



KOH BROTHERS ECO ENGINEERING LIMITED

(Incorporated in Singapore. Registration Number: 197500111H)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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KOH BROTHERS ECO ENGINEERING LIMITED (Registration No.: 197500111H)

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	FY2021 S\$'000	FY2020 S\$'000	Change %	2H2021 S\$'000	2H2020 S\$'000	Change %
Revenue	4(a)	180,576	182,264	(1)	71,096	103,539	(31)
Cost of sales		(168,801)	(181,681)	(7)	(64,788)	(93,414)	(31)
Gross profit		11,775	583	1919	6,308	10,125	(38)
Other income	5	36	435	(92)	17	370	(87)
Other gains - net	5	838	1,058	(21)	116	74	57
Expenses							
- Selling and distribution		341	(847)	N.M	455	(779)	N.M
- Administrative		(7,856)	(8,209)	(4)	(4,513)	(4,984)	(9)
- Finance		(1,564)	(2,163)	(28)	(799)	(1,011)	(18)
Share of profit/(loss) of associated companies		159	(1,071)	N.M	164	(996)	N.M
Profit/(loss) before income tax		3,729	(10,214)	N.M	1,748	2,799	(38)
Income tax expense	7	(1,063)	(755)	41	(568)	(510)	11
Profit/(loss) after income tax		2,666	(10,969)	N.M	1,180	2,289	(48)
Profit/(loss) attributable to:							
Equity holders of the Company		2,038	(11,779)	N.M	836	1,860	(55)
Non-controlling interests		628	810	(22)	344	429	(20)
		2,666	(10,969)	N.M	1,180	2,289	(48)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company:							
- Basic earnings/(loss) per share (in cent)		0.08	(0.60)	N.M	0.03	0.10	(75)
- Diluted earnings/(loss) per share (in cent)		0.08	(0.60)	N.M	0.04	0.11	(68)
Profit/(loss) after income tax		2,666	(10,969)	N.M	1,180	2,289	(48)
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Currency translation differences arising from consolidation		(446)	(84)	432	(272)	63	N.M
Fair value loss on debt financial assets, at FVOCI		(4)	(215)	(99)	1	(49)	N.M
Other comprehensive (loss)/income, net of tax		(450)	(299)	51	(271)	14	N.M
Total comprehensive income/(loss)		2,216	(11,268)	N.M	909	2,303	(61)
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company		1,907	(12,049)	N.M	849	1,855	(54)
Non-controlling interests		309	781	(60)	60	448	(87)
		2,216	(11,268)	N.M	909	2,303	(61)

N.M – not meaningful

KOH BROTHERS ECO ENGINEERING LIMITED (Registration No.: 197500111H)

B. CONDENSED INTERIM BALANCE SHEETS – Group and Company

As at 31 December 2021

	Note	Group		Company	
		2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
ASSETS					
Current assets					
Cash and bank balances		64,825	56,215	712	1,296
Trade and other receivables		36,275	29,483	17,598	22,892
Contract assets		118,691	116,702	-	-
Inventories		290	355	-	-
Financial assets, at FVOCI	9	491	489	-	-
Other assets		4,799	5,940	-	-
		225,371	209,184	18,310	24,188
Non-current assets					
Trade and other receivables		-	-	76,000	40,000
Contract assets		5,367	3,869	-	-
Investments in associated companies		1,228	1,069	640	640
Investments in subsidiaries		-	-	52,304	45,638
Property, plant and equipment	11	44,578	56,739	-	-
Goodwill	10	6,857	6,857	-	-
Deferred tax assets		42	11	-	-
		58,072	68,545	128,944	86,278
Total assets		283,443	277,729	147,254	110,466
LIABILITIES					
Current liabilities					
Trade and other payables		50,598	73,532	3,066	3,715
Current income tax liabilities		328	361	-	-
Contract liabilities		5,157	7,347	-	-
Bank borrowings and lease liabilities	12	61,753	62,318	-	-
		117,836	143,558	3,066	3,715
Non-current liabilities					
Trade and other payables		6,943	4,649	-	-
Bank borrowings and lease liabilities	12	12,992	23,009	-	-
Deferred tax liabilities		475	502	-	-
		20,410	28,160	-	-
Total liabilities		138,246	171,718	3,066	3,715
NET ASSETS		145,197	106,011	144,188	106,751
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	136,361	96,564	136,361	96,564
Warrants reserve		296	2,812	296	2,812
Currency translation reserve		(2,666)	(2,539)	-	-
Other reserves		(844)	(853)	20	9
Retained profits		9,818	7,780	7,511	7,366
		142,965	103,764	144,188	106,751
Non-controlling interests		2,232	2,247	-	-
Total equity		145,197	106,011	144,188	106,751

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C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

Note	← Attributable to equity holders of the Company →					Total S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Warrants reserve S\$'000	Currency translation reserve S\$'000	Other reserves S\$'000	Retained profits S\$'000			
Group								
Balance at 1 January 2021	96,564	2,812	(2,539)	(853)	7,780	103,764	2,247	106,011
Profit for the financial year	-	-	-	-	2,038	2,038	628	2,666
Other comprehensive loss for the financial year	-	-	(127)	(4)	-	(131)	(319)	(450)
Total comprehensive (loss)/income for the financial year	-	-	(127)	(4)	2,038	1,907	309	2,216
Issuance of new shares, net of expenses	36,839	-	-	-	-	36,839	-	36,839
Issuance of new shares pursuant to Performance Share Plan	7	-	-	-	-	7	-	7
Exercise of warrants	470	(35)	-	-	-	435	-	435
Share based payment pursuant to Performance Share Plan	-	-	-	13	-	13	-	13
Expiry of warrants	2,481	(2,481)	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(324)	(324)
Total transactions with owners, recognised directly in equity	39,797	(2,516)	-	13	-	37,294	(324)	36,970
Balance at 31 December 2021	136,361	296	(2,666)	(844)	9,818	142,965	2,232	145,197
Balance at 1 January 2020	83,983	3,724	(2,484)	(643)	19,958	104,538	2,443	106,981
(Loss)/profit for the financial year	-	-	-	-	(11,779)	(11,779)	810	(10,969)
Other comprehensive loss for the financial year	-	-	(55)	(215)	-	(270)	(29)	(299)
Total comprehensive (loss)/income for the financial year	-	-	(55)	(215)	(11,779)	(12,049)	781	(11,268)
Issuance of new shares pursuant to Performance Share Plan	19	-	-	-	-	19	-	19
Exercise of warrants	12,562	(912)	-	-	-	11,650	-	11,650
Share based payment pursuant to Performance Share Plan	-	-	-	5	-	5	-	5
Dividend paid	-	-	-	-	(399)	(399)	(977)	(1,376)
Total transactions with owners, recognised directly in equity	12,581	(912)	-	5	(399)	11,275	(977)	10,298
Balance at 31 December 2020	96,564	2,812	(2,539)	(853)	7,780	103,764	2,247	106,011

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C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Share capital S\$'000	Warrants reserves S\$'000	Other reserves S\$'000	Retained profits S\$'000	Total equity S\$'000
Company					
Balance at 1 January 2021	96,564	2,812	9	7,366	106,751
Exercise of warrants	470	(35)	-	-	435
Profit for the financial period	-	-	-	145	145
Share based payment pursuant to Performance Share Plan	-	-	11	-	11
Expiry of warrants	2,481	(2,481)	-	-	-
Issuance of new shares	36,846	-	-	-	36,846
Balance at 31 December 2021	136,361	296	20	7,511	144,188
Balance at 1 January 2020	83,983	3,724	4	7,144	94,855
Exercise of warrants	12,562	(912)	-	-	11,650
Issuance of new shares	19	-	-	-	19
Profit for the financial period	-	-	-	621	621
Share based payment pursuant to Performance Share Plan	-	-	5	-	5
Dividend	-	-	-	(399)	(399)
Balance at 31 December 2020	96,564	2,812	9	7,366	106,751

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	FY2021 S\$'000	FY2020 S\$'000
Cash flows from operating activities		
Profit/(loss) after income tax	2,666	(10,969)
Adjustments for:		
- Income tax expense	1,063	755
- Depreciation of property, plant and equipment	11,604	16,740
- Property, plant and equipment written off	-	2
- Gain on disposal of property, plant and equipment	(653)	(1,146)
- Share of (profit)/loss of associated companies	(159)	1,071
- Interest expense	1,564	2,163
- Interest income	(36)	(104)
- Unrealised translation (gain)/loss	(485)	101
	<u>15,564</u>	<u>8,613</u>
Changes in working capital:		
- Trade and other receivables	(6,749)	14,626
- Inventories	65	(139)
- Contract assets and liabilities	(5,677)	9,714
- Other assets	1,141	335
- Trade and other payables	(20,674)	(27,105)
Cash (used in)/provided by operations	(16,330)	6,044
Income tax (paid)/refund	(1,150)	171
Net cash (used in)/provided by operating activities	<u>(17,480)</u>	<u>6,215</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,401)	(518)
Proceeds from disposal of property, plant and equipment	2,980	1,390
Proceeds from redemption of financial assets, at FVOCI	-	5
Interest received	36	104
Net cash provided by investing activities	<u>1,615</u>	<u>981</u>
Cash flows from financing activities		
Issuance of new shares, net of expenses	38,070	-
Share issuance expenses	(1,231)	-
Proceeds from exercise of warrants	475	11,650
Net repayment of bank borrowings	(4,485)	(477)
Principal repayment of lease liabilities	(6,622)	(5,941)
Dividends paid to equity holders of the Company	-	(399)
Dividends paid to non-controlling interests	(324)	(652)
Interest paid	(1,523)	(2,192)
Net cash provided by financing activities	<u>24,360</u>	<u>1,989</u>
Net change in cash and bank balances	<u>8,495</u>	<u>9,185</u>
Beginning of financial year	56,215	47,206
Effect of currency translation on cash and bank balances	115	(176)
End of financial year	<u>64,825</u>	<u>56,215</u>

The accompanying notes form an integral part of these financial statements.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

1. Corporate information

Koh Brothers Eco Engineering Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The condensed interim consolidated financial statements as at and for the six months ended 31 December 2021 (“2H 2021”) comprise the Company and its subsidiaries (collectively, the Group).

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the Group are:

- (a) Building and civil engineering contracting; and
- (b) Specialist engineers.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the Group’s performance since the last interim financial statements for the period ended 30 June 2021.

The financial statements are presented in Singapore Dollars, which is the Group’s functional currency. All financial information presented in Singapore Dollars have been rounded to the nearest thousand, unless otherwise stated.

The accounting policies and method of computations used in the condensed interim financial statements are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out as below:

2.1 New and amended Standards adopted by the Group

The Group has adopted the new and revised SFRS(I)s and SFRS(I) Interpretations and amendments to SFRS(I)s that are mandatory for application from 1 January 2021:

- Amendments to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendments to SFRS(I)s did not result in material changes to the Group’s accounting policies and has no material effect on the amounts reported for the current financial period.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Basis of preparation (continued)

2.1 Use of judgment and estimates

In the process of applying the Group's accounting policies, there is no instance of application of judgments with significant updates since the audited financial statements as at 31 December 2020 and is expected to have a significant effect on the amounts recognised in the condensed consolidated interim financial statements.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, are as follows:

- (a) Estimation of total contract sum and contract costs for construction contracts; and
- (b) Assessment on impairment of goodwill.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Revenue and segment information

(a) Disaggregation of revenue

	Group	
	FY2021 S\$'000	FY2020 S\$'000
Engineering and Construction		
Contract revenue – over time	148,794	153,516
Bio-Refinery and Renewable Energy		
Contract revenue – over time	28,923	25,112
Sale of goods – point in time	2,859	3,636
	31,782	28,748
Total	180,576	182,264

	Group	
	2H2021 S\$'000	2H2020 S\$'000
Engineering and Construction		
Contract revenue – over time	54,641	88,505
Bio-Refinery and Renewable Energy		
Contract revenue – over time	15,114	12,846
Sale of goods – point in time	1,341	2,188
	16,455	15,034
Total	71,096	103,539

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. Revenue and segment information (continued)

(b) Segment information

The Group considers the business from a business segment perspective. Management manages and monitors the business in two main business segments which are “Engineering and Construction” and “Bio-Refinery and Renewable Energy”. The CEO assesses the performance of these business segments based on sales, segment results, segment assets and segment liabilities.

The segment information and the reconciliations of segment results to profit after income tax and segment assets and liabilities to total assets and liabilities are as follows:

Group (S\$'000)	<u>Engineering and Construction</u>	<u>Bio-Refinery and Renewable Energy</u>	<u>Total</u>
2021			
Revenue			
External	148,794	31,782	<u>180,576</u>
Results			
Segment results	2,127	2,971	5,098
Share of profit of associated companies	159	-	159
Interest income			36
Finance expense			(1,564)
Income tax expense			<u>(1,063)</u>
Profit after income tax			<u>2,666</u>
Other information			
Capital expenditure	1,774	10	1,784
Depreciation	11,561	43	11,604
Assets			
Segment assets	223,253	25,076	248,329
Investments in associated companies	1,229	-	1,229
Goodwill	-	6,857	6,857
<u>Unallocated assets:</u>			
Short-term bank deposits			26,495
Financial assets, at FVOCI			491
Deferred tax assets			42
Total assets			<u>283,443</u>
Liabilities			
Segment liabilities	49,050	13,648	62,698
<u>Unallocated liabilities:</u>			
Income tax liabilities			328
Deferred tax liabilities			475
Bank borrowings and lease liabilities			74,745
Total liabilities			<u>138,246</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. Revenue and segment information (continued)

(b) Segment information (continued)

Group (S\$'000)	<u>Engineering and Construction</u>	<u>Bio-Refinery and Renewable Energy</u>	<u>Total</u>
2020			
Revenue			
External	153,516	28,748	182,264
Results			
Segment results	(12,198)	5,114	(7,084)
Share of loss of associated companies	(1,071)	-	(1,071)
Interest income			104
Finance expense			(2,163)
Income tax expense			(755)
Loss after income tax			<u>(10,969)</u>
Other information			
Capital expenditure	1,196	25	1,221
Depreciation	16,666	74	16,740
Assets			
Segment assets	233,426	19,589	253,015
Investments in associated companies	1,069	-	1,069
Goodwill	-	6,857	6,857
<u>Unallocated assets:</u>			
Short-term bank deposits			16,288
Financial assets, at FVOCI			489
Deferred tax assets			11
Total assets			<u>277,729</u>
Liabilities			
Segment liabilities	76,743	8,785	85,528
<u>Unallocated liabilities:</u>			
Income tax liabilities			361
Deferred tax liabilities			502
Bank borrowings and lease liabilities			85,327
Total liabilities			<u>171,718</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. Revenue and segment information (continued)

(b) Segment information (continued)

Group (S\$'000)	<u>Engineering and Construction</u>	<u>Bio-Refinery and Renewable Energy</u>	<u>Total</u>
2H2021			
Revenue			
External	54,641	16,455	<u>71,096</u>
Results			
Segment results	1,277	1,089	2,366
Share of loss of associated companies	164	-	164
Interest income			17
Finance expense			(799)
Income tax expense			<u>(568)</u>
Profit after income tax			<u>1,180</u>
Other information			
Capital expenditure	1,681	4	1,685
Depreciation	5,780	21	5,801
Assets			
Segment assets	223,253	25,076	248,329
Investments in associated companies	1,229	-	1,229
Goodwill	-	6,857	6,857
<u>Unallocated assets:</u>			
Short-term bank deposits			26,495
Financial assets, at FVOCI			491
Deferred tax assets			<u>42</u>
Total assets			<u>283,443</u>
Liabilities			
Segment liabilities	49,050	13,648	62,698
<u>Unallocated liabilities:</u>			
Income tax liabilities			328
Deferred tax liabilities			475
Bank borrowings and lease liabilities			<u>74,745</u>
Total liabilities			<u>138,246</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS*For the financial year ended 31 December 2021***4. Revenue and segment information (continued)**(b) Segment information (continued)

Group (S\$'000)	<u>Engineering and Construction</u>	<u>Bio-Refinery and Renewable Energy</u>	<u>Total</u>
2H2020			
Revenue			
External	102,091	1,448	103,539
Results			
Segment results	1,708	3,054	4,762
Share of loss of associated companies	(996)	-	(996)
Interest income			44
Finance expense			(1,011)
Income tax expense			(510)
Profit after income tax			<u>2,289</u>
Other information			
Capital expenditure	755	14	769
Depreciation	9,433	33	9,466
Assets			
Segment assets	233,426	19,589	253,015
Investments in associated companies	1,069	-	1,069
Goodwill	-	6,857	6,857
<u>Unallocated assets:</u>			
Short-term bank deposits			16,288
Financial assets, at FVOCI			489
Deferred tax assets			11
Total assets			<u>277,729</u>
Liabilities			
Segment liabilities	76,743	8,785	85,528
<u>Unallocated liabilities:</u>			
Income tax liabilities			361
Deferred tax liabilities			502
Bank borrowings and lease liabilities			85,327
Total liabilities			<u>171,718</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. Revenue and segment information (continued)

(c) Geographic Information

The Group's two business segments operate in six main geographical areas: Singapore, Malaysia, Indonesia, Rest of Asia, South America and Africa.

The following table presents sales and non-current assets information for the main geographical areas for the full year and six months ended 31 December 2021 and 31 December 2020.

	Group	
	FY2021	FY2020
	S\$'000	S\$'000
Total sales		
Singapore	148,181	154,554
Malaysia	10,414	6,823
Indonesia	11,909	3,353
Rest of Asia	5,143	5,023
South America	1,317	514
Africa	3,612	11,997
	180,576	182,264

	Group	
	2H2021	2H2020
	S\$'000	S\$'000
Total sales		
Singapore	53,888	88,629
Malaysia	2,735	4,400
Indonesia	7,539	2,688
Rest of Asia	4,086	3,684
South America	842	340
Africa	2,006	3,798
	71,096	103,539

	Group	
	2021	2020
	S\$'000	S\$'000
Total non-current assets		
Singapore	57,116	67,530
Malaysia	956	1,015
	58,072	68,545

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. Revenue and segment information (continued)

- (d) In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Engineering & Construction

The segment recorded a decrease in revenue from S\$153.5 million in FY2020 to S\$148.8 million in FY2021, as the operating situation has not returned to the pre-COVID period. The segment results showed an improvement from a loss of \$12.2 million in FY2020 to S\$2.1 million in FY2021.

Bio-Refinery & Renewable Energy

The segment revenue increased from S\$28.7 million in FY2020 to S\$31.8 million in FY2021 mainly due to higher percentage of completion on certain projects. The segment results showed a decrease from S\$5.1 million in FY2020 to S\$3.0 million in FY2021, mainly due to IPO cost incurred.

By Geographical Segment

There was a decrease in revenue contributed by the Singapore segment mainly due to the lower revenue recognised for the Engineering and Construction division. Increase in revenue under the Bio-Refinery and Renewable Energy division was contributed by customers from Malaysia, Indonesia, the rest of Asia and South America, partially offset by a decrease in revenue from Africa.

5. Other income and other gains – net

	Group	
	FY2021	FY2020
	S\$'000	S\$'000
Other income		
Interest income	36	104
Other income	-	331
	36	435
Other gains – net		
Gain on disposal of property, plant and equipment	653	1,146
Net foreign exchange gain/(loss)	185	(88)
	838	1,058
	Group	
	2H2021	2H2020
	S\$'000	S\$'000
Other income		
Interest income	17	44
Other income	-	326
	17	370
Other gains – net		
Gain on disposal of property, plant and equipment	206	746
Net foreign exchange loss	(90)	(672)
	116	74

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6. Expenses by nature

	Group	
	FY2021	FY2020
	S\$'000	S\$'000
(Write-back of allowance for)/allowance for impairment of trade receivables	(710)	588
Depreciation of property, plant and equipment	11,604	16,740

	Group	
	2H2021	2H2020
	S\$'000	S\$'000
(Write-back of allowance for)/allowance for impairment of trade receivables	(793)	617
Depreciation of property, plant and equipment	5,801	9,466

7. Taxation

The major components of income tax expense in the condensed interim consolidated statement of comprehensive income are:

	Group	
	FY2021	FY2020
	S\$'000	S\$'000
Tax expense/(credit) attributable to profit is made up of:		
- Current income tax	1,070	1,165
- Deferred income tax	(58)	20
	1,012	1,185
Under/(over) provision of current income tax in prior financial years	51	(430)
	1,063	755

	Group	
	2H2021	2H2020
	S\$'000	S\$'000
Tax expense/(credit) attributable to profit is made up of:		
- Current income tax	644	821
- Deferred income tax	(127)	73
	517	894
Under/(over) provision of current income tax in prior financial years	51	(384)
	568	510

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8. Related party transactions

In addition to the related party information disclosed elsewhere in the condensed interim consolidated financial statements, the Group has significant transactions with related parties on terms agreed between the parties concerned as shown below:

(a) Sale and purchase of goods and services

	Group	
	FY2021	FY2020
	S\$'000	S\$'000
Purchase of goods and services from related corporations	(516)	(586)
Revenue on construction contract from related corporations	4,375	5,828
Rental of office premises from related corporations	(761)	(1,197)
Rental of factory-cum-office space and machinery to related corporations	505	52
Management and support services from the immediate and ultimate holding corporation and related corporation	(1,681)	(963)

Related party comprises companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

9. Fair value measurements

The following paragraph presents the assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted price (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presented the assets measured at fair value:

	Level 1	Total
	S\$'000	S\$'000
Group		
31 December 2021		
Financial assets, at FVOCI	491	491
31 December 2020		
Financial assets, at FVOCI	489	489

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10. Goodwill

	Group	
	2021	2020
	S\$'000	S\$'000
Net book value	6,857	6,857

Impairment tests for goodwill

Goodwill arising from acquisition of a subsidiary has been allocated to the cash-generating unit (“CGU”) identified as the “Bio-Refinery and Renewable Energy” segment.

The Group tests CGU annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the CGU was determined based on value-in-use calculation. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a one-year period.

11. Property, plant and equipment

During the six months ended 31 December 2021, the Group acquired assets amounting to S\$1,784,000 (31 December 2020: S\$769,000), and disposed of assets at net book value amounting to S\$2,327,000 (31 December 2020: S\$106,000).

12. Bank borrowing and lease liabilities

	Group	
	2021	2020
	S\$'000	S\$'000
Current		
Short-term bank loans payable within one year (unsecured)	51,000	51,649
Term loan payable within one year (unsecured)	4,852	3,949
Lease liabilities payable within one year	5,901	6,720
	61,753	62,318
Non-current		
Term loan payable after one year (unsecured)	3,584	8,324
Lease liabilities payable after one year	9,408	14,685
	12,992	23,009
Total bank borrowings and lease liabilities	74,745	85,327

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

13. Share capital

	No. of ordinary shares		Amount	
	2021 '000	2020 '000	2021 S\$'000	2020 S\$'000
Group and Company				
Balance at 1 January	1,998,897	1,765,517	96,564	83,983
Exercise of warrants	8,802	233,000	470	12,562
Expiry of warrants	-	-	2,481	-
Issuance of new shares	810,000	-	36,839	-
Issuance of new shares pursuant to Performance Share Plan	133	380	7	19
Balance at 31 December	2,817,832	1,998,897	136,361	96,564

The number of shares that may be issued on conversion of all the outstanding convertibles against the total number of issued shares excluding treasury shares and subsidiary holdings of the Company 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 was as follows:

	No. of warrants '000
As at 1 January 2021	422,647
Exercise of warrants	(8,802)
Expiry of warrants	(338,068)
As at 31 December 2021	75,777

As at 31 December 2021 and as at 31 December 2020, the Company does not have any treasury shares or subsidiary holdings. There are no sales, transfers, cancellation and/or use of treasury shares or subsidiary holdings as at 31 December 2021 and 31 December 2020.

The number of issued shares excluding treasury shares and subsidiary holdings of the Company as at 31 December 2021 and 31 December 2020 was 2,817,832,062 and 1,998,896,805 respectively.

Warrants

Pursuant to the renounceable non-underwritten rights cum warrants issue announced on 15 May 2017 (the "2017 Rights cum Warrants Issue"), the Company issued 299,021,682 warrants on 14 November 2017. Each warrant carries the right to subscribe for one (1) ordinary share in the capital of the Company at the exercise price ranging from S\$0.09 to S\$0.11 per warrant for each new share depending on the date of exercise. Each warrant may be exercised at any time during the period of four (4) years commencing on and including the date of issue of the warrants and expiring on the 4th anniversary of the date of issue of the warrants. As announced by the Company on 13 April 2018, the net proceeds raised from the renounceable non-underwritten rights cum warrants issue have been fully utilised.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

13. Share capital

Warrants (continued)

Pursuant to the terms and conditions of the deed poll dated 13 October 2017 (the “Deed Poll” relating to the 2017 Rights cum Warrants Issue), the renounceable non-underwritten rights cum warrants issue, as announced by the Company on 29 June 2018 (the “2018 Rights cum Warrants Issue”), constitutes an event giving rise to an adjustment to the exercise price and the number of the Existing Warrants. Accordingly, 39,192,649 adjusted warrants have been issued and allotted on 18 October 2018 (the “Adjustment Warrants”). Following the allotment and issuance of the Adjustment Warrants, the total number of Existing Warrants has increased from 298,961,682 to 338,154,331. Each one Adjustment Warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company at exercise price ranging from S\$0.08 to S\$0.10. Warrants have expired on 12 November 2021.

Pursuant to the 2018 Rights cum Warrants Issue, the Company issued 517,492,846 warrants on 26 September 2018. Each warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.05 per warrant for each new share. Each warrant may be exercised at any time during the period of five (5) years commencing on and including the date of issue of the warrants and expiring on the 5th anniversary of the date of issue of the warrants. 441,715,340 warrants were exercised at S\$0.05 per warrant for each new share as at 31 December 2021. The remaining 75,777,456 warrants will expire on 25 September 2023. On 12 March 2019, the Company announced that the net proceeds raised from the 2018 Rights cum Warrants Issue have been fully utilised.

Performance Share Plan

Pursuant to the Koh Brothers Eco Engineering Limited Performance Share Plan 2017, the Company awarded 1,888,278 new ordinary shares of the Company to its employees on 22 July 2019. Awards comprised (i) 1,388,058 fully paid-up ordinary shares of the Company, free of payment, which vested on 22 July 2019; (ii) 51,260 fully paid-up ordinary shares of the Company, free of payment, which vested on 29 December 2020; (iii) 38,880 ordinary shares of the Company which were forfeited; and (iv) 410,080 fully paid-up ordinary shares of the Company, free of payment, which will be vested in accordance with a vesting schedule that commenced on 22 July 2019 and ending on the ninth anniversary of the date of the grant, subject to certain vesting conditions.

Pursuant to the Koh Brothers Eco Engineering Limited Performance Share Plan 2017, the Company awarded 1,117,282 new ordinary shares of the Company to its employees on 29 December 2020. Awards comprised (i) 328,702 fully paid-up ordinary shares of the Company, free of payment, which vested on 29 December 2020; and (ii) 788,580 fully paid-up ordinary shares of the Company, free of payment, which will be vested in accordance with a vesting schedule that commenced on 29 December 2020 and ending on the ninth anniversary of the date of the grant, subject to certain vesting conditions. On 29 December 2021, 133,102 new shares were vested under the Performance Share Plan 2017.

Issuance of new shares

Pursuant to the completion of the Proposed Subscription on 8 June 2021, 810,000,000 Subscription Shares have been allotted and issued to Penta-Ocean Construction Co., Ltd., in accordance with the terms of the Subscription Agreement. The Subscription Shares are issued free from all encumbrances and rank pari passu in all respects with the issued Shares of the Company existing as at the date of Completion, except that they will not rank for any dividends, distributions or entitlements the record date for which falls on or before the date of Completion.

Save as disclosed above, the Company has no outstanding convertibles and no treasury shares or subsidiary holdings as at 31 December 2021 and 31 December 2020.

F. OTHER INFORMATION REQUIRED BY LISTING RULE

For the financial year ended 31 December 2021

1. **Whether the figures have been audited, or reviewed and if so which auditing standard or practice has been followed**

The figures and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. **Where the figures have been audited or reviewed, the auditor's report (including any modifications or an emphasis of matter). Where the figures are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) updates on the efforts taken to resolve each outstanding audit issue; and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable as the figures have not been audited or reviewed nor has the Company received any adverse opinion, qualified opinion or disclaimer of opinion.

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

Refer to note 2 – basis of preparation of the condensed interim consolidated financial statements.

4. **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**

Refer to note 2 – basis of preparation of the condensed interim consolidated financial statements.

5. **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.**

		Group	
		FY2021	FY2020
		(cents)	(cents)
(i)	Basic	0.08	(0.60)
(ii)	On a fully diluted basis	0.08	(0.60)

		Group	
		2H2021	2H2020
		(cents)	(cents)
(i)	Basic	0.03	0.10
(ii)	On a fully diluted basis	0.04	0.11

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 2,469,282,270 ordinary shares (31 December 2020: 1,979,513,992, ordinary shares).

Fully diluted earnings per ordinary share is computed based on the weighted average number of ordinary shares in issue during the period after adjusting for the dilutive effect on the exercise of all outstanding warrants.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6. **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 December 2021 (cents)	31 December 2020 (cents)	31 December 2021 (cents)	31 December 2020 (cents)
Net asset value per ordinary share based on existing issued share capital (excluding treasury shares) at the end of the period	5.07	5.19	5.12	5.34

The net asset value per share is calculated based on the issued share capital, excluding treasury shares, of 2,817,832,062 ordinary shares as at 31 December 2021 (31 December 2020: 1,998,896,805 ordinary shares).

7. **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

Revenue

The COVID-19 situation has continued to have an adverse impact on the Group's financial performance for the financial year ended 31 December 2021 ("FY2021"). Nevertheless, with the gradual resumption of construction activities in FY2021, the Group's financial performance improved as compared to the previous financial year. While the government has taken measures to manage the spread of coronavirus, operating situation has not returned to the pre-COVID period. Key difficulties and challenges still remain.

The Group's revenue for the six months ended 31 December 2021 ("2H 2021") decreased from S\$103.5 million in the corresponding period in 2020 ("2H 2020") to \$71.1 million.

For FY2021, the Group's revenue declined slightly as compared to the financial year ended 31 December 2020 ("FY2020"), from S\$182.3 million to S\$180.6 million. This was mainly due to a decrease in revenue from the Engineering and Construction division.

Gross profit

As more construction activities have gradually resumed in FY2021, this has resulted in improved performance leading to a gross profit of S\$6.3 million and S\$11.8 million in 2H 2021 and FY2021 respectively. This is in comparison to a gross profit of S\$10.1 million and S\$0.6 million in 2H 2020 and FY2020 respectively.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

Other gains – net

Other gains remained relatively consistent between 2H 2021 and 2H 2020 at \$0.1 million, mainly arising from gain on disposal of property, plant and equipment under the Engineering and Construction Division, offset by net foreign exchange loss arising mainly from trade receivables and bank balances under the Bio-Refinery and Renewable Energy division.

Other gains decreased from S\$1.1 million in FY2020 to S\$0.8 million in FY2021 mainly due to decrease in net foreign exchange gain arising from trade receivables and bank balances under the Bio-Refinery and Renewable Energy division.

Selling and distribution expenses

Selling and distribution expenses amounted to a credit of S\$0.5 million and S\$0.3 million in 2H2021 and FY2021 respectively compared to S\$0.8 million and S\$0.8 million in 2H 2020 and FY2020. This is mainly due to a reversal of allowance made for impairment of trade receivables for certain outstanding receivables for the Bio-Refinery and Renewable Energy division, which were subsequently recovered.

Finance expenses

Finance expenses decreased from \$1.0 million in 2H 2020 to S\$0.8 million in 2H 2021 and from S\$2.2 million in FY2020 to S\$1.6 million in FY2021. Decrease in finance expenses for both 2H 2021 and FY2021 was mainly due to decrease in bank borrowings and interest rates for the Group.

Profit/(loss) after income tax

As a result of the above, the Group's profit after income tax showed a decrease from S\$2.3 million in 2H 2020 to S\$1.2 million in 2H 2021.

Overall, the Group recorded a profit after income tax of S\$2.7 million in FY2021 compared to a loss after income tax of S\$11.0 million in FY2020.

Review of change in working capital, assets and liabilities

The Group's net asset value attributable to shareholders increased from S\$103.8 million as at 31 December 2020 to S\$143.0 million as at 31 December 2021 mainly due to increase in retained profits and increase in share capital resulting from exercise of warrants and issuance of new shares.

The Group's current assets recorded an increase of S\$16.2 million mainly due to (i) increase in cash and bank balances due to net cash generated from financing activities offset by net cash used in operating activities; (ii) increase in trade and other receivables and contract assets mainly due to progress billings to customers under the Engineering and Construction division during FY2021.

The Group's non-current assets recorded a decrease of S\$10.5 million mainly due to depreciation charge on property, plant and equipment and offset by an increase in contract assets due to increase in retention sums due from customers.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

The Group's current liabilities recorded a decrease of S\$25.7 million, mainly due to: (i) decrease in trade and other payables resulting from settlement of amount owing to creditors; (ii) decrease in contract liabilities resulting from revenue recognition upon satisfaction of performance obligation under the Bio-Refinery and Renewable Energy division; and (iii) decrease in bank borrowings and lease liabilities.

The Group's non-current liabilities showed a decrease of S\$7.8 million mainly due to decrease in bank borrowings and lease liabilities, partially offset by an increase in trade and other payables. The decrease in bank borrowings and lease liabilities was mainly due to reclassification from non-current to current whereas the increase in trade and other payables was due to increase in retention due to subcontractors.

Review of change in cash flow

The Group reported a net cash inflow of S\$8.5 million in FY2021.

Net cash of S\$17.5 million used in operating activities was mainly due to increase in trade and other receivables and movement in contract assets and liabilities, partially offset by payments made to trade and other payables.

Net cash of S\$24.4 million generated from financing activities was mainly contributed by proceeds from exercise of warrants and issuance of new shares, partially offset by repayment of bank borrowings and lease liabilities.

8. 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 six months ended 30 June 2021.

9. 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.

Engineering and Construction Sector

Based on advance estimates by the Ministry of Trade and Industry released on 3 January 2022, Singapore's GDP grew by 5.9 per cent on a year-on-year basis in the fourth quarter of 2021, moderating from the 7.1 per cent growth in the third quarter. For the whole of 2021, the economy grew by 7.2 per cent, rebounding from the 5.4% contraction in 2020. The construction sector grew by 2.0% on a year-on-year basis in the fourth quarter of 2021, slower than the 66.3% growth in the preceding quarter. In absolute terms, the value-added of the sector remained 26.0% below its pre-COVID level, as activity at construction worksites continued to be weighed down by labour shortages due to border restrictions on the entry of migrant workers.

In a media release on 26 January 2022, the Building and Construction Authority Singapore ("BCA") has projected the total construction demand to reach between S\$27 billion and S\$32 billion in 2022. The public sector is expected to contribute 60 per cent of the total construction demand, between S\$16 billion and S\$19 billion per year with strong pipeline of public housing projects including those under the Home Improvement Programme, as well as healthcare developments and infrastructure works such as the Cross Island MRT Line (Phase 1). Over the medium-term, public sectors project are expected to include MRT Cross

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

Island Line (Phases 2 & 3) and its Punggol Extension, the Downtown Line Extension to Sungei Kadut and the Deep Tunnel Sewerage System Phase 2.

However, with the emergence of Omicron variant, there is greater uncertainty of the recovery. The construction sector is to remain challenging and continues to face rising material costs due to supply chain disruptions, high manpower costs as a result of labour shortage, higher cost and time resources needed to comply with COVID-safe measures as well as demand to make up for lost time in the completion of projects. The Group will continue to tender for more construction projects where we have the competitive advantage, requisite track record, experience and capabilities. This will enable the Group to maintain a strong order book for sustainable growth.

Bio-Refinery and Renewable Energy Sector

Our Group remains confident about the long-term outlook of the Bio-Refinery and Renewable Energy segment as the global consumption of oils and fats is growing in tandem with the rising of the world population, driven by strong growth in the food and beverage, oleochemical and biodiesel sectors. In addition, it is evident that global trends are shifting towards sustainability, especially with regards to the environment. Our Group will continue to leverage on our capabilities, technology know-how and proven track record to secure more projects and projects of a larger scale in existing and new markets, and expand our geographical reach to more markets with emerging prospects. We also intend to increase our focus on the renewable energy sector, and provide more support and solutions to the sustainability efforts of our existing customers and markets.

Overall, as at 31 December 2021, the Group's order book stood at S\$775.0 million and the Group remains focused on the execution of its order book.

10. Dividend

(a) Current Financial Period Reported On:

(i) **Any dividend declared for the current financial period reported on?**
No.

(ii) **Any dividend recommended for the current financial period reported on?**
Yes.

Name of dividend	Final
Dividend Type	Cash
Dividend Amount per share	0.025 cent per ordinary share
Dividend Rate (in %)	NA
Par value of shares	NA
Tax rate	Tax exempt (One-tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

(c) Date payable

The proposed dividend will be subject to approval by the shareholders at the forthcoming AGM. The payment date will be announced at a later date.

(d) Book closure date

Notice will be given at a later date on the closure of the Share Transfer Books and Register of Members of the Company to determine the member's entitlement to the dividend.

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

Not applicable.

12. Interested Person Transaction

Name of Interested Person	Nature of Relationship	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)
		S\$'000	S\$'000
<u>Transactions for the Sale of Goods and Services</u>	Related Companies - By virtue of Koh Brothers Group Limited's shareholdings in Koh Brothers Eco Engineering Limited.		
G & W Ready-Mix Pte Ltd		-	285
KBD Holland Pte. Ltd.		-	4,375
G&W Precast Pte Ltd		-	169
<u>Transactions for the Purchase of Goods and Services</u>			
G & W Ready-Mix Pte Ltd		-	516
G & W Industries Pte Ltd		-	221
Koh Brothers Group Limited		-	488
Koh Brothers Holdings Pte Ltd		-	539
Kosland Pte Ltd		-	124
Koh Brothers Corporate Services		-	1,192

The generate mandate from shareholders for Interested Person Transactions was approved at the Annual General Meeting held on 27 April 2021 and 31 May 2021.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

13. Disclosure on acquisition and realisation of shares pursuant to Rule 706A of the Listing Manual

Not applicable

14. Requirement under Rule 705(5) of the Listing Manual Section B: Rules of Catalyst

We, Koh Keng Siang and Shin Yong Seub, being Directors of Koh Brothers Eco Engineering Limited (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to our attention which may render the interim condensed consolidated financial statements for the full year ended 31 December 2021 ("interim financial statements") to be false or misleading in any material aspect. The interim financial statements provide a balanced and fair view of any material factors that have affected the Group's and Company's business conditions and financial position, including the impact of COVID-19.

15. Disclosure of person occupying a managerial position in any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any Director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in position held, if any, during the year
Koh Keng Seng	58	Cousin of Mr Koh Keng Siang	Director of Koh Brothers Building & Civil Engineering Contractor (Pte) Ltd, since 2008	Nil

16. Requirement under Rule 720(1) of the Listing Manual Section B: Rules of Catalyst

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

29 January 2022