



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

Unaudited Financial Statement And Dividend Announcement for the Half-Year Ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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		
		6 months ended		Change %
		30/06/2020 S\$'000	30/06/2019 S\$'000	
Sales	1	104,130	161,313	-35%
Cost of sales		(115,368)	(152,406)	-24%
Gross (loss)/profit		(11,238)	8,907	N.M.
Other income	2	1,248	1,774	-30%
Other gains/(losses) - net	3	590	(535)	N.M.
Expenses				
- Distribution and marketing		(1,380)	(1,568)	-12%
- Administrative		(6,816)	(9,612)	-29%
- Other		(906)	(684)	32%
- Finance		(5,871)	(4,815)	22%
Share of profit of associated companies and joint ventures, net of tax		3,944	9,691	-59%
(Loss)/profit before income tax	4	(20,429)	3,158	N.M.
Income tax expense	5	(53)	(235)	-77%
(Loss)/profit after income tax		(20,482)	2,923	N.M.
(Loss)/profit attributable to:				
Equity holders of the Company		(17,754)	2,353	N.M.
Non-controlling interests		(2,728)	570	N.M.
		(20,482)	2,923	N.M.
Statement of Comprehensive Income				
(Loss)/profit after income tax		(20,482)	2,923	N.M.
Other comprehensive loss, net of tax:				
Items that may be reclassified subsequently to profit or loss:				
- Exchange differences on translation of foreign operations		(284)	(617)	-54%
- Fair value loss on debts financial assets at FVOCI		(201)	(55)	265%
		(484)	(672)	-28%
Items that may not be reclassified subsequently to profit or loss:				
- Fair value (loss)/gain on equity financial assets at FVOCI		(709)	13,427	N.M.
Other comprehensive (loss)/income, net of tax		(1,193)	12,755	N.M.
Total comprehensive (loss)/income		(21,675)	15,678	N.M.
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company		(18,767)	15,223	N.M.
Non-controlling interests		(2,908)	455	N.M.
		(21,675)	15,678	N.M.

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 gains/(losses) - net include the following:

Gain on disposal of property, plant and equipment
Fair value loss on an investment property
Fair value loss on investment securities
Net foreign exchange gain/(loss)

Note 4

Allowance for inventories obsolescence
Allowance for/(write-back of allowance for) 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
- in respect of current period
- over provision in respect of prior period

GROUP	
6 months ended	
30/06/2020 S\$'000	30/06/2019 S\$'000
17,897	28,960
2,240	2,869
6,622	1,454
77,371	128,030
104,130	161,313
63	170
1,173	1,539
12	65
1,248	1,774
387	141
(415)	-
-	(382)
618	(294)
590	(535)
1,036	-
29	(448)
738	443
9,819	7,139
349	361
33	-
22	-
(351)	(126)
53	235

1(b)(i) BALANCE SHEET

	GROUP		COMPANY	
	30/06/2020 S\$'000	31/12/2019 S\$'000	30/06/2020 S\$'000	31/12/2019 S\$'000
ASSETS				
CURRENT ASSETS				
Cash and bank balances	91,481	85,195	143	59
Investment securities	3,537	3,709	874	2,272
Trade and other receivables	58,067	82,354	6	443
Contract assets	97,364	139,224	-	-
Amounts due from subsidiaries	-	-	42,321	54,240
Amount due from joint ventures	56,912	38,159	535	535
Inventories	3,833	5,433	-	-
Development properties	132,396	136,538	-	-
Income tax receivables	1,225	1,282	-	-
Other current assets	6,275	6,275	-	-
	451,090	498,169	43,879	57,549
NON-CURRENT ASSETS				
Contract assets	3,242	2,161	-	-
Investment securities	1,415	2,158	-	-
Investments in associated companies	1,276	1,351	-	-
Investments in joint ventures	96,912	104,453	-	-
Investments in subsidiaries	-	-	156,389	143,250
Investment properties	94,414	94,564	-	-
Property, plant and equipment	141,445	150,844	-	-
Goodwill	5,078	5,078	-	-
	343,782	360,609	156,389	143,250
TOTAL ASSETS	794,872	858,778	200,268	200,799
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	70,529	123,154	2,472	1,740
Contract liabilities	19,651	12,448	-	-
Amounts due to subsidiaries	-	-	11,790	11,397
Amounts due to joint ventures	18,684	18,498	-	-
Current income tax liabilities	79	461	-	-
Bank borrowings and lease liabilities	94,504	90,743	-	-
	203,447	245,304	14,262	13,137
NON-CURRENT LIABILITIES				
Trade and other payables	6,742	3,820	-	-
Amounts due to subsidiaries	-	-	19,011	19,011
Bank borrowings and lease liabilities	207,947	208,820	-	-
Notes payables	70,000	70,000	70,000	70,000
Deferred income tax liabilities	7,796	8,124	-	-
	292,485	290,764	89,011	89,011
TOTAL LIABILITIES	495,932	536,068	103,273	102,148
NET ASSETS	298,940	322,710	96,995	98,651
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	(1,870)	(974)	-	-
Retained profits	267,704	283,247	67,997	69,653
Currency translation reserve	(9,692)	(9,475)	-	-
	285,140	301,796	96,995	98,651
Non-controlling interests	13,800	20,914	-	-
Total equity	298,940	322,710	96,995	98,651

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

	As at 30/06/2020		As at 31/12/2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	31,175	60,977	31,568	56,977
Amount repayable after one year	193,807	76,364	191,551	77,273

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

	6 months ended	
	30/06/2020	30/06/2019
	S\$'000	S\$'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
(Loss)/profit after income tax	(20,482)	2,923
Adjustments for non-cash items:		
Income tax	53	235
Depreciation of property, plant and equipment	9,819	7,139
Property, plant and equipment written off	-	15
Allowance for inventory obsolescence	1,036	-
Fair value loss on investment properties	415	-
Gain on disposal of property, plant and equipment	(387)	(141)
Fair value loss on investment securities	-	382
Share of profit from associated companies and joint ventures	(3,944)	(9,691)
Interest expense	5,871	4,815
Interest income	(1,173)	(1,539)
Unrealised foreign exchange gain	(627)	(183)
Operating (loss)/profit before working capital changes	(9,419)	3,955
Working capital changes:		
- Trade and other receivables	25,163	8,396
- Inventories	563	1,589
- Contract assets and liabilities	47,982	(3,646)
- Development properties	4,142	(3,101)
- Trade and other payables	(50,658)	(35,277)
- Amount due from/to associated company	-	44
- Amount due from/to joint ventures	(10,060)	1,899
Cash generated from/(used in) operations	7,713	(26,141)
Income tax paid	(708)	(1,121)
Net cash generated from/(used in) operating activities	7,005	(27,262)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(712)	(750)
Proceeds from disposal of property, plant and equipment	540	383
Net proceeds from investment securities	5	36,731
Additions to investment properties	(269)	(550)
Dividend received from associates and joint ventures	3,000	3,200
Interest received	296	720
Net cash provided by investing activities	2,860	39,734
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from bank borrowings	14,200	20,780
Principal payment of lease liabilities	(5,364)	(5,113)
Repayment of bank borrowings	(5,909)	(788)
Restricted cash released	-	200
Dividend paid to equity holders of the Company	-	(1,650)
Dividend paid to non-controlling interests	(652)	(1,122)
Interest paid	(6,332)	(4,629)
Net cash (used in)/provided by financing activities	(4,057)	7,678
NET CHANGE IN CASH AND BANK BALANCES	5,808	20,150
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL PERIOD	85,195	32,478
EFFECTS OF CURRENCY TRANSLATION ON CASH AND BANK BALANCES	478	(81)
CASH AND BANK BALANCES AT END OF THE FINANCIAL PERIOD	91,481	52,547
Represented by:		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	91,481	52,547
Restricted cash	-	-
	91,481	52,547

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

	Attributable to equity holders of the Group						NON- CONTROLLIN G 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 01/01/2020	36,981	(7,983)	(974)	283,247	(9,475)	301,796	20,914	322,710
Loss for the financial period	-	-	-	(17,754)	-	(17,754)	(2,728)	(20,482)
Other comprehensive loss for the financial period	-	-	(871)	-	(142)	(1,013)	(180)	(1,193)
Change in ownership interests in subsidiaries	-	-	(29)	3,242	(75)	3,138	(3,138)	-
Share-based payment pursuant to performance share plan of a subsidiary	-	-	4	-	-	4	-	4
Dividend	-	-	-	(1,031)	-	(1,031)	(1,068)	(2,099)
Balance as at 30/06/2020	36,981	(7,983)	(1,870)	267,704	(9,692)	285,140	13,800	298,940
Balance as at 01/01/2019	36,981	(7,983)	(6,796)	267,016	(9,134)	280,084	23,297	303,381
Profit for the financial period	-	-	-	2,353	-	2,353	570	2,923
Other comprehensive (loss)/income for the financial period	-	-	13,382	-	(512)	12,870	(115)	12,755
Transfer upon disposal of equity financial assets at FVOCI	-	-	(5,777)	5,777	-	-	-	-
Change in ownership interests in subsidiaries	-	-	(31)	3,087	(81)	2,975	(2,975)	-
Dividend	-	-	-	(1,650)	-	(1,650)	(1,122)	(2,772)
Balance as at 30/06/2019	36,981	(7,983)	778	276,583	(9,727)	296,632	19,655	316,287

	Attributable to equity holders of the Company			
	Share Capital	Treasury Shares	Retained Profits	TOTAL
COMPANY (\$S'000)				
Balance as at 01/01/2020	36,981	(7,983)	69,653	98,651
Total comprehensive loss for the financial period	-	-	(625)	(625)
Dividend	-	-	(1,031)	(1,031)
Balance as at 30/06/2020	36,981	(7,983)	67,997	96,995
Balance as at 01/01/2019	36,981	(7,983)	73,074	102,072
Total comprehensive income for the financial period	-	-	748	748
Dividend	-	-	(1,650)	(1,650)
Balance as at 30/06/2019	36,981	(7,983)	72,172	101,170

- 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	
30/06/2020	31/12/2019
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	
30/6/2020	31/12/2019
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
6 months
30/6/2020
25,540,900

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiaries holdings as at the end of the current financial period reported on.

Not applicable.

- 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.

- 3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Update on the efforts taken to resolve each outstanding audit issue.

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding issues on the financial statements have been adequately disclosed.

Not applicable.

This is not required for any audit issue that is a material uncertainty relating to going concern.

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

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 2019.

- 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 all the applicable new/revised SFRS(I) that are effective for the financial periods beginning on or after 1 January 2020. The adoption of these new/revised SFRS(I) does not have any material impact to the financial statement of the Group.

- 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:

(i) Basic

(ii) On a fully diluted basis

GROUP	
6 months ended	
30/06/2020 (cents)	30/06/2019 (cent)
(4.30)	0.57
(4.30)	0.57

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 (2019: 412,459,100 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.

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

GROUP		COMPANY	
30/06/2020 (cents)	31/12/2019 (cents)	30/06/2020 (cents)	31/12/2019 (cents)
69.13	73.17	23.52	23.92

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 30 June 2020 (31 December 2019: 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

1H 2020 VS 1H 2019

The implementation of Circuit Breaker measures by the Singapore government in April 2020 has severely impacted the Group's business. The stoppages of most of the Group's construction projects have caused delay to project schedules, increased project costs and disruption in project management. As a result the overall performance of the Construction and Building Materials division has been adversely affected.

The Group's sales for the first half-year ended 30 June 2020 ("1H 2020") decreased to S\$104.13 million from S\$161.31 million in the previous corresponding period in 2019 ("1H 2019"). The decrease was primarily due to significantly lower level of activities in the Construction and Building Materials division. The Group recorded a gross loss of S\$11.24 million in 1H 2020 due to lower revenue recognition and lower margin as a result of COVID-19 pandemic.

Other income decreased from S\$1.77 million in 1H 2019 to S\$1.25 million in 1H 2020 mainly due to decrease in interest income.

Other gains of S\$0.59 million in 1H 2020 was mainly due to net gain on foreign exchange and disposal of plant and equipment, partially offset by fair value loss on an investment property.

Distribution and marketing expenses decreased from S\$1.57 million in 1H 2019 to S\$1.38 million in 1H 2020 mainly due to lower sales and marketing expenses.

Administrative expenses decreased from S\$9.61 million in 1H 2019 to S\$6.82 million in 1H 2020 mainly due to lower staff costs.

Other expenses increased from S\$0.68 million in 1H 2019 to S\$0.91 million in 1H 2020 mainly due to higher impairment on loans to joint ventures.

Finance expenses increased from S\$4.82 million in 1H 2019 to S\$5.87 million in 1H 2020 mainly due to increase in bank borrowings.

Share of financial results from associated companies and joint ventures decreased from S\$9.69 million in 1H 2019 to S\$3.94 million in 1H 2020 mainly due to absence of fair value gain and lower profit contribution from an investment property held through a joint venture.

Overall, the Group recorded a loss before tax and net loss attributable to shareholders in 1H 2020 of S\$20.43 million and S\$17.75 million respectively.

Review of changes in working capital, assets and liabilities

The main movements in assets and liabilities are as follows:

Current assets decreased by S\$47.08 million mainly due to decrease in trade and other receivables of S\$24.29 million and contract assets of S\$41.86 million, partially offset by increase in amounts due from joint ventures of S\$18.75 million. The decrease in trade and other receivables was mainly due to collection from customers; The decrease in contract assets was mainly due to lower revenue recognition and progress billing to customers; The increase in amount due from joint ventures was mainly due to increase in loans to joint ventures, and dividend receivable from a joint venture.

Non-current assets decreased by S\$16.83 million mainly due to decrease in investment in joint ventures of S\$7.54 million and property, plant and equipment of S\$9.40 million. The decrease in investment in joint venture was mainly due to dividend declared during the period, partially offset by share of net profit from joint ventures; The decrease in property, plant and equipment was mainly due to depreciation charges.

Current liabilities decreased by S\$41.86 million mainly due to decrease in trade and other payables of S\$52.63 million, partially offset by increase in contract liabilities of S\$7.20 million. The decrease in trade and other payables was mainly due to payment to subcontractors and suppliers; The increase in contract liabilities was mainly due to advance cash received from customers on construction contracts.

Non-current liabilities increased by S\$1.72 million mainly due to increase in retention due to subcontractor on construction contracts of S\$2.92 million within trade and other payables, partially offset by decrease in bank borrowing and lease liabilities of S\$0.87 million and deferred income tax liabilities of S\$0.33 million.

Review of changes in cashflow

The Group reported a net increase in cash and cash equivalents mainly due to net cash generated from operating and investing activities, partial offset by net cash used in financing activities.

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

The Group's unaudited results for the financial period ended 30 June 2020 are in line with the Company's profit guidance announcement on 24 July 2020.

- 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 from the Ministry of Trade and Industry announced on 14 July 2020, the Singapore economy contracted by 12.6 per cent on a year-on-year basis in the second quarter of 2020, due to the Circuit Breaker (CB) measures that were implemented from 7 April to 1 June to slow the spread of COVID-19. The measures resulted in the suspension of non-essential services and closure of most workplace premises. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 41.2 per cent in the second quarter.

The construction sector contracted by 54.7 per cent on a year-on-year basis in the second quarter, a significant deterioration from the 1.1 per cent decline in the previous quarter. Construction output weakened on account of the CB measures which led to stoppage of most construction activities, as well as manpower disruptions arising from additional measures to curb the spread of COVID-19, including movement restrictions at foreign worker dormitories. On a quarter-on-quarter seasonally-adjusted annualised basis, the construction sector shrank by 95.6 per cent in the second quarter, far worse than the 12.2 per cent contraction in the preceding quarter.

In view of the challenges from the COVID-19 outbreak, the Group remains financially prudent and maintains operational agility to conserve essential resources to prepare for the post pandemic recovery process. The Group will continue to be prudent in tendering for more construction projects where we have the requisite track record, experience and capabilities to ensure a consistently strong order book for sustainable growth.

Latest statistics from the Urban Redevelopment Authority showed that prices of private residential properties increased by 0.3% in second quarter 2020, compared with the 1.0% decrease in the previous quarter. Amid the uncertainties arising from the COVID-19, we expect the private residential market to remain challenging. Going forward, the Group will remain cautious and selective in replenishing its land bank.

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 interim 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\$'000 677	S\$'000 -
Benjamin Koh Yong Jun	293	-
Rachel Koh Han Ling	404	-

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

14 DISCLOSURE ON ACQUISITION AND REALISATION OF SHARES PURSUANT TO RULE 706A OF THE LISTING MANUAL

On 29 January 2020, the Company exercised 233,000,000 warrants, issued by its subsidiary Koh Brothers Eco Engineering Limited ("KBEEL"), at the exercise price of S\$0.05 per warrant for a total cash consideration of S\$11,650,000. Following the allotment and issuance of the KBEEL shares pursuant to the warrant exercise, the Company's shareholding interest in KBEEL increased from 1,311,627,607 to 1,544,627,607 KBEEL shares, representing an increase from approximately 74.35% to approximately 77.29% of KBEEL's issued share capital.

15 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.

16 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 half-year ended 30 June 2020 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

7 August 2020
Singapore