

KOH BROTHERS GROUP LIMITED

(Unique Entity Number: 199400775D)

RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "Board") of Koh Brothers Group Limited (the "Company", and together with its subsidiaries, the "Group") wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 February 2021 in relation to the Company's unaudited results announcement for the financial year ended 31 December 2020 (the "Results Announcement"). All capitalised terms used in this announcement shall bear the meaning as ascribed to them in the Results Announcement.

SGX-ST's Query 1

We note that the Group recorded S\$40.947 million of current trade and other receivables and S\$29.393 million of non-current trade and other receivables as at 31 December 2020 (together, the "Receivables"). It was explained in the notes that "the decrease in current trade and other receivables was mainly due to collection from customers and reclassification to non-current assets due to extension of payment terms with certain debtors. Provide the following details:

- a) the breakdown of the Group's Receivables;
- b) the nature of the non-current receivables and the rationale for the management to extend the payment terms to certain debtors, what debtors qualify for such extensions; and
- c) the Board's assessment, and explanation for the assessment, of the recoverability of the non-current trade and other receivables.

The Company's Response to Query 1

- a) The breakdown of the Group's Receivables:

Current:	S\$'000
<u>Trade receivables</u>	
Due from non-related parties	29,092
Less: Allowance for impairment of trade receivables	(1,574)
Trade receivables-net	<u>27,518</u>
<u>Other receivables</u>	
Deposit	5,325
Prepayments	1,352
Sundry debtors	7,036
Less: Allowance for impairment of other receivables	(284)
	<u>40,947</u>
Non-current:	
<u>Other receivables</u>	
Due from non-related parties	<u>29,393</u>

b) The non-current receivables comprised promissory notes of S\$18.000 million, fixed rate notes of S\$2.500 million, accrued interest of notes of S\$3.093 million and a deferred consideration of S\$5.800 million arising from disposal of a joint venture in 2017. In view of additional time required by the debtors to realise their underlying assets and repay the outstanding balances, the Group agreed to extend the maturity date to 31 December 2022.

c) In assessing that the non-current trade and other receivables were recoverable, the financial position and performance and cashflows of the debtors, the valuation of the underlying assets held by them and the debtors' ability to repay via realisation of these underlying assets held were considered.

SGX-ST's Query 2

Please disclose a breakdown and the nature of current trade and other payables amounting to S\$97.523 million as at 31 December 2020. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

The Company's Response to Query 2

i) The breakdown and nature of current trade and other payables:

Current:	S\$'000
<u>Trade payables</u>	
Due to non-related parties	66,079
Retention due to subcontractors on construction contracts	9,554
	<u>75,633</u>
<u>Other payables</u>	
Accruals for operating expenses	11,091
Sundry payables	244
Deposits and advances received	3,640
Due to directors	683
Indirect taxes payable	1,139
Due to non-related parties	5,070
Provision for onerous contracts	23
	<u>21,890</u>
	<u>97,523</u>

Save as disclosed above, no counterparties are related parties.

ii) The ageing of other payables:

	Not past due	Past due 1 to 6 Months	Past due 7 to 12 months	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Accruals for operating expenses	11,091	-	-	11,091
Sundry payables	-	61	183	244
Deposits and advances received	3,640	-	-	3,640
Due to directors	683	-	-	683
Indirect taxes payable	1,139	-	-	1,139
Due to non-related parties	5,070	-	-	5,070
Provision for onerous contracts	23	-	-	23
	21,646	61	183	21,890

SGX-ST's Query 3

Please disclose a breakdown and the nature of current bank borrowings and lease liabilities amounting to S\$90.164 million as at 31 December 2020.

The Company's Response to Query 3

The breakdown and nature of current bank borrowings and lease liabilities:

	S\$'000
Bills payable	148
Short-term bank loans	75,394
Term loans payable within one year	4,948
Lease liabilities payable within one year	9,674
	<u>90,164</u>

SGX-ST's Query 4

Please provide the reason(s) for the significant accounts payables/trade and other payables of S\$102.172 million when the Group recorded a cash and cash equivalent of S\$101.849 million as at 31 December 2020.

The Company's Response to Query 4

Management has taken precautionary steps to adopt measures to conserve the cash resources of the Group to sustain its business operations and ongoing projects to ensure the viability of the Group and that its working capital requirements are met. This is more critical during the current COVID-19 pandemic which has adversely impacted the Group's business.

SGX-ST's Query 5

Please disclose a breakdown of the 'Other' line item in the Income Statement, amounting to -S\$1.481 million (for 6-month period ended on 31 December 2020) and -S\$2.387 million (for full year ended 31 December 2020) under the 'Expenses' category of the Income Statement, and explain the differences when compared to the preceding comparable periods.

The Company's Response to Query 5

The breakdown of other expenses in the income statement:

	2H 2020 S\$'000	2H 2019 S\$'000	FY2020 S\$'000	FY2019 S\$'000
Allowance for/(write-back of allowance for) impairment on loan to joint ventures	731	(1,006)	1,469	(563)
Allowance for impairment on other receivables	238	-	238	-
Impairment on property, plant and equipment	224	-	224	-
Others	288	169	456	410
	<u>1,481</u>	<u>(837)</u>	<u>2,387</u>	<u>(153)</u>

The variances between (a) 2H 2020 and 2H 2019 and (b) FY 2020 and FY 2019 were primarily due to (i) the absence of write-back of allowance for impairment on loan to joint ventures which amounted to S\$1.006 million and S\$0.563 million in 2H 2019 and FY 2019 respectively, and (ii) allowance for impairment on other receivables of S\$0.238 million and impairment on property, plant equipment of S\$0.224 million for 2H 2020 and FY 2020 which were absent in the comparative period.

By Order of the Board

Koh Keng Siang

Managing Director and Group CEO

10 February 2021