	$'000
Contract costs incurred to date	**449,738**	414,457
Foreseeable losses	**(122)**	(233)
Recognised profits less recognised losses to date	**19,690**	11,320
	469,306	425,544
Progress billings	**(460,882)**	(415,439)
	8,424	10,105
Represented as:		
Gross amount due from customers for contract work-in-progress	**10,334**	10,870
Gross amount due to customers for contract work-in-progress	**(1,910)**	(765)
	8,424	10,105
Movements in provision for specific foreseeable losses:		
Balance at beginning of year	**233**	397
(Reversed)/charged to profit or loss during the year	**(111)**	4,202
Amounts utilised	**–**	(4,366)
Balance at end of year	**122**	233
Retention sums on construction contracts included in trade receivables	**286**	172

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16. Held for trading investments

	Group 2014 $'000	Group 2013 $'000
Quoted equity shares	**36**	33

17. Properties held for development

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 2014 %	Interest held by the Group 2013 %
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 a bank loan of a subsidiary (Note 24)

18. Subsidiaries

	Company 2014 $'000	Company 2013 $'000
Unquoted equity shares, at cost	**48,230**	48,230
Deemed investment in subsidiary*	**17,000**	17,000
Allowance for impairment losses	**(5,928)**	(5,928)
	59,302	59,302

* 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.

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18. **Subsidiaries** (Continued)

(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 2014 (%)	2013 (%)
Held by the Company:			
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
Koon Properties Pte Ltd[(1)]	Investment holding (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
Tesla Holdings Pty Ltd[(2)]	Investment holding (Australia)	**71**	71
Held through subsidiaries			
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

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18. **Subsidiaries** (Continued)

(a) *Composition of the Group* (Continued)

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held 2014 (%)	Effective equity interest held 2013 (%)
Held through subsidiaries (Continued)			
Koon Construction & Transport Sdn. Bhd.[3]	Contractors for civil engineering and building works (Malaysia)	**100**	100
Koon-Top Pave Joint Venture[4]	Contractors for civil engineering and building works (Singapore)	**–**	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)	**71**	71
Tesla Corporation Management Pty Ltd[2]	Owns and operates power plant (Australia)	**71**	71
Tesla Geraldton Pty Ltd[2]	Owns and operates power plant (Australia)	**71**	71
Tesla Kemerton Pty Ltd[2]	Owns and operates power plant (Australia)	**71**	71
Tesla Northam Pty Ltd[2]	Owns and operates power plant (Australia)	**71**	71
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
(3) Audited by other firms of auditors
(4) Deregistered on 6 June 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18. Subsidiaries (Continued)

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

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

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			$'000	$'000	$'000
31 December 2014:					
Tesla Group	Australia	29%	484	4,670	–
31 December 2013:					
Tesla Group	Australia	29%	(998)	4,393	–

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

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

	Tesla Group	
	2014	2013
	$'000	$'000
Summarised balance sheets:		
Current		
Assets	**4,184**	4,079
Liabilities	**(13,628)**	(6,515)
Net current assets	**(9,444)**	(2,436)
Non-current		
Assets	**27,841**	30,546
Liabilities	**(1,990)**	(12,667)
Net non-current assets	**25,851**	17,879
Net assets	**16,407**	15,443

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18. Subsidiaries (Continued)

(c) *Summarised financial information about subsidiaries with material NCI (Continued)*

	Tesla Group	
	2014	**2013**
	$'000	**$'000**
Summarised statement of comprehensive income:		
Revenue	**7,538**	9,077
Profit before income tax	**2,335**	2,367
Income tax	**(654)**	(99)
Profit after income tax – continuing operations	**1,681**	2,268
Other comprehensive loss	**(717)**	(1,815)
Total comprehensive income	**964**	453
Other summarised information:		
Net cash flows from operations	**3,730**	3,094
Acquisition of significant property, plant and equipment	**27**	72

19. Associates

	Group	
	2014	**2013**
	$'000	**$'000**
Unquoted equity shares, at cost	*	*

* Less than $1,000.

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

Name of associates (Country of incorporation/operation)	Principal activities	Proportion of ownership interest/voting power held	
		2014 (%)	**2013 (%)**
Mesco Sdn Bhd (Brunei)*	Dormant	**50**	50
Penta-Ocean/Hyundai/Koon Joint Venture (Singapore)*	Contractors for civil engineering and building work	**20**	20

* Audited by other firms of auditors.

NOTES TO THE FINANCIAL STATEMENTS
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20. Joint ventures

	Group	
	2014	2013
	$'000	$'000
Sindo-Econ Pte Ltd and its subsidiary	**1,332**	(145)**
Others	*	–
Total	**1,332**	(145)

* No investment cost
** The amount was shown under "other payable" in prior year due to its share of losses.

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	
		2014 (%)	2013 (%)
Sindo-Econ Pte Ltd[1]	Investment holding and provision of management and consultancy services (Singapore)	**50**	50
PT Sindomas Precas[2]	Manufacture of precast components (Indonesia)	**50**	50

Notes:

(1) Held by Econ Precast Pte Ltd
(2) Subsidiary of Sindo-Econ Pte Ltd

The above joint ventures are strategic to the Group's activities. The Group jointly controls the above ventures with partners under the contractual agreements and requires unanimous consent for all major decisions over the relevant activities.

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20. Joint ventures (Continued)

Summarised financial information in respect of Sindo-Econ Pte Ltd and its subsidiary ("Sindo-Econ Group") based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Sindo-Econ Group	
	2014	**2013**
	$'000	**$'000**
Summarised balance sheet:		
Cash and cash equivalents	**1,353**	418
Trade receivables	**5,246**	1,463
Other receivables	**1,138**	138
Inventories	**1,197**	1,061
Current assets	**8,934**	3,080
Non-current assets	**5,792**	724
Total assets	**14,726**	3,804
Current liabilities	**8,917**	4,084
Non-current liabilities (excluding trade, other payables and provisions)	**2,563**	–
Total liabilities	**11,480**	4,084
Net assets/(liabilities)	**3,246**	(280)
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets/(liabilities)	**1,623**	(140)
Eliminations	**(291)**	(5)
Carrying amount of the investment	**1,332**	(145)
Summarised statement of comprehensive income:		
Revenue	**12,119**	2,663
Cost of sales and operating expenses	**(8,718)**	(2,992)
Depreciation	**(977)**	(176)
Interest expense	**(34)**	–
Profit/(Loss) before income tax	**2,390**	(505)
Income tax	**(464)**	–
Profit/(Loss) after income tax, representing total comprehensive income/(loss) for the year	**1,926**	(505)

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21. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Barges and dredgers $'000	Dump trucks and motor vehicles $'000	Office equipment, furniture and fittings $'000	Assets under construction $'000	Total $'000
Group										
Cost:										
At 1 January 2013	1,991	1,111	630	585	70,833	1,390	6,189	2,434	9,553	94,716
Additions	–	18	61	184	7,590	–	385	352	546	9,136
Disposals	–	–	–	(225)	(5,924)	–	(313)	(217)	(41)	(6,720)
Disposal of subsidiaries (Note 32)	–	–	–	(365)	–	–	–	(444)	–	(809)
Write-offs	–	–	–	–	(1,792)	–	–	–	–	(1,792)
Transfers	–	–	9,315	525	–	–	–	–	(9,840)	–
Exchange difference	(127)	15	–	–	(3,895)	–	–	(2)	–	(4,009)
At 31 December 2013	1,864	1,144	10,006	704	66,812	1,390	6,261	2,123	218	90,522
Additions	–	8	–	–	5,596	–	1,110	16	701	7,431
Disposals	–	–	–	(6)	(2,218)	–	(22)	(273)	–	(2,519)
Write-offs	–	–	–	–	–	–	–	(1)	(58)	(59)
Transfers	–	73	–	–	3	–	–	–	(84)	(8)
Exchange difference	(40)	–	–	–	(692)	–	–	39	–	(693)
At 31 December 2014	1,824	1,225	10,006	698	69,501	1,390	7,349	1,904	777	94,674
Accumulated depreciation:										
At 1 January 2013	–	81	354	242	13,646	551	2,471	1,147	–	18,492
Depreciation	–	50	873	461	9,266	199	747	454	–	12,050
Disposals	–	–	–	(208)	(3,542)	–	(182)	(196)	–	(4,128)
Disposal of subsidiaries (Note 32)	–	–	–	(4)	–	–	–	(141)	–	(145)
Write-offs	–	–	–	–	(761)	–	–	–	–	(761)
Exchange difference	–	4	–	–	(115)	–	–	(3)	–	(114)
At 31 December 2013	–	135	1,227	491	18,494	750	3,036	1,261	–	25,394
Depreciation	–	60	1,098	194	6,258	199	1,335	397	–	9,541
Disposals	–	–	–	(4)	(1,439)	–	(21)	(271)	–	(1,735)
Write-offs	–	–	–	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	288	–	–	34	–	322
At 31 December 2014	–	195	2,325	681	23,601	949	4,350	1,421	–	33,522
Impairment:										
At 1 January 2013	–	–	–	147	–	–	–	–	–	147
Disposal of subsidiaries (Note 32)	–	–	–	(147)	–	–	–	–	–	(147)
At 31 December 2013 and 2014	–	–	–	–	–	–	–	–	–	–
Carrying amount:										
At 31 December 2014	1,824	1,030	7,681	17	45,900	441	2,999	483	777	61,152
At 31 December 2013	1,864	1,009	8,779	213	48,318	640	3,225	862	218	65,128

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21. Property, plant and equipment (Continued)

Property, plant and equipment of the Group with carrying amount of $49,469,000 (2013: $57,100,000) are pledged as securities for finance leases and bank loans.

	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Company			
Cost:			
At 1 January 2013	774	140	914
Additions	170	1	171
Disposals	(304)	(7)	(311)
At 31 December 2013 and 2014	**640**	**134**	**774**
Accumulated depreciation:			
At 1 January 2013	304	127	431
Depreciation	132	8	140
Disposals	(178)	(7)	(185)
At 31 December 2013	258	128	386
Depreciation	**128**	**6**	**134**
At 31 December 2014	**386**	**134**	**520**
Carrying amount:			
At 31 December 2014	**254**	**–**	**254**
At 31 December 2013	382	6	388

Motor vehicles of the Company with carrying amount of $250,000 (2013: $335,000) are pledged as securities for finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22. Available-for-sale investments

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost (a)	**500**	500	**–**	–
Less: Allowance for impairment	**(500)**	(500)	**–**	–
	–	–	**–**	–
Quoted equity shares, at fair value (b)	**731**	538	**731**	538
	731	538	**731**	538

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

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

(b) The investment in quoted equity shares represents investment in GPS Alliance Holdings Limited (Note 32).

23. Goodwill on consolidation

	Group	
	2014	2013
	$'000	$'000
Balance at beginning of year	**3,536**	5,438
Disposed during the year (Note 32)	**–**	(1,902)
Balance at end of year	**3,536**	3,536

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

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU have been determined based on value in use calculations using cash flow projections from financial budget and forecast approved by management covering a 5-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

	2014	2013
Growth rate	**5.00%**	5.00%
Pre-tax discount rate	**8.50%**	12.82%

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. Goodwill on consolidation (Continued)

Key assumptions used in value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

(i) Growth rate – The forecasted growth rate is based on published industry research and does not exceed the long-term average growth rate for the industry.

(ii) Pre-tax discount rate – Discount rate represents the current market assessment of the risk specific to the CGU, regarding the time value of money and risk of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and the Electrical Power Generation segment and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying the beta factor. The beta factor is evaluated annually based on publicly available market data.

Sensitivity to changes in assumption

With regards to the assessment of value in use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the CGU to materiality exceed its recoverable amount.

24. Bank loans and bills payable

	Group	
	2014	**2013**
	$'000	**$'000**
Long-term bank loans and bills payable	**30,580**	31,385
Less: Current portion	**(21,660)**	(20,575)
Non-current portion	**8,920**	10,810

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24. Bank loans and bills payable (Continued)

Bank loans and bills payable comprise:

	Group	
	2014	**2013**
	$'000	**$'000**
Loan A	**333**	817
Loan B	**627**	1,135
Loan C	**78**	124
Loan D	**404**	641
Loan E	**11**	11
Loan F	**4,435**	5,578
Loan G	**4,000**	4,000
Loan H	**5,800**	5,800
Loan I	**2,400**	1,000
Bills payable	**12,492**	12,279
	30,580	31,385

(i) Loan A is repayable in 48 monthly instalments commencing September 2011 and bears fixed interest of 3.40% per annum (2013: 3.40% per annum). The loan is secured by a charge over certain subsidiaries' plant and machinery and motor vehicle with a carrying amount of $51,000 (2013: $216,000) as at the end of the reporting period.

(ii) Loan B is repayable in 48 monthly instalments commencing December 2011 and June 2012 and bears effective interest of 5.30% per annum (2013: 5.30% per annum). The loan is secured by a corporate guarantee from 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 (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 31 December 2014 (2013: $859,000) and is guaranteed by another subsidiary.

(iv) Loan D is repayable in 48 monthly instalments commencing June 2012 and January 2013 and bears interest at 1.33% per annum below the bank's prevailing Enterprise Base Rate. The effective interest rate during the year is 3.29% per annum (2013: 3.27% per annum). The loan is secured by a corporate guarantee from the Company.

(v) Loan E is repayable in 72 monthly instalments commencing August 2011 and bears effective interest of 7.42% per annum (2013: 8.36% per annum). The loan is used to finance the construction of the power plants in Australia. The loan is secured by a corporate guarantee from the Company and all assets under the Tesla group of companies (Note 18).

24. Bank loans and bills payable (Continued)

(vi) Loan F is repayable in 72 monthly instalments commencing October 2012 and relates to a mortgage loan for the purchase of leasehold properties. The loan bears interest at effective interest rate of 3.41% per annum (2013: 1.09% per annum). It is secured by a corporate guarantee from the Company and secured by a mortgage of a leasehold building of a subsidiary with a carrying amount of $7,679,000 (2013: $8,684,000).

(vii) Loan G bears effective interest rate of 2.15% (2013: 1.90%) per annum during the year, is unsecured and repayable by 18 February 2015. The loan can be rolled over upon its maturity.

(viii) Loan H is repayable in 30 monthly (2013: 45 monthly) instalments after 30 months (2013: 18 months) from date of loan taken in June 2013 and bears interest rates range from 2.00% to 2.30% per annum. It is secured by the mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of $14,750,000 as at 31 December 2014 (2013: $15,588,000) and is secured by a corporate guarantee from the Company.

(ix) Loan I bears effective interest rate of 2.60% (2013: 2.55%) per annum during the year, is unsecured and repayable by 15 January 2015. It is secured by the mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of $14,750,000 as at 31 December 2014 (2013: $15,588,000). The loan can be rolled over upon its maturity and is secured by a corporate guarantee from the Company.

(x) Bills payable relate to import financing facilities provided by banks. The interest rate for credit advance range between 1.87% to 2.18% above swap offer rate (2013: range between 1.75% swap offer rate and 2.11% above swap offer rate). The bills payable bear effective interest rate of 2.11% (2013: 2.84%) per annum during the year. These facilities are secured by a corporate guarantee from the Company.

The Group is in compliance with externally imposed financial covenants as at 31 December 2014. As at 31 December 2013, net equity of a subsidiary fell short of the minimum equity specified in a financial covenant of a bank. Bills payable to this bank of $3,473,000 were included in current liabilities as at 31 December 2013.

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25. Trade payables

	Group	
	2014	**2013**
	$'000	**$'000**
Amounts due to outside parties	**38,091**	50,111
Amounts due to related parties	**6,318**	1,675
	44,409	51,786

Trade payables included $12,369,000 (2013: $11,072,000) which will not be settled unless receivables for the same amount, included in trade receivables (Note 12), is received.

The average credit period on the outstanding trade payables is 60 days (2013: 60 days). No interest is payable on overdue balances.

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

As at 31 December 2014, the Group has trade payables amounting to $104,000 (2013: $nil) which are denominated in Euro.

26. Provision

	Group	
	2014	**2013**
	$'000	**$'000**
At beginning of year	**600**	600
Reversed during the year	**(600)**	–
At end of year	**–**	600

The provision represents management's estimation of losses on sales commitments as a result of the difference between the committed selling price and the estimated cost of sales for the unfulfilled sales quantities committed. The provision was reversed upon the completion of the contract.

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27. Other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Accrued expenses	**3,470**	2,335	**873**	768
Advance from investee company	**350**	1,850	**–**	–
Deposits received	**1,939**	3,658	**–**	26
Payable for acquisition of non-controlling interest of a subsidiary	**2,500**	2,500	**2,500**	2,500
Sales tax payables	**730**	578	**45**	40
Amounts due to related parties	**219**	674	**8**	–
Amounts due to subsidiaries	**–**	–	**13,074**	12,095
Amounts due to joint ventures	**2,444**	145	**–**	–
Others	**1,068**	2,695	**199**	217
	12,720	14,435	**16,699**	15,646
Analysed as:				
Current	**12,631**	11,935	**16,699**	13,146
Non-current	**89**	2,500	**–**	2,500
	12,720	14,435	**16,699**	15,646

The amount payable for acquisition of non-controlling interest of a subsidiary is unsecured and repayable in 2015. In the event the Group fails to pay on due date, an interest capped at $150,000 will be charged to the Group.

Except for the amount payable for acquisition of non-controlling interest of a subsidiary, the other payables are unsecured, interest-free and repayable on demand.

The Group and the Company do not have any other payables which are denominated in foreign currencies.

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28. Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
Amounts payable under finance leases:				
Within one year	**15,943**	8,859	**15,016**	7,841
In the second to fifth years inclusive	**9,007**	21,644	**8,681**	20,467
	24,950	30,503	**23,697**	28,308
Less: Future finance charges	**(1,253)**	(2,195)	**N/A**	N/A
Present value of lease obligations	**23,697**	28,308	**23,697**	28,308
Less: Amount due for settlement within 12 months			**(15,016)**	(7,841)
Amount due for settlement after 12 months			**8,681**	20,467
Company				
Amounts payable under finance leases:				
Within one year	**60**	58	**54**	51
In the second to fifth years inclusive	**105**	166	**101**	156
	165	224	**155**	207
Less: Future finance charges	**(10)**	(17)	**N/A**	N/A
Present value of lease obligations	**155**	207	**155**	207
Less: Amount due for settlement within 12 months			**(54)**	(51)
Amount due for settlement after 12 months			**101**	156

These obligations are secured by a charge over the leased assets (Note 21). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

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28. Finance leases (Continued)

Group

The average lease term is 4 years (2013: 4 years). The effective borrowing rates ranged between 2.51% and 5.85% (2013: 2.41% and 5.85%) per annum.

Company

The average lease term is 5 years (2013: 5 years). The effective borrowing rate is 4.00% (2013: 4.00%) per annum.

29. Deferred tax (liabilities)/assets

	Group	
	2014	**2013**
	$'000	**$'000**
Deferred tax assets	**–**	225
Deferred tax liabilities	**(1,261)**	(1,531)
Net	**(1,261)**	(1,306)

The following are the major deferred tax (liabilities)/assets 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**	**Provision for foreseeable losses $'000**	**R&D tax credit $'000**	**Tax losses $'000**	**Total $'000**
Group						
At 1 January 2013	(387)	(1,115)	64	–	2,577	1,139
Credit/(Charge) to profit or loss	85	(109)	–	223	107	306
Disposal of subsidiaries	–	(3)	–	–	–	(3)
Write down of deferred tax assets	–	–	(64)	–	(2,684)	(2,748)
At 31 December 2013	(302)	(1,227)	–	223	–	(1,306)
Credit/(Charge) to profit or loss	**256**	**410**	**–**	**(653)**	**–**	**13**
Translation differences	**–**	**–**	**–**	**32**	**–**	**32**
At 31 December 2014	**(46)**	**(817)**	**–**	**(398)**	**–**	**(1,261)**

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29. Deferred tax (liabilities)/assets (Continued)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the year, undistributed earnings of foreign subsidiaries which would be subject to tax when distributed amounted to $1,112,000 (2013: $140,000). 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.

30. Share capital

	Group and Company			
	Number of ordinary shares 2014	**Share Capital 2014 $'000**	**Number of ordinary shares 2013**	**Share capital 2013 $'000**
Issued and paid up:				
At beginning of year	**263,007,800**	**25,433**	262,732,800	25,373
Shares issued during the year	**90,000**	**13**	275,000	60
At end of year	**263,097,800**	**25,446**	263,007,800	25,433

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.

In 2010, the Remuneration Committee approved the grant of awards comprising 330,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of three years starting from 2011.

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30. Share capital (Continued)

In 2011, the Remuneration Committee approved the grant of awards comprising 360,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of two years starting from 2013.

In 2014, 90,000 (2013: 275,000) ordinary shares were issued pursuant to the Koon EPSP. The shares were valued based on the five-day average prevailing share prices of $0.148 (2013: $0.22) before the date of issue.

In 2014, no shares (2013: 75,000 shares) were forfeited due to the resignation of employees.

Accumulated shares awarded were as follows:

	Number of shares			
	Not vested		Vested and issued (Accumulated)	
	2014	**2013**	**2014**	**2013**
Directors	**–**	–	**344,000**	344,000
Other members of key management	**–**	15,000	**380,000**	365,000
Other employees	**–**	75,000	**855,000**	780,000
Total number of shares granted under the Koon EPSP	**–**	90,000	**1,579,000**	1,489,000

31. Capital reserve

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve arising from:				
Restructuring exercise	**13,006**	13,006	**13,006**	13,006
Share-based payment	**283**	283	**–**	–
Acquisition of non-controlling interest in subsidiaries	**(4,626)**	(4,626)	**–**	–
	8,663	8,663	**13,006**	13,006

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31. Capital reserve (Continued)

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 3 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 interest in subsidiaries

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.

32. 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") were 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 40). This resulted in a loss of control in GPS Australia, classification of residual interest in GPS Australia as an available-for-sale investment (Note 22) and classification of the operations of the GPS Australia and its subsidiaries as a discontinued operation for the Group.

32. **Discontinued operation and disposal of subsidiaries** (Continued)

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

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

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32. Discontinued operation and disposal of subsidiaries (Continued)

Book values of net assets over which control was lost

	Group 10.6.2013 $'000
Non-current assets	
Available-for-sale investment	150
Property, plant and equipment	517
Deferred tax assets	3
Total non-current assets	670
Current assets	
Trade receivables	10,401
Other receivables	8,470
Cash and cash equivalents	410
Contract work-in-progress less progress billings	79
Inventories	20
Total current assets	19,380
Non-current liabilities	
Term loan	(6,416)
Finance lease	(50)
Total non-current liabilities	(6,466)
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	(11,867)
Attributable goodwill	1,902
Net asset derecognised	3,619

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32. Discontinued operation and disposal of subsidiaries (Continued)

Book values of net assets over which control was lost (Continued)

	Group 1.1.2013 to 10.6.2013 $'000
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	943
Gain	3,159

* These shares were subsequently distributed to shareholders of Koon Holdings Limited (Note 40).

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

	Group 1.1.2013 to 10.6.2013 $'000
Loss from real estate agency operation	(2,097)
Gain on disposal of real estate agency operation	3,159
Net	1,062

In 2013, operating cash outflow for the discontinued operation was $2,946,000; and cash outflows for investing activities and financing activities were $168,000 and $125,000 respectively.

Earnings per share from discontinued operations

Basic and diluted earnings per share for the discontinued operation is 0.81 cents per share and 0.81 cents per share respectively, based on the profit from the year from the discontinued operation of $2,133,000 and the denominators detailed in Note 10 for basic and diluted earnings per share.

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33. Operating segment information

Products and services from which reportable segments derive their revenues

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

– Construction
– Precast
– Property
– Electric power generation

I. The "Construction" segment relates to construction projects for civil engineering and infrastructure construction works including land reclamation, roads and bridges, shore protection, terminal and port projects.

II. The "Precast" segment relates to the supply and manufacturing of precast components and reinforced concrete piles.

III. The "Property" segment relates to property development activities.

IV. The "Electric power generation" segment relates to the ownership and operation of electricity power generation plants.

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Continuing operations:				
Construction	**93,352**	146,516	**5,091**	(3,630)
Precast	**72,577**	77,605	**1,677**	(6,411)
Property	**–**	–	**55**	(272)
Electric power generation	**7,538**	9,077	**3,228**	3,878
	173,467	233,198	**10,051**	(6,435)
Elimination	**(9,550)**	(13,237)	**(6,185)**	(3,212)
Total	**163,917**	219,961	**3,866**	(9,647)
Other income			**3,796**	1,944
Share of profit of joint ventures/ associates (net)			**882**	230
Finance costs			**(1,888)**	(2,530)
Profit/(Loss) before income tax			**6,656**	(10,003)
Income tax			**(348)**	(2,266)
Profit/(Loss) for the year			**6,308**	(12,269)

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33. Operating segment information (Continued)

	Revenue		Results	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Discontinued operation:				
Property (real estate agency)	–	11,451	–	(2,393)
Elimination	–	(43)	–	(13)
Total	–	11,408	–	(2,406)
Other income			–	3,472
Finance costs			–	(4)
Profit before income tax			–	1,062
Income tax			–	–
Profit for the year			–	1,062
Consolidated revenue for the year	**163,917**	231,369		
Consolidated profit/(loss) for the year			**6,308**	(11,207)

Consolidated revenue of $163,917,000 (2013: $231,369,000) after elimination of inter-segmental sales comprise revenue from construction segment of $92,619,000 (2013: $146,142,000), precast segment of $63,760,000 (2013: $64,742,000), property segment of $nil (2013: $11,408,000) and electric power generation segment of $7,538,000 (2013: $9,077,000).

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

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33. Operating segment information (Continued)

Segment assets

	Group	
	2014	**2013**
	$'000	**$'000**
Construction	**92,979**	107,719
Precast	**48,411**	81,564
Property	**20,722**	28,264
Electric power generation	**32,022**	34,403
	194,134	251,950
Elimination	**(25,164)**	(73,156)
Total segment assets	**168,970**	178,794
Unallocated corporate assets	**2,888**	2,041
Total assets	**171,858**	180,835

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

Other segment information

	Depreciation		Additions to property, plant and equipment	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Continuing operations:				
Construction	**4,444**	3,608	**3,569**	6,118
Precast	**3,725**	6,861	**3,835**	2,735
Property	**–**	–	**–**	–
Electric power generation	**1,372**	1,473	**27**	73
	9,541	11,942	**7,431**	8,926
Discontinued operation:				
Property (real estate agency)	**–**	108	**–**	210
Total	**9,541**	12,050	**7,431**	9,136

33. Operating segment information (Continued)

The Construction segment includes reversal of provision for foreseeable losses amounting to $111,000 (2013: provision for foreseeable losses $4,202,000).

The Precast segment includes inventories written down amounting to $1,078,000 (2013: $195,000).

The Precast segment includes reversal of allowance for doubtful debts (net) amounting to $113,000 (2013: $425,000).

The Construction and Precast segments include investments in joint ventures and associates amounting to $1,332,000 (2013: $145,000 in other payables).

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore	**154,913**	219,818	**38,412**	38,697
Australia	**7,538**	9,077	**27,603**	29,971
Malaysia	**1,466**	2,474	**16,393**	17,179
Total	**163,917**	231,369	**82,408**	85,847

Non-current assets information presented above consist of properties held for development, associates, joint ventures, property, plant and equipment, available-for-sale investments and goodwill on consolidation as presented in the consolidated balance sheets.

Information about major customer

The Group's major customer contributed revenue of $46,865,000 (2013: $83,287,000) to the Construction segment in Singapore.

34. Bank guarantees, performance bonds and commitments

As at 31 December 2014, the Company has provided corporate guarantees totalling $82,604,000 (2013: $88,843,000) to financial institutions in respect of credit facilities utilised by the subsidiaries.

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35. Operating lease arrangements – as lessee

	Group	
	2014	**2013**
	$'000	**$'000**
Minimum lease payments under operating leases recognised as an expense in the year	**2,970**	4,943

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

	Group	
	2014	**2013**
	$'000	**$'000**
Within one year	**2,094**	2,330
In the second to fifth year inclusive	**3,368**	2,087
In the sixth to tenth year inclusive	**1,098**	1,583
	6,560	6,000

Operating lease payments represent rentals payable by the Group for rental of office, equipment, yard premises and accommodation. Leases are negotiated for an average term of 3 years (2013: 3 years).

36. Categories of financial instruments

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets:				
Fair value through profit or loss				
– Held for trading investments	**36**	33	**–**	–
At cost less impairment				
– Convertible loan receivable	**661**	–	**661**	–
Loans and receivables				
– Trade receivables	**44,117**	43,105	**–**	–
– Other receivables (excluding prepayments, tax recoverable, sales tax receivables and convertible loan receivable)	**7,651**	4,018	**8,785**	8,736
– Pledged fixed deposits	**800**	2,560	**–**	–
– Cash and cash equivalents	**17,094**	21,788	**449**	355
	69,662	71,471	**9,234**	9,091
Available-for-sale financial assets				
– Available-for-sale investments	**731**	538	**731**	538
Total financial assets	**71,090**	72,042	**10,626**	9,629
Financial liabilities:				
Financial liabilities at amortised cost				
– Bank loans and bills payable	**30,580**	31,385	**–**	–
– Trade payables	**44,409**	51,786	**–**	–
– Other payables (excluding deposits received and sales tax payables)	**10,051**	10,199	**16,654**	15,606
	85,040	93,370	**16,654**	15,606
– Finance leases	**23,697**	28,308	**155**	207
Total financial liabilities	**108,737**	121,678	**16,809**	15,813

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37. 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.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy in 2013 and 2014.

(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:

	Group 2014 $'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
Assets measured at fair value				
Financial assets:				
Held-for-trading financial assets (Note 16)				
– Quoted equity instruments	**36**	–	–	**36**
Available-for-sale financial assets (Note 22)				
– Quoted equity instruments	**731**	–	–	**731**

NOTES TO THE FINANCIAL STATEMENTS
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37. Fair value of assets and liabilities (Continued)

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

	Group 2013 $'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
Assets measured at fair value				
Financial assets:				
Held-for-trading financial assets (Note 16)				
– Quoted equity instruments	33	–	–	33
Available-for-sale financial assets (Note 22)				
– Quoted equity instruments	538	–	–	538

(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:

	Group 2014 $'000		Group 2013 $'000	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
Financial assets				
Unquoted equity investments (i)	**–**	**–**	–	–
Financial liabilities				
Finance leases (non-current) (ii)	**(8,681)**	**(8,260)**	(20,467)	(20,162)
Bank loans (non-current), fixed rate (ii)	**(5,607)**	**(5,551)**	(6,289)	(6,535)

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37. Fair value of assets and liabilities (Continued)

(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* (Continued)

(i) Unquoted equity investment represents 50% (2013: 50%) 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 (Note 13) is a convertible loan receivable amounting to $661,000 (2013: $nil). 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.

38. 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, foreign currency risk and market price 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 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.

38. Financial risks management objectives and policies (Continued)

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.

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:

– A nominal amount of $1,596,000 (2013: $Nil) relating to a corporate guarantee provided by the Company to the financial institution in respect of credit facilities utilised by a joint venture.

Credit risk concentration profile

Concentration of credit risk exists when economic, industry or geographical factors similarly affect Group 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 and Australia. The Group has significant concentration of credit risk in that its top 5 debtors accounted for $36,201,000 (2013: $12,911,000) or 82% (2013: 30%) of the gross 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.

NOTES TO THE FINANCIAL STATEMENTS

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38. Financial risks management objectives and policies (Continued)

(a) *Credit risk* (Continued)

Financial assets that are neither past due nor impaired (Continued)

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

(b) *Liquidity risk*

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

The Group recorded net current liability of $7,674,000 at 31 December 2014 (2013: $127,000 net current assets) as the current portion of finance leases included the principal of final balloon installments totalling $9,591,000 ("Balloon Installments") of the borrowings for three power generation plants under Tesla Group which were initially scheduled for repayment in December 2015. Subsequent to the balance sheet date, Tesla Group has entered into a refinancing arrangement with its bank to defer the payment due date of the Balloon Installments to March 2016 (Note 41). During the year, positive operating cash flows before working capital changes was $15,120,000 (2013: $8,244,000) and cash generated from operations after working capital changes was $6,569,000 (2013: $16,755,000). The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. Future routine working capital requirements are expected to be funded with cash and cash equivalents, 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.

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38. Financial risks management objectives and policies (Continued)

(b) *Liquidity risk* (Continued)

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 balance sheet date based on contractual undiscounted repayment obligations.

	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Group				
2014				
Financial assets:				
Held for trading investments	**36**	**–**	**–**	**36**
Trade receivables	**44,117**	**–**	**–**	**44,117**
Other receivables	**8,073**	**239**	**–**	**8,312**
Pledged fixed deposits	**800**	**–**	**–**	**800**
Cash and cash equivalents	**17,094**	**–**	**–**	**17,094**
Available-for-sale investments	**–**	**731**	**–**	**731**
Total undiscounted financial assets	**70,120**	**970**	**–**	**71,090**
Financial liabilities:				
Bank loans and bills payable	**22,074**	**9,226**	**–**	**31,300**
Trade payables	**44,409**	**–**	**–**	**44,409**
Other payables	**9,962**	**89**	**–**	**10,051**
Finance leases	**15,943**	**9,007**	**–**	**24,950**
Total undiscounted financial liabilities	**92,388**	**18,322**	**–**	**110,710**
Total net undiscounted financial liabilities	**(22,268)**	**(17,352)**	**–**	**(39,620)**
2013				
Financial assets:				
Held for trading investments	33	–	–	33
Trade receivables	43,105	–	–	43,105
Other receivables	3,667	351	–	4,018
Pledged fixed deposits	2,560	–	–	2,560
Cash and cash equivalents	21,788	–	–	21,788
Available-for-sale investments	–	538	–	538
Total undiscounted financial assets	71,153	889	–	72,042
Financial liabilities:				
Bank loans and bills payable	20,848	11,120	–	31,968
Trade payables	51,786	–	–	51,786
Other payables	7,699	2,500	–	10,199
Finance leases	8,965	21,532	–	30,497
Total undiscounted financial liabilities	89,298	35,152	–	124,450
Total net undiscounted financial liabilities	(18,145)	(34,263)	–	(52,408)

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38. Financial risks management objectives and policies (Continued)

(b) *Liquidity risk* (Continued)

	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Company				
2014				
Financial assets:				
Other receivables	**9,446**	**–**	**–**	**9,446**
Cash and cash equivalents	**449**	**–**	**–**	**449**
Available-for-sale investments	**–**	**731**	**–**	**731**
Total undiscounted financial assets	**9,895**	**731**	**–**	**10,626**
Financial liabilities:				
Other payables	**16,654**	**–**	**–**	**16,654**
Finance leases	**60**	**106**	**–**	**166**
Total undiscounted financial liabilities	**16,714**	**106**	**–**	**16,820**
Total net undiscounted financial (liabilities)/assets	**(6,819)**	**625**	**–**	**(6,194)**
2013				
Financial assets:				
Other receivables	8,736	–	–	8,736
Cash and cash equivalents	355	–	–	355
Available-for-sale investments	–	538	–	538
Total undiscounted financial assets	9,091	538	–	9,629
Financial liabilities:				
Other payables	13,106	2,500	–	15,606
Finance leases	58	166	–	224
Total undiscounted financial liabilities	13,164	2,666	–	15,830
Total net undiscounted financial liabilities	(4,073)	(2,128)	–	(6,201)

38. Financial risks management objectives and policies (Continued)

(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, fixed deposit and loan to investee company. The interest rates for finance leases, loan to investee company and certain bank loans are fixed on the date of inception. Any variation in the short-term interest rates will not have a material impact on the results of the Group.

The Group is exposed to the effect of changes of interest rates on bank borrowings and bills payable totalling $24,153,000 (2013: $29,433,000). Management has assessed that the effect of any reasonably possible changes in interest rates will not have a significant impact on the Group's operating results.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 1%(2013:1%) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $242,000 (2013: $294,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) ***Foreign exchange risk***

The activities of the Company and the 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.

(e) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on SGX-ST and ASX in Singapore and Australia respectively are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

38. Financial risks management objectives and policies (Continued)

(e) *Market price risk* (Continued)

Sensitivity analysis for equity price risk

As at 31 December 2014, the Group's investment in quoted equity securities amounted to $767,000 (2013: $571,000). At the end of the reporting period, if the STI and ASX had been 2% (2013: 2%) higher/lower with all other variables held constant, the Group's profit before tax would have been $720 (2013: $660) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's other comprehensive income would have been $14,620 (2013: $10,760) higher/lower, arising as a result of an increase/decrease in the fair value of equity securities classified as available-for-sale.

39. Capital management

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

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

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

	Group	
	2014	**2013**
	$'000	**$'000**
Bank loans and borrowings	**54,277**	59,693
Less: Cash and bank balances (Note 11)	**(17,894)**	(24,348)
Net debt	**36,383**	35,345
Equity attributable to the owners of the Company	**52,083**	47,387
Add: Fair value adjustment reserve	**212**	405
Total capital	**52,295**	47,792
Net gearing ratio	**70%**	74%

40. Dividends

	Group	
	2014	2013
	$'000	$'000
Final dividend of $0.005 per share on 263,007,800 ordinary shares in respect of financial year ended 31 December 2012	–	1,315
Dividend in specie comprising distribution of shares in GPS Alliance Holdings Limited to the shareholders of Koon Holdings Limited (Note 32)	–	4,060
	–	5,375

41. Subsequent event

The Group's finance leases due within twelve months included the principal of final balloon installments totalling $9,591,000 ("Balloon Installments") of the borrowings for three power generation plants under Tesla Group which were initially scheduled for repayment in December 2015. Subsequent to the balance sheet date, Tesla Group has entered into a refinancing arrangement with its bank to defer the payment due date of the Balloon Installments to March 2016.

42. Comparative figures

The financial statements for the year ended 31 December 2013 were audited by another firm.

43. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 20 March 2015.

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 MARCH 2015

Class of Equity Security	:	Ordinary shares
Voting Rights	:	On a show of hand: one vote for each member
On a poll	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 1,000	38	5.25	13,916	0.00
1,001 – 5,000	46	6.35	161,001	0.06
5,001 – 10,000	123	16.99	1,151,727	0.44
10,001 – 100,000	397	54.83	15,142,197	5.76
100,001 AND ABOVE	120	16.58	246,628,959	93.74
TOTAL	724	100.00	263,097,800	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ANG AH NUI	122,571,819	46.59
2	SAMSU	16,000,000	6.08
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	14,947,800	5.68
4	OH KENG LIM	10,159,996	3.86
5	OH LIAN LING	7,238,487	2.75
6	OH KOON SUN	7,205,378	2.74
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,443,300	2.07
8	ONG SOH HOON	4,000,000	1.52
9	ONG LYE BENG	3,344,024	1.27
10	HARRY OH TUAY KEE	3,166,000	1.20
11	ANG JUI KHOON	3,051,600	1.16
12	YEO SEE TEE	3,000,000	1.14
13	LIM PANG HERN	1,894,000	0.72
14	TEE SWEE KHENG	1,758,196	0.67
15	AW GIM KOON	1,723,224	0.65
16	LAU KOI FONG @ LAU THIM THAI	1,580,800	0.60
17	TAN TONG GUAN	1,400,000	0.53
18	BANK OF SINGAPORE NOMINEES PTE. LTD.	1,343,000	0.51
19	KIM HOCK BEE MARINE PTE LTD	1,280,000	0.49
20	CHUA LEONG AIK	1,278,000	0.49
	TOTAL	212,385,624	80.72

There were 85 holders of less than a marketable parcel of shares.

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 13 March 2015)

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	%
ANG AH NUI	122,571,819	46.59	–	–
SAMSU	16,000,000	6.08	–	–

NOTICE OF
ANNUAL GENERAL MEETING

KOON HOLDINGS LIMITED
(Company Registration No 200303284M)
(ARBN 105 734 709)

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at 48 Boon Lay Way, Singapore 609961, The Chevrons, Violet Room on Level 3, on Wednesday, 29 April 2015 at 10.00 am (Singapore Time) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors of the Company. (Resolution 1)

2. To consider and, if thought fit, pass the following resolutions: (Resolution 2)

   (a) "That Mr Oh Keng Lim, who is above 70 years of age and whose office as Director shall be vacant at the conclusion of this Annual General Meeting in accordance with section 153(2) of the Companies Act, Cap 50, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."

   [See Explanatory Note (i)]

   (b) "That Mr Ang Sin Liu who is above 70 years of age and whose office as Director shall be vacant at the conclusion of this Annual General Meeting in accordance with section 153(2) of the Companies Act, Cap 50, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." (Resolution 3)

   [See Explanatory Note (i)]

3. To re-elect Mr Christopher Chong Meng Tak who is retiring under Article 91 of the Company's Articles of Association. (Resolution 4)

   Mr Christopher Chong Meng Tak will, upon re-election as a Director of the Company, remain the chairman of the Audit and Remuneration Committees and a member of the Nominating Committee and will be considered independent of management.

4. To re-elect Ms Glenda Mary Sorrell-Saunders who is retiring under Article 91 of the Company's Articles of Association. (Resolution 5)

   Ms Glenda Mary Sorrell-Saunders will, upon re-election as a Director of the Company, remain the chairman of the Nominating Committee and a member of the Audit and Remuneration Committees and will be considered independent of management.

5. To approve Directors' fees of S$270,000 for the financial year ended 31 December 2014. (Resolution 6)

   That, for the purposes of Listing Rule 10.17 and for all other purposes, effective from the close of the Meeting the total amount that may be paid in aggregate and in any one year by the Company to the Non-executive Directors as remuneration for services be increased by S$82,000, from S$188,000 to S$270,000.

NOTICE OF
ANNUAL GENERAL MEETING

6. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 7)

7. To transact any other business that may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass each of the following resolutions as an Ordinary Resolution, with or without modifications:

8. "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors to allot and issue: (Resolution 8)

   (i) shares in the capital of the Company (whether by way of bonus, rights or otherwise); or

   (ii) convertible securities; or

   (iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or

   (iv) shares arising from the conversion of convertible securities in (ii) and (iii) above,

   at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of equity securities to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares as at the date of this Resolution, or such other limit as may be prescribed by the listing rules of the Singapore Exchange Securities Trading Limited and ASX Listing Rule 7.1, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to shareholders of the Company does not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares as at the date of this Resolution, or such other limit as may be prescribed by the listing rules of the Singapore Exchange Securities Trading Limited and ASX Listing Rule 7.1, and, unless revoked or reduced by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. For the purpose of determining the aggregate number of shares that may be issued pursuant to this Resolution, the percentage of the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares at the date of this Resolution after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date of this Resolution and any subsequent consolidation or subdivision of the Company's shares."

   [See Explanatory Note (ii)]

NOTICE OF
ANNUAL GENERAL MEETING

9. "That, in accordance with Exception 9 of ASX Listing Rule 7.2 and ASX Listing Rule 10.14 and for all other purposes, the Board of Directors of the Company be and is hereby authorised to grant awards ("Awards") to eligible employees of the Company (including executive Directors) in accordance with the provisions of the Koon Holdings Employee Performance Share Plan ("Koon EPSP"), a summary of which is contained in Explanatory Note (iv), and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the grant of Awards under the Koon EPSP and in the event a share buyback mandate is subsequently approved by the shareholders, to apply any shares purchased under the Share Buyback Mandate toward the satisfaction of Awards granted under the Koon EPSP provided that the aggregate number of Shares available under the Koon EPSP shall not exceed five per cent (5%) of the total issued share capital of the Company from time to time." (Resolution 9)

Voting exclusion: In accordance with the notice requirements of ASX Listing Rule 7.2 Exception 9(b) for approval under ASX Listing Rule 7.2 Exception 9, ASX Listing Rule 10.15A.6 for approval under ASX Listing Rule 10.14 and ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 9 by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

[See Explanatory Note (iii)]

By Order of the Board

Ong Beng Hong/Tan Swee Gek
Joint Company Secretaries

27 March 2015

Explanatory Notes:

(i) Resolutions 2 and 3

To appoint Mr Ang Sin Liu and Mr Oh Keng Lim, who are over 70 years of age as directors of the Company under Section 153(6) of the Companies Act, Chapter 50.

(ii) Resolution 8

The Ordinary Resolution proposed in item 8 above, if passed, will empower the Directors from the passing of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company up to an amount not exceeding, in total, 50% of the issued share capital of the Company at the time of passing of this resolution, of which up to 15% may be issued other than on a pro-rata basis to shareholders.

NOTICE OF
ANNUAL GENERAL MEETING

(iii) Resolution 9

Background

The Ordinary Resolution proposed under Resolution 9 above, if passed, will authorise the Directors to grant the award of shares in accordance with the provisions of the Koon EPSP and pursuant to Exception 9 to ASX Listing Rule 7.2, ASX Listing Rule 10.14 and Section 161 of the Companies Act, Cap 50, to allot and issue shares under the Koon EPSP.

The Koon EPSP extends to participation by Directors of the Company.

The Company is seeking shareholder approval under Exception 9 to ASX Listing Rule 7.2 to issue shares under the Koon EPSP to employees and under ASX Listing Rule 10.14 to issue shares under the Koon EPSP to executive Directors, which approval would be valid for ASX Listing Rule purposes for a period of three years from the date of this meeting.

The Koon EPSP was previously approved by the shareholders of the Company in general meeting on 12 October 2009. Please refer to the Circular dated 10 September 2009 for further details.

ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not issue equity securities, or agree to issue equity securities (which includes shares and options) without the approval of shareholders if the number of equity securities to be issued in any 12-month period (including equity securities issued on the exercise of any convertible securities) exceeds 15% of the issued capital of the company preceding the issue, subject to certain adjustments and permitted exceptions. In calculating the 15% limit, the Company is entitled to deduct any ordinary securities issued in the 12 month period that were issued with the approval of shareholders for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 7.2 provides several circumstances where particular issues of securities are excluded from the calculation of the 15% limit under ASX Listing Rule 7.1, including issues under an employee incentive scheme if within three years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1. The Koon EPSP is an employee incentive scheme for the purposes of ASX Listing Rule 7.2.

ASX Listing Rule 10.14 provides that a company must not permit a director or any of his associates to acquire securities under an employee incentive scheme without the approval of shareholders.

Summary of the terms of the Koon EPSP

(a) Eligibility

(i) An employee who is eligible to participate in the Koon EPSP must:

(A) be confirmed in his employment with the Group;

(B) have attained the age of 21 years on or before the date of award; and

(C) 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.

(b) 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:

(A) the date on which the award will be granted;

(B) the number of shares which are the subject of the award;

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(C) the prescribed performance targets;

(D) the performance period during which the prescribed performance targets are to be satisfied;

(E) the imposition of a vesting period and the duration of this vesting period, if any;

(F) the extent to which the shares under that award shall be released on the prescribed performance target(s) 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

(G) such other conditions as the Remuneration Committee may deem appropriate, in its absolute discretion.

(c) Selection of Participants

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

(A) Christopher Chong Meng Tak – Chairman;

(B) Glenda Mary Sorrell-Saunders; and

(C) Ang Ah Nui.

(ii) 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.

(iii) 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.

(d) Timing

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

(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.

(e) Size and Duration of the Koon EPSP

(i) 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%.

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ANNUAL GENERAL MEETING

(ii) 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.

(iii) 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.

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

(f) Operation of the Koon EPSP

(i) Awards granted under the Koon EPSP must not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, unless the approval of the Remuneration Committee is obtained. 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.

(ii) The terms of employment or appointment of a participant in the Koon EPSP shall not be affected by any Award to be made therein.

Number of securities issued under the Koon EPSP since 12 October 2009

In 2009, the Remuneration Committee approved the grant of awards comprising 994,000 shares to selected employees of the Company and its subsidiaries which vested in 2009.

In 2010, the Remuneration Committee approved the grant of awards comprising 330,000 shares to selected employees of the Company and its subsidiaries which vested equally over a period of three years with issuance of 110,000 shares each in 2011, 2012 and 2013.

In 2011, the Remuneration Committee approved the grant of awards comprising 360,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of two years starting 2013. As at 31 December 2013, 105,000 shares were forfeited due to the resignation of employees. Out of the available awards of 255,000 shares, 165,000 shares were vested in 2013 and 90,000 shares had been vested in February 2014.

Accumulated shares vested and awarded as at 31 December 2014 were as follows:

	Vested and Issued					
	2014	**2013**	**2012**	**2011**	**2009**	**Accumulated Total**
Directors:						
Tan Thiam Hee (resigned on 31 July 2013)	–	30,000	30,000	30,000	50,000	140,000
Oh Koon Sun	–	20,000	20,000	20,000	44,000	104,000
Oh Keng Lim	–	20,000	20,000	20,000	40,000	100,000
	–	70,000	70,000	70,000	134,000	344,000
Other members of key management	15,000	105,000	35,000	35,000	190,000	380,000
Other employees	75,000	100,000	5,000	5,000	670,000	855,000
Total number of shares granted under Koon EPSP	90,000	275,000	110,000	110,000	994,000	1,579,000

NOTICE OF
ANNUAL GENERAL MEETING

ASX Listing Rule 10.15A disclosure

Pursuant to ASX Listing Rule 10.15A, the following information is provided regarding ASX Listing Rule 10.14 approval:

(a) **ASX Listing Rule 10.15A.1:** *If the person is not a director, details of the relationship between the person and the director*

Mr Yuen Kai Wing, Mr Oh Keng Lim, Mr Oh Koon Sun, all of whom are currently executive Directors of the Company.

(b) **ASX Listing Rule 10.15A.2:** *Maximum number of securities to be issued to the person and formula for calculating number of securities to be issued*

The number of shares to be issued under the Koon EPSP will be determined by the Remuneration Committee. 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. Refer to the summary of the terms of the Koon EPSP above.

(c) **ASX Listing Rule 10.15A.3:** *Price of the securities, including the formula for calculating price*

The shares are issued for nil consideration to participants under the Koon EPSP.

(d) **ASX Listing Rule 10.15A.4:** *Names of all persons who received securities under the scheme since the last approval, the number of securities received and price of each security*

Refer to the disclosure under the heading "Number of securities issued under the Koon EPSP since 12 October 2009" above.

(e) **ASX Listing Rule 10.15A.5:** *Names of all eligible executive Directors entitled to participate in the scheme*

Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun.

(f) **ASX Listing Rule 10.15A.6:** *A voting exclusion statement*

A voting exclusion statement is included in the notice.

(g) **ASX Listing Rule 10.15A.7:** *Terms of any loan in relation to the acquisition of securities*

Not applicable.

(h) **ASX Listing Rule 10.15A.8:** *Statement*

Details of any shares issued under the Koon EPSP will be published in each annual report of the Company relating to a period in which shares have been issued, and that approval for the issue of the shares was obtained under ASX Listing Rule 10.14.

Any additional persons who become entitled to participate in the Koon EPSP after this resolution is approved and who were not named in this notice will not participate until approval is obtained under ASX Listing Rule 10.14.

(i) **ASX Listing Rule 10.15A.9:** *Date by which securities will be issued*

If shareholders approve this resolution, the issue and allotment of the shares to Mr Yuen Kai Wing, Mr Oh Keng Lim and Mr Oh Koon Sun, will occur no later than three years after the date of this Annual General Meeting.

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 11 Sixth Lok Yang Road, Singapore 628109 at least 48 hours before the time fixed for the Meeting.

Personal Data Privacy:

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM FOR MEMBERS WHO HOLD SHARES THROUGH THE CENTRAL DEPOSITORY (PTE) LIMITED (CDP) OR HAVE SHARES REGISTERED IN THEIR NAMES IN THE REGISTER OF MEMBERS OF KOON HOLDINGS LIMITED.

Koon Holdings Limited

(Incorporated in the Republic of Singapore)

Company Registration No. 200303284M, ARBN 105 734 709

I/We ____ (Name)

of ____(Address)

being a member/members of Koon Holdings Limited (the "Company") hereby appoint

Name	Address	NRIC/Passport Number	Proportion of my/our Shareholding (%)	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of my/our Shareholding (%)	
			No. of shares	%

as my/our proxy/proxies to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company, to be held at 48 Boon Lay Way, Singapore 609961, The Chevrons, Violet Room on Level 3, on 29 April 2015 at 10.00 am (Singapore Time), and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions Relating To:	For	Against
	Ordinary Business		
1.	Adoption of Accounts and Reports		
2.	Re-appointment of Mr Oh Keng Lim		
3.	Re-appointment of Mr Ang Sin Liu		
4.	Re-election of Mr Christopher Chong Meng Tak		
5.	Re-election of Ms Glenda Mary Sorrell-Saunders		
6.	Approval of Directors' Fees		
7.	Re-appointment of Ernst & Young LLP as Auditors		
	Special Business		
8.	Authority to allot and issue new shares		
9.	Authority to grant awards under the Koon Holdings Employee Performance Share Plan		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this __________ day of __________ 2015

Total number of Shares held

____
Signature of Shareholder(s) or Common Seal

Important: Please read notes overleaf

Notes:

1. The proxy form set out overleaf is to be used ONLY by members who hold shares through The Central Depository (Pte) Limited (CDP) or have shares registered in their names in the Register of Members of the Company. If you hold shares through CHESS Depository Nominees Pty Ltd, please use the CDI Voting Instruction Form designated for members who hold Shares through CHESS Depository Nominees Pty Ltd.

2. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

3. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 11 Sixth Lok Yang Road, Singapore 628109, not less than 48 hours before the time set for the Meeting

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.

9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by the Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

崐控股有限公司
KOON HOLDINGS LIMITED

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