

**Koon Holdings Limited**

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**MEDIA RELEASE – FOR IMMEDIATE RELEASE**

## **Koon maintains growth momentum as 1H10 net profit jumps 30.9% to S\$6.1 million**

- **Gross profit jumps 17.5% to S\$8.5 million (A\$6.8<sup>1</sup> million) on maiden contributions from Precast division and higher margins from Construction division**
- **Healthy construction order book of S\$267.0 million (A\$214.1 million) boosted by orders of S\$8.8 million (A\$7.1 million) from Precast division**
- **Interim dividend of 1 Singapore cent per share, representing a dividend yield of 5.8% (ASX: 6.4%) [based on the closing price on SGX and ASX on 30 June 2010]**
- **Cash and cash equivalent of S\$31.5 million (A\$25.3 million) allows Group to seize further acquisition opportunities**

**Singapore and Australia, 10 August 2010** –Koon Holdings Limited, (“Koon”, “崑控股有限公司” or the “Group”), one of Singapore’s largest civil engineering, reclamation and shore protection specialists, backed by improvements in gross margins for its Construction division and negative goodwill arising from the acquisition of the Precast division posted a 30.9% increase in net profit to S\$6.1 million (A\$4.9 million) for the six months ended 30 June 2010 (“1H2010”) from S\$4.7 million (A\$3.8 million) in 1H2009.

**Financial Highlights**

<b>(S\$'000)</b>	<b>1H2010</b>	<b>1H2009</b>	<b>% Change</b>
Revenue	39,593	70,077	(43.5%)
Gross Profit	8,508	7,290	16.7%
<i>Gross Profit Margin (%)</i>	<i>21.5%</i>	<i>10.4%</i>	<i>NM</i>
Profit Attributable to Shareholders	6,029	4,695	28.4%
<i>Net Profit Margin (%)</i>	<i>15.2%</i>	<i>6.7%</i>	<i>NM</i>

<sup>1</sup> Exchange calculated from average 6 month rate from January to June 2010: 1 Singapore dollar to 0.8018 Australian dollar

Earnings per share<sup>2</sup> (Singapore cents) | 7.35 | 5.80 | 26.7% |  
 NM: not meaningful

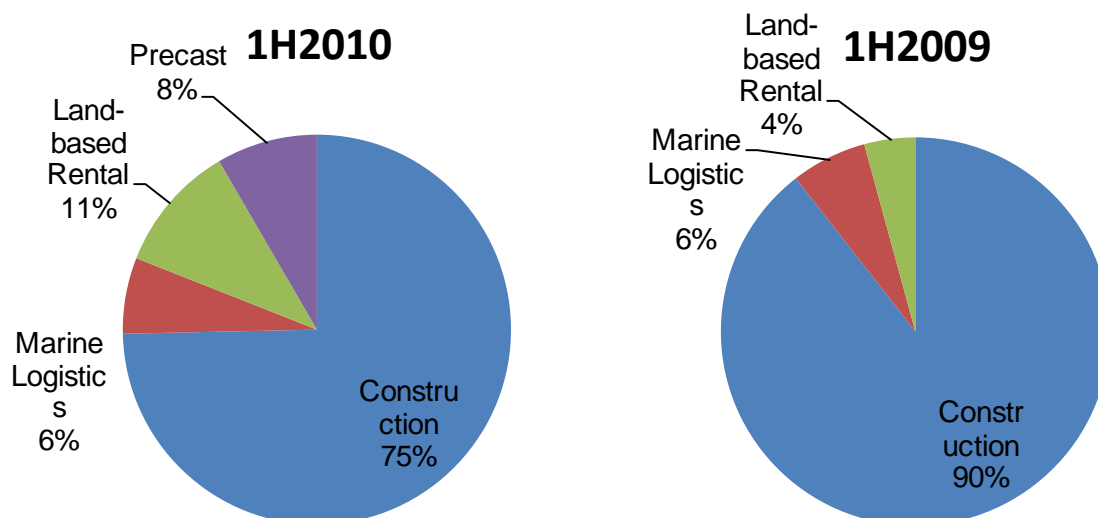
“We are delighted to have maintained our growth momentum coming into this new year. Despite seeing increasing price competition and cost pressures in the domestic construction industry, our core Construction business has managed to achieve some significant developments over the last 6 months.

We managed to secure our first major overseas project and progress at the US\$160 million Vietnamese port is satisfactory, with revenues likely to flow in towards the end of the year. We also moved upstream into precast products by acquiring Econ Precast this March. This will enable our construction division to provide better service to customers and add another source of revenue to the Group.

- In light of these positive developments and to reward shareholders for their continual support, we are declaring an interim dividend of 1 Singapore cent per ordinary share representing a dividend yield of 5.8% (ASX: 6.4%) [based on the closing price on SGX and ASX on 30 June 2010].”

- Mr Tan Thiam Hee (“陈添喜”), CEO of Koon Holdings

### Changing revenue mix



Revenue declined by 43.5% to S\$39.6 million (A\$31.8 million) in 1H2010 from S\$70.0 million (A\$56.2 million) in 1H2009. This was mainly due to a drop in revenues from its Construction and Marine Logistics divisions, which were affected by the substantial completion of major projects

<sup>2</sup> Calculated from 81,994,000 ordinary shares

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and slowdown in demand for marine transportation services respectively. However, the decline was partially mitigated by increasing contributions from its Land-based Rental and newly acquired Precast division. The Precast division had maiden sales of S\$3.7 million (A\$3.0 million) in the three months since its acquisition in March 2010.

Contributions from the Precast division together with higher gross margins from the Construction division helped push gross profits up 16.7% from S\$7.3 million (A\$5.9 million) in 1H2009 to S\$8.5 million (A\$6.8 million) in 1H2010. The Construction division experienced higher margins as it reversed provisions for foreseeable loss of S\$3.4 million (A\$2.7 million) from various cost control measures to reduce costs over the life of a project. These include centralised sourcing & procurement, standardisation of procurement requirements, increasing the pool of subcontractors and suppliers, as well as employing more innovative methods towards resolving project or cost issues.

The Group's Marine Logistics division saw a decrease in gross margin contributions due to lower charter and utilization rates for tugboats and barges, which paralleled the lower demand for such vessels generally. The need to rent more third party equipment and higher fuel costs resulted in marginally lower gross margins from its Land-based Rental division.

### **Sizable cash pile for acquisition opportunities**

With the strong operational performance over the past six months, the Group has further increased its cash reserves and reduced its gearing. The Group's cash and cash equivalent was S\$31.5 million (A\$25.3 million) as at 30 June 2010. The sizable cash reserves grants the Group the flexibility and ability to seize potential opportunities to grow through both business and geographical expansion.

In July the Group made its second investment for the year, taking a 49% stake in Tesla Holdings Pty Ltd ("Tesla") for A\$3.0 million (S\$3.7 million). The acquisition gives Koon an immediate foothold in the highly regulated Western Australian energy market, where it will begin construction of a 9.9MW diesel power plant that will be completed by 2H2011. Tesla has also secured sites for three additional 9.9MW power plants pending approval from the Independent Market Operator of Western Australia. Once completed, the plants will provide a recurring source of income and the opportunity to replicate the model throughout Australasia.

The Group is actively searching ways to further build on its strengths in civil engineering works, while seeking to strengthen its capacity and capabilities through strategic alliances or joint ventures.

### **Finding opportunity in a challenging construction industry**

Challenges still remain in the domestic construction sector due to intense price competition and rising cost. According to the latest statistics released by the Building and Construction Authority (“BCA”), an estimated S\$1.1 billion (A\$0.9 billion) worth of public sector civil engineering contracts has been released up to May 2010. This is in line with the BCA’s full year forecast of between S\$2.4 billion and S\$3.5 billion (A\$1.9 billion and A\$2.8 billion) worth of public civil engineering works.

In the second half of the year, there is expected to be 95 public civil engineering projects up for tender up from the previous estimate of 55 projects. This should ensure that demand for the Group’s core specialty of civil engineering work remains buoyant in the near term. Koon has recently secured projects worth S\$13.4 million (A\$10.7 million) for the Land Transport Authority, Jurong Town Corporation and Zhen Hua (Singapore) Engineering Pte Ltd over the past month. This brings the Group’s total outstanding construction order book to S\$267.0 million (A\$214.1 million) as at 10 August 2010.

### **Robust demand for public housing**

The addition of the Precast division allows the Group to ride on the robust demand for public housing. The Housing and Development Board has already announced plans to launch another 16,000 Built-To-Order flats this year to cope with the current demand. Koon is in the midst of optimising the operations at its two yards in Singapore and Malaysia to meet this demand and to bid for new projects. As at 10 August 2010, the Group’s precast division had an order book of S\$8.8 million (A\$7.1 million).

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### **About Koon Holdings Limited (“Koon”)**

Listed on the ASX and SGX Mainboard, Koon Holdings Limited is one of Singapore’s largest civil engineering, reclamation and shore protection specialists. Having an established track record of over 30 years, it has successfully enhanced its capabilities along the value chain transforming from a transporter of rocks and stones to a main contractor in numerous iconic projects across the island.

By partnering with internationally renowned marine engineering companies, Koon has played a part in various large-scale infrastructure and reclamation projects, including Ulu Pandan Water Reclamation Plant, Pang Sua Canal and expanding Jurong Island. Today, Koon is setting its sights on becoming a regional civil engineering specialist, having secured a sizable port project in Vietnam. Koon’s construction business is enhanced by its land based rental division,

which manages the leasing and rental of construction equipment, ensuring that its equipment is efficiently utilised. In March 2010, Koon further broadened its range of business activities by moving upstream into precast products. It currently operates 2 yards in Singapore and Malaysia under the 'Econ' brand, allowing them to meet the growing demand for precast products across the island.

To supplement its construction income stream, Koon also provides various marine services from its seafront yard at Pandan Road, Singapore. These services include marine transportation, minor ship repair and the chartering of tugboats and barges. Recently, Koon announced its entry into the Australian energy market with the acquisition of Tesla, an energy infrastructure company. Aided by Tesla's expertise, Koon is in the midst of constructing a 9.9MW power plant in Western Australia, with 3 more set to follow in the next 3 years.

Koon is registered under the A1 category in civil engineering, B1 category in general building and L6 category in precast works with the Building and Construction Authority. It is also certified in Integrated Management Systems covering Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004) and Occupational Health and Safety Management System (OHSAS 18001:2007). [can we include the latest certification for Econ!!] The Group has also been awarded the Green and Gracious Builder Award (Merit) for its environmental consciousness and professionalism.

For more information, please refer to the corporate website: <http://www.koon.com.sg>

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### **Issued for and on behalf of Koon Holdings Limited**

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