

Financial Statements and Related Announcement::Second Quarter and/ or Half Yearly Results



Issuer & Securities

Issuer/ Manager	KOH BROTHERS GROUP LIMITED
Securities	KOH BROTHERS GROUP LIMITED - SG1B06007705 - K75
Stapled Security	No

Announcement Details

Announcement Title	Financial Statements and Related Announcement
Date & Time of Broadcast	05-Aug-2015 19:13:07
Status	New
Announcement Sub Title	Second Quarter and/ or Half Yearly Results
Announcement Reference	SG150805OTHR3TIR
Submitted By (Co./ Ind. Name)	KOH KENG SIANG
Designation	MANAGING DIRECTOR & GROUP CEO
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	PLEASE SEE ATTACHED.

Additional Details

For Financial Period Ended	30/06/2015
Attachments	 KBGL 2Q 2015 Announcement.pdf  Koh Brothers 1H2015 NR.pdf Total size =230K


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

Unaudited Second Quarter and 6 Months Financial Statement And Dividend Announcement for the Period Ended 30 June 2015

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

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	GROUP					
		3 months ended		Change	6 months ended		Change
		30/06/2015	30/06/2014		30/06/2015	30/06/2014	
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sales	1	104,545	109,490	-5%	221,959	210,649	5%
Cost of sales		(89,837)	(91,653)	-2%	(191,416)	(178,523)	7%
Gross profit		14,708	17,837	-18%	30,543	32,126	-5%
Other gains - net	2	1,112	6,773	-84%	1,711	7,122	-76%
Expenses							
- Distribution		(1,710)	(3,071)	-44%	(2,147)	(3,859)	-44%
- Administrative		(5,805)	(6,623)	-12%	(11,449)	(13,118)	-13%
- Other		(110)	(27)	307%	(245)	(135)	81%
- Finance		(1,592)	(511)	212%	(2,852)	(836)	241%
Share of profit/(loss) (net of tax) of:							
- associated companies		105	103	2%	157	165	-5%
- joint ventures		5,969	(1,630)	N.M.	3,697	(2,082)	N.M.
Profit before income tax	3	12,677	12,851	-1%	19,415	19,383	-
Income tax expense	4	(2,133)	(1,380)	55%	(3,545)	(3,487)	2%
Profit after income tax		10,544	11,471	-8%	15,870	15,896	-
Other comprehensive (loss)/income, net of tax:							
Exchange differences on translating foreign operations		(224)	217	N.M.	(871)	(46)	1793%
Fair value (loss)/gain on available-for-sale financial assets		(88)	-	N.M.	41	-	N.M.
Other comprehensive (loss)/income, net of tax		(312)	217	N.M.	(830)	(46)	1704%
Total comprehensive income		10,232	11,688	-12%	15,040	15,850	-5%
Profit attributable to:							
Equity holders of the Company		10,605	11,529	-8%	15,312	16,256	-6%
Non-controlling interests		(61)	(58)	5%	558	(360)	N.M.
		10,544	11,471	-8%	15,870	15,896	-
Total comprehensive income attributable to:							
Equity holders of the Company		10,428	11,660	-11%	15,068	16,126	-7%
Non-controlling interests		(196)	28	N.M.	(28)	(276)	-90%
		10,232	11,688	-12%	15,040	15,850	-5%

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 gains include the following :

Rental income
Gain on disposal of property, plant and equipment
Gain on disposal of financial assets through profit or loss
Fair value gain on long-term financial assets and financial liabilities
Fair value gain/(loss) on financial assets through profit or loss
Fair value gain on investment properties
Net foreign exchange loss
Interest income
Other income

Note 3

Profit before income tax is stated after charging the following items:

Allowance for impairment on trade and non-trade receivables
Impairment loss of investment in a joint venture
Depreciation of property, plant and equipment

Note 4

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
- over provision in respect of prior period

GROUP			
3 months ended		6 months ended	
30/06/2015	30/06/2014	30/06/2015	30/06/2014
S\$'000	S\$'000	S\$'000	S\$'000
29,100	37,612	54,055	67,622
2,700	129	4,625	1,934
30,398	44,110	92,102	86,468
42,347	27,639	71,177	54,625
104,545	109,490	221,959	210,649
118	93	212	194
33	104	74	100
30	-	233	-
36	421	18	405
80	-	(6)	-
-	6,100	-	6,100
(177)	(332)	(454)	(313)
914	272	1,388	466
78	115	246	170
1,112	6,773	1,711	7,122
1,654	2,353	1,510	2,631
-	250	-	250
1,908	1,327	3,426	2,667
872	41	1,264	855
528	(485)	1,377	(590)
733	1,824	1,868	3,307
-	-	(964)	(85)
2,133	1,380	3,545	3,487

The Group's income tax charge for the period ended 30 June 2015 is higher than that determined by applying the Singapore income tax rate of 17% to the Group's profit before income tax mainly due to losses of certain subsidiaries and associated companies being unable to be offsetted against the profits of other subsidiaries.

1(b)(i) BALANCE SHEETS

	GROUP		COMPANY	
	30/06/2015 S\$'000	31/12/2014 S\$'000	30/06/2015 S\$'000	31/12/2014 S\$'000
ASSETS				
CURRENT ASSETS				
Cash and bank balances	45,940	77,331	1,048	2,737
Financial assets at fair value through profit or loss	56	2,783	-	1,149
Trade receivables	75,206	74,057	-	-
Due from customers on construction contracts	17,277	5,004	-	-
Amounts due from subsidiaries	-	-	57,544	56,237
Amounts due from an associated company	10	15	-	-
Amounts due from joint ventures	77,426	72,877	-	-
Inventories	12,678	15,842	-	-
Other assets	18,539	16,620	-	-
Development properties	150,338	137,280	-	-
	397,470	401,809	58,592	60,123
NON-CURRENT ASSETS				
Available-for-sale financial assets	8,020	7,980	-	-
Trade receivables	1,305	1,260	-	-
Amount due from subsidiaries	-	-	2,405	2,405
Amount due from joint ventures	-	641	-	-
Investments in associated companies	1,400	1,522	-	-
Investments in joint ventures	54,321	50,884	-	-
Investments in subsidiaries	-	-	86,568	86,237
Investment properties	90,197	89,446	-	-
Property, plant and equipment	103,569	85,978	-	-
Goodwill	5,078	5,078	-	-
	263,890	242,789	88,973	88,642
TOTAL ASSETS	661,360	644,598	147,565	148,765
LIABILITIES				
CURRENT LIABILITIES				
Trade payables	75,630	76,371	-	-
Other liabilities	35,941	39,493	1,455	1,854
Due to customers on construction contracts	13,635	15,242	-	-
Amounts due to subsidiaries	-	-	29	20
Amounts due to an associated company	1,546	978	-	-
Amounts due to joint ventures	-	-	-	-
Current income tax liabilities	5,030	3,024	-	-
Short-term borrowings	39,011	56,963	-	-
	170,793	192,071	1,484	1,874
NON-CURRENT LIABILITIES				
Amounts due to subsidiaries	-	-	6,852	6,852
Trade payables	5,322	4,036	-	-
Finance lease	2,444	2,697	-	-
Bank borrowings	165,405	138,081	-	-
Notes payables	50,000	50,000	50,000	50,000
Deferred income tax liabilities	13,230	12,778	-	-
	236,401	207,592	56,852	56,852
TOTAL LIABILITIES	407,194	399,663	58,336	58,726
NET ASSETS	254,166	244,935	89,229	90,039
Capital and reserves attributable to equity holders of the Company				
Share capital	42,653	45,320	42,653	45,320
Treasury shares	(12,876)	(13,061)	(12,876)	(13,061)
Capital and other reserves	(365)	(406)	-	-
Retained profits	223,350	211,365	59,452	57,780
Currency translation reserve	(7,814)	(7,529)	-	-
	244,948	235,689	89,229	90,039
Non-controlling interests	9,218	9,246	-	-
Total equity	254,166	244,935	89,229	90,039

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

Amount repayable in one year or less, or on demand

Amount repayable after one year

Details of any collateral

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

As at 30/06/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
10,268	28,743	33,375	23,588
167,849	50,000	140,222	50,556

1(c) CONSOLIDATED CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

Total profit

Adjustments for non-cash items :

Income tax	3,545	3,487
Depreciation of property, plant and equipment	3,426	2,667
Impairment loss of investment in a joint venture	-	250
Property, plant and equipment written off	53	13
Fair value gain on investment properties	-	(6,100)
Gain on disposal of property, plant and equipment	(74)	(100)
Gain on disposal of financial assets at fair value through profit or loss	(233)	-
Fair value gain on long-term financial asset and financial liabilities	(18)	(405)
Fair value loss on financial assets at fair value through profit or loss	6	-
Dividend income	-	(3)
Share of profit from associated companies	(157)	(165)
Share of (profit)/loss from joint ventures	(3,697)	2,082
Interest expense	2,852	518
Interest income	(1,388)	(466)
Unrealised foreign exchange gain	(95)	(64)

Operating profit before working capital changes

Working capital changes :

- Receivables	(1,985)	15,205
- Inventories	3,164	1,427
- Due from/ to customers on construction contracts	(19,287)	(1,243)
- Development properties	(12,267)	(12,278)
- Payables	1,019	(4,993)
- Due from/ to associated companies	573	(214)
- Due from/ to joint ventures	(3,648)	(33,960)

Cash used in operations

Income tax paid

Interest paid

Net cash used in operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in a joint venture company

Purchase of property, plant and equipment

Purchase of financial assets at fair value through profit or loss

Proceeds from disposal of property, plant and equipment

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

Additions to investment properties

Dividend received

Interest received

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from bank borrowings

Repayment of finance lease

Repayment of bank borrowings

Deposit pledge

Purchase of treasury shares

Payment of dividend

Net cash generated from financing activities

6 months ended		
30/06/2015	30/06/2014	
S\$'000	S\$'000	
15,870	15,896	
3,545	3,487	
3,426	2,667	
-	250	
53	13	
-	(6,100)	
(74)	(100)	
(233)	-	
(18)	(405)	
6	-	
-	(3)	
(157)	(165)	
(3,697)	2,082	
2,852	518	
(1,388)	(466)	
(95)	(64)	
20,090	17,610	
(1,985)	15,205	
3,164	1,427	
(19,287)	(1,243)	
(12,267)	(12,278)	
1,019	(4,993)	
573	(214)	
(3,648)	(33,960)	
(12,341)	(18,446)	
(1,058)	(818)	
(3,339)	(1,739)	
(16,738)	(21,003)	
-	(800)	
(18,814)	(3,380)	
(993)	-	
150	185	
3,948	-	
(756)	(1,717)	
-	3	
1,387	466	
(15,078)	(5,243)	
75,147	55,664	
(2,788)	(1,237)	
(66,034)	(24,470)	
1,747	(209)	
(2,482)	(2,964)	
(3,327)	(3,082)	
2,263	23,702	

1(c) CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

6 months ended	
30/06/2015 S\$'000	30/06/2014 S\$'000
(29,553)	(2,544)
73,698	34,021
(6)	(57)
44,139	31,420

NET CHANGE IN CASH AND CASH EQUIVALENTS
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD
EFFECTS OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD

Represented by :

CASH AND CASH EQUIVALENTS

Cash and bank balances

Restricted cash

45,940	35,340
(1,801)	(3,920)
44,139	31,420

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

GROUP (S\$'000)	Attributable to equity holders of the Group						NON- CONTROLLING INTEREST	TOTAL EQUITY
	Share Capital	Treasury Shares	Capital and Other Reserves	Retained Profits	Currency Translation Reserve	TOTAL		
Balance as at 01/01/2015	45,320	(13,061)	(406)	211,365	(7,529)	235,689	9,246	244,935
Profit for the financial period	-	-	-	15,312	-	15,312	558	15,870
Other comprehensive income/ (loss) for the period	-	-	41	-	(285)	(244)	(586)	(830)
Cancellation of shares held in treasury shares	(2,667)	2,667	-	-	-	-	-	-
Purchase of treasury shares	-	(2,482)	-	-	-	(2,482)	-	(2,482)
Final dividend	-	-	-	(3,327)	-	(3,327)	-	(3,327)
Balance as at 30/06/2015	42,653	(12,876)	(365)	223,350	(7,814)	244,948	9,218	254,166
Balance as at 01/01/2014	45,320	(5,795)	(375)	184,918	(5,570)	218,498	10,404	228,902
Profit/(loss) for the financial period	-	-	-	16,256	-	16,256	(360)	15,896
Other comprehensive (loss)/ income for the period	-	-	-	-	(130)	(130)	84	(46)
Purchase of treasury shares	-	(2,964)	-	-	-	(2,964)	-	(2,964)
Final dividend	-	-	-	(3,082)	-	(3,082)	-	(3,082)
Balance as at 30/06/2014	45,320	(8,759)	(375)	198,092	(5,700)	228,578	10,128	238,706

COMPANY (S\$'000)	Attributable to equity holders of the Company			
	Share Capital	Treasury Shares	Retained Profits	TOTAL
Balance as at 01/01/2015	45,320	(13,061)	57,780	90,039
Total comprehensive income for the period	-	-	4,999	4,999
Cancellation of shares held in treasury shares	(2,667)	2,667	-	-
Purchase of treasury shares	-	(2,482)	-	(2,482)
Final dividend	-	-	(3,327)	(3,327)
Balance as at 30/06/2015	42,653	(12,876)	59,452	89,229
Balance as at 01/01/2014	45,320	(5,795)	51,724	91,249
Total comprehensive income for the period	-	-	5,777	5,777
Purchase of treasury shares	-	(2,964)	-	(2,964)
Final dividend	-	-	(3,082)	(3,082)
Balance as at 30/06/2014	45,320	(8,759)	54,419	90,980

- 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	
30/06/2015	31/12/2014
Total number of issued shares	466,475,400
Less: Cancellation of shares held in treasury	(10,000,000)
End of financial period	456,475,400
	466,475,400

- 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	
30/06/2015	31/12/2014
Total number of issued shares excluding treasury shares	415,120,000
	422,887,400

- 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.

No. of shares	
6 months ended	30/06/2015
Beginning of financial period	43,588,000
Purchase of treasury shares	7,767,400
Cancellation of shares held in treasury	(10,000,000)
End of financial period	41,355,400

- 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.

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 2014 except for the adoption of new or revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are mandatory for financial years beginning on or after 1 January 2015. The adoption of these new or revised FRS and INT FRS has no significant impact on the Group's consolidated financial statements.

- 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 above.

- 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			
3 months ended		6 months ended	
30/06/2015	30/06/2014	30/06/2015	30/06/2014
(cents)	(cents)	(cents)	(cents)
(i) Basic	2.53	2.60	3.66
(ii) On a fully diluted basis	2.53	2.60	3.67

Note:

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 418,564,252 ordinary shares (30 June 2014: 442,604,252 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.

GROUP		COMPANY	
30/6/2015 (cents)	31/12/2014 (cents)	30/6/2015 (cents)	31/12/2014 (cents)
59.01	55.73	21.49	21.29

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

Note:

The net asset value per share is calculated based on the issued share capital excluding treasury shares of 415,120,000 ordinary shares as at 30 June 2015 (31 December 2014: 422,887,400 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

For the 3-month period ended 30 June 2015 ("2Q 2015"), sales amounted to S\$104.55 million, a decrease of 5% compared to the corresponding period last year ("2Q 2014"). The decrease in sales was mainly due to lower sales recognised for an on-going Real Estate project. The Group's gross profit decreased from S\$17.84 million in 2Q 2014 to S\$14.71 in 2Q 2015 primarily due to lower gross margin from the Construction and Building Material division.

Other gains decreased 84% to S\$1.11 million in 2Q 2015. There was a net gain of S\$6.10 million in the fair value of investment properties a year ago. Distribution expenses decreased 44% to S\$1.71 million in 2Q 2015 primarily resulting from a reduction in allowance made for impairment on trade receivables. Finance expenses increased 212% to S\$1.59 million in 2Q 2015 mainly due to Notes interest expenses issued in early July 2014 and additional borrowings. Depreciation expenses increased from S\$1.33 million in 2Q 2014 to S\$1.91 million in 2Q 2015. The increase was primarily due to an increase in depreciable assets.

Share of results of joint venture companies recorded a profit of S\$5.97 million in 2Q 2015. This was mainly due to fair value gain from investment property offset by initial setup cost for a residential project.

The Group's profit before income tax decreased from S\$12.85 million in 2Q 2014 to S\$12.68 million in 2Q 2015. The Group's net profit attributable to shareholders decreased from S\$11.53 million in 2Q 2014 to S\$10.61 million in 2Q 2015.

The Group's sales for the half year ended 30 June 2015 ("1H 2015") increased from S\$210.65 million in 1H 2014 to S\$221.96 million in 1H 2015. The increase was primarily resulted from higher sales from the Real Estate and Construction & Building Materials divisions. However, gross profit for 1H 2015 fell by 5% to S\$30.54 million due to reduction in profit margins.

Other gains decreased 76% to S\$1.71 million in 1H 2015. There was a net gain of S\$6.10 million in the fair value of investment properties a year ago. Distribution expenses decreased 44% to S\$2.15 million in 1H 2015 primarily resulting from a reduction in allowance made for impairment on trade receivables. Finance expenses increased 241% to S\$2.85 million in 1H 2015 mainly due to Notes interest expenses issued in early July 2014 and additional borrowings. Depreciation expenses increased from S\$2.67 million in 1H 2014 to S\$3.43 million in 1H 2015. The increase was primarily due to an increase in depreciable assets.

Share of results of joint venture companies recorded a profit of S\$3.70 million in 1H 2015. This was mainly due to fair value gain from investment property offset by initial setup cost for a residential project.

The Group's profit before income tax increased marginally from S\$19.38 million in 1H 2014 to S\$19.42 million in 1H 2015. The Group's net profit attributable to shareholders decreased from S\$16.26 million in 1H 2014 to S\$15.31 million in 1H 2015.

Earnings per share decreased to 3.66 cents for 1H 2015 compared to 3.67 cents in 1H 2014

Review of changes in working capital, assets and liabilities

The movements in assets and liabilities are as follows:

- 1) Decrease in cash and cash equivalents was mainly due to purchase of property, plant and equipment, increase deployment of cash on construction contracts and payment of dividend.
- 2) Increase in amount due from customers on construction contracts was mainly due to construction work-in-progress in excess of progress billings.
- 3) Increase in amount due from joint ventures was mainly due to increase of the trade debts between the joint ventures and the Group.
- 4) Decrease in inventories was mainly due to lower inventory levels held in the building materials business.
- 5) Increase in development properties was mainly due to development cost incurred.
- 6) Non-current assets increased by S\$21.10 million was mainly due to purchase of property, plant and equipment.
- 7) Current liabilities decreased by S\$21.28 million. This was primarily due to reduction in short-term borrowings of S\$17.95 million and other liabilities of S\$3.55 million.
- 8) Non-current liabilities increased by S\$28.81 million due to increase in long-term bank borrowings amounting to S\$27.32 million.

Review of changes in cashflow

The Group reported a net decrease in cash and cash equivalents mainly due to the usage of funds to purchase property, plant and equipments, repayment of borrowings and cash used in operations for construction contracts.

- 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 period ended 31 March 2015.
- 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.
- According to advance estimates by the Ministry of Trade and Industry, the construction sector grew 2.7% year-on-year in 2Q2015 with growth supported by stronger expansion in public sector construction activities. However, we expect the outlook for the construction industry to be challenging because of competition and a tight labour market. We are cautiously optimistic of the industry amid expectation of stable Government expenditure on institutional and civil engineering projects.
- Statistics from the Urban Redevelopment Authority showed that prices of private residential properties declined by 0.9% in 2Q2015 when compared to 1Q2015. This was the seventh straight quarter of price decline. As the various property cooling measures are still in place, we expect prices in the residential property market to further moderate in 2015.
- 11 Dividend
- (a) Current Financial Period Reported On:
- (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 2015.
- 13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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)
Koh Keng Siang	\$'000 358	\$'000 -
Koh Tiak Boon	254	-

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

14 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, 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 second quarter and half year ended 30 June 2015 to be false or misleading.

ON BEHALF OF THE BOARD

Koh Keng Siang
Managing Director & Group CEO

Koh Keng Hiong
Executive Director

05 August 2015
Singapore



NEWS RELEASE

KOH BROTHERS 1H 2015 REVENUE RISES TO S\$222.0 MILLION; REPORTS NET PROFIT OF S\$15.3 MILLION

- ***Balance sheet remains strong with cash and cash equivalents at S\$45.9 million and low net gearing of 0.86 times***

Singapore, August 5, 2015 – Koh Brothers Group Limited (“Koh Brothers” or the “Group”) (許兄弟有限公司), a well-established construction, property development and specialist engineering solutions provider, announced today that revenue for the six months ended June 30 (“1H”), 2015 has increased 5% to S\$222.0 million while net profit after tax dipped slightly to S\$15.3 million compared to a year ago.

Mr. Francis Koh (許庆祥), Managing Director and Group CEO of Koh Brothers, commented: “Amidst the challenging operating environment – including the Singapore property market slowdown, rising operating costs in the construction sector and a decline in tourist arrivals impacting the hospitality sector – we will continue to execute our time-tested strategies while leveraging on our suite of capabilities and strong fundamentals built over the last five decades to remain resilient.”

Performance Review

Group Revenue comprises sales of products, services rendered, property development and rental income, as well as construction contract revenue. In 1H 2015, sales was lifted 5% to S\$222.0 million from S\$210.6 million in 1H 2014 mainly by higher revenue recognised from the Real Estate and Construction and Building Materials divisions.

Koh Brothers reported a 5% slip in 1H 2015 gross profit to S\$30.5 million from S\$32.1 million in 1H 2014 while profit before tax held steady at S\$19.4 million across the comparative periods.

The Group's share of profit from joint ventures reversed from a loss of S\$2.1 million in 1H 2014 to a profit of S\$3.7 million mainly due to a fair value gain from investment property offset by initial setup cost for a development project.

Overall, the Group's 1H 2015 net profit attributable to shareholders ("net profit") lowered 6% to S\$15.3 million from S\$16.3 million a year ago.

For the three-month period ended June 30 ("2Q"), 2015, the Group recognised lower revenue for an ongoing Real Estate project that resulted in a 5% decrease in sales to S\$104.5 million from S\$109.5 million in 2Q 2014. Coupled with lower profit margins from the Construction and Building Materials division, 2Q 2015 net profit decreased 8% in line with the lower revenue to S\$10.6 million from S\$11.5 million in 2Q 2014.

Strong Balance Sheet

The Group's balance sheet remains robust with cash holdings of S\$45.9 million and shareholders' equity of approximately S\$245.0 million as at 30 June, 2015. Earnings per share and net asset value per share as at 30 June 2015 were 3.66 Singapore cents and 59.01 Singapore cents, respectively. The Group's debt servicing ability with liquidity remains comfortable with a current ratio of 2.3 times and net gearing ratio of 0.86 times.

Outlook and Strategies

Advanced estimates from the Ministry of Trade and Industry released on July 14, 2015, showed that the construction sector grew 2.7% in the second quarter of 2015 on a year-on-year basis¹. The Building and Construction Authority expects construction demand in 2015 to remain strong at between S\$29.0 billion and S\$36.0 billion, forecasting public demand to reach between S\$18.0 billion to S\$21.0 billion, outstripping private demand².

On the Singapore property market, flash estimates released by the Urban Redevelopment Authority on July 24, 2015, showed that prices of private residential properties was down 0.9% in 2Q 2015 from 1Q 2015 marking the seventh consecutive quarter of decline³.

On the real estate and construction businesses, Mr. Koh said: “We are encouraged by the response to our latest Westwood Residences Executive Condominium project and will continue to drive sales. We believe its unique positioning, strategic location and attractive price will continue to resonate with homebuyers. Meanwhile, we seek to prudently participate in land tenders where we can demonstrate our expertise in launching strategically-located developments with differentiating features.”

On the construction front, we will continue to leverage on our strong track record, building and civil engineering capabilities and BCA A1 grade to continually replenish our order book while riding on the expected growth in demand from the public sector.”

¹ Ministry of Trade and Industry, July 14, 2015 – *Singapore's GDP Growth Moderated in the Second Quarter of 2015*

² Building and Construction Authority, Jan 8, 2015 – *Public sector projects to sustain construction demand in 2015*

³ Urban Redevelopment Authority, Jul 24, 2015 – [Release of 2nd Quarter 2015 real estate statistics](#)

Latest statistics released by the Singapore Tourism Board (“STB”) on July 12, 2015, showed that total visitor arrivals from January to May 2015 slid 4.1% on a year-on-year basis while preliminary 2014 estimates indicated that visitor arrivals this year is forecast to grow between zero and 3%⁴.

“Concurrently, we look forward to the completion of the asset enhancement initiatives of our hospitality asset, Oxford Hotel, and retail asset, Sun Plaza. We believe the facelift and improved tenant mix will enhance customers’ experience, thereby allowing both assets to contribute higher positive recurring income to the Group. We are also optimistic on the Singapore tourism outlook given several new initiatives to boost tourism figures such as the STB’s S\$20.0 million global marketing campaign⁵ and a separate S\$20.0 million partnership with Singapore Airlines and Changi Airport Group⁶.”

With a diversified business portfolio, Koh Brothers will continue to drive growth by effectively harnessing synergies while driving productivity and internal efficiencies to achieve better margins,” Mr. Koh added.

⁴ Channel NewsAsia, May 25, 2015 – Singapore visitor arrivals fell 7.4% in March: STB

⁵ Channel NewsAsia, Apr 7, 2015 – STB to launch S\$20m global campaign to boost tourism numbers

⁶ Channel NewsAsia, Jun 30, 2015 – SIA, CAG, STB in partnership to boost tourism

About Koh Brothers Group Limited

Listed on SGX Mainboard in August 1994, Koh Brothers Group is a well-established construction, property development and specialist engineering solutions provider, which was started as a sole proprietorship in 1966 by Mr. Koh Tiat Meng. Today, the Group has more than 40 subsidiaries, joint venture companies and associated companies spread over Singapore, PRC, Indonesia, and Malaysia.

Over the years, the Group has undertaken numerous construction and infrastructure projects with its A1 grading by the Building and Construction Authority (“BCA”). It is currently the highest grade for contractors’ registration in this category, and allows the Group to tender for public sector construction projects of unlimited value. In addition, the Group has developed a name for itself as a niche real estate developer, with an established reputation for quality and innovation.

Koh Brothers Group’s diversified businesses present them with multiple revenue streams from three core areas:

- Construction and Building Materials;
- Real Estate; and
- Leisure and Hospitality.

In 2013, the Group also broadened its reach into the environmental engineering sector, with a strategic acquisition of 41% stake in SGX Catalist-listed Koh Brothers Eco Engineering Ltd (formerly known as Metax Engineering Corporation Ltd) (“Koh Eco”).

Construction and Building Materials

This division leads in providing a complete and diverse range of infrastructure project management, products, services and solutions for the construction industry.

Major projects that have been successfully completed are the iconic Marina Barrage in 2008; Punggol Waterway Parts One and Two in 2011; Downtown Line 1 Bugis Station in 2013; makeover of Geylang River in 2014 and Lincoln Suites – a luxurious condominium project at Kiang Guan Avenue, off Newton Road, in District 11. This division had also completed the construction of the Common Service Tunnel at the Business Financial Centre and public housing at Choa Chu Kang.

This division was also awarded a number of projects which are currently ongoing. In April 2012, Koh Brothers, through a joint venture, was awarded a S\$54.6 million contract by the national water agency, PUB, for the construction of a used water lift station at PUB's Jurong Water Reclamation Plant. In November 2012, Koh Brothers secured a S\$30.9 million contract from Changi Airport Group for a proposed retention pond at Changi Airport. In 2012, Koh Brothers also began the construction of Parc Olympia, a condominium project. In February 2013, Koh Brothers secured a S\$99.8 million contract from the PUB to carry out improvement works to the existing trapezoidal canal and crossings at the Bukit Timah First Diversion Canal (Bukit Timah Road to Holland Green). In February 2014, Koh Brothers also won a construction contract worth S\$98.0 million to build a HDB BTO Project in Yishun.

The Building Materials division provides total ready-mix concrete solutions to the construction industry. The supply chain includes cement, ready-mix concrete, equipment rental and various types of products such as pre-cast elements and interlocking concrete blocks.

Real Estate

The Group's Real Estate division provides quality property developments with specialised themes at choice locations. Koh Brothers Development Pte Ltd ("KBD"), established in 1993, a wholly-owned subsidiary of Koh Brothers, is our flagship company for the Group's Real Estate division.

KBD is noted for its 'lifestyle-and-theme' developments. For example, its Starville project was the first to introduce a star-gazing observatory, complete with an astronomy theme. Launched in June 2003, this project is a joint venture between KBD and AIG Lengkong Investment Limited, a member of American International Group Inc. Earlier projects include The Montana, in which KBD became the first developer to introduce state-of-the-art home automation features, broadband cable and an infinity pool. The Montana, launched in November 1999, is a 108-unit luxury freehold apartment located off River Valley Road. In October 2006, it also launched its four-units-only luxurious, freehold bungalow project, "Bungalows @ Caldecott", uniquely designed with a number of firsts in Singapore such as bathrooms studded with Swarovski wall crystals, Avant-Garde sanitary fittings incorporating luxury brand names like Visentin, and a specially-designed Water Conservation System. In April 2006, it announced the acquisition of Hilton Tower, located in the prime freehold Leonie Hill area, for S\$79.2 million together with Heeton Land Pte Ltd. It is now the site for the premium condominium, The Lumos.

In June 2007, Koh Brothers, Heeton Holdings Ltd, KSH Holdings Limited and Lian Beng Group Ltd formed a consortium with equal shares each and were successfully awarded the prime Lincoln Lodge site at 1/3 Kiang Guan Avenue, off Newton Road in District 11. The site has been redeveloped to the luxurious condominium project, Lincoln Suites, which features sky-high elevated gyms, wireless multi – room music systems and thematic communal dining facilities. Lincoln Suites was launched in October 2009.

Fiorenza, another prized freehold development by KBD, was launched in April 2009. Inspired by the passionate Italian culture with its bold artistic tastes, unrestrained luxury and a free-spirited lifestyle, this Avant-Garde development, located at Florence Road, received its TOP in June 2011.

Parc Olympia, a sporting themed condominium in Flora Drive was launched in July 2012. The 99-year, 486-unit development offers over 60,000 sq ft of wide-range sporting area and facilities, with special facilities including a synthetic jogging track, a rock-climbing wall, an air-conditioned badminton court, a skate park and even a putting green for golf-lovers.

In May 2015, the Group launched its first EC project, Westwood Residences, the first residential development in Singapore to offer unique cycling concepts. The second EC to be launched in Jurong after 18 years, Westwood Residences comprise 480 units ranging from two-bedrooms to five-bedrooms.

Other completed projects include:

- The highly successful Sun Plaza, located next to Sembawang MRT station, which introduced a sunflower theme. The residential block in Sun Plaza has been fully sold and the retail mall is currently held as an investment with high occupancy;
- The Capri, an 18-unit residential development, is situated along the prime Stevens Road; and
- The Sierra, an 18-storey residential development comprising 60 units located in the established and popular enclave of Mount Sinai.

Leisure and Hospitality

This division provides 'no-frills' hospitality services through its Oxford Hotel brand name with more than 130 hotel rooms.

Environmental Engineering Sector

Through Koh Brothers' majority stake in Koh Eco, the Group is able to offer EPC services for water and wastewater treatment and hydro-engineering projects. With over 35 years of EPC experience, Koh Eco has been involved in many public and private sector projects in Singapore, Indonesia, Malaysia and Thailand. In 2008, Koh Eco extended their EPC business into the palm oil refining industry with the acquisition of WS Bioengineering Pte. Ltd. ("WS Bio"), whose principal business is the engineering and construction of biofuel and palm oil refining facilities.

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August 5, 2015