KOH BROTHERS ECO ENGINEERING LIMITED
(Unique Entity Number: 197500111H)

Unaudited Half Year Financial Statement for the Period Ended 30 June 2014

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

1(a) Statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	6 months ended		Increase/ (Decrease)
		30/06/2014 S$'000	30/06/2013 S$'000	%
Sales		19,323	22,360	(14)
Cost of sales		(16,678)	(21,688)	(23)
Gross profit		2,645	672	294
Other losses, net	1	(116)	(3,969)	(97)
Selling and distribution expenses		(142)	(4,810)	(97)
Administrative expenses		(1,849)	(3,863)	(52)
Finance expenses		(117)	(96)	22
Share of profit/(loss) from an associated company (net of tax)		21	(160)	n.m.
Profit/(loss) before income tax	2	442	(12,226)	n.m.
Income tax expense	3	(160)	(313)	(49)
Profit/(loss) after income tax		282	(12,539)	n.m.
Other comprehensive income/(loss):				
Currency translation difference arising from consolidation		118	(232)	n.m.
Total comprehensive income/(loss)		400	(12,771)	n.m.
Profit/(loss) attributable to:				
Equity holders of the Company		98	(12,645)	n.m.
Non-controlling interests		184	106	74
		282	(12,539)	n.m.
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		231	(12,864)	n.m.
Non-controlling interests		169	93	82
		400	(12,771)	n.m.

n.m. – not meaningful

Notes to the Statement of Comprehensive Income (for the Group)

	6 months ended	
	30/06/2014 S$'000	30/06/2013 S$'000
Note 1		
Other losses include the following:		
Rental income	73	77
Gain on disposal of property, plant and equipment	-	28
Goodwill impairment charge	-	(4,416)
Net foreign exchange (loss)/gain	(251)	247
Interest income	26	24
Other income	36	71
	(116)	(3,969)
Note 2		
Profit/(loss) before income tax is stated after charging the following items:		
(Write back of allowance for)/allowance for impairment on trade receivables	(75)	3,321
Allowance made for foreseeable losses on projects	382	3,232
Depreciation of property, plant and equipment	78	77
Note 3		
Income tax expenses includes the following:		
Current income tax		
- in respect of current period	156	348
- under/(over) provision in respect of prior period	4	(35)
	160	313

The Group's taxation charge for the period ended 30 June 2014 is higher than that determined by applying the Singapore income tax rate of 17% to the Group profit before tax mainly due to losses of certain subsidiaries being unable to be offsetted against profit of other subsidiaries.

1(b)(i) A Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30/06/2014 S$'000	31/12/2013 S$'000	30/06/2014 S$'000	31/12/2013 S$'000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	13,522	13,883	2,088	3,602
Trade and other receivables	9,394	6,229	2,596	1,527
Due from customers on construction contracts	6,187	6,784	86	260
Inventories	121	127	-	-
	29,224	27,023	4,770	5,389
NON-CURRENT ASSETS				
Associated company	1,561	1,540	640	640
Subsidiaries	-	-	16,810	16,810
Goodwill	6,857	6,857	-	-
Property, plant and equipment	3,282	3,324	1,882	1,923
	11,700	11,721	19,332	19,373
TOTAL ASSETS	40,924	38,744	24,102	24,762
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	30,003	30,003	30,003	30,003
Warrants	3,112	3,112	3,112	3,112
Accumulated losses	(18,403)	(18,501)	(13,632)	(12,991)
Currency translation reserve	(606)	(739)	-	-
	14,106	13,875	19,483	20,124
Non-controlling interests	2,305	2,136	-	-
TOTAL EQUITY	16,411	16,011	19,483	20,124
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	10,710	12,033	4,418	3,642
Due to customers on contruction contracts	11,945	7,453	201	-
Borrowings	1,800	2,052	-	-
	24,455	21,538	4,619	3,642
NON-CURRENT LIABILITIES				
Deferred income tax liabilities	58	58	-	-
Other liabilities	-	1,137	-	996
	58	1,195	-	996
TOTAL LIABILITIES	24,513	22,733	4,619	4,638
TOTAL EQUITY AND LIABILITIES	40,924	38,744	24,102	24,762

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

	As at 30/06/2014		As at 31/12/2013	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	-	1,800	-	2,052
Amount repayable after one year	-	-	-	-

1(c) CONSOLIDATED CASH FLOW STATEMENT

	6 months ended	
	30/06/2014 S$'000	30/06/2013 S$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax	442	(12,226)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	78	77
Gain on disposal of property, plant and equipment	-	(28)
Goodwill impairment charge	-	4,416
Share of (profit)/loss from an associated company	(21)	160
Interest expense	58	81
Interest income	(26)	(24)
Unrealised foreign exchange loss/(gain)	58	(209)
Operating profit/(loss) before working capital changes	589	(7,753)
Working capital changes:		
- Receivables	(3,021)	6,018
- Inventories	6	161
- Due from/(to) customers on construction contracts	5,088	1,052
- Payables	(1,482)	(7,326)
Cash generated from/(used in) operations	1,180	(7,848)
Income tax paid	(281)	(383)
Net cash generated from/(used in) operating activities	899	(8,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(28)	(29)
Proceeds from disposal of property, plant and equipment	-	48
Interest received	26	24
Net cash (used in)/generated from investing activities	(2)	43
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit pledge	(209)	(109)
Interest paid	(51)	(81)
Net proceeds from issuance of ordinary shares and warrants	-	8,135
Proceeds from bank borrowings	-	1,275
Repayment of finance lease	-	(14)
Advances received	-	306
Repayment of bank borrowings	(251)	(437)
Repayment of amounts owing to shareholders	(1,007)	-
Net cash (used in)/generated from financing activities	(1,518)	9,075
NET CHANGE IN CASH AND CASH EQUIVALENTS	(621)	887
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	10,372	15,236
EFFECTS OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS	51	(26)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	9,802	16,097
Represented by:		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,522	19,180
Restricted cash	(3,720)	(1,531)
Bank overdrafts	-	(1,552)
	9,802	16,097

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP (S$'000)	Attributable to equity holders of the Group					NON-CONTROLLING INTERESTS	TOTAL EQUITY
	Share Capital	Warrants Reserve	Accumulated Losses	Currency Translation Reserve	TOTAL		
Balance as at 01/01/2014	30,003	3,112	(18,501)	(739)	13,875	2,136	16,011
Total comprehensive income	-	-	98	133	231	169	400
Balance as at 30/06/2014	30,003	3,112	(18,403)	(606)	14,106	2,305	16,411
Balance as at 01/01/2013	24,980	200	(6,942)	(266)	17,972	2,770	20,742
Issuance of shares	7,935	-	-	-	7,935	-	7,935
Warrant expired	-	(200)	200	-	-	-	-
Issuance of warrants	-	200	-	-	200	-	200
Total comprehensive (loss)/income	-	-	(12,645)	(219)	(12,864)	93	(12,771)
Balance as at 30/06/2013	32,915	200	(19,387)	(485)	13,243	2,863	16,106

COMPANY (S$'000)	Attributable to equity holders of the Company			
	Share Capital	Warrants Reserve	Accumulated Losses	TOTAL
Balance as at 01/01/2014	30,003	3,112	(12,991)	20,124
Total comprehensive loss	-	-	(641)	(641)
Balance as at 30/06/2014	30,003	3,112	(13,632)	19,483
Balance as at 01/01/2013	24,980	200	(13,965)	11,215
Issuance of shares	7,935	-	-	7,935
Warrants expired	-	(200)	200	-
Issuance of warrants	-	200	-	200
Total comprehensive loss	-	-	(85)	(85)
Balance as at 30/06/2013	32,915	200	(13,850)	19,265

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.

	No. of shares	
	30/06/2014	31/12/2013
Total number of issued shares	378,408,576	378,408,576

Warrants

(a) The Company issued 40,000,000 non-transferable and non-listed warrants on 28 February 2013. Each warrant carries the right to subscribe for one (1) ordinary share in the capital of the Company at the exercise price of S$0.048 for each ordinary share. Each warrant may be exercised at any time during the period of three (3) years commencing on and including the date of issue of the warrants and expiring on the 3rd anniversary of the date of issue of the warrants. No warrants has been exercised as at 30 June 2014.

(b) The Company also issued 165,000,000 non-transferable and non-listed warrants on 28 February 2013. Each warrant carries the right to subscribe for one (1) ordinary share at the exercise price of S$0.053 for each ordinary share. Each warrant may be exercised at any time during the period of three (3) years commencing on and including the date of issue of warrants and expiring on the 3rd anniversary of the date of issue of the warrants. No warrants has been exercised as at 30 June 2014.

(c) Save as disclosed above, the Company has no outstanding convertibles and no treasury shares as at 30 June 2013 and 30 June 2014.

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.

	No. of shares	
	30/06/2014	31/12/2013
Total number of issued shares excluding treasury shares	378,408,576	378,408,576

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.

Not applicable as there were no treasury shares as at the end of the current financial period reported on.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's Auditors.

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.

The Group has applied the same accounting policies and methods of computation in the financial information for the current reporting period as that of the audited financial statements for the 18 months ended 31 December 2013. The adoption of the new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2014 has no material impact on the Group.

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.

Please refer to paragraph 4.

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 after deducting any provision for preference dividends:

	GROUP	
	6 months ended	
	30/06/2014 S'pore (cents)	30/06/2013 S'pore (cents)
(i) Basic earnings/(loss) per shares	0.03	(3.85)
(ii) On a fully diluted basis	0.02	(3.85)

The basic earnings / (loss) per share is calculated by dividing the net earnings / (loss) attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the current financial period of 378,408,576 ordinary shares (30 June 2013: 328,740,068

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

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.

	GROUP		COMPANY	
	30/06/2014 S'pore (cents)	31/12/2013 S'pore (cents)	30/06/2014 S'pore (cents)	31/12/2013 S'pore (cents)
Net asset value per ordinary share based on number of shares issued share at the end of period	3.73	3.67	5.15	5.32

The net asset value per ordinary share is computed based on the issued shares capital of 378,408,576 ordinary shares as at 30 June 2014 (31 December 2013: 378,408,576 ordinary shares).

8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the currency financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) 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 operating results

Revenue
The Group's revenue decreased by 14% from S$22.4 million for the half year ended 30 June 2013 ("HY2013") to S$19.3 million for the half year ended 30 June 2014 ("HY2014"). This was mainly due to reduction in revenue from Water and Waste-Water Treatment projects.

Gross Profit
Gross profit increased by 294% in HY2014 from S$0.7 million to S$2.6 million. The improvement is mainly due to higher contribution from Bio-Refinery and Bio-Energy sector.

Other Losses, net
Other losses in HY2014 amounted to S$0.1 million. No further provision was made for impairment of goodwill which amounted to S$4.4 million in HY2013.

Selling and Distribution Expenses

Decrease in selling and distribution expenses by 97% in HY2014 was mainly due to the absence of allowance made for doubtful trade receivables which amounted to S$3.3 million in HY2013.

Administrative expenses
Administrative expenses decreased by 52% in HY2014 mainly due to lower administrative and remuneration expenses of S$1.7 million.

Finance expenses
Increase in finance expenses by 22% in HY2014 was mainly due to higher bank charges incurred.

Profit/(Loss) Before Income Tax

The Group reported a profit before income tax of S$0.4 million in HY2014 as compared to a loss before income tax of S$12.2 million in HY2013. The loss in HY2013 was mainly attributed to:

(a) Goodwill impairment charge – S$4.4 million
(b) Allowance made for doubtful trade receivables – S$3.3 million
(c) Allowance made for foreseeable losses on certain projects – S$3.2 million

Review of financial position

The group's net asset value increased from S$13.9 million as at 31 December 2013 to S$14.1 million as at 30 June 2014.

The Group's current assets recorded an increase of S$2.2 million at 30 June 2014 as compared to 31 December 2013 mainly due to the increase in trade and other receivables of S$3.2 million which was offset by the decrease in amount due from customers on construction contracts and cash and cash equivalent of S$1.0 million.

Current liabilities registered an increase of S$2.9 million as at 30 June 2014 as compared to 31 December 2013 mainly due to higher amount due to customers on construction contracts.

Non-current liabilities recorded a decrease of S$1.1 million at 30 June 2014 as compared to 31 December 2013 mainly due to decrease in amount due to shareholders of S$1.0 million.

Review of cash flow

Net cash generated from operating activities of S$0.9 million was offset by the net cash used in financing activities amounting to S$1.5 million. The overall net cash outflow was S$0.6 million in HY2014.

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

Not applicable as no forecast or prospect statement has been previously disclosed to shareholders.

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.

The Building Construction Authority of Singapore has forecasted construction demand of between S$31 billion and S$38 billion in 2014. However, with concern of tightening of foreign manpower and intense market competition, we expect the business sentiment to be moderate.

11 Dividend

(a) Current Financial Period Reported On: Monday, 30 June, 2014

(i) Any dividend declared for the current financial period reported on?

No.

(ii) Any dividend recommended 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.

No dividend has been declared or recommended for the period ended 30 June 2014.

13 Interested person transactions

The Company has obtained an IPT mandate from shareholders for transactions with Koh Brothers Group Limited and its subsidiaries and associated companies on 29 April 2014.

There is no interested person transaction more than S$100,000 during the period under review.

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

We, Koh Keng Siang and Koh Choon Leng, being Directors of the company, do hereby confirm on behalf of the Board of Directors of Koh Brothers Eco Engineering Limited that, to the best of our knowledge, nothing has come to our attention which may render the financial statements for the half year ended 30 June 2014 to be false or misleading in any material aspect.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and the Exchange 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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