



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 2018

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

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP		
		3 months ended		Change %
		31/03/2018 S\$'000	31/03/2017 S\$'000	
Sales	1	67,138	88,805	-24%
Cost of sales		(61,050)	(79,680)	-23%
Gross profit		6,088	9,125	-33%
Other income	2	1,889	712	165%
Other losses - net	3	(480)	(578)	-17%
Expenses				
- Distribution		(47)	342	N.M.
- Administrative		(5,674)	(4,865)	17%
- Other		(210)	(2,156)	-90%
- Finance		(1,771)	(1,387)	28%
Share of profit from				
- associated companies		19	20	-5%
- joint ventures		2,507	1,414	77%
Profit before income tax	4	2,321	2,627	-12%
Income tax expense	5	(225)	(384)	-41%
Profit after income tax		2,096	2,243	-7%
Other comprehensive income/(loss), net of tax:				
Exchange differences on translating foreign operations		399	(271)	N.M.
Fair value loss on financial assets at FVOCI		(394)	(901)	-56%
Other comprehensive income/(loss), net of tax		5	(1,172)	N.M.
Total comprehensive income		2,101	1,071	96%
Profit attributable to:				
Equity holders of the Company		1,215	1,075	13%
Non-controlling interests		881	1,168	-25%
		2,096	2,243	-7%
Total comprehensive income attributable to:				
Equity holders of the Company		1,140	(112)	N.M.
Non-controlling interests		961	1,183	-19%
		2,101	1,071	96%

N.M. - Not meaningful

Notes to the Consolidated Statement of Comprehensive Income

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 gain on long-term financial assets and financial liabilities	
Fair value loss on financial assets at fair value through profit or loss	
Net foreign exchange loss	

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 of 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/(over) provision in respect of prior period	
Deferred income tax	
- in respect of current period	
- under provision in respect of prior period	

GROUP	
3 months ended	
31/03/2018 S\$'000	31/03/2017 S\$'000
12,087	15,350
1,299	1,537
628	636
53,124	71,282
67,138	88,805
106	98
1,757	537
26	77
1,889	712
56	11
484	66
(260)	(2)
(760)	(653)
(480)	(578)
(321)	(783)
172	2,292
1,299	1,433
211	104
14	(20)
-	-
-	300
225	384

The Group's taxation charge for the period ended 31 March 2018 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 incentive and losses of certain subsidiaries being offset against profits of other subsidiaries.

1(b)(i) BALANCE SHEET

	GROUP			COMPANY	
	31/03/2018	31/12/2017 (restated)	01/01/2017 (restated)	31/03/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
CURRENT ASSETS					
Cash and bank balances	49,192	64,823	43,227	919	11,186
Financial assets at fair value through profit or loss	54,777	56,708	40	2,704	3,090
Short-term notes receivables	-	-	5,963	-	-
Trade and other receivables	134,624	101,867	133,332	533	1,063
Contract assets	71,251	68,482	45,722	-	-
Amounts due from subsidiaries	-	-	-	78,351	106,759
Amount due from joint ventures	63,067	62,897	76,056	-	-
Inventories	9,954	9,342	8,395	-	-
Development properties	-	-	1,189	-	-
Financial assets at FVOCI	740	765	-	-	-
Available-for-sale financial assets	-	-	7,529	-	-
	383,605	364,884	321,453	82,507	122,098
NON-CURRENT ASSETS					
Trade and other receivables	22,630	22,250	-	-	-
Contract assets	26,706	24,589	15,187	-	-
Financial assets at FVOCI	3,531	2,925	-	-	-
Investments in associated companies	1,523	1,504	1,347	-	-
Investments in joint ventures	90,392	90,923	77,196	-	-
Investments in subsidiaries	-	-	-	114,203	114,117
Investment properties	90,973	90,973	90,706	-	-
Property, plant and equipment	106,797	108,067	108,879	-	-
Goodwill	5,078	5,078	5,078	-	-
	347,630	346,309	298,393	114,203	114,117
TOTAL ASSETS	731,235	711,193	619,846	196,710	236,215
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	124,756	126,514	130,636	2,856	2,983
Contract liabilities	33,294	38,345	37,824	-	-
Amounts due to subsidiaries	-	-	-	3,300	5,861
Amounts due to an associated company	293	508	485	-	-
Amounts due to joint ventures	16,378	16,282	15,507	-	-
Current income tax liabilities	770	1,485	3,289	133	65
Short-term borrowings	60,368	14,619	28,224	-	-
Notes payables	-	37,000	-	-	37,000
	235,859	234,753	215,965	6,289	45,909
NON-CURRENT LIABILITIES					
Trade and other payables	19,171	17,064	7,399	-	-
Amounts due to subsidiaries	-	-	-	19,011	19,011
Finance lease	2,927	3,634	2,755	-	-
Bank borrowings	88,930	72,890	58,963	-	-
Notes payables	70,000	70,000	50,000	70,000	70,000
Deferred income tax liabilities	7,729	8,261	8,559	-	-
	188,757	171,849	127,676	89,011	89,011
TOTAL LIABILITIES	424,616	406,602	343,641	95,300	134,920
NET ASSETS	306,619	304,591	276,205	101,410	101,295
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	36,981	36,981	36,981	36,981	36,981
Treasury shares	(7,983)	(7,910)	(7,614)	(7,983)	(7,910)
Capital and other reserves	595	989	1,203	-	-
Retained profits	263,179	261,964	243,087	72,412	72,224
Currency translation reserve	(8,597)	(8,916)	(9,361)	-	-
	284,175	283,108	264,296	101,410	101,295
Non-controlling interests	22,444	21,483	11,909	-	-
Total equity	306,619	304,591	276,205	101,410	101,295

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

	As at 31/03/2018		As at 31/12/2017	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	27,398	32,970	5,819	45,800
Amount repayable after one year	91,857	70,000	76,524	70,000

Details of any collateral

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

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Profit after income tax

Adjustments for non-cash items:

Income tax

Depreciation of property, plant and equipment

Property, plant and equipment written off

Gain on disposal of property, plant and equipment

Fair value gain on long-term financial assets and financial liabilities

Fair value loss on financial assets at fair value through profit or loss

Share of profit from associated companies

Share of profit from joint ventures

Interest expense

Interest income

Unrealised foreign exchange loss

Operating profit before working capital changes

Working capital changes:

- Receivables

- Inventories

- Contract assets

- Contract liabilities

- Payables

Cash (used in)/generated from operations

Income tax paid

Interest paid

Net cash used in operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at FVOCI

Purchase of available-for-sale financial assets

Purchase of property, plant and equipment

Proceeds from disposal of property, plant and equipment

Proceeds from disposal of financial assets at fair value through profit or loss

Proceeds from disposal of financial assets at FVOCI

Proceeds from disposal of available-for-sale financial assets

Dividend received

Interest received

Net cash provided by investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from bank borrowings

Purchase of treasury shares

Repayment of finance lease

Repayment of bank borrowings

Redemption of notes payables

Deposit released/(pledged)

Net cash provided by financing activities

NET CHANGE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD

EFFECTS OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD

Represented by:

CASH AND CASH EQUIVALENTS

Cash and bank balances

Restricted cash

3 months ended	
31/03/2018	31/03/2017 (restated)
S\$'000	S\$'000
2,096	2,243
225	384
1,299	1,433
2	-
(56)	(11)
(484)	(66)
260	2
(19)	(20)
(2,507)	(1,414)
1,771	1,387
(1,757)	(537)
134	31
964	3,432
(35,901)	(15,572)
(612)	(1,320)
(3,723)	(4,884)
(5,051)	15,481
3,740	3,358
(40,583)	495
(1,940)	(848)
(1,775)	(804)
(44,298)	(1,157)
(1,000)	-
-	(2,991)
(849)	(1,174)
83	42
1,671	-
25	-
-	5,000
3,000	-
1,705	537
4,635	1,414
62,915	16,970
(73)	(125)
(812)	(816)
(1,072)	(2,208)
(37,000)	-
1,688	(48)
25,646	13,773
(14,017)	14,030
61,568	41,890
31	(360)
47,582	55,560
49,192	57,037
(1,610)	(1,477)
47,582	55,560

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		
<u>GROUP (S\$'000)</u>								
Balance as at 01/01/2018	36,981	(7,910)	989	261,964	(8,916)	283,108	21,483	304,591
Profit for the financial period	-	-	-	1,215	-	1,215	881	2,096
Other comprehensive (loss)/income for the period	-	-	(394)	-	319	(75)	80	5
Purchase of treasury shares	-	(73)	-	-	-	(73)	-	(73)
Balance as at 31/03/2018	36,981	(7,983)	595	263,179	(8,597)	284,175	22,444	306,619
Balance as at 01/01/2017	36,981	(7,614)	1,203	243,087	(9,361)	264,296	11,909	276,205
Profit for the financial period	-	-	-	1,075	-	1,075	1,168	2,243
Other comprehensive (loss)/income for the period	-	-	(829)	-	(358)	(1,187)	15	(1,172)
Purchase of treasury shares	-	(124)	-	-	-	(124)	-	(124)
Balance as at 31/03/2017	36,981	(7,738)	374	244,162	(9,719)	264,060	13,092	277,152

	Attributable to equity holders of the Company			
	Share Capital	Treasury Shares	Retained Profits	TOTAL
COMPANY (S\$'000)				
Balance as at 01/01/2018	36,981	(7,910)	72,224	101,295
Total comprehensive income for the period	-	-	188	188
Purchase of treasury shares	-	(73)	-	(73)
Balance as at 31/03/2018	36,981	(7,983)	72,412	101,410
Balance as at 01/01/2017	36,981	(7,614)	56,731	86,098
Total comprehensive income for the period	-	-	11	11
Purchase of treasury shares	-	(124)	-	(124)
Balance as at 31/03/2017	36,981	(7,738)	56,742	85,985

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

No. of shares	
31/03/2018	31/12/2017
438,000,000	438,000,000

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	
31/3/2018	31/12/2017
412,459,100	412,684,900

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 of financial period
Purchase of treasury shares
End of financial period

No. of shares
3 months ended
31/3/2018
25,315,100
225,800
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 2017.

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 Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is equivalent to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to be 'Singapore Financial Reporting Standards (International)' ["SFRS(I)s"] hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Group also concurrently applied new major SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers.

	Group	
	31/12/2017	01/01/2017
	Increase/ (decrease)	Increase/ (decrease)
	S\$'000	S\$'000
BALANCE SHEETS		
ASSETS		
CURRENT ASSETS		
Financial assets at fair value through profit or loss	56,671	-
Trade and other receivables	(5,845)	(7,585)
Due from customers on construction contracts	(51,702)	(35,067)
Contract assets	68,482	45,722
Amount due from joint ventures	(6,323)	-
Available-for-sale financial assets	(765)	-
Financial assets at FVOCI	765	-
Short-term notes receivables	(56,671)	-
	4,612	3,070
NON-CURRENT ASSETS		
Trade and other receivables	(24,589)	(9,251)
Amount due from joint ventures	-	(5,936)
Contract assets	24,589	15,187
Available-for-sale financial assets	(2,925)	-
Financial assets at FVOCI	2,925	-
	-	-
	4,612	3,070
TOTAL ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	(20,402)	(2,780)
Contract liabilities	38,345	37,824
Due to customers on construction contracts	(13,331)	(31,974)
	4,612	3,070
TOTAL LIABILITIES	4,612	3,070
NET ASSETS	-	-

- 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 2018 VS 1Q 2017

Group sales for the first quarter ended 31 March 2018 ("1Q 2018") amounted to S\$67.14 million, a decrease of 24% from the previous corresponding period in 2017 ("1Q 2017"). The decrease was primarily due to lower percentage of revenue recognition from the Construction division. The Group's gross profit in 1Q 2018 was S\$6.09 million, down 33% from S\$9.13 million in 1Q 2017. The decrease was mainly due to lower revenue and gross profit margin from the Construction and Building Materials division.

Other income increased to S\$1.89 million in 1Q 2018 from S\$0.71 million in 1Q 2017 mainly due to higher interest income received from short-term investments. Other losses decreased by 17% to S\$0.48 million in 1Q 2018. The decrease was mainly due to an increase in fair value gain on long-term financial assets and liabilities, partially offset by increase in foreign exchange loss and fair value loss on financial assets at fair value through profit or loss. Administrative expenses increased 17% from S\$4.87 million in 1Q 2017 to S\$5.67 million in 1Q 2018 mainly due to higher staff cost and professional fees. Other expenses decreased 90% to S\$0.21 million in 1Q 2018 from S\$2.16 million in 1Q 2017 mainly due to lower allowance for impairment of loans to joint ventures provided by the Group. Finance expenses increased 28% from S\$1.39 million in 1Q 2017 to S\$1.77 million in 1Q 2018 mainly due to increase in bank and other borrowings. Depreciation expenses decreased from S\$1.43 million in 1Q 2017 to S\$1.30 million in 1Q 2018 primarily due to decrease in depreciable assets.

Share of result from joint ventures increased 77% from S\$1.41 million in 1Q 2017 to S\$2.51 million in 1Q 2018. The increase was mainly due to higher profit contributed by Westwood Residence EC.

The Group's profit before income tax decreased by 12% in 1Q 2018 to S\$2.32 million compared to S\$2.63 million in 1Q 2017.

Overall, the Group recorded an increase of net profit attributable to shareholders of 13% from S\$1.08 million in 1Q 2017 to S\$1.22 million in 1Q 2018.

Earnings per share increased from 0.26 cent in 1Q 2017 to 0.29 cent in 1Q 2018.

Review of changes in working capital, assets and liabilities

The main movements in assets and liabilities are as follows:

- 1) Decrease in cash and bank balances was mainly due to repayment of notes payables.
- 2) Increase in trade and receivables was mainly due to an increase in progress billings on construction contracts.
- 3) Increase in contract assets was mainly due to additional cost incurred for fulfillment of the ongoing contracts.
- 4) Non-current assets increased by S\$1.32 million mainly due to an increase in contract assets of S\$2.12 million, partially offset by a decrease in property, plant and equipment of S\$1.27 million.
- 5) Current liabilities increased by S\$1.11 million mainly due to an increase in short-term borrowings of S\$45.75 million, partially offset by (i) repayment of notes payables of S\$37 million, (ii) a decrease in trade and other payables of S\$1.76 million, and (iii) a decrease in contract liabilities of S\$5.05 million.
- 6) Non-current liabilities increased by S\$16.91 million mainly due to an increase in bank borrowings of S\$16.04 million and trade and other payables of S\$2.11 million.

Review of changes in cashflow

The Group reported a net decrease in cash and cash equivalent mainly due to net cash used in operating activities, partially offset by net cash provided by investing and financing activities. The negative cash flow from operating activities was mainly due to a deposit paid for the purchase of a property for redevelopment.

- 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 2017.

- 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 advance estimates by the Ministry of Trade and Industry, the Singapore economy grew by 4.3% on a year-on-year basis in the first quarter of 2018, higher than the 3.6% growth in the fourth quarter of last year. The construction sector contracted by 4.4% on a year-on-year basis in the first quarter, following the 5.0% decline in the previous quarter. The weak performance of the sector was due to a fall in both private and public sectors construction activities.

The Building and Construction Authority projected that the value of construction contracts to be awarded in 2018 to range between S\$26 billion and S\$31 billion, with 60% of projected demand come from public sector. The construction industry remains challenging on the back of a competitive environment and higher cost of construction materials. As an established building and civil engineering contractor, we will continue to leverage on our strength to secure more projects in order to replenish our order book for sustainable long-term growth.

Latest statistics from the Urban Redevelopment Authority showed that the price of private residential properties increased by 3.9% in the first quarter of 2018, compared with an increase of 0.8% increase in the previous quarter. The Group has been able to increase its land bank with the acquisition of Toho Mansion and its participation in various property joint ventures, including Hollandia and Estoril. We expect the residential property market sentiment to remain positive.

- 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.

Not applicable

- 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)
Lee & Lee	352	-
Ah Boon Civil Engineering & Building Contractor Pte Ltd	408	-

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 2017 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

15 May 2018
Singapore