



KOH BROTHERS GROUP LIMITED
(Unique Entity Number: 199400775D)

**RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED RESULTS
ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

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 12 August 2022 in relation to the Company's unaudited results announcement for the financial period ended 30 June 2022 (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

With reference to 1(i) at page 19 of the Company's interim financial statements for the period ending 30 June 2022, please provide the corresponding figures as at the end of the corresponding period of the immediately preceding financial year.

The Company's Response to Query 1

As at 30 June 2021, the Company's issued and paid-up capital excluding treasury shares comprised 412,459,100 ordinary shares.

SGX-ST's Query 2

With reference to the Condensed Interim Consolidated Statement of Cash Flows, it is noted that the proceeds from disposal of property, plant and equipment is S\$12.5 million, which is significantly higher than that in the same period in 2021.

- a. Please provide details of the nature of property, plant and equipment that are disposed.
- b. Please provide reasons for the significantly higher proceeds from disposal of property, plant and equipment in 1H2022.

The Company's Response to Query 2

- a) Please refer to the breakdown of the nature of property, plant and equipment that were disposed in 1H 2022:

Nature of assets	Sales proceeds S\$'000
Plant and machineries	278
Motor vehicles	144
Leasehold land and buildings	12,057
Total	12,479

- b) The significant higher proceeds from disposal of property, plant and equipment in 1H 2022 was mainly due to disposal of leasehold land and buildings and other related assets located at 50 Tuas Crescent.

SGX-ST's Query 3

With reference to the Condensed Interim Balance Sheets, please disclose:

- a. the breakdown of the Group's trade and other receivables;
- b. the nature of the non-current trade and other receivables; and
- c. the Board's assessment of the recoverability of the non-current trade and other receivables.

The Company's Response to Query 3

- a) The breakdown of the Group's trade and other receivables as at 30 June 2022:

	S\$'000
Current:	
<u>Trade receivables</u>	
Due from non-related parties	41,176
Less: allowance for impairment of trade receivables	(966)
Trade receivables – net	<u>40,210</u>
 <u>Other receivables</u>	
Deposit	2,030
Prepayments	7,517
Sundry debtors	6,818
Less: allowance for impairment of other receivables	(613)
	<u>55,962</u>
 Non-current:	
<u>Other receivables</u>	
Due from non-related parties	<u>30,483</u>

- b) The non-current other receivables comprised promissory notes of S\$18.0 million, fixed rate notes of S\$2.5 million, accrued interest of notes of approximately S\$4.2 million and a deferred consideration of S\$5.8 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 2024.
- c) In assessing that the non-current other receivables are recoverable, the financial position, 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 4

Please explain why interest income amounted to only approximately S\$599,000 during the financial period ended 30 June 2022 when the Company has significant cash and bank balance amounting to approximately S\$103,894,000.

The Company's Response to Query 4

Interest income consists of interest from non-current other receivables, loans to joint ventures, investment securities and fixed deposits. As at 30 June 2022, cash and bank balances of the Group including amounts of approximately S\$48.7 million were placed with banks and financial institutions as fixed deposits. As part of its overall prudent cash management, the Group maintains a sufficient level of cash and bank balances to meet its working capital requirement.

SGX-ST's Query 5

Please disclose a breakdown of trade and other payables amounting to approximately S\$102.1 million as at 30 June 2022. Please disclose the identity of the counterparties, the aging and nature of these payables and whether the counterparties are related parties.

The Company's Response to Query 5

(i) The breakdown of trade and other payables as at 30 June 2022:

	S\$'000
Current:	
<u>Trade payables</u>	
Due to non-related parties	63,495
Retention due to subcontractors on construction contracts	5,493
	<u>68,988</u>
<u>Other payables</u>	
Accruals for operating expenses	12,137
Sundry payables	3,154
Deposits and advances received	3,131
Indirect taxes payables	1,322
Due to non-related parties	5,070
Provision for onerous contracts	16
	<u>93,818</u>
Non-current:	
<u>Trade payables</u>	
Retention due to subcontractors on construction contracts	8,312
	<u>8,312</u>
Total	<u>102,130</u>

Save as disclosed above, no counterparties are related parties.

(ii) The aging of trade and other payables as at 30 June 2022:

	Not past due	Past due 1 to 6 months	Past due 7 to 12 months	Past due over 12 months	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current:					
<u>Trade payables</u>					
Due to non-related parties	55,823	6,749	423	500	63,495
Retention due to subcontractors on construction contracts	5,493	-	-	-	5,493
<u>Other payables</u>					
Accruals for operating expenses	12,137	-	-	-	12,137
Sundry payables	3,154	-	-	-	3,154
Deposits and advances received	3,131	-	-	-	3,131
Indirect taxes payables	1,322	-	-	-	1,322
Due to non-related parties	5,070	-	-	-	5,070
Provision for onerous contracts	16	-	-	-	16
Non-current:					
<u>Trade payables</u>					
Retention due to subcontractors on construction contracts	8,312	-	-	-	8,312
Total	94,458	6,749	423	500	102,130

SGX-ST's Query 6

Please provide the reason(s) for the significant trade and other payables of approximately S\$102.1 million when the Group recorded a cash and cash equivalent of approximately S\$103.9 million as at 30 June 2022.

The Company's Response to Query 6

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. In addition, total trade and other payables of approximately S\$94.5 million is not due for payment as at 30 June 2022.

SGX-ST's Query 7

Given the Group's significant liabilities of S\$132 million (in terms of bank borrowings, lease liabilities and notes payable within one year) and cash and bank balance of only S\$103.9 million and noting that the Company's cash flow from operating activities is S\$21.5 million for the period ending 30 June 2022, please disclose.

- a. the Board's assessment whether the Company's current assets are adequate to meet the Company's short-term liabilities, including its bases of assessment; and
- b. how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

The Company's Response to Query 7

- a) The Group's debt servicing ability with liquidity remains comfortable with a current ratio of 1.7 times and net gearing ratio of 0.8 time as at 30 June 2022. Management is of the view that the Group is able to pay its debts when they fall due. The Group also has secured and unsecured credit facilities of approximately S\$84.3 million and S\$65.4 million respectively available for utilisation as at 30 June 2022.
- b) The Group actively manages the maturity of its debt profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. In addition, the Group aims to maintain funding flexibility with adequate secured and unsecured credit facilities available to ensure that the Group is able to meet the short-term obligations as they fall due. As far as possible, the Group will also constantly raise committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness. The Company is on track to fulfil its funding obligations.

By Order of the Board

Koh Keng Siang
Managing Director & Group CEO

18 August 2022