



KOH BROTHERS GROUP LIMITED
(Company Registration No. 199400775D)

Unaudited First Quarter and 3 Months Financial Statement And Dividend Announcement for the Period Ended 31 March 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Note	GROUP		Change %
		3 months ended		
		31/03/2019 S\$'000	31/03/2018 S\$'000	
Sales	1	78,566	67,138	17%
Cost of sales		(72,210)	(61,050)	18%
Gross profit		6,356	6,088	4%
Other income	2	976	1,889	-48%
Other losses - net	3	(577)	(480)	20%
Expenses				
- Distribution		(212)	(47)	351%
- Administrative		(4,940)	(5,674)	-13%
- Other		(240)	(210)	14%
- Finance		(2,073)	(1,771)	17%
Share of profit of: associated companies and joint ventures, net of tax		2,555	2,526	1%
Profit before income tax	4	1,845	2,321	-21%
Income tax expense	5	(173)	(225)	-23%
Profit after income tax		1,672	2,096	-20%
Profit attributable to:				
Equity holders of the Company		1,288	1,215	6%
Non-controlling interests		384	881	-56%
		1,672	2,096	-20%
Statement of Comprehensive Income				
Profit after income tax		1,672	2,096	-20%
Other comprehensive (loss)/income, net of tax:				
Items that may be reclassified subsequently to profit or loss:				
- Exchange differences on translating foreign operations		(371)	399	N.M.
- Fair value loss on debts instruments		(31)	(394)	-92%
		(402)	5	N.M.
Items that may not be reclassified subsequently to profit or loss:				
- Fair value gain on equity financial assets at FVOCI		12,799	-	N.M.
Other comprehensive income, net of tax		12,397	5	N.M.
Total comprehensive income		14,069	2,101	570%
Total comprehensive income attributable to:				
Equity holders of the Company		13,700	1,140	N.M.
Non-controlling interests		369	961	-62%
		14,069	2,101	570%

N.M. - Not meaningful

Notes to the Income Statement**Note 1**

Sales include the following:

Sales of products
Services rendered
Property development and rental
Contract revenue

Note 2

Other income include the following:

Rental income
Interest income
Other income

Note 3

Other losses - net include the following:

Gain on disposal of property, plant and equipment
Fair value loss on financial assets at fair value through profit or loss
Net foreign exchange loss
Others

Note 4

Profit before income tax is stated after charging/(crediting) the following items:

Write-back of impairment on trade and non-trade receivables
Allowance for impairment on loan to joint ventures
Depreciation of property, plant and equipment

Note 5

Income tax includes the following:

Current income tax
- in respect of current period
- under provision in respect of prior period
Deferred income tax
- over provision in respect of prior period

GROUP	
3 months ended	
31/03/2019	31/03/2018
S\$'000	S\$'000
15,908	12,087
1,419	1,299
724	628
60,515	53,124
78,566	67,138
87	106
819	1,757
70	26
976	1,889
44	56
(483)	(260)
(138)	(760)
-	484
(577)	(480)
(135)	(321)
221	172
3,591	2,462
220	211
-	14
(47)	-
173	225

The Group's taxation charge for the period ended 31 March 2019 is lower than that determined by applying the Singapore income tax rate of 17% to the Group's profit before income tax mainly due to utilisation of tax losses of certain subsidiaries being offset against profits of other subsidiaries.

1(b)(i) BALANCE SHEET

	GROUP		COMPANY	
	31/03/2019 S\$'000	31/12/2018 S\$'000	31/03/2019 S\$'000	31/12/2018 S\$'000
ASSETS				
CURRENT ASSETS				
Cash and bank balances	48,168	32,678	103	822
Investment securities	36,588	47,953	2,391	3,913
Trade and other receivables	68,685	76,232	535	277
Contract assets	126,574	117,183	-	-
Amounts due from subsidiaries	-	-	67,097	65,625
Amounts due from an associated company	22	45	-	-
Amount due from joint ventures	38,153	38,034	-	-
Inventories	4,873	6,951	-	-
Development properties	129,181	127,578	-	-
Income tax receivables	773	773	-	-
Other current assets	3,229	3,229	-	-
	456,246	450,656	70,126	70,637
NON-CURRENT ASSETS				
Trade and other receivables	35,421	29,448	-	-
Contract assets	1,040	10,882	-	-
Investment securities	1,868	2,373	-	-
Investments in associated companies	1,610	1,676	-	-
Investments in joint ventures	92,809	92,279	-	-
Investments in subsidiaries	-	-	132,443	132,361
Investment properties	93,559	93,579	-	-
Property, plant and equipment	116,438	113,243	-	-
Right-of-use assets	12,475	-	-	-
Goodwill	5,078	5,078	-	-
	360,298	348,558	132,443	132,361
TOTAL ASSETS	816,544	799,214	202,569	202,998
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	103,902	131,984	2,973	1,938
Contract liabilities	6,010	4,989	-	-
Amounts due to subsidiaries	-	-	9,608	9,895
Amounts due to joint ventures	16,766	16,457	-	-
Current income tax liabilities	426	381	105	82
Lease payables	3,441	-	-	-
Short-term borrowings	81,478	73,593	-	-
	212,023	227,404	12,686	11,915
NON-CURRENT LIABILITIES				
Trade and other payables	7,358	9,622	-	-
Amounts due to subsidiaries	-	-	19,011	19,011
Lease payables	9,034	-	-	-
Finance lease	14,489	2,342	-	-
Bank borrowings	175,902	176,130	-	-
Notes payables	70,000	70,000	70,000	70,000
Deferred income tax liabilities	8,152	8,199	-	-
	284,935	266,293	89,011	89,011
TOTAL LIABILITIES	496,958	493,697	101,697	100,926
NET ASSETS	319,586	305,517	100,872	102,072
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	36,981	36,981	36,981	36,981
Treasury shares	(7,983)	(7,983)	(7,983)	(7,983)
Capital and other reserves	2,830	(6,796)	-	-
Retained profits	273,590	269,157	71,874	73,074
Currency translation reserve	(9,498)	(9,139)	-	-
	295,920	282,220	100,872	102,072
Non-controlling interests	23,666	23,297	-	-
Total equity	319,586	305,517	100,872	102,072

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

	As at 31/03/2019		As at 31/12/2018	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	31,778	49,700	28,554	45,039
Amount repayable after one year	190,391	70,000	178,472	70,000

Details of any collateral

The Group's secured borrowings are secured by the Group's properties, plant and machinery and motor vehicles.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31/03/2019 S\$'000	31/03/2018 S\$'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit after income tax	1,672	2,096
Adjustments for non-cash items:		
Income tax	173	225
Depreciation of property, plant and equipment	3,591	2,462
Property, plant and equipment written off	-	2
Gain on disposal of property, plant and equipment	(44)	(56)
Fair value loss on financial assets at fair value through profit or loss	483	260
Share of profit from associated companies and joint ventures	(2,555)	(2,526)
Interest expense	2,073	1,771
Interest income	(819)	(1,757)
Unrealised foreign exchange loss	(161)	134
Operating profit before working capital changes	4,413	2,611
Working capital changes:		
- Receivables	1,868	(36,743)
- Inventories	2,079	(612)
- Contract assets and liabilities	1,376	(9,937)
- Development properties	(1,603)	-
- Payables	(32,176)	4,098
Cash generated from operations	(24,043)	(40,583)
Income tax paid	(172)	(1,940)
Interest paid	(1,065)	(1,775)
Net cash used in operating activities	(25,280)	(44,298)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(630)	(849)
Proceeds from disposal of property, plant and equipment	354	83
Net proceeds from investment securities	24,152	696
Dividend received	2,000	3,000
Interest received	413	1,705
Net cash provided by investing activities	26,289	4,635
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from bank borrowings	16,500	62,915
Purchase of treasury shares	-	(73)
Repayment of finance lease	(1,666)	(812)
Repayment of bank borrowings	(276)	(1,072)
Redemption of notes payables	-	(37,000)
Deposit pledge	-	1,688
Net cash provided by financing activities	14,558	25,646
NET CHANGE IN CASH AND BANK BALANCES	15,567	(14,017)
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL PERIOD	32,478	61,568
EFFECTS OF CURRENCY TRANSLATION ON CASH AND BANK BALANCES	(77)	31
CASH AND BANK BALANCES AT END OF THE FINANCIAL PERIOD	47,968	47,582
Represented by:		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	48,168	49,192
Restricted cash	(200)	(1,610)
	47,968	47,582

1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE GROUP AND THE COMPANY

	Attributable to equity holders of the Group					NON-CONTROLLING INTERESTS	TOTAL EQUITY	
	Share Capital	Treasury Shares	Capital and Other Reserves	Retained Profits	Currency Translation Reserve			TOTAL
GROUP (S\$'000)								
Balance as at 01/01/2019	36,981	(7,983)	(6,796)	269,157	(9,139)	282,220	23,297	305,517
Profit for the financial period	-	-	-	1,288	-	1,288	384	1,672
Other comprehensive income/(loss) for the financial period	-	-	12,771	-	(359)	12,412	(15)	12,397
Transfer upon disposal of equity financial assets at FVOCI	-	-	(3,145)	3,145	-	-	-	-
Balance as at 31/03/2019	36,981	(7,983)	2,830	273,590	(9,498)	295,920	23,666	319,586
Balance as at 01/01/2018	36,981	(7,910)	989	262,701	(8,916)	283,845	21,885	305,730
Profit for the financial period	-	-	-	1,215	-	1,215	881	2,096
Other comprehensive (loss)/income for the financial period	-	-	(394)	-	319	(75)	80	5
Purchase of treasury shares	-	(73)	-	-	-	(73)	-	(73)
Balance as at 31/03/2018	36,981	(7,983)	595	263,916	(8,597)	284,912	22,846	307,758

	Attributable to equity holders of the Company			
	Share Capital	Treasury Shares	Retained Profits	TOTAL
COMPANY (S\$'000)				
Balance as at 01/01/2019	36,981	(7,983)	73,074	102,072
Total comprehensive income for the financial period	-	-	(1,200)	(1,200)
Balance as at 31/03/2019	36,981	(7,983)	71,874	100,872
Balance as at 01/01/2018	36,981	(7,910)	72,224	101,295
Total comprehensive income for the financial period	-	-	188	188
Purchase of treasury shares	-	(73)	-	(73)
Balance as at 31/03/2018	36,981	(7,983)	72,412	101,410

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Total number of issued shares
Less: Number of treasury shares
Total number of issued shares excluding treasury shares

No. of shares	
31/03/2019	31/12/2018
438,000,000	438,000,000
(25,540,900)	(25,540,900)
412,459,100	412,459,100

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

Total number of issued shares excluding treasury shares

No. of shares	
31/3/2019	31/12/2018
412,459,100	412,459,100

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on.

Beginning and end of financial period

No. of shares
3 months
31/3/2019
25,540,900

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed.

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

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted new /revised SFRS(I) that are effective for the financial periods beginning on or after 1 January 2019.

SFRS(I) 16 Leases

SFRS(I) 16 Leases introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognised a Right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

ROU assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the outstanding lease liabilities.

On date of initial adoption, ROU assets are measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to leases recognised in the balance sheet as at 31 December 2018.

The Group has applied the simplified transition approach and will not restate comparative amounts for the year ended 31 December 2018.

The estimated impact arising from the adoption of SFRS(I) 16 Leases on the Group's balance sheet are set out as follows:

CONSOLIDATED BALANCE SHEET

GROUP		
31/12/2018	Adjustment	01/01/2019
S\$'000	S\$'000	S\$'000
-	13,336	13,336
-	3,441	3,441
-	9,895	9,895

The Group is still in the progress of finalising its assessment of impact arising from adoption of SFRS(I) 16 Leases and thus the finalised impact may differ from the provisional figures determined at the moment.

6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary share for the period after deducting any provision for preference dividends:

(i) Basic
(ii) On a fully diluted basis

GROUP	
3 months ended	
31/03/2019	31/03/2018
(cent)	(cent)
0.31	0.29
0.31	0.29

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the current financial period of 412,459,100 ordinary shares (2018: 412,632,962 ordinary shares).

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer as at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

GROUP		COMPANY	
31/03/2019 (cents)	31/12/2018 (cents)	31/03/2019 (cents)	31/12/2018 (cents)
71.75	68.42	24.46	24.75

Net asset value backing per ordinary share based on existing issued share capital (excluding treasury shares) as at the end of the period reported on

Note:

The net asset value per share is calculated based on the issued share capital excluding treasury shares of 412,459,100 ordinary shares as at 31 March 2019 (31 December 2018: 412,459,100 ordinary shares).

- 8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flows, working capital, assets or liabilities of the Group during the current financial period reported on.

Review of Group performance

1Q 2019 VS 1Q 2018

The Group's sales for the first quarter ended 31 March 2019 ("1Q 2019") increased from S\$67.14 million to S\$78.57 million in the previous corresponding period in 2018 ("1Q 2018"). The increase was primarily due to higher contribution from the Construction and Building Materials division. The Group's gross profit increased from S\$6.09 million in 1Q 2018 to S\$6.36 million in 1Q 2019.

Other income decreased from S\$1.89 million in 1Q 2018 to S\$0.98 million in 1Q 2019 mainly due to decrease in interest income. Other losses of S\$0.58 million in 1Q 2019 was mainly due to fair value loss on financial assets and net foreign exchange losses. Distribution expenses increased from S\$47,000 in 1Q 2018 to S\$212,000 in 1Q 2019 mainly due to higher write-back of allowance made for impairment on trade receivables a year ago. Administrative expenses decreased from S\$5.67 million in 1Q 2018 to S\$4.94 million in 1Q 2019 mainly due to decrease in staff costs. Other expenses increased from S\$0.21 million in 1Q 2018 to S\$0.24 million in 1Q 2019 mainly due to higher allowance made for impairment on loan to a joint venture. Finance expenses increased from S\$1.77 million in 1Q 2018 to S\$2.07 million in 1Q 2019 mainly due to increase in bank borrowings. Depreciation expenses increased from S\$2.46 million in 1Q 2018 to S\$3.59 million in 1Q 2019 mainly due to increase in depreciable assets arising from adoption of SFRS(I) 16 Leases.

Share of result from associated companies and joint ventures increased marginally from S\$2.53 million in 1Q 2018 to S\$2.56 million in 1Q 2019. This was mainly due to progressive recognition of profit from a mixed-used development project in South Korea.

The Group's profit before income tax decreased by S\$0.48 million from S\$2.32 million in 1Q 2018 to S\$1.85 million in 1Q 2019.

Overall, the Group's net profit attributable to shareholders increased 6% from S\$1.22 million in 1Q 2018 to S\$1.29 million in 1Q 2019.

Earnings per share increased from 0.29 Singapore cent in 1Q 2018 to 0.31 Singapore cent in 1Q 2019.

Review of changes in working capital, assets and liabilities

The main movements in assets and liabilities are as follows:

- 1) Increase in cash and bank balances was mainly due to proceeds from disposal of investment securities.
- 2) Decrease in investment securities was mainly due to partial disposal of listed equity securities.
- 3) Decrease in trade and other receivables was mainly due to collection from customers.
- 4) Increase in contract assets was mainly due to reclassification of non-current retention due from customers when contracts approaching completion.
- 5) Non-current assets increased by S\$11.74 million mainly due to increase in trade and other receivables of S\$5.97 million, property, plant and equipment of S\$3.20 million and right-of-use assets of S\$12.48 million, partially offset by decrease in contract assets of S\$9.84 million as mentioned in above.

Right-of-use assets arose from the adoption of SFRS(I) 16 Leases on 1 January 2019. It comprised mainly land leases that were recognised in the balance sheet.

- 6) Current liabilities decreased by S\$15.38 million mainly due to decrease in trade and other payables of S\$28.08 million, partially offset by increase in short-term borrowings of S\$7.89 million, contract liabilities of S\$1.02 million and lease payables of S\$3.44 million.
- 7) Non-current liabilities increased by S\$18.64 million mainly due to increase in finance lease of S\$12.15 million and lease payables of S\$9.03 million, partially offset by the decrease in trade and other payables of S\$2.26 million.
- 8) Current and non-current of lease payables arose mainly due to recognition of lease obligation upon the adoption of SFRS(I) 16 Leases.

Review of changes in cashflow

The Group reported a net increase in cash and cash equivalents mainly due to net cash provided by financing activities and investing activities, partially offset by net cash used in operating activities. The net cash used in operating activities in 1Q 2019 was primarily attributable to higher payables. The net cash provided by financing activities was mainly from proceeds of bank borrowings due to increase in working capital requirements.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current announced results are in line with the general prospect commentary previously disclosed in the results announcement for the financial year ended 31 December 2018.

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Based on advanced estimates by the Ministry of Trade and Industry, the Singapore economy grew by 1.3% in 1Q 2019 on a year-on-year basis, moderating from the 1.9% growth in the previous quarter. On a quarter-on-quarter basis seasonally adjusted annualised basis, the economy expanded by 2.0%, faster than the 1.4% growth in the previous quarter.

The construction sector grew by 1.4% year-on-year in the first quarter. This represented a turnaround from the 1.0% decline in the previous quarter, and also marked the first quarter of positive growth following 10 consecutive quarters of decline. On a quarter-on-quarter seasonally adjusted annualised basis, the sector grew by 7.8%, extending the 5.1% expansion in the preceding quarter.

According to the projection by the Building and Construction Authority, the Singapore's total construction demand in 2019 will range between S\$27 billion and S\$32 billion, with public sector construction demand constituting about 60% of total projected demand. Public construction demand is expected to be boosted by major infrastructure projects. Although the construction industry remains challenging on the back of a competitive environment and higher costs of construction materials, we believe that we are well positioned to continue to secure more of such projects as we have a strong track record in civil engineering projects.

Latest statistics from the Urban Redevelopment Authority showed that prices of private residential properties declined by 0.7% in 1Q 2019, compared with a 0.1% decline in the previous quarter. With the property cooling measures implemented in July 2018 coupled with more new launches coming onstream, we expect the private residential market to remain challenging.

- 11 Dividend

- (a) Current Financial Period Reported On:

Any dividend declared for the current financial period reported on? No

- (b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

- (c) Date payable

Not applicable.

- (d) Books closure date

Not applicable.

- 12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

Not applicable. It is not the practice for the Company to declare quarterly dividend.

- 13 Interested Person Transaction

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$ 100,000)
Ah Boon Civil Engineering & Building Contractor Pte Ltd	S\$'000 1,934	S\$'000 -

The Goup has not obtained a general mandate from shareholders for Interested Person Transactions.

- 14 CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

- 15 CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we, the undersigned, do hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 31 March 2019 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Koh Keng Siang
Managing Director & Group CEO

Koh Keng Hiong
Executive Director

9 May 2019
Singapore