

Financial Statements and Related Announcement::First Quarter Results



Issuer & Securities

Issuer/ Manager	KOH BROTHERS GROUP LIMITED
Securities	KOH BROTHERS GROUP LIMITED - SG1B06007705 - K75 KOH BROTHERS S\$50M4.8%N180102 - SG6RG2000004 - 11IB
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Announcement Details

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Additional Details

For Financial Period Ended	31/03/2016
Attachments	 KBG_Announcement for 1Q 2016.pdf  Koh Brothers 1Q16 NR.pdf Total size =199K

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

Unaudited First Quarter and 3 Months Financial Statement And Dividend Announcement for the Period Ended 31 March 2016

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

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended		Change %
		31/03/2016 S\$'000	31/03/2015 S\$'000	
Sales	1	53,221	117,414	-55%
Cost of sales		(42,970)	(101,579)	-58%
Gross profit		10,251	15,835	-35%
Other income	2	760	737	3%
Other losses - net	3	(268)	(138)	94%
Expenses				
- Distribution		(142)	(437)	-68%
- Administrative		(4,703)	(5,644)	-17%
- Other		(52)	(135)	-61%
- Finance		(1,203)	(1,260)	-5%
Share of profit/(loss) from				
- associated companies		69	52	33%
- joint ventures		(962)	(2,272)	-58%
Profit before income tax	4	3,750	6,738	-44%
Income tax expense	5	(710)	(1,412)	-50%
Profit after income tax		3,040	5,326	-43%
Other comprehensive income/(loss), net of tax:				
Exchange differences on translating foreign operations		714	(647)	-210%
Fair value (loss)/gain on available-for-sale financial assets		(12)	129	-109%
Other comprehensive income/(loss), net of tax		702	(518)	n.m.
Total comprehensive income		3,742	4,808	-22%
Profit/(Loss) attributable to:				
Equity holders of the Company		3,377	4,707	-28%
Non-controlling interests		(337)	619	n.m.
		3,040	5,326	-43%
Total comprehensive income attributable to:				
Equity holders of the Company		2,697	4,640	-42%
Non-controlling interests		1,045	168	522%
		3,742	4,808	-22%

n.m. - Not meaningful

Notes to the Consolidated Statement of Comprehensive Income

Note 1

Sales include the following:

Sales of products
Services rendered
Property development and rental
Contract revenue

Note 2

Other income include the following:

Rental income
Interest income
Other income

Note 3

Other losses - net include the following:

Gain on disposal of property, plant and equipment
Gain on disposal of financial assets through profit or loss
Fair value loss on long-term financial assets and financial liabilities
Fair value loss on financial assets at fair value through profit or loss
Net foreign exchange loss

Note 4

Profit before income tax is stated after charging/(crediting) the following items:

Write-back of impairment on trade and non-trade receivables

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

3 months ended	
31/03/2016 S\$'000	31/03/2015 S\$'000
22,145	24,955
1,478	1,198
726	62,431
28,872	28,830
53,221	117,414
103	94
557	474
100	169
760	737
805	41
-	203
(41)	(18)
(5)	(86)
(1,027)	(278)
(268)	(138)
(155)	(144)
1,531	1,518
496	392
214	849
-	1,135
-	(964)
710	1,412

The Group's taxation charge for the period ended 31 March 2016 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 joint ventures being unable to be offsetted against the profits of other subsidiaries.

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

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

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1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31/03/2016 S\$'000	31/03/2015 S\$'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit after income tax	3,040	5,326
Adjustments for non-cash items:		
Income tax	710	1,412
Depreciation of property, plant and equipment	1,531	1,518
Property, plant and equipment written off	(42)	44
Gain on disposal of property, plant and equipment	(805)	(41)
Gain on disposal of financial assets at fair value through profit or loss	-	(203)
Fair value loss on long-term financial assets and financial liabilities	41	18
Fair value loss on financial assets at fair value through profit or loss	5	86
Share of profit from associated companies	(69)	(52)
Share of loss from joint ventures	962	2,272
Interest expense	1,203	1,260
Interest income	(557)	(474)
Unrealised foreign exchange (loss)/gain	269	(18)
Operating profit before working capital changes	6,288	11,148
Working capital changes:		
- Receivables	99,561	(18,303)
- Inventories	361	1,233
- Due from/to customers on construction contracts	(8,181)	(16,073)
- Development properties	(11)	(4,502)
- Payables	(37,045)	3,258
Cash generated from/(used in) operations	60,973	(23,239)
Income tax paid	(411)	(29)
Interest paid	(1,980)	(2,044)
Net cash provided by/(used in) operating activities	58,582	(25,312)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of financial assets at fair value through profit or loss	-	(2,063)
Purchase of property, plant and equipment	(2,595)	(748)
Proceeds from disposal of property, plant and equipment	835	20
Proceeds from disposal of financial assets at fair value through profit or loss	-	2,848
Additions to investment properties	(13)	(894)
Interest received	557	474
Net cash used in investing activities	(1,216)	(363)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from bank borrowings	7,807	41,882
Purchase of treasury shares	(13)	(2,086)
Repayment of finance lease	(1,094)	(378)
Repayment of bank borrowings	(91,957)	(33,905)
Deposit pledge	156	805
Net cash (used in)/provided by financing activities	(85,101)	6,318
NET CHANGE IN CASH AND CASH EQUIVALENTS	(27,735)	(19,357)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	62,766	73,698
EFFECTS OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS	(480)	6
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	34,551	54,347
Represented by:		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	36,161	57,147
Restricted cash	(1,610)	(2,800)
	34,551	54,347

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

	Attributable to equity holders of the Group						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	Share Capital	Treasury Shares	Capital and Other Reserves	Retained Profits	Currency Translation Reserve	TOTAL		
GROUP (\$S'000)								
Balance as at 01/01/2016	42,653	(12,919)	(441)	235,916	(8,004)	257,205	9,378	266,583
Profit for the financial period	-	-	-	3,377	-	3,377	(337)	3,040
Other comprehensive income/(loss) for the period	-	-	(12)	-	(667)	(679)	1,381	702
Warrants expired	-	-	1,785	-	-	1,785	(1,785)	-
Cancellation of shares	(5,672)	5,672	-	-	-	-	-	-
Purchase of treasury shares	-	(12)	-	-	-	(12)	-	(12)
Balance as at 31/03/2016	36,981	(7,259)	1,332	239,293	(8,671)	261,676	8,637	270,313
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	-	-	-	4,707	-	4,707	619	5,326
Other comprehensive loss for the period	-	-	129	-	(195)	(66)	(452)	(518)
Cancellation of shares held in treasury shares	(2,667)	2,667	-	-	-	-	-	-
Purchase of treasury shares	-	(2,086)	-	-	-	(2,086)	-	(2,086)
Balance as at 31/03/2015	42,653	(12,480)	(277)	216,072	(7,724)	238,244	9,413	247,657

	Attributable to equity holders of the Company			
	Share Capital	Treasury Shares	Retained Profits	TOTAL
COMPANY (\$S'000)				
Balance as at 01/01/2016	42,653	(12,919)	59,535	89,269
Total comprehensive loss for the period	-	-	195	195
Cancellation of shares held in treasury shares	(5,672)	5,672	-	-
Purchase of treasury shares	-	(12)	-	(12)
Balance as at 31/03/2016	36,981	(7,259)	59,730	89,452
Balance as at 01/01/2015	45,320	(13,061)	57,780	90,039
Total comprehensive income for the period	-	-	(987)	(987)
Cancellation of shares held in treasury shares	(2,667)	2,667	-	-
Purchase of treasury shares	-	(2,086)	-	(2,086)
Balance as at 31/03/2015	42,653	(12,480)	56,793	86,966

- 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: Cancellation of shares held in treasury
End of financial period

No. of shares	
31/03/2016	31/12/2015
456,475,400	466,475,400
(18,475,400)	(10,000,000)
438,000,000	456,475,400

- 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.

Total number of issued shares excluding treasury shares

No. of shares	
31/03/2016	31/12/2015
414,933,000	414,980,000

- 1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on.

Beginning of financial period
Purchase of treasury shares
Cancellation of shares held in treasury
End of financial period

No. of shares
3 months
31/03/2016
41,495,400
47,000
(18,475,400)
23,067,000

- 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 2015 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 2016. 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:

- (i) Basic
(ii) On a fully diluted basis

GROUP	
3 months ended	
31/03/2016 (cents)	31/03/2015 (cents)
0.81	1.12
0.81	1.12

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 414,966,956 ordinary shares (2015: 421,194,621 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 backing per ordinary share based on existing issued share capital (excluding treasury shares) as at the end of the period reported on

GROUP		COMPANY	
31/03/2016 (cents)	31/12/2015 (cents)	31/03/2016 (cents)	31/12/2015 (cents)
63.06	61.98	21.56	21.51

Note:

The net asset value per share is calculated based on the issued share capital excluding treasury shares of 414,933,000 ordinary shares as at 31 March 2016 (31 December 2015: 414,980,000 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

Group sales for the first quarter ended 31 March 2016 ("1Q 2016") amounted to S\$53.22 million, a decrease of 55% from the previous corresponding period in 2015 ("1Q 2015"). The decrease was primarily due to lower contribution from the Real Estate division as the residential project that contributed significantly to sales in 1Q 2015 was completed in 4Q 2015. In line with the lower sales, gross profit also decreased by 35% from S\$15.84 million in 1Q 2015 to S\$10.25 million in 1Q 2016.

Other losses increased by 94% to S\$0.27 million. This was mainly due to gain on disposal of property, plant and equipment of S\$0.81 million offset by the net foreign exchange loss of S\$1.03 million. Distribution expenses decreased by 68% to S\$0.14 million mainly due to write-back of allowance for doubtful trade receivables. Administrative expenses decreased by 17% to S\$4.70 million mainly due to decrease in staff cost. Finance expenses for 1Q 2016 decreased by 5% to S\$1.20 million mainly due to repayment of bank borrowings. Depreciation expenses increased marginally in 1Q 2016.

Share of loss from joint ventures decreased to S\$0.96 million in 1Q 2016 mainly due to better contribution from Sun Plaza.

The Group's profit before tax decreased by 44% in 1Q 2016 to S\$3.75 million compared to S\$6.74 million in 1Q 2015.

The Group's net profit attributable to shareholders decreased by 28% to S\$3.38 million in 1Q 2016 from S\$4.71 million in 1Q 2015.

Earnings per share decreased from 1.12 cents in 1Q 2015 to 0.81 cent in 1Q 2016.

Review of changes in working capital, assets and liabilities

The main movements in assets and liabilities are as follows:

- 1) Decrease in cash and cash equivalents was mainly due to repayment of bank borrowings.
- 2) Decrease in trade receivables was mainly due to collection from buyers for a residential project.
- 3) Increase in amount due from customers on construction contracts was mainly due to construction work-in-progress in excess of progress billings.
- 4) Non-current assets increased marginally by S\$1.85 million.
- 5) Current liabilities decreased by S\$115.83 million. This was primarily due to reduction in short-term borrowings of S\$85.75 million and decrease in trade payables of S\$20.83 million.
- 6) Non-current liabilities increased by S\$1.85 million due to increase in long-term bank borrowings amounting to S\$1.23 million.

Review of changes in cashflow

The Group reported a net decrease in cash and cash equivalents mainly due to repayment of bank borrowings.

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

The current announced results are in line with the general prospect commentary previously disclosed in the results announcement for the financial year ended 31 December 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.

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy grew by 1.8% in 1Q 2016 on a year-on-year basis with the construction sector growing by 6.2% over the same period. On a quarter-on-quarter basis, economic growth was flat. However, the construction sector grew by 10.2% over the same period. Although the Building and Construction Authority expects construction demand to be between S\$32 billion and S\$34 billion in 2016, we are cautiously optimistic as the construction industry is still challenging because of competition and higher labour costs.

Latest statistics from the Urban Redevelopment Authority showed that prices of private residential properties declined by a further 0.7% in 1Q 2016. It has been a challenging period for the real estate industry and we expect prices in the residential property market to further moderate.

11 Dividend

(a) Current Financial Period Reported On:

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

Not applicable

13 Interested Person Transaction

The Group has not obtained a general mandate from shareholders for IPTs.

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

14 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation for the current financial period.

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, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 31 March 2016 to be false or misleading.

ON BEHALF OF THE BOARD

Koh Keng Siang
Managing Director & Group CEO

Koh Keng Hiong
Executive Director

10 May 2016
Singapore



NEWS RELEASE

KOH BROTHERS REPORTS 1Q2016 NET PROFIT OF S\$3.4 MILLION ON S\$53.2 MILLION REVENUE

- ***Balance sheet remains healthy with cash and cash equivalents of S\$34.1 million***
- ***Net gearing reduces to 0.39 time from 0.62 time***

Singapore, May 10, 2016 – Koh Brothers Group Limited (“Koh Brothers”, “許兄弟有限公司”, or the “Group”), a well-established construction, property development and specialist engineering solutions provider, announced today a net profit of S\$3.4 million on revenue of S\$53.2 million for the financial quarter ended March 31, 2016 (“1Q 2016”).

The Group’s revenue decreased 55% to S\$53.2 million from S\$117.4 million in the corresponding period a year ago (“1Q 2015”) due mainly to lower revenue recognised upon completion of a residential project that had contributed significant sales in 1Q 2015. Net profit attributable to shareholders declined in tandem with the lower topline to S\$3.4 million, 28% lower than S\$4.7 million in 1Q 2015.

Mr. Francis Koh (“许庆祥”), Managing Director and Group CEO of Koh Brothers, commented: “We continue to press on to sharpen our competitive edge and drive productivity and efficiencies especially in the current challenging climate. We will continue to aggressively tender for new construction projects, with a view to undertake larger-scale projects such as our recent Changi Airport Runway 3 development works (Package 1) contract win, as well as to prudently replenish our land bank and explore opportunities to bring the strong Koh Brothers brand and capabilities overseas.”

Koh Brothers had announced in January 2016 a proposal for its 41%-owned SGX Catalist-listed subsidiary, KB Eco Engineering Limited, to acquire its building and civil engineering construction subsidiary to reap synergies and tap opportunities in the water and wastewater treatment and hydro-engineering sectors.

The Group also recently won a landmark S\$1.12 billion project from Changi Airport Group, through an integrated joint venture with Samsung C&T Corporation, for development works to effect three-runway operations at Changi Airport.

As at March 31, 2016, the Group's balance sheet remains healthy with cash and cash equivalents of S\$36.2 million and shareholders' equity of approximately S\$261.7 million.

Earnings per share for the three months ended March 31, 2016 decreased to 0.81 Singapore cent from 1.12 Singapore cents a year ago, while net asset value per share rose to 63.06 Singapore cents from 61.98 Singapore cents across the same comparative periods.

The Group's debt servicing ability with liquidity remains comfortable with a current ratio of 1.76 times, while net gearing ratio reduced significantly to 0.39 time as at March 31, 2016, from 0.62 time as at December 31, 2015.

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy grew by 1.8% in 1Q 2016 on a year-on-year basis with the construction sector growing by 6.2% over the same period. Koh Brothers remains cautiously optimistic on the coming financial year amidst challenging conditions within the construction sector. This is mitigated by a 10.2% growth in the construction sector in 1Q 2016 on a year-on-year basis¹, and healthy construction demand for 2016 forecasted by the Building and Construction Authority of between S\$32 billion and S\$34 billion².

¹ *Singapore's economy grew 1.8% in Q1 2016 – Gov.sg, April 14, 2016*

² *Public sector, civil engineering projects to drive construction demand this year: BCA – Business Times, January 16 – 17, 2016*

On the property front, prices of private residential properties declined a further 0.7% in 1Q 2016³. The Group expects prices in this sector to moderate further and will continue to aggressively market its projects to boost sales.

About Koh Brothers Group Limited

Listed on Main Board of the SGX-ST in August 1994, Koh Brothers Group Limited (“**Koh Brothers**”, or together with its subsidiaries, the “**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.

The 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 a 41.0% stake in SGX Catalist Board-listed Koh Brothers Eco Engineering Limited (formerly known as Metax Engineering Corporation Limited).

³ Release of 1st Quarter 2016 real estate statistics – Urban Redevelopment Agency, April 22, 2016

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