



Building Cities Building Dreams



Staying Resilient Shaping Growth

ANNUAL REPORT 2019

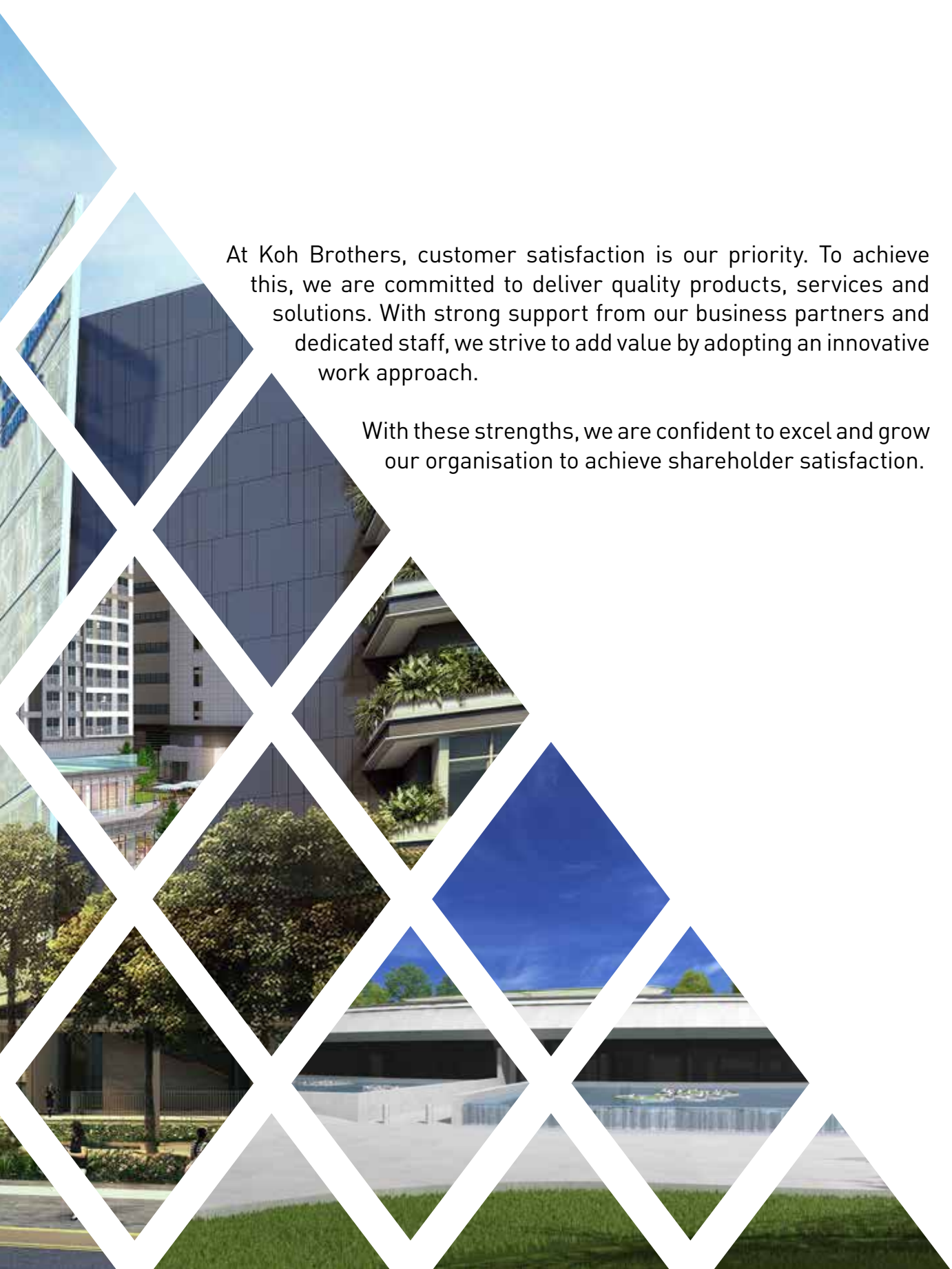
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Staying Resilient
Shaping Growth




OUR PROMISE



At Koh Brothers, customer satisfaction is our priority. To achieve this, we are committed to deliver quality products, services and solutions. With strong support from our business partners and dedicated staff, we strive to add value by adopting an innovative work approach.

With these strengths, we are confident to excel and grow our organisation to achieve shareholder satisfaction.

CORPORATE PROFILE



From our humble beginnings in 1966, **Koh Brothers Group Limited** has grown from strength to strength. From being a provider of engineering, procurement and construction (“EPC”) services for infrastructural projects, the Group has expanded into real estate development, supply of building materials, and providing EPC services for water and wastewater treatment, hydro-engineering, bio-refinery and bio-energy projects. With the expansion into synergistic business segments, we have created multiple revenue streams.

CONSTRUCTION AND BUILDING MATERIALS

► CONSTRUCTION AND CIVIL ENGINEERING

Our Construction and Civil Engineering services are provided through our Catalyst-listed subsidiary, Koh Brothers Eco Engineering Limited (“**KBE**”). Through KBE, the Group provides a complete and diverse range of infrastructure and building project management, products, services and solutions for the construction industry.

Harnessing synergies from KBE, the Group is able to offer turnkey engineering solutions and tap opportunities in the water and wastewater treatment and hydro-engineering sectors to the construction industry. This is especially so as our Construction and Civil Engineering division is graded A1 by the Building and Construction Authority (“**BCA**”), which allows us to tender for public sector construction projects of unlimited value.

Recent projects undertaken by the Group’s Construction and Civil Engineering division include the Singapore Changi Airport Runway 3 (Package 1), Marina East Desalination Plant, Circle Line 6 contract, Deep Tunnel Sewage System Phase 2 contract and Woodlands Health Campus. Our recently completed projects include the Downtown Line 1 Bugis MRT Station, Punggol Waterway, Bukit Timah First Diversion Canal, Westwood Residences Executive Condominium, Parc Olympia Condominium, Lincoln Suites Condominium as well as the iconic Marina Barrage.

- Construction and Civil Engineering
- Building Materials
- Water and Wastewater Treatment
- Bio-Energy Engineering
- Bio-Refinery Engineering



▲ Marina Bay Cut & Cover Tunnels



▲ Changi Airport Runway 3



▲ G&W Precast Yard

► BUILDING MATERIALS

Our Building Materials division is a long established and renowned one-stop quality provider of concrete solutions to the construction industry.

We manufacture and supply ready-mix concrete and pre-cast products such as facades, household shelters, bathroom units, columns and planks to HDB projects, institutions and private developments.

The Building Materials division is supported by batching plants and precast yards in Singapore and Malaysia. The Group also has a central truck-mixer despatch system to facilitate the efficient despatch of trucks to meet the demands of our clients around Singapore so as to achieve greater efficiency.

CONSTRUCTION AND BUILDING MATERIALS



▲ Changi Wastewater Reclamation Plant



▲ Bertam DAF Water Treatment Plant (Melaka)



▲ Marina East Desalination Plant



▲ Changi Water Reclamation Plant

► WATER AND WASTEWATER TREATMENT

Our Water and Wastewater Treatment Division boasts a sterling 35-year track record in the areas of water and wastewater treatment and hydroengineering, covering both public and private projects. We have delivered numerous water and wastewater treatment projects in Singapore, Indonesia, Malaysia, Thailand, the Philippines and India.

Our Water and Wastewater Treatment capabilities allow KBE to provide complete end-to-end solutions to our clients, being able to provide both the technology, engineering, manufacturing and procurement services for infrastructure, specialist equipment and turnkey systems, as well as project management, installation, performance trials, commissioning, training and operations and maintenance. With our solutions, covering primary, secondary and tertiary treatments, our clients are able to effectively remove suspended solids, biodegradable organics, pathogenic bacteria, industrial wastes, toxic chemicals as well as unwanted nutrients that catalyse algae growth, resulting in water suitable for both consumption or industrial use.

Through our Hydro-Engineering expertise, KBE has provided EPC services for major public and private hydro-engineering projects in Singapore and in neighbouring countries like Malaysia and Indonesia. We design and supply state-of-the-art devices which are incorporated into infrastructure and products like pump systems, gates, valves, and other operating equipment.

► BIO-ENERGY ENGINEERING

Through KBE, the Group boasts a leading track record in integrated and multi-feedstock biodiesel plants. We provide consultancy, design, engineering, procurement and construction services for palm oil mills seeking to recover and utilise methane as a source of renewable energy.

Our Bio-Energy Engineering division also designs, reviews and supports our clients in their quest to obtain Certified Emission Reduction registration for their palm oil mill effluent (“POME”) biogas recovery projects. We have demonstrated our capabilities and track record by completing successful biogas capturing and utilisation projects in Malaysia and Indonesia, with these projects consistently performing well in chemical oxygen demand reduction, whilst producing high methane purity and volume generation with zero downtime.

► BIO-REFINERY ENGINEERING

Through KBE, the Group engineers, procures and constructs facilities to refine palm oil. Our Bio-Refinery division provides a full range of customised solutions in well diversified industries including the harnessing of complete edible oil and non-edible oil refining plants, renewable energy and biofuel plants and the retrofitting of the production system for existing refining operations. KBE is the process licensee of Malaysia Palm Oil Board for biodiesel, winter fuel, multi-feedstock biodiesel, phytonutrient extraction and other related downstream processes and also plays an important industry role as a distributor of machinery and components.

With more than 37 years of experience, our Bio-Refinery Engineering division has successfully designed, built and supplied to more than a thousand plants operating in more than 32 countries across Malaysia, Indonesia, Africa, South America and various Asian countries.

REAL ESTATE

Our Real Estate division provides quality property developments with specialised lifestyle themes at choice locations. Our most recent project Van Holland is a luxurious freehold development in Holland Village.

Koh Brothers has managed to carve a niche in developing themed properties that are innovative and promote modern lifestyle. Amongst its many successes are Lincoln Suites off Newton Road, the Lumos development at Leonie Hill, Montana off River Valley Road and Starville at Lengkong Tiga.

Some of our recent completed development projects include the development of Singapore's first bike-themed Executive Condominium (EC), Westwood Residences, as well as Parc Olympia Condominium at Flora Drive which has sporting and recreational facilities.

Our maiden entry into South Korea began in May 2017 with the acquisition of a freehold site in the heart of the famous Gangnam district in Seoul for S\$119 million. The mixed-used development, Nonhyeon IPARK, commenced construction in the second quarter of 2018, and is expected to be completed in 2020. The project was very well-received, selling 75% of all units in the first seven days of its launch and was 96% sold in three months.



▲ Lincoln Suites



▲ Westwood Residences



▲ Parc Olympia



▲ Sun Plaza

LEISURE & HOSPITALITY



▲ Oxford Hotel

Our Leisure & Hospitality division provides 'no-frills' hospitality services through Oxford Hotel that comprises over than 130 hotel rooms. Oxford Hotel has also recently completed major renovations as part of an upgrading programme. The Group also owns and operates The Alocassia, which consists resort-styled service apartments with 45 suites located at Bukit Timah Road, a prime district in Singapore.



▲ Alocassia Apartments

OUR CORE VALUES

STATEMENT

With knowledge and honesty, we add value to organisational excellence through commitment, teamwork, continuous self-development and opportunities for innovation.



Knowledge

Our culture of continuous improvement allows for the developmental opportunities that are responsive to the current and future challenges of our Company and our customers.



Openness

We need to be open-minded to adapt and respond well to changes according to the environment.



Honesty

We emphasise honesty in every aspect of our business, resulting in a Company that is trusted by our society at large whom we work with.



Bonding

Our culture of teamwork allows us to bring together the best thinking from our professionals and deliver optimum solutions to our clients' complex needs.



Responsibility

Our culture encourages employees to pursue set goals and work towards achieving high standards of performance.



Opportunities

We provide equal opportunity to all individuals to be innovative so as to bring Koh Brothers to the next level of excellence.



Standards

We strive to achieve organisational excellence in whatever we set out to perform.

OUR JOURNEY **THUS FAR**



OUR AWARDS



<p>1995</p> <ul style="list-style-type: none"> ▶ Construction Industry Development Board Awards for Construction Excellence Reconstruction of Geylang River 	<p>2000</p> <ul style="list-style-type: none"> ▶ Building Construction Authority Awards for Construction Excellence (Civil Engineering) 	<p>2001</p> <ul style="list-style-type: none"> ▶ Singapore 1000 Company 	<p>2010</p> <ul style="list-style-type: none"> ▶ Building Construction Authority Design & Engineering Safety Excellence Award Merit Award (Civil Engineering) Marina Barrage
<p>2011</p> <ul style="list-style-type: none"> ▶ Building Construction Authority Construction Excellence Award (Civil Engineering Projects) Marina Barrage 	<p>2012</p> <ul style="list-style-type: none"> ▶ Building Construction Authority Green & Gracious Builder Merit Award 	<p>2012</p> <ul style="list-style-type: none"> ▶ Building Construction Authority Construction Productivity Platinum Award (Civil Engineering) Punggol Waterway Part 1 	<p>2012</p> <ul style="list-style-type: none"> ▶ Building Construction Authority Green & Gracious Builder Excellence Award HDB Construction Productivity Award My Waterway@ Punggol
<p>2013</p> <ul style="list-style-type: none"> ▶ Singapore Prestige Brand Award (Heritage Brand) 	<p>2014</p> <ul style="list-style-type: none"> ▶ Building Construction Authority Construction Productivity Merit Award ▶ Singapore Quality Brand Special Merit Award Promising SME 500 	<p>2015</p> <ul style="list-style-type: none"> ▶ Distinguished Business Leader of the Year Award 	<p>2015</p> <ul style="list-style-type: none"> ▶ SIAS Investors' Choice Awards (Most Transparent Company Awards for Construction and Materials Category)
<p>2016</p> <ul style="list-style-type: none"> ▶ South East Asia Property Awards Singapore (Real Estate Personality of the Year) 	<p>2017</p> <ul style="list-style-type: none"> ▶ The Singapore Property Awards (Low Rise Residential) 	<p>2018</p> <ul style="list-style-type: none"> ▶ Asia Pacific Property Awards (Residential Apartment) – Parc Olympia 	<p>2018</p> <ul style="list-style-type: none"> ▶ PropertyGuru Asia Property Awards Singapore - Best Executive Condo Landscape Architectural Design (Winner) – Westwood Residences
<ul style="list-style-type: none"> - Best Executive Condo (Highly Commended) – Westwood Residences - Best Executive Condo Architectural Design (Highly Commended) – Westwood Residences 	<ul style="list-style-type: none"> ▶ Edgeprop Singapore Excellence Awards - Innovation Excellence – Westwood Residences ▶ SCAL WSH Innovation Awards - Workplace Safety and Health Gold Award 		

STATEMENT BY EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR & GROUP CEO

KOH TIAT MENG (PBM)
Executive Chairman



KOH KENG SIANG (FRANCIS)
Managing Director & Group CEO

DEAR SHAREHOLDERS,

2019 was a difficult year for the Group, with the Singapore economy expanding by 0.7%, slower than the 3.4% growth that was recorded in 2018. It is expected that 2020 will continue to be a difficult year for the Group, with the Ministry of Trade and Industry recently revising the GDP forecast to -4.0% to -1.0%. However, we believe that with the right leadership and strategies, the Group will be able to identify opportunities for growth. The Group has and continues to make strategic investments to ensure that the Group will be able to take full advantage of likely growth sectors.

OUR FINANCIALS

In spite of the difficulties in 2019, the Group was able to register a 1.5% increase in net attributable profit to S\$5.8 million in FY2019, up from S\$5.7 million in FY2018. This was due mainly to higher share of profit from joint ventures, notably, the progressive recognition of profit from the 45.0%-owned Nonhyeon IPARK project in Seoul, South Korea, as well as fair value gain from an investment property held through a joint venture. Revenue decreased by 12.4% to S\$353.7 million because of lower contribution from the Construction and Building Materials division. However, the Group was able to maintain a strong balance sheet, achieving a current ratio of 2.03 times, an improvement from the 1.98 times in 2018. In addition, the Group increased its cash and bank balances to S\$85.2 million, compared to S\$32.7 million as at 31 December 2018. This resulted in an improvement of the Group's net gearing ratio to 0.94 times, compared to 1.03 times as at 31 December 2018.

THE GROUP HAS AND CONTINUES TO MAKE **STRATEGIC INVESTMENTS** TO ENSURE THAT THE GROUP CAPITALISES ON LIKELY SECTORS OF **GROWTH**.

We are pleased to report that the Board has proposed a final dividend of 0.40 Singapore cents per share, to be approved by shareholders at the forthcoming Annual General Meeting.

CONSTRUCTION AND BUILDING MATERIALS

The Construction and Building Materials division recorded lower revenue in FY2019 at S\$345.1 million compared to S\$394.2 million for FY2018. The decrease in revenue was mainly due to lower revenue recognition in line with the stages of completion of the respective projects. Nevertheless, the Group has identified the construction and building materials sector as a sector for growth for the next few years. The Building and Construction Authority ("BCA") reported that the construction sector grew by 9.5%

in 2019, with growth being supported by both public sector and private sector construction works. In line with this, our construction division was recently awarded the Influent Pumping Stations Contract for Tuas Water Reclamation Plant from the PUB, thus bringing our order book up to S\$857.1 million. With the recent completion of our Kallang River Project and the Bukit Timah Canal Project, the construction division is primed to take advantage of the growth of the construction sector.

The BCA has projected that total construction demand will remain strong in 2020 ranging between S\$28 billion and S\$33 billion with sustained public sector construction demand ranging between S\$17.5 billion to S\$20.5 billion. The public sector construction demand is expected to comprise of major infrastructure projects, which are larger and more complex in scale, such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line.

In line with the identification of the Construction Division as an area of future growth, the Company had, in January 2020, injected approximately S\$11.65 million through the conversion of approximately 233 million warrants in Koh Brothers Eco Engineering Limited (“KBE”). This increase in capitalisation will assure KBE’s clients that it has the capabilities to carry out greater and more complex projects.

The Ministry of Trade and Industry has also reported that public agencies, such as the Housing and Development Board have committed to taking the lead in adopting Design for Manufacturing and Assembly (“DfMA”) in their building projects, with up to 75% of all its units launched in 2020 adopting DfMA in their development. In this regard, we believe that our pre-cast capabilities will continue to put us in good stead in years to come. However, growth in this sector may be mitigated by continued keen competition, with depressed prices.

REAL ESTATE

2019 was a challenging year for the Real Estate industry in Singapore, with private residential property sales declining by 14% to 19,150 units, compared to 22,139 units sold in 2018. Further, the industry faced increased risks due to the revised URA guidelines pertaining to the maximum number of dwelling units that could be developed in Non-Landed Residential Developments outside the Central Area. The Group has had to adopt a more conservative approach, in relation to the launching of new projects, and the increasing of our land bank.

In this regard, our Real Estate division recorded a decrease in revenue from S\$6.1 million in FY2018 to S\$5.4 million in FY2019. We expect 2020 to continue to be challenging for our Real Estate Division due to the possible oversupply of private residential units, coupled with the existing property cooling measures continuing to be in place and the depressed economic activity in Singapore. It is estimated that 5,265 private residential units (including executive condominiums) will be completed by the end of 2020. This would result in approximately 40,000 private residential units that are available for sale in 2020, taking into account the 35,538 private residential units that remained unsold as at the end of 2019. As a result, it is possible that residential prices will be moderated in the current year. We will continue to look for strategic acquisitions that will allow us to maximize shareholders’ returns.

LEISURE & HOSPITALITY

The Leisure and Hospitality Division recorded a slight decrease in revenue from S\$3.4 million in FY2018 to S\$3.3 million in FY2019. We expect that our Leisure & Hospitality Division will continue to face difficulties in 2020 due to the projected drop in tourist arrivals, particularly from China and the ASEAN countries, caused by the COVID-19 outbreak. This sharp decline in tourists’ arrivals is likely to impact the Leisure & Hospitality Division, in particular, Oxford Hotel.

ACKNOWLEDGEMENTS

With the full impact of COVID-19 still uncertain, we expect that operations will be adversely affected in 2020. We are faced with a situation that not only affects the industry we are in, but also to Singapore and the global economy. However, we are blessed with dedicated management and staff that continue to serve the Group to the best of their ability. We would like to thank our management and staff for their determination and commitment to the Group.

We would also like to extend our sincere appreciation to our clients, business associates, partners and shareholders for their constant support over the years. It is only with their invaluable support that we are able to succeed.

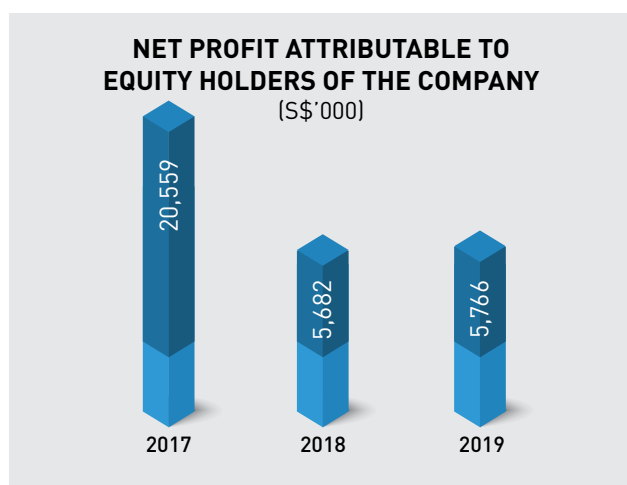
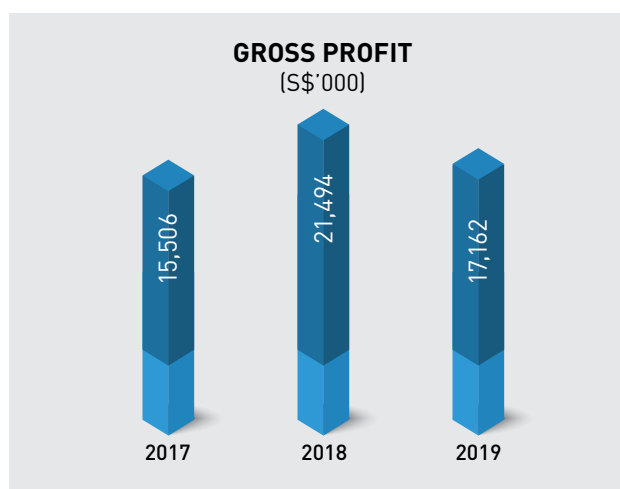
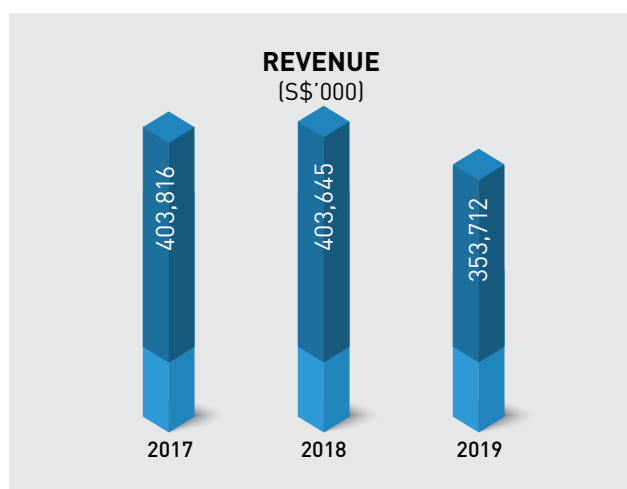
Koh Tiat Meng
Executive Chairman

Koh Keng Siang (Francis)
Managing Director & Group CEO

FINANCIAL HIGHLIGHTS

	FY2017 S\$'000	FY2018 S\$'000	FY2019 S\$'000
BALANCE SHEET HIGHLIGHTS			
Shareholders' funds	282,634	280,084	301,796
Cash and bank balances	64,823	32,678	85,195
Net current assets	129,575	222,041	252,865
Total assets	709,833	797,078	858,778
Net tangible assets	277,556	275,006	296,718

	FY2017	FY2018	FY2019
KEY FINANCIAL RATIOS			
Net tangible assets per share (in cents)	67.26	66.67	71.94
Net gearing (times)	0.47	1.03	0.94
Earnings per share (in cents)	4.98	1.38	1.40
Dividend per share (in cents)	1.00	0.40	0.40



SUSTAINABILITY APPROACH

▶ BOARD STATEMENT

Koh Brothers Group Limited (the “Company”, and together with its subsidiaries, the “Group”), is pleased to present its sustainability report for the financial year ended 31 December 2019. The Company recognises that the sound management of environmental, social and governance (“ESG”) risks and opportunities is key to ensuring the sustainability and long-term viability of its business. Therefore, the Group is committed to implementing practices to create sustainable value for its stakeholders.

2019 includes notable milestones for the Group as it launched a freehold development, Van Holland, located on the former Toho Mansion en bloc site in Holland Village. The project is a lifestyle-themed development which capitalises on the rejuvenation of the Holland Village vicinity, focusing on better living spaces with convenience and excellent connectivity.

As the Company continuously seeks to drive growth, value and innovation to create a positive transformation in the society, it also endeavours to align its sustainability initiatives with business objectives. The Company considers sustainability issues as part of its strategic formulation and continues to focus on setting up a strategic direction towards ensuring the efficient consumption of resources, workplace diversity, fair employment practices, as well as the health and safety of its employees.

The directors of the Company (the “Board”) continues to be supported by management in integrating sustainability considerations into its business decisions. As discharged by the Board, management from across the Group is responsible for determining ESG issues that are material to the Group, and managing and reporting the Group’s ESG performance.

The Board thanks its various stakeholders for being part of this sustainability journey and looks forward to continue sharing the Group’s performance on its sustainability journey.

Board of Directors
Koh Brothers Group Limited

▶ ABOUT THIS REPORT

REPORTING PERIOD AND SCOPE

This report addresses the Group’s practices and performance around its material ESG factors during the period of 1 January to 31 December 2019. The scope of the report covers the Group’s main operating entities under two business units namely, the Construction and Building Materials and Real Estate business units.

REPORTING FRAMEWORK

This report has been prepared in accordance with the requirements of SGX-ST Listing Rules 711A and 711B, and with reference to the Global Reporting Initiative (“GRI”) Standards. The GRI Standards were selected as it is an internationally recognised reporting framework that covers a comprehensive range of sustainability disclosures.

This report references the following GRI Standards and topic-specific disclosures:

- Disclosure 201-1 from GRI 201: Economic Performance 2016
- Disclosures 302-1 (c. (i)) from GRI 302: Energy 2016
- Disclosures 302-3 from GRI 302: Energy 2016
- Disclosures 303-5 (a) from GRI 303: Water and Effluents 2018
- Disclosure 403-9 (a. (i) and (iii)) from GRI 403: Occupational Health and Safety 2018
- Disclosure 405-1 (b.(i)) from GRI 405: Diversity and Equal Opportunity¹

FEEDBACK

We value and welcome all feedback from stakeholders as they are integral to the continuous improvement of our sustainability practices and reporting. Please send all comments and suggestions to our Investor Relations Consultants, Citigate Dewe Rogerson, i.MAGE Pte Ltd.

▶ MANAGING SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

The Company understands that stakeholders play a critical role in determining a business’ long-term viability. Thus, we engage with our stakeholders regularly through various methods to understand and address their needs and expectations.

Key Stakeholders	Engagement Methods
Government / Regulators	<ul style="list-style-type: none"> • Participation in government initiatives and policy working groups
Employees	<ul style="list-style-type: none"> • Annual performance appraisals • Staff orientation for new employees • Regular sessions with the Project Heads and/or Heads of Departments to address the training needs of staff • Annual staff events • Ad-hoc gatherings, such as celebration dinners for achieving milestones
Investors	<ul style="list-style-type: none"> • Annual General Meetings (“AGMs”) • Annual reports • Notices, Circulars and Announcements

¹ For Disclosure 405-1, the gender distribution of employees is disclosed in this report, without the breakdown by employee category.

SUSTAINABILITY APPROACH

Key Stakeholders	Engagement Methods
Customers	<ul style="list-style-type: none"> Websites Face-to-face meetings
Contractors	<ul style="list-style-type: none"> Periodic meetings Contractor/supplier evaluation exercises
Local Communities	<ul style="list-style-type: none"> Corporate Social Responsibility ("CSR") initiatives Community meetings
Media	<ul style="list-style-type: none"> Media announcements

MATERIALITY ASSESSMENT

We believe that material issues have a direct or an indirect impact on our ability to create, preserve or deplete the economic, environmental and social value for ourselves, our stakeholders and the society at large. A materiality assessment allows us to identify aspects most relevant to us, which aids in defining our sustainability goals and their alignment with our business aspirations.

In September 2017, the Company conducted a 3-step materiality assessment that is in line with the Materiality Principle of the GRI Standards. The process is described as follows:



In the process of identifying the material ESG factors, the Company considered the following:

- Global and local emerging sustainability trends;
- Main topics and future challenges for the construction, building materials, and real estate sectors, as identified by peers; and
- Insights gained from regular interactions with internal and external stakeholders

Our assessment yielded 4 material ESG factors as shown in the following table.

In 2019, the Company re-validated these material ESG factors identified in 2017. Taking into consideration our business operations and the sustainability landscape, the existing 4 ESG factors were deemed to remain relevant and material to the Group. The Company will regularly review and assess these material ESG factors to ensure their relevance.

Sustainability Focus Area	Material ESG Factors
Economic	Economic performance ²
Environmental	Utilities and emissions
Social	Employment practices
	Health and safety

KEY PERFORMANCE AT A GLANCE

MATERIAL ESG FACTORS	PERFORMANCE MEASURES ³	2018 Performance	2019 Performance	2019 Performance against 2019 Targets
Environmental – Utilities and Emissions	Energy			
	Total energy consumed (kWh)	333,399	152,894	Achieved – Maintain energy intensity at 3.0 kWh/m ² based on Project GFA
	Total energy intensity (kWh/m ²)	1.15	0.84	
	Water			
	Total water consumed (m ³)	105,402	59,828	Achieved – Maintain water intensity at 0.4 m ³ /m ² based on Project GFA
Total water intensity (m ³ /m ²)	0.36	0.33		
Social – Employment Practices	Employment Practices			
	Gender distribution: Male	77%	80%	Achieved – Maintain a gender distribution ratio within the Group of between 70% to 80% for male employees and between 20% to 30% for female employees
	Gender distribution: Female	23%	20%	
Health and Safety				
Social – Health and Safety	Total number of workplace fatalities	0	0	Achieved – Zero workplace fatalities
	Accident Severity Rate ("ASR") ⁴	57.04	47.15	Achieved – <ul style="list-style-type: none"> • Maintain or reduce ASR as per 2018 ASR of 57.04 • Maintain ASR below construction industry average ASR of 115

▶ ENVIRONMENTAL

UTILITIES AND EMISSIONS

Energy and its associated greenhouse gas (“GHG”) emissions are emerging global concerns. To play its part in combating global climate change, the Company aims to minimise the environmental impacts that its operations create.

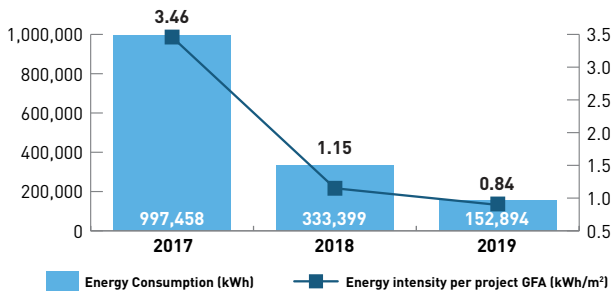
Our 2019 energy performance, which comprises of electricity and diesel consumption, and water consumption is as follows:

2019 Performance ³	
Energy	
• Total energy consumption: 152,894 kWh	
• Energy intensity per Project Gross Floor Area (“GFA”): 0.84 kWh/m ²	
Water	
• Total water consumption: 59,828 m ³	
• Water intensity per Project GFA: 0.33 m ³ /m ²	

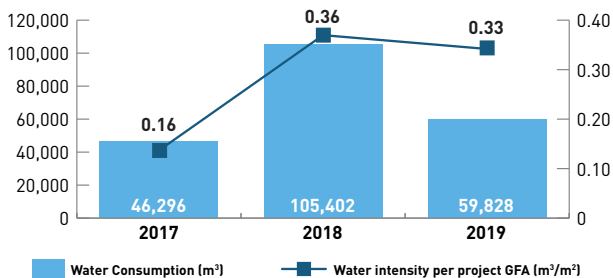
2019 Performance against 2019 Targets	
Energy	Achieved
• Maintain energy intensity at 3.0 kWh/m ² based on Project GFA	
Water	Achieved
• Maintain water intensity at 0.4 m ³ /m ² based on Project GFA	

2020 Targets	
• Maintain energy intensity at 3.0 kWh/m ² based on Project GFA	
• Maintain water intensity at 0.4 m ³ /m ² based on Project GFA	

Energy Consumption and Intensity



Water Consumption and Intensity



Our energy and water consumption are dependent on type, size, construction stage, construction activity, and whether the project is a building or civil engineering project. In 2019, energy and water intensity decreased by 26.96% and 8.33% respectively from 2018. This can be credited to a firm-wide effort in conserving resources through various measures.



The Group has implemented various measures to optimise its utilities and emissions performance, including the following:

- Regular maintenance of equipment and facilities to ensure optimal energy efficiency
- Provision of high-efficiency systems such as lifts with variable voltage frequency and sleep mode features
- Installation of energy-efficient light fittings and motion sensors at the common staircases and toilets
- Use of NEWater instead of PUB domestic water for construction works (e.g. watering of plants, cleaning of sites)

To manage the Group’s environmental performance holistically and systematically, the Company has also acquired the ISO 14001 certification for environmental management systems in 2004. Going forward, the Group will continue to maintain zero non-conformances for all external audits conducted for the aforementioned management systems.

In addition to reducing energy and water consumption, the Group aspires to help others decrease their resource use through promoting green buildings. The Group plans to train selected key staff in the design and implementation of Green Building and the Energy Conservation Act. The Group aims to achieve the Green Mark Gold^{Plus} Award by the Building and Construction Authority of Singapore (“BCA”) for our Tuas Water Reclamation Plant (“TWRP”) project, and the BCA Green Mark Gold Award or its equivalent for new projects overseas.

In the next year, we target to maintain energy intensity at 3.0 kWh/m² and water intensity at 0.4 m³/m² based on Project GFA.

2 Please refer to the financial statements as set out in the Annual Report 2019 for more information on the Group’s economic performance for the financial year ended 31 December 2019.

3 The disclosures for these performance measures encompass the Group’s performance by its main operating entities under the Construction business unit.

4 “ASR” refers to the number of lost work days experienced by the Company’s Construction business unit, and computed based on the number of man-days lost due to workplace accidents per million man-hours worked.

SUSTAINABILITY APPROACH

► SOCIAL

EMPLOYMENT PRACTICES

A team of high-performing and committed employees is fundamental to the success of our business. With this belief, the Company is committed to attracting, developing and retaining dedicated and professional employees that share the Company's values.

2019 Performance ³	
Gender Distribution	
• Male: 80%	• Female: 20%
2019 Performance against 2019 Targets	
Male Employees	Achieved
• Achieve a ratio of between 70% to 80%	
Female Employees	Achieved
• Achieve a ratio of between 20% to 30%	
2020 Targets	
• Maintain a gender distribution ratio within the Group of between 70% to 80% for male employees and between 20% to 30% for female employees	

Diversity is key to building a dynamic and productive workforce. The Company does not tolerate any discrimination on the grounds of sex, age, racial origin, religious affiliation, disability or marital status. We adopt a fair employment policy that provides everyone with equal opportunities free from discrimination. All employees are evaluated based on their merits and have an equal opportunity to be trained, promoted, selected for posts, and to have their employments terminated equally and fairly.

The Group recognises that it operates in male-dominated industries, and is therefore conscious of gender diversity within the Group. In 2019, the Group achieved the targeted gender distribution ratio of 20% to 30% for female employees and in the forthcoming year, the Company will explore initiatives to improve gender diversity among its workforce and strive to maintain this targeted gender distribution ratio of 70% to 80% for male employees and 20% to 30% for female employees.

In addition, the Company believes that understanding its employees' needs is crucial to retaining employees, and thus deploys an "open-door" policy to encourage communication between management and employees. The Company also has a set of competitive employee retention strategies and incentives to increase staff retention and decrease staff turnover.

Another key to retaining employees is to provide them with an engaging and fulfilling career by helping them discover and achieve their full potential. The Company provides personalised training and education programmes, including job rotations, which allows employees to gain different skill sets and deepen their understanding of the Company's operations. The Company also reviews each employee's development plans during the annual performance appraisal to ensure that their training needs and goals are addressed.

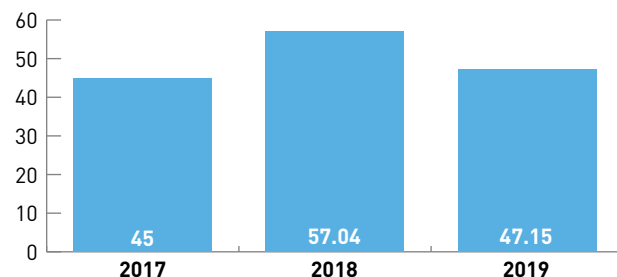
HEALTH AND SAFETY

Safeguarding our employees' health and safety is of utmost importance to us, and is integral to ensuring smooth operations. The Company believes that maintaining a safe working environment is the responsibility of all – from employees to management.

Our health and safety performances for the reporting year are as follows:

2019 Performance ³	
Workplace Fatalities	
• Zero workplace fatalities	
Accident Severity Rate ("ASR")⁴	
• Accident Severity Rate ("ASR"): 47.15	
2019 Performance against 2019 Targets	
Workplace Fatalities	Achieved
• Zero workplace fatalities	
Accident Severity Rate ("ASR")	Achieved
• Maintain or reduce ASR as per 2018 ASR of 57.04	
• Maintain ASR below construction industry average ASR of 115 ⁵	
2020 Targets	
Workplace Fatalities	
• Maintain zero workplace fatalities	
Accident Severity Rate ("ASR")	
• Maintain or reduce ASR as per 2019 ASR of 47.15	

Accident Severity Rate ("ASR")



During the year, the Group met its target of zero workplace fatalities, and also reduced the ASR from 57.04 in 2018 to 47.15 in 2019. The Group's ASR of 47.15 continues to be below the industry average ASR of 115, based on the latest available national statistics for the construction sector⁵.

The Company has established Health and Safety Policies that all business lines are required to adhere to and implement during their operations. At the Company level, the Risk Management Committee of the Company's Construction unit has monthly meetings to discuss health and safety issues and incidents, and evaluate the sufficiency of health and safety initiatives. A Health and Safety CEO Forum is also held quarterly, where the CEO of the Construction unit will discuss health and safety issues with the Company's Health, Safety, and Environment ("HSE") division.

⁵ Latest available statistics on the average ASR for the construction sector is extracted from the Workplace Safety and Health Report 2018, as published by the Ministry of Manpower of Singapore.

At the project level, health and safety risks and impacts are assessed for all projects and opportunities for improvement in the different project life cycle stages are identified, such as during project plan development, project execution and project handover. At weekly project meetings, health and safety issues are discussed and messages from the meetings are cascaded to all supervisors and workers every morning before starting work. A group chat has also been formed to facilitate real-time safety updates and incident reporting between the management and project teams. In addition, we have implemented a pilot project, where Project Directors and Managers engage workers in monthly dialogue sessions.

At the site level, a safety manager conducts spot checks to ensure that assets and equipment including elevators, escalators and stairwells are well-maintained at worksites, ensuring that all necessary safety equipment are in place. 24/7 security guards are also hired to conduct daily rounds and spot checks. Periodic site meetings are conducted with project consultants to highlight any health and safety-related matters. If any safety incidents were reported by employees or visitors, the safety managers are responsible for conducting timely investigation and execution of preventive and corrective actions. The Company has a group of appointed clinics to provide readily-available medical and healthcare services to employees and workers when required.

To supplement regular reviews of health and safety issues at various levels, the Company provides regular trainings to educate employees on the potential occupational health risks and safety hazards, as well as the proper precautions to take. Each of our projects has a training plan and various HSE trainings are conducted on a monthly basis. Employees are also required to complete a HSE induction programme at the KBCE Training Centre.

The Company's Construction unit has set aside a health and safety budget dedicated to implementing health and safety improvement initiatives. Procedures are also in place to award workers, supervisors and subcontractors for safety-conscious behaviours to incentivise and nurture the safety culture.

In the next year, the Company aims to maintain zero workplace fatalities. It also aims to keep the workplace injury rate below the construction industry average, as well as reduce it by 10% as compared to 2019 levels.



CORPORATE SOCIAL RESPONSIBILITY

The Company is dedicated to our role of being a force that brings positive changes to the local communities it operates in. Giving back to the society that has supported the growth of the Company is at the core of its values. The Company contributes and reaches out to the society through corporate responsibility initiatives ("CSR"), which includes corporate philanthropy, volunteerism, the environment and corporate sponsorship.

Some of our initiatives are described below:

HCA Hospice Care Day: The Company collaborated with HCA Hospice for an activity-filled day at Punggol Waterway Park. Volunteers from the Company interacted with life-limiting patients, uplifting their spirits by bringing them joy. The Company will continue to participate and invest its resources to support the local communities, those of lesser privilege or are in less fortunate circumstances.

Singapore Children's Society: The Company is an active participant in the Singapore Children's Society's 1000 Enterprises for Children-In-Need Programme, where it pledges annual donations. The Company will continue contributing to this cause as it believes that the support provided will go a long way in helping the children in need.

Society for the Physically Disabled ("SPD") Charity Hongbao: The Company is proud to be part of SPD's Charity Hongbao Donation Drive, hoping to make a difference in the lives of people with disabilities during the Lunar New Year. The Company's 'hongbao' donations will fund over 20 programmes and services offered by SPD, which facilitates the integration of people with disabilities into the society.

BCA-Industry Built Environment Undergraduate Scholarship/Sponsorship: Together with other industry firms, the Company's Construction unit collaborated with BCA to offer BCA-Industry Built Environment Undergraduate Scholarship/Sponsorship to students pursuing full-time built environment courses at local universities and the BCA Academy. The Company believes that through these programmes, graduates will enjoy ample opportunities while being nurtured for an exciting and rewarding career in the Built Environment sector.

Other CSR Initiatives at Koh Brothers: The Company has participated in many CSR programmes organised by various agencies, institutions, and associations. These activities include collaborations with the National Crime Prevention Council, SCDF (SGSECURE), SHINE Charity Golf 2019, St. Margaret's Church Charity Golf, TUCSSG Friendly Golf, KOCHAM Challenge Charity Golf & Dinner, SCAL Charity Golf Tournament, and SPM 24th Annual Dinner.

BOARDS OF DIRECTORS



1 **KOH TIAT MENG** Executive Chairman

Mr Koh Tiat Meng is the Executive Chairman of Koh Brothers Group Limited. He was appointed a Director on 2 February 1994 and was last re-elected on 17 April 2019. He is the Chairman of the Executive Committee.

Mr Koh founded the Group in 1966 and has more than 50 years of experience in the construction industry. He was the driving force in charting the strategic expansion of the Group's businesses in Construction, Building Materials, Real Estate and Leisure & Hospitality as well as spearheading its activities into China, Malaysia, Indonesia and Vietnam.

In 2009, Mr Koh was awarded the Public Service Medal (PBM) by the President of Singapore for his contributions to social and community services.

2 **KOH TEAK HUAT** Executive Deputy Chairman

Mr Koh Teak Huat is the Executive Deputy Chairman of the Company. He was appointed a Director on 2 February 1994 and was last re-elected on 17 April 2019. He is the Deputy Chairman of the Executive Committee.

Mr Koh joined the Group in 1970 and was a major contributor to the growth of the Group's core businesses. He has more than 45 years of experience in the construction industry, with in-depth expertise in managing drainage, excavation and reclamation projects.

Mr Koh was conferred the title of Dato' Paduka Mahkota Terengganu Yang Kehormet, D.P.M.T. by the Sultan of Terengganu, Malaysia on 29 April 1994.

3 **KOH KENG SIANG (FRANCIS)** Managing Director and Group CEO

Mr Koh Keng Siang is the Managing Director and Group Chief Executive Officer of the Company. He was appointed a director on 5 May 1994 and was last re-elected on 29 April 2005. He was appointed as the Managing Director and Group CEO on 12 January 2007. He is a member of the Executive Committee and the Nominating Committee.

Mr Koh has been with the Group since 1987 and has held various positions in administration, finance and project management. He was the main driving force behind the expansion of the Group's business into Real Estate and Leisure & Hospitality. He is credited with spearheading the Group to establish its brand name in Singapore as a builder of quality homes.

Mr Koh holds a Master of Business Administration from the National University of Singapore and a Bachelor of Engineering (Honours) from the University of Birmingham. He was conferred the Best Executive Award 1997-1998 by His Excellency, the State Minister of Industry and Trade of the Republic of Indonesia, Mr Ir T Airwibowo. He was also conferred the Promising SME 500 (Distinguished Business Leader of the year) in 2014 and was named the Real Estate Personality of the year 2016.

Mr Koh is also the Non-Executive and Non-Independent Chairman of Koh Brothers Eco Engineering Limited, a counsel member of the Teochew Federation Council and Honorary Chairman of the Singapore Khoh Clan Association.

4 **KOH KENG HIONG (JOSEPH)** Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality Divisions)

Mr Koh Keng Hiong is an Executive Director of the Company. He was appointed a Director on 7 February 2007 and was last re-elected on 26 April 2018. He is a member of the Executive Committee.

Mr Koh began his career with the Group in 1991 and involved in many key business development projects of the Group in Vietnam and Singapore. With over 25 years of experience, he has amassed an extensive portfolio of skills and capabilities spanning across a broad spectrum of businesses in hospitality and property. His vast array of expertise has seen him engaged in key corporate and operations functions such as strategic business management, corporate planning, sales and marketing, finance, human resource, information technology, as well as business development.

Mr Koh holds a Bachelor of Science with Honours in Business Administration (majoring in Finance) from the San Francisco State University, California, USA.

5 **LEE SOK KHIAN JOHN** Executive Director

Mr Lee Sok Khian John is an Executive Director of the Company. He was appointed a Director on 9 May 2016 and was re-elected on 17 April 2019.

Prior to Mr Lee's appointment as a Director of the Company, he was its Chief Financial Officer and Company Secretary. He has an extensive experience in management, corporate, accounting and finance functions in various industries.

Mr Lee is a Fellow of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants. He is also an Associate of the Chartered Institute of Management Accountants and the Chartered Secretaries Institute of Singapore. Mr Lee is also currently a Non-Executive and Non-Independent Director of Koh Brothers Eco Engineering Limited.

BOARDS OF DIRECTORS

6 QUEK CHEE NEE Non-Executive and Non-Independent Director

Mdm Quek Chee Nee is a Non-Executive and Non-Independent Director of the Company. She was appointed a Director on 2 February 1994 and was last re-elected on 26 April 2018.

Mdm Quek joined the Group in 1969 and assisted the Chairman in running the Group's construction activities when it was still undertaken as a sole proprietorship. She played a pivotal role in helping the Group corporatise its businesses and achieve major success before relinquishing her executive role.

Mdm Quek has more than 50 years of experience in the construction industry and contributed significantly to the Group's growth.

7 ER DR LEE BEE WAH Lead Independent Director

Er Dr Lee Bee Wah is an Independent Director of the Company. She was appointed a Director on 1 July 2015 and was last re-elected on 26 April 2018. She was appointed as the Lead Independent Director on 20 June 2016 and is the Chairperson of the Audit and Risk Committee.

Er Dr Lee is a Licensed Professional Engineer who made history at the Institution of Engineers Singapore by becoming its first woman President in 2008. She is also the first Singaporean to be awarded Honorary Fellow of the Institution of Structural Engineers, United Kingdom. Er Dr Lee is a Honorary Fellow Member of the Institution of Engineers Singapore and a past Board Member of the Professional Engineers Board, Singapore. She holds a Master of Science (Engineering) from the University of Liverpool and a Bachelor of Civil Engineering from Nanyang Technological University. She was conferred an Honorary Doctorate by the University of Liverpool in July 2011.

Er Dr Lee is currently the Group Director of Meinhardt (Singapore) Pte Ltd, a leading global engineering, planning and management consultancy firm headquartered in Singapore. Prior to this, she was the Principal Partner of LBW Consultants LLP, before the acquisition by Meinhardt Group. Er Dr Lee is an elected Member of Parliament ("MP")

since 2006 and is currently an MP for Nee Soon GRC. As an MP, she has brought up many issues in Parliament to improve the standing of the engineering profession in Singapore. These ranged from the salaries of engineers to the implementation of green engineering in building structures. Many of her suggestions had subsequently become national policies. She was the chairman of the Government Parliamentary Committee (GPC) for National Development and currently chair the GPC for Ministry of Environment and Water Resources.

Er Dr Lee was the President of the Singapore Table Tennis Association ("STTA") from 2008 to 2014. During her tenure, STTA has put Singapore on the global sporting map, winning regional and international awards, including medals in the 2008 Beijing Summer Olympics and in the 2012 London Olympics. She is currently the Adviser to the STTA and Singapore Swimming Association since 2014. Er Dr Lee is also the Non-Executive Chairman of public-listed Tee Land Limited, an integrated real estate group with its operations in Singapore and the region.

8 LAI MUN ONN Independent Director

Mr Lai Mun Onn is an Independent Director of the Company. He was appointed a Director on 30 July 1994 and was last re-elected on 17 April 2019. He is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee, the Nominating Committee and the Share Purchase Committee.

Mr Lai is the Managing Partner of Lai Mun Onn & Co., a law firm in Singapore. He graduated from the University of London with a Bachelor of Law with Honours and obtained his Barrister-at-Law from Lincoln's Inn. In 1982, he was admitted as an Advocate and Solicitor of the Supreme Court of Singapore. He is presently a Notary Public and Commissioner for Oaths, and a member of the Singapore Institute of Arbitrators.

He is a member of the Governing Council of the Singapore Golf Association and the President of the Keppel Club. Mr Lai is also an independent director of Fuji Offset Plates Manufacturing Ltd.

9 GN HIANG MENG
Independent Director

Mr Gn Hiang Meng is an Independent Director of the Company. He was appointed a Director on 16 August 2007 and was last re-elected on 26 April 2018. He is the Chairman of the Share Purchase Committee and a member of the Audit and Risk Committee, the Remuneration Committee and the Nominating Committee.

Mr Gn was with the United Overseas Bank Group for 28 years and till his resignation in 2001, was the Senior Executive Vice President in charge of investment banking and stock-broking businesses. From 2001 to his retirement in 2007, he was the Deputy President of UOL Group Limited.

Mr Gn graduated with a Bachelor in Business Administration with Honours from the University of Singapore. He is also an Independent Director of Centurion Corporation Limited, Haw Par Corporation Limited, Singhaiyi Group Ltd. and Tee International Limited.

10 OW YONG THIAN SOO
Independent Director

Mr Ow Yong Thian Soo is an Independent Director of the Company. He was appointed a Director on 20 June 2016 and was last re-elected on 20 April 2017. He is the Chairman of the Nominating Committee and a member of the Audit and Risk Committee, the Remuneration Committee and the Share Purchase Committee.

Mr Ow Yong was admitted to the Singapore Bar in 1982. He is a Senior Partner of the law firm, Lee & Lee and is the Head of its Real Estate Department. His practice covers a wide range of real estate and financing transactions relating to commercial industrial and residential properties.

11 LOW YEE KHIM
Independent Director

Mr Low is an Independent Director of Koh Brothers Group Limited. Mr Low was appointed a Director on 1 January 2019 and was last re-elected on 17 April 2019. Mr Low was previously the Executive Director and Chief Operating Officer of Heeton Holdings Limited, overseeing its finance, leasing, operational, marketing, project and hospitality activities.

Prior to joining Heeton Holdings Limited, Mr Low worked with MNCs and various Singapore listed companies. Mr Low is a fellow member of the Institute of Singapore Chartered Accountants.

SENIOR MANAGEMENT

SHIN YONG SEUB (PAUL)

Chief Executive Officer

(Koh Brothers Eco Engineering Limited)

Mr Shin was appointed the Chief Executive Officer of Koh Brothers Eco Engineering Limited in 2015. Prior to joining Koh Brothers Eco Engineering Limited, he was the Head of Southeast Asia for Samsung C&T Corporation from 2010 to 2015. He was also previously the Vice President and General Manager of the Global Marketing and Operations Division of Samsung C&T Corporation at the Seoul Headquarters from 2004 to 2009. From 1997 to 2004, Mr Shin was the General Manager for Samsung Corporation (E&C Group) in Singapore and the Managing Director for Samsung Singapore's Regional Office for Southeast Asia.

Mr Shin holds a Bachelor of Arts degree in International Business from Hankuk University of Foreign Studies in Korea, as well as a Bachelor of Arts in Middle East Politics & Economics from King Saud University. He also has a Master's degree in International Business Administration from Korea University.

CHOO SIEW MENG

Executive Director

(Construction Division)

Mr Choo was appointed as Executive Director (Construction) in December 2017. He has more than 45 years of experience in the construction industry including a stint as a Civil Engineer with the Housing & Development Board from 1973 to 1977.

Prior to 2009, he was the Executive Director of Koh Brothers Building & Civil Engineering Contractors (Pte.) Ltd. where he was responsible for the overall performance of the Construction Division. From 2009 to 2016, he was the Executive Director of the construction division of another public listed company.

Mr Choo has in-depth knowledge and experience in both building projects and highly specialised civil engineering and infrastructural projects.

Mr Choo holds a Bachelor of Engineering from the University of Singapore.

TAN SOON POW (ALAN)

Group Chief Executive Officer

(Building Materials Division)

Mr Tan joined the Building Materials Division as a Group General Manager in 1995. He was the principal driving force behind the expansion of this division. In recognition of his contributions and expertise, he was progressively promoted to his current position of Group Chief Executive Officer of the Building Materials division in 2010.

He is responsible for the strategic business development, planning and overall performance of this division. Mr Tan has more than 46 years of extensive experience in management positions spanning over 3 industries, namely Marine, Construction and Building Materials. He has been actively involved in the Building Materials industry and was previously the President of the Ready Mix Concrete Association of Singapore and the President of the Cement and Concrete Association of Singapore.

CHAN PING MENG

Executive Director

(Building Materials Division)

Mr Chan joined the Building Materials Division as an Operations Manager in 1997. He was promoted to Executive Director of G&W Precast Pte Ltd and G&W Building Materials Sdn. Bhd. in 2013. He has more than 36 years of experience in precast concrete operations. He has been involved in precasting for a wide variety of projects from civil engineering, building and marine construction. Mr Chan holds a Diploma in Civil Engineering from the Singapore Polytechnic and a Specialist Diploma in Precast Concrete Construction from the Building and Construction Authority, Singapore.

BERNARD WONG EE YU**Executive Director**

(Real Estate Division)

Mr Wong joined the Group as an Executive Director (Real Estate Division) in 2012 and is responsible for overseeing the overall operations, business performance and growth of this division. Mr Wong has more than 30 years of engineering and management experience in the property sector. Prior to joining the Group, he held senior and management positions with various property developers in Malaysia.

Mr Wong holds a Bachelor of Engineering with Honours in Civil Engineering from the University of Birmingham.

TAY TZE WEN (SAMMI)**Financial Controller**

Ms Tay joined the Group in 2006 and was promoted to her current position of Financial Controller in May 2016. She is responsible for the Group's financial affairs including accounting, finance, treasury, taxation as well as risk management. Ms Tay has over 15 years of experience in auditing, accounting and finance. She holds a Bachelor of Commerce in Accounting and Finance from Monash University, Australia. She is also a Chartered Accountant of ISCA and member of CPA Australia.

CHUA HANYANG, ISAAC**Company Secretary**

Mr Chua joined the Group in April 2018 as the Legal Counsel and was appointed Company Secretary in December 2018. He oversees the Group's corporate secretarial, legal and compliance functions.

Mr Chua graduated from the National University of Singapore with a Bachelor of Laws (Honours) (LL.B.)

GROUP STRUCTURE



Building Cities Building Dreams

KOH BROTHERS GROUP LIMITED

CONSTRUCTION AND BUILDING MATERIALS

- G & W Ready-Mix Pte Ltd
- G & W Precast Pte Ltd
- Koh Brothers Eco Engineering Limited
- Koh Brothers Building & Civil Engineering Contractor (Pte) Ltd
- Oiltek (S) Pte Ltd
- Oiltek Sdn Bhd
- Oiltek Nova Bioenergy Sdn Bhd

LEISURE & HOSPITALITY

- Oxford Hotel Pte Ltd
- Koh Brothers Investment Pte Ltd

REAL ESTATE

- Koh Brothers Development Pte Ltd
- Koh Brothers Holdings Pte Ltd
- KBD Holland Pte Ltd
- Koh Brothers Gangnam Limited
- KBD Ventures Pte Ltd
- Changi Properties Pte Ltd
- KBD Kosdale Pte Ltd
- Kosland Pte Ltd
- PT. Koh Brothers Indonesia

Note: This list is not exhaustive

CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**”) of Koh Brothers Group Limited (the “**Company**”) is committed to ensuring that a high standard of corporate governance is practised throughout the Company and its subsidiaries (the “**Group**”). The Board believes that good corporate governance enhances shareholder value, corporate performance and accountability. This report discloses the corporate governance framework and practices that the Company has adopted, with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”). Where the Company’s practices vary from any provisions of the Code, the Company has explicitly stated the provision from which it has varied, and explained the reason for the variation and how its practices are consistent with the intent of the relevant principle in this report. The Board will continue to review the corporate governance policies regularly in order to further add value to stakeholders and enhance investor confidence.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1 *The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The Board is made up of the following 11 directors comprising 5 executive directors, 1 non-executive and non-independent director, and 5 independent directors:

Koh Tiat Meng (Executive Chairman)
Koh Teak Huat (Executive Deputy Chairman)
Koh Keng Siang (Managing Director & Group Chief Executive Officer (“MD & Group CEO”)
Koh Keng Hiong (Executive Director and Deputy Chief Executive Officer (Real Estate and Leisure & Hospitality divisions))
Lee Sok Khian John (Executive Director)
Quek Chee Nee (Non-Executive and Non-Independent Director)
Er Dr Lee Bee Wah (Lead Independent Director)
Lai Mun Onn (Independent Director)
Gn Hiang Meng (Independent Director)
Ow Yong Thian Soo (Independent Director)
Low Yee Khim (Independent Director)

The Board assumes responsibility for the stewardship of the Group. Its primary objective is to protect and enhance shareholder value. Apart from its statutory responsibilities, the Board’s role is to, *inter alia*,

- (a) review and oversee the management of the Group’s business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its objectives;
- (b) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (c) establish a framework of prudent and effective controls which enables risks to be assessed and managed (including safeguarding shareholders’ interests and the Company’s assets);
- (d) approve major investment and funding decisions;
- (e) set the Company’s values and standards and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues (e.g. environmental and social factors) as part of its strategic formulation.

All directors are expected to objectively discharge their duties and responsibilities, to act in good faith, to provide insights and to consider the interests of the Company at all times. Any director facing a conflict of interests will recuse himself or herself from discussions and decisions involving the issue of conflict. (Provision 1.1 of the Code)

The Board has established the following committees which assist the Board in executing its duties according to clearly defined terms of reference:

- (a) Executive Committee (“**EC**”);
- (b) Audit and Risk Committee (“**ARC**”);
- (c) Nominating Committee (“**NC**”);
- (d) Remuneration Committee (“**RC**”); and
- (e) Share Purchase Committee (“**SPC**”).

CORPORATE GOVERNANCE REPORT

The Board delegates the formulation of business policies and day-to-day management to the MD & Group CEO and the executive directors. (Provision 1.4 of the Code)

The Board meets at least 4 times a year and convenes additional meetings when warranted by particular circumstances. In between Board meetings, other important matters will be tabled for the Board's approval by way of circulating resolutions in writing. The Company's Constitution provides for meetings of directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or other means.

A record of the directors' attendance at Board and its committee meetings in 2019 is disclosed below

	BOARD	EC	ARC	NC	RC	SPC
No. of meetings held in 2019	4	4	4	1	1	4
Name of Directors	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended
Koh Tiat Meng	4	4	-	-	-	-
Koh Teak Huat	4	3	-	-	-	-
Koh Keng Siang	4	4	-	1	-	-
Koh Keng Hiong	3	3	-	-	-	-
Lee Sok Khian John	4	-	-	-	-	-
Quek Chee Nee	4	-	-	-	-	-
Er Dr Lee Bee Wah	4	-	4	-	-	-
Lai Mun Onn	4	-	4	1	1	4
Gn Hiang Meng	4	-	4	1	1	4
Ow Yong Thian Soo	4	-	4	1	1	4
Low Yee Khim	4	-	-	-	-	-

The Board is of the view that the contributions of each director should not be based only on his/her attendance at Board and/or Board committee meetings. A director's contributions may also extend beyond the formal environment of Board meetings, such as through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Group. (Provision 1.5 of the Code)

The Board has not determined the maximum number of listed company board representations which any director may hold. The Board is of the view that directors who have multiple board representations have thus far devoted sufficient time and attention to the affairs of the Group. Their multiple board representations and other principal commitments have not hindered their ability to carry out their duties as directors of the Company. Such multiple board representations of the directors benefit the Group as the directors are able to bring with them the experience and knowledge obtained from such board representations in other companies. (Provision 1.5 of the Code)

The Company has adopted internal controls and guidelines setting forth matters that require the Board's approval. These matters relate, inter alia, to:

- (a) corporate or financial restructuring;
- (b) material acquisitions and disposals of assets which are outside the ordinary course of business;
- (c) dividend payments;
- (d) financial results announcements; and
- (e) bank borrowings and provision of corporate guarantees.

The Board also approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board committees and Management via a structured delegation of authority matrix (i.e.: Group Limits of Authority (the "GLA")), which is reviewed, and revised when necessary.

CORPORATE GOVERNANCE REPORT

The GLA provides clear guidance and directions to Management on matters requiring the Board's specific approval. These matters include but are not limited to:

- (a) material acquisitions and disposals of assets/investments;
- (b) corporate/financial restructuring/corporate exercises;
- (c) budgets/forecasts; and
- (d) material financial/funding arrangements and expenditures. (Provision 1.3 of the Code)

The Company has in place an orientation programme for all newly appointed directors. This ensures that newly appointed directors are familiar with the Group's structure, business and operations, corporate governance practices, and their duties as directors. Where appropriate, the Company will also provide first-time directors with training in areas such as accounting, legal and industry-specific knowledge.

The Board is updated on relevant new laws, regulations and changing commercial risks from time to time. Directors are encouraged to attend training sessions, courses and seminars conducted by external consultants and institutions at the Company's expense. (Provision 1.2 of the Code)

Prior to each meeting and when the need arises, the Board is furnished with complete and adequate information in a timely manner to enable full deliberation of the issues to be considered. To ensure that the Board is able to fulfil its responsibilities, Management readily provides the Board with board papers and related materials, background and copies of disclosure documents, management reports, forecasts, budgets, financial statements and other relevant information of the Group. (Provision 1.6 of the Code)

Directors have separate and independent access to the Management and the Company Secretary. The Company Secretary attends all Board and board committee meetings, and is responsible for ensuring that the meeting and other Board procedures are followed and the applicable rules and regulations are complied with. Under the direction of the Executive Chairman, the Company Secretary is responsible for, inter alia, (i) ensuring an effective flow of information within the Board and its committees and Management; (ii) facilitating orientation and (iii) assisting with professional development, as required. The Company Secretary also assists the Board in implementation and upkeep of good corporate governance and best practices across the Group.

The appointment and the removal of the Company Secretary are matters taken by the Board as a whole.

In the event that the directors (either individually or as a group) require independent professional advice in the furtherance of their duties, the Company Secretary will, upon approval by the Board, appoint a professional advisor to render such services. The cost of the services will be borne by the Company. (Provision 1.7 of the Code)

Board Composition and Guidance

Principle 2 The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board is made up of 11 directors comprising 5 executive directors, 1 non-executive and non-independent director, and 5 independent directors. The Board is of the view that there is a strong and independent element on the Board and an appropriate level of independence and diversity of thought and background in its composition to exercise independent judgment in the best interests of the Company in light of the fact that a majority of the Board members are non-executive directors. There is a sufficient number of non-executive directors on the Board to carry significant weight in the Board's deliberations. The Board's decision making is not dominated by an individual or a small group of individuals. (Provision 2.2 and 2.3 of the Code)

The NC reviews and assesses the independence of each director, in accordance with the Code's criteria of independence, taking into account, inter alia, the director's ability to act with independent business judgement in the best interest of the Company and to discharge his duties objectively, and the director's conduct, character and judgment. The NC has assessed that the independent directors of the Board are independent within the meaning of the Code. Each independent director is required to complete a director's independence checklist which is drawn up based on the guidelines provided in the Code. The NC reviews and assesses the director's independence before presenting its recommendations to the Board for consideration and endorsement. (Provision 2.1 of the Code)

During the financial year under review, the Group had received notarial public and commissioner for oaths and legal services rendered from Lai Mun Onn & Co ("LMOC"), of which Mr Lai Mun Onn has an interest. The Board is of view that Mr Lai's independence has not been compromised as the aggregate value of the transactions during FY2019 was not significant in the context of both the Group's and LMOC's revenues. The Board believes that Mr Lai is able to exercise strong independent judgement in his deliberations and act in the interests of the Company.

CORPORATE GOVERNANCE REPORT

Mr Ow Yong Thian Soo is a partner of Lee & Lee (“L&L”), which had rendered legal services to the Group during FY2019. The Board considers that Mr Ow Yong’s independence has not been compromised as the aggregate value of the transactions during FY2019 was not significant in the context of both the Group’s and L&L’s revenues. The Board believes that Mr Ow Yong is able to exercise strong independent judgement in his deliberations and act in the interests of the Company.

Based on the NC’s recommendations, the Board has determined that the following directors are considered independent within the meaning of the Code:

Er Dr Lee Bee Wah

Lai Mun Onn

Gn Hiang Meng

Ow Yong Thian Soo

Low Yee Khim

Mr Lai Mun Onn and Mr Gn Hiang Meng have both served on the Board for more than 9 years. The Board conducted a more rigorous review on their status and considered them to be independent directors of the Company as they have consistently exercised strong independent judgement in their deliberations. The Board believes that they have acted and will continue to act in the best interests of the Company. In addition, their knowledge, experience and contributions have been valuable to the Company.

The Board, having examined the scope, nature and requirements of the Group’s business and operations, is of the view that the current Board size is appropriate for facilitating effective decision making. The Board will restructure the Board’s and its committees’ compositions, if necessary, to meet the changing needs and demands of the Group’s business and operations.

Directors have been appointed based on their calibre, expertise and experience. Board members comprise business leaders and professionals with finance, legal and industry knowledge. The Board, in concurrence with the NC, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. In this regard, the NC considered, amongst others, the skills, knowledge and experience required of the Board, in light of:

- (a) the geographical spread and diversity of the Group’s business;
- (b) the strategic direction and progress of the Group;
- (c) the current composition of the Board; and
- (d) the need for independence. (Provision 2.4 of the Code)

The Board currently comprises 6 non-executive directors who constructively challenge and help develop strategies for the Group. The non-executive directors also review the performance of Management in meeting agreed goals and objectives, and monitor the Group’s performance.

The independent directors also communicate regularly to discuss matters such as the Group’s financial performance, corporate governance initiatives, the performance of Management, and the remuneration of the executive directors and senior management. The independent directors meet up at least once annually, without the presence of Management to facilitate a more effective check on Management. The Chairman of such meetings provides feedback to the Board and/or the Chairman of the Board, as appropriate. (Provision 2.5 of the Code)

Chairman and Chief Executive Officer

Principle 3 *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

Mr Koh Tiat Meng is the executive chairman of the Board of the Company. The Board has appointed Mr Koh Keng Siang, who is the son of the executive chairman, as the MD & Group CEO.

The Board is of the view that it may not be in the best interest of the Company for the division of responsibilities between the executive chairman and the MD & Group CEO to be clearly established and set out in writing as the MD & Group CEO assists the executive chairman in his work from time to time. This is to ensure that the decision-making process of the Group would not be hindered unnecessarily. Both the executive chairman and the MD & Group CEO have executive responsibilities for the Group’s businesses and operations and are accountable to the Board. All major business proposals and decisions made by the executive chairman and the MD & Group CEO are discussed and reviewed by the Board.

CORPORATE GOVERNANCE REPORT

The executive chairman (assisted by the MD & Group CEO) is responsible for the Board's proceedings. He leads the Board to ensure its effectiveness in all aspects of its roles, promotes a culture of openness and debates at the Board, facilitates effective communication with shareholders, encourages constructive relations within the Board and between the Board and Management, facilitates effective contribution of each director and promotes high standards of corporate governance. With the assistance of the Company Secretary, he sets the agenda and ensures that Board members are provided with complete, adequate and timely information of all agenda items. (Provision 3.1 and 3.2 of the Code)

Er Dr Lee Bee Wah is the lead independent director whom shareholders may approach when they have concerns and for which contact through the normal channels of the executive chairman, the MD & Group CEO, or the Financial Controller has failed or is inappropriate. The independent directors also confer among themselves (when necessary) and provide feedback to the executive chairman as appropriate. (Provision 3.3 of the Code)

Board Membership

Principle 4 *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

The NC comprises the following members:

Ow Yong Thian Soo (Chairman)
Lai Mun Onn
Gn Hiang Meng
Koh Keng Siang

The NC is comprised of mostly independent directors. The chairman of the NC, Mr Ow Yong Thian Soo, and both Mr Lai Mun Onn and Mr Gn Hiang Meng are independent directors. The NC complies with the formal and transparent process in place regarding the appointment and re-appointment of directors. (Provision 4.2 of the Code)

The primary role of the NC is to make recommendations to the Board on all Board appointments. Its role is, *inter alia*, to:

- (a) review board succession plans for the directors;
- (b) ensure that a process for evaluating the performance of the Board, its Board committees and directors is in place;
- (c) to ensure that all directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years;
- (d) review training and professional development programs for the Board;
- (e) ensure that new directors are aware of their duties and obligations; and
- (f) make recommendations on the appointment and re-appointment of directors. (Provision 4.1 of the Code)

The NC ensures that the Board has the right balance of skills, knowledge and experience critical to the Group's business and evolving needs. Important issues that are also considered by the NC for the selection, appointment and re-appointment of a director include the current Board's composition and each director's contributions and competencies, and the need for progressive renewal of the Board. (Provision 4.3 of the Code)

Pursuant to Regulation 110 of the Company's Constitution, one-third of the directors (other than the MD & Group CEO) shall retire from office at every annual general meeting ("AGM") provided always that each director (except the MD & Group CEO) is required to retire from office at least once in every three years. A retiring director is eligible to offer himself for re-election.

Regulation 114 of the Company's Constitution provides that a newly appointed director is required to retire and submit himself for re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation in accordance with the Company's constitution. The NC ensures that new directors are aware of their duties and obligations.

The NC assesses annually and as and when circumstance requires, whether or not a director is independent based on the guidelines set out in the Code and any other salient factors. When considering the independence of the Directors, the NC also reviews the annual declaration by the independent directors regarding their independence and the Directors' disclosure of interests in transactions. (Provision 4.4 of the Code)

The Board does not encourage the appointment of alternate directors. No alternate director is currently being appointed to the Board.

CORPORATE GOVERNANCE REPORT

The Board has adopted a process for the selection, appointment and re-appointment of directors. The NC reviews the composition of the Board and its committees periodically. It assesses and shortlists candidates (sourced through contacts, recommendations, recruitment consultants or among the senior management) for a new position on the Board when a need arises. The successful candidate is then appointed as a director of the Company in accordance with the Company's Constitution.

In appointing and re-appointing directors, the Board considers the skills and experience required in the light of:

- (a) the geographical spread and diversity of the Group's business;
- (b) the strategic direction and progress of the Group;
- (c) the current composition of the Board; and
- (d) the need for independence of the Board.

The dates of initial appointment of each director, together with his directorships in other listed companies, are set out below:

Name of Director	Appointment	Date of Initial Appointment	Date of last re-election	Current directorships in listed companies	Past directorships in listed companies (5 years)	Principal Commitments
Koh Tiat Meng	Executive Chairman	2 Feb 1994	17 Apr 2019	-	-	Executive Chairman of Koh Brothers Group Limited
Koh Teak Huat	Executive Deputy Chairman	2 Feb 1994	17 Apr 2019	-	-	Executive Deputy Chairman of Koh Brothers Group Limited
Koh Keng Siang	Managing Director & Group CEO	5 May 1994	29 Apr 2005	Koh Brothers Eco Engineering Limited	-	Managing Director and Group CEO
Koh Keng Hiong	Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality Divisions)	7 Feb 2007	26 Apr 2018	-	-	Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality Divisions)
Lee Sok Khian John	Executive Director	9 May 2016	17 Apr 2019	Koh Brothers Eco Engineering Limited	Hatten Land Limited	Executive Director
Quek Chee Nee	Non-Executive and Non-Independent Director	2 Feb 1994	26 Apr 2018	-	-	N.A.
Er Dr Lee Bee Wah	Independent Director	1 Jul 2015	26 Apr 2018	Tee Land Limited	-	Group Director of Meinhardt (Singapore) Pte Ltd Non-Executive Chairman of Tee Land Limited Elected Member of Parliament
Lai Mun Onn	Independent Director	30 Jul 1994	17 Apr 2019	Fuji Offset Plates Manufacturing Ltd	Super Group Ltd	Managing Partner of Lai Mun Onn & Co Independent Director of Fuji Offset Plates Manufacturing Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Appointment	Date of Initial Appointment	Date of last re-election	Current directorships in listed companies	Past directorships in listed companies (5 years)	Principal Commitments
Gn Hiang Meng	Independent Director	16 Aug 2007	26 Apr 2018	Centurion Corporation Limited Haw Par Corporation Limited Singhaiyi Group Ltd. Tee International Limited	-	Independent Director of Centurion Corporation Limited, Haw Par Corporation Limited, Singhaiyi Group Ltd and Tee International Limited.
Ow Yong Thian Soo	Independent Director	20 Jun 2016	20 Apr 2017	-	-	Senior Partner of Lee & Lee and Head of its Real Estate Department
Low Yee Khim	Independent Director	1 Jan 2019	17 Apr 2019	-	Heeton Holdings Limited	N.A.

When a director has multiple board representations or principal commitments, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention has been given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations or principal commitments. The Board is of the view that there is no necessity at this point in time to determine the maximum number of listed company board representations which a director may hold, as each director is able to devote sufficient time and attention to the affairs of the Company. (Provision 4.5 of the Code)

The following directors are due for retirement, and will be offering themselves for re-election at the forthcoming AGM:

Koh Keng Hiong
Quek Chee Nee
Gn Hiang Meng
Ow Yong Thian Soo

Key information on the directors is set out under the "Board of Directors" section of the annual report for the financial year ended 31 December 2019 (the "Annual Report"). Additional details of the directors that are due for retirement and who will be offering themselves for re-election at the forthcoming AGM are also contained in the Section of the Annual Report entitled "Additional Information for Directors seeking re-election."

Board Performance

Principle 5 *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The Board has implemented a process to be carried out by the NC for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board and its committees annually.

The NC reviews the Board's and each director's competency appraisal forms as part of the process adopted to assess the effectiveness of the Board. The outcome of the appraisal exercise are presented to the Board for its evaluation with a view to enhance the effectiveness of the Board.

Each NC member shall abstain from voting on the resolution in respect of the assessment of his performance or re-nomination as a director.

The NC reviews the Board's performance annually based on the appraisal forms which have been approved by the Board.

CORPORATE GOVERNANCE REPORT

The NC assesses the Board's performance through comparison with industry peers, how the Board's performance has enhanced long-term shareholder value, its ability to steer the Group in the right direction and the support it renders to Management.

The NC also evaluates each individual director's performance based on factors such as the director's participation, knowledge of the Group's business and operations, contributions and commitments to the Company. (Provisions 5.1 and 5.2 of the Code)

The executive chairman (with the assistance of the MD & Group CEO), where appropriate, will act on the results of the performance evaluation and propose new members to the Board or seek the resignation of directors, where appropriate.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6 *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

The RC comprises the following directors:

Lai Mun Onn (Chairman)

Gn Hiang Meng

Ow Yong Thian Soo

The RC is comprised solely of independent directors. (Provision 6.2 of the Code)

The key responsibilities of the RC are to:

- (a) review and recommend to the Board for endorsement a framework of remuneration for the Board and key members of Management, and the remuneration package for each executive director and each key member of Management, covering all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;
- (b) review and recommend to the Board for endorsement the terms of the service contract for each executive director as well as each key member of Management; and
- (c) ensure that there is an adequate disclosure on the remuneration of directors and key members of Management. (Provision 6.1 and Provision 6.3 of the Code)

No individual director is involved in deciding his own remuneration. The RC will seek internal or external expert advice in furtherance of its duties where necessary. During FY 2019, the Company did not engage a remuneration consultant. However, in determining the remuneration of the members of the Board, the RC took into account, amongst others, the remuneration of board members of other comparative listed issuers. (Provision 6.4 of the Code)

The RC reviews the executive directors' and key Management members' contracts of service to ensure that their contracts of service contain fair and reasonable termination clauses which are not overly generous.

Level and Mix of Remuneration

Principle 7 *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

The Company recognises that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent. The Company has adopted a remuneration structure for executive directors and key members of Management that promotes the long-term success of the Company. The RC ensures that the executive directors' and key Management members' remuneration is commensurate with their performance and that of the Group's, taking into consideration the prevailing financial and commercial health, contribution to value creation of the Company and business needs of the Group. (Provision 7.1 of the Code)

CORPORATE GOVERNANCE REPORT

Executive directors receive directors' fees and are also remunerated as members of Management. The remuneration package of each executive director/key Management member comprises a basic salary component and a variable component (i.e. annual bonus) which is based on the performance of the Group as a whole and that individual's performance. This is to ensure that each executive director's/key Management member's remuneration is linked to their individual performance, as well as the performance of the Group. (Provision 7.1 and 7.3 of the Code)

Each executive director's service contract is for a fixed appointment period and does not contain onerous removal clauses.

The non-executive directors are paid directors' fees, taking into account their responsibilities, as well as the time and effort spent in carrying out their duties. The independent directors are not over-compensated such that their independence is compromised. (Provision 7.2 of the Code)

All Directors' fees are recommended by the Board for approval at the Company's Annual General Meeting. The Company will be seeking shareholders' approval at the forthcoming AGM for the payment of S\$505,000 as directors' fees for FY2019. In determining the proposed directors' fees, the Board took into account factors such as the effort and time spent, and the increasingly onerous responsibilities of directors.

Disclosure on Remuneration

Principle 8 *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

The Company's procedures for developing remuneration policies, as well as the level and mix of remuneration, have been set out in detail above under Principles 6 and 7. Due to the competitive pressures in the market, the Board has, on review, decided not to disclose the remuneration of directors and top 5 key Management members in the manner as required in the Code. The Board believes that such disclosure is sufficient to enable shareholders to understand the Company's remuneration policies for directors and the top five key management personnel, and the relationship between remuneration and performance. The total remuneration paid to the directors of the Company and the top 5 executives of the Group in FY2019 was approximately S\$5,937,000.

A breakdown of remuneration of each director of the Company by percentage for FY2019 is set out below:

Remuneration band	Director	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)**	Total (%)
S\$1,000,000 to S\$1,249,999	Koh Keng Siang	19.5	60.7	18.3	1.5	100
	Koh Tiat Meng	16.6	69.1	12.8	1.5	100
S\$750,000 to S\$999,999	Koh Teak Huat	8.2	77.5	12.0	2.3	100
S\$250,000 to S\$499,999	Koh Keng Hiong	12.5	69.9	14.6	3.0	100
	Lee Sok Khian John	14.9	72.5	12.6	-	100
Below S\$250,000	Quek Chee Nee	100	-	-	-	100
	Er Dr Lee Bee Wah	100	-	-	-	100
	Lai Mun Onn	100	-	-	-	100
	Gn Hiang Meng	100	-	-	-	100
	Ow Yong Thian Soo	100	-	-	-	100
	Low Yee Khim	100	-	-	-	100

CORPORATE GOVERNANCE REPORT

A breakdown of remuneration of each of the top 5 executives of the Group (who are not directors of the Company) by percentage for FY2019 is set out below:

Remuneration band	Top five executives*	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)**	Total (%)
S\$500,000 to S\$749,999	First Executive	4.6	87.5	4.6	3.3	100
S\$250,000 to S\$499,999	Second Executive	–	86.7	13.3	–	100
	Third Executive	–	93.7	1.9	4.4	100
	Fourth Executive	–	83.8	16.2	–	100
Below S\$250,000	Fifth Executive	–	98.0	2.0	–	100

(Provision 8.1 and 8.3 of the Code)

Note:

* Their names are not disclosed in order to maintain confidentiality taking into consideration the competitive pressures in the talent market.

** Other benefits include transport or vehicular benefits, and/or insurance benefits.

Details of the remuneration of employees who are substantial shareholders of the company or who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$100,000 during FY2019 are disclosed below:

Remuneration band	List of employees who are immediate family members of a Director
S\$100,000 to S\$200,000	Phua Siew Gaik ¹
Below S\$100,000	Erliana Sutadi ²
	Benjamin Koh Yong Jun ³

Notes:

¹ Mdm Phua Siew Gaik is the spouse of Mr Koh Keng Siang, the MD & Group CEO.

² Mdm Erliana Sutadi is the spouse of Mr Koh Keng Hiong, Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality divisions).

³ Mr Benjamin Koh Yong Jun is the son of Mr Koh Keng Siang, the MD & Group CEO.

(Provision 8.2 and 8.3 of the Code)

The Company currently does not have any employee share option scheme. (Provision 8.3 of the Code)

All forms of remuneration and other payments and benefits paid by the Company and its subsidiaries to directors and key management personnel of the Company are disclosed in this Annual Report.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9 *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the IA. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

CORPORATE GOVERNANCE REPORT

The Board will determine the Company's levels of risk tolerance and risk policies and the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board also oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. (Provision 9.1 of the Code)

The Board has engaged the services of the Company's internal auditor ("IA") KPMG Services Pte Ltd ("KPMG"), to assist in the Control Self-Assessment ("CSA") programme which has been implemented. Through the CSA programme, weaknesses in the control environment may be detected and reported to Management. Corrective actions are taken to strengthen the process and prevent future occurrences. The CSA allows the Group to better manage risks and instill ownership among control owners and promote accountability. The Board has tasked the ARC to review the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls). Together with Management, the ARC regularly reviews the Group's businesses and operational activities to assess and manage potential risk exposure. The Group's financial risk management objectives and policies are set out in the notes to the FY2019 financial statements.

The IA prepares, on an annual basis, the internal audit plan (taking into consideration the risks identified) which is approved by the ARC. The audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems that have been put in place (including financial, operational, compliance and information technology controls). Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the ARC. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. There are no material non-compliances or lapses in internal controls which have resulted in the Board and/or the ARC being of the view that internal controls need to be strengthened or having concerns that the internal controls of the Group are inadequate.

Based on the framework of risk management controls and internal controls established and maintained, the work performed by the IA and the review undertaken by the external auditors as part of their statutory audit, the Board, with the concurrence of the ARC, is of the view that the Group's risk management and internal control systems (including its financial, operational, compliance and information technology controls), are adequate and effective. The Board has received assurance :

- (a) from the MD & Group CEO and the financial controller* the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) from the MD & Group CEO and other responsible key management personnel that the Company's risk management and internal control systems are adequate and effective in addressing the material risks faced by the Group in its current business environment.

(Provision 9.2 of the Code)

**Note- The Company does not have a Chief Financial Officer*

AUDIT COMMITTEE

Principle 10 The Board has an Audit Committee which discharges its duties objectively.

The ARC comprises the following directors:

Er Dr Lee Bee Wah (Chairperson)

Lai Mun Onn

Gn Hiang Meng

Ow Yong Thian Soo

The ARC comprises solely of independent directors. Er Dr Lee Bee Wah, the chairperson of the ARC, is the Lead Independent Director. (Provision 10.2 of the Code)

The Board is of the view that the members of the ARC (including the Chairperson of the ARC) have the requisite accounting and related financial management expertise and experience to discharge their duties. At least two members, including the ARC Chairperson, have recent and relevant accounting or related financial management expertise or experience.

CORPORATE GOVERNANCE REPORT

The ARC is empowered to investigate any matter within its terms of reference. It has full access to and co-operation from Management, and unfettered discretion to invite any director or executive officer to attend its meetings. The ARC has been given adequate resources to enable it to discharge its duties and responsibilities.

The ARC carries out its functions in accordance with the Code and the Companies Act (the “Act”), and is also guided by its terms of reference. The ARC reviews, inter alia, the following:

- (a) annual audit plans (internal and external);
- (b) system of internal controls and management of financial risks;
- (c) effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm;
- (d) regulatory compliance matters;
- (e) risk management framework;
- (f) interested person transactions; and
- (g) financial results announcements.

(Provision 10.1 of the Code)

In the review of the financial statements, the ARC had discussed with Management and the external auditor, and reviewed the significant matters identified by the latter as key audit matters. Following the discussions and review, the ARC recommended to the Board to approve the financial statements for FY2019.

The ARC also makes recommendations on the appointment, re-appointment and removal of auditors, and their remuneration.

The ARC meets with the external and internal auditors at least once a year without the presence of Management. (Provision 10.5 of the Code)

The ARC has reviewed all the non-audit services provided by the external auditors and is satisfied that such services would not, in the ARC’s opinion, affect the independence of the external auditors.

The aggregate amount of fees paid to the auditors is set out below:

Audit services:	Auditors of the Company	-	S\$418,000
	Member firms of auditors of the Company	-	S\$39,000
Non-audit services:	Auditors of the Company	-	S\$5,000
	Member firms of auditors of the Company	-	S\$9,000

The Company has complied with Listing Rules 712 and 716 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in relation to appointments of auditing firms.

The Company has put in place a whistle-blowing policy (reviewed by the ARC) of which employees of the Company may, in confidence, raise or report genuine concerns about possible improprieties in matters of business activities, financial reporting or other matters they may encounter without fear of retaliatory action. The independent directors of the Company have been appointed to review and carry out investigations on all such complaints and/or concerns raised. (Provision 10.1 of the Code)

The ARC held 4 meetings in FY2019 and performed its functions and responsibilities as set out in its terms of reference.

The ARC meets regularly with Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions (including significant financial reporting issues). Such meetings occur at least annually. The ARC also reviews the internal audit function to ensure that an effective system of controls is maintained within the Group.

The ARC is kept abreast of new changes to the Listing Rules of the SGX-ST, the Code and other regulations which could have an impact on the Group’s businesses and financial statements. The external auditors and Management also brief the ARC of changes to the accounting standards.

No former or current partner or director of the Company’s existing auditing firm is a member of the ARC. (Provision 10.3 of the Code)

CORPORATE GOVERNANCE REPORT

Internal Audit

The Company has outsourced its internal audit function to a certified public accounting firm, KPMG Services Pte Ltd. The IA reports to the ARC Chairperson and has full access to the ARC, documents, records, properties and staff of the Group.

The IA plans its internal audit schedules in consultation with, but independent of Management. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. In addition, the IA may be involved in ad-hoc projects initiated by Management and require IA's assurance in specific areas of concern.

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' interests and the Group's businesses and assets, while Management is responsible for establishing and implementing internal control procedures in a timely and appropriate manner. The IA's role is to (a) assist the ARC in ensuring that the controls are effective and functioning as intended, (b) undertake investigations as directed by the ARC, and (c) conduct regular in-depth audits of high-risk areas.

The Management decides on the appointment, termination and remuneration of the IA, with such information for such administrative matters being disclosed to the ARC, and the Board is of the view that such arrangement does not affect the objectivity of the IA. The IA plans its internal audit schedules in consultation with, but independent of Management. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. In addition, the IA may be involved in ad-hoc projects initiated by Management and require IA's assurance in specific areas of concern. The ARC is satisfied that the IA is staffed by independent, suitably qualified and experienced professionals with the relevant experience and has adequate resources to perform its function effectively. (Provision 10.4 of the Code)

The IA is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an internal professional association which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") laid down in the International Professional Practices Framework issued by the IIA.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company is committed to treating all shareholders fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

The Company ensures that there is an adequate and timely disclosure of developments in the Group or its business which would have a material impact on the Company's shares price, and such disclosure is in compliance with SGX-ST listing rules.

The Company invites all registered shareholders to participate and vote at the Company's general meetings. Voting and vote tabulation procedures used are disclosed before the general meetings proceed, with independent scrutineers appointed to validate the voting process and procedures. Each shareholder will receive a notice of meeting which is also advertised in the newspaper and released via SGXNet. The said notice of meeting will table the separate resolutions to be voted on at the general meeting. The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are interdependent or linked, the Company will provide the reasons and implications as to why such resolutions are required to be interdependent or linked. (Provisions 11.1 and 11.2 of the Code)

All shareholders are entitled to vote by poll in accordance with the established voting rules and procedures. Voting in absentia and by mail, facsimile or email is currently not permitted as current measures that may be implemented may be unable to ensure the integrity of the information and the authenticity of the shareholders' identities. Shareholders who are unable to attend the meetings are instead encouraged to vote via proxy. An announcement of the detailed results is made after the conclusion of the general meeting. (Provisions 11.1 and 11.4 of the Code)

Under the multiple proxy regime, "relevant intermediaries" (such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board (CPF)), are allowed to appoint more than 2 proxies to attend, speak and vote at the Company's general meetings. This will enable indirect investors (including CPF investors) to be appointed as proxies to participate at these meetings.

CORPORATE GOVERNANCE REPORT

The Board, Financial Controller and external auditors are present at the general meetings to address shareholders' queries or concerns about the Company's financial performance, the audit or the auditor's report. Save for Mr Koh Tiat Meng, who was unfortunately unable to attend the last AGM held on 17 April 2019, all other directors were present at the last AGM. The Managing Director & Group CEO chaired the meeting in his absence, and the Managing Director & Group CEO, together with the Board and Management, was at hand to respond to question of shareholders. (Provision 11.3 of the Code).

Minutes of the Company's general meetings, which will be published as soon as practicable, can be found at the Company's corporate website. (Provision 11.5 of the Code)

The Company strives to provide consistent and sustainable dividend payments to shareholders based on the Company's profitability, cash position, working capital needs, capital expenditure plan, investment and business opportunities and market conditions. It aims to balance returns to shareholders with a need for long term sustainable growth.

The Board has recommended a final dividend of 0.40 cent per share for FY2019. The proposed dividend is subject to shareholders' approval at the upcoming AGM. (Provision 11.6 of the Code)

Engagement with Shareholders

Principle 12 The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company invites and encourages all registered shareholders to participate and vote at the Company's general meetings as general meetings are the principal forum for dialogue with shareholders. Sufficient time is allocated for question and answer sessions during which shareholders may raise questions or share their views about the proposed resolutions, the Group's business affairs and financial performance. This enables the Board to gather shareholders' views and address any of the shareholders' concerns. (Provision 12.1 of the Code)

The Company embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. The Company conveys pertinent information to shareholders and complies with the guidelines set out in the SGX-ST rules when disclosing information.

The Company does not practice selective disclosure of price sensitive information. The Company discloses quarterly financial results, and any significant transactions and developments via SGXNet in a timely manner. The financial results are also available on the Company's website (www.kohbrothers.com). The corporate website also contains various other investor-related information on the Company that serves as important resources for investors. (Provision 12.2 of the Code)

The Board encourages shareholders to participate actively during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on the Group's businesses. Following any release of earnings or price sensitive developments, the Company's investor relations consultant is available by email or telephone to answer questions from shareholders and the media, as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure. (Provision 12.3 of the Code)

Principle 13 The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has identified stakeholders that are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through a variety of channels to ensure that the business interests of the Group are balanced against that of the stakeholders. More information on the Company's stakeholder engagement, including its strategy and key areas of focus can be found in the Company's Sustainability Report 2019 which is at page 13. (Provisions 13.1 and 13.2 of the Code)

The Company maintains a corporate website at www.kohbrothers.com to engage its stakeholders. (Provisions 13.3 of the Code)

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS (“IPTS”)

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed, approved and conducted on an arm’s length basis.

The interested person transactions entered during FY2019 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) (S\$’000)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$’000)
Ah Boon Civil Engineering & Building Contractor Pte Ltd	4,390	-

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code on dealings in the Company’s securities. The Company has issued share trading guidelines to all directors, employees of executive level and above, and personal assistants. They are not allowed to deal in the Company’s securities during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company’s full year financial statements (if the issuer announces its quarterly financial statements, whether required by the Exchange or otherwise), or one month before the announcement of the Company’s half year and full year financial statements (if the Company does not announce its quarterly financial statements). In addition, they are prohibited from dealing in the Company’s securities while in possession of price sensitive information and on short-term considerations.

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 49 to 124 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Koh Tiat Meng	Er Dr Lee Bee Wah
Koh Teak Huat	Lai Mun Onn
Koh Keng Siang	Gn Hiang Meng
Koh Keng Hiong	Ow Yong Thian Soo
Lee Sok Khian John	Low Yee Khim
Quek Chee Nee	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Koh Brothers Group Limited				
<u>Ordinary shares</u>				
Koh Tiat Meng	8,908,654	8,908,654	-	-
Koh Teak Huat	32,213,088	32,213,088	325,000	325,000
Koh Keng Siang	29,822,535	29,822,535	60,020,000	60,020,000
Koh Keng Hiong	55,260,100	55,260,100	10,000	10,000
Quek Chee Nee	25,896,814	25,896,814	-	-
Er Dr Lee Bee Wah	605,000	369,000	-	-
Lai Mun Onn	100,000	100,000	-	-
Gn Hiang Meng	-	-	200,000	200,000
<u>S\$70 million 5.1% fixed rate notes due 2022</u>				
Koh Teak Huat	S\$1,000,000	S\$1,000,000	-	-
Koh Keng Siang	-	-	S\$250,000	S\$250,000
Lee Sok Khian John	-	-	S\$500,000	S\$250,000
Quek Chee Nee	S\$500,000	S\$500,000	-	-
Er Dr Lee Bee Wah	S\$250,000	S\$250,000	-	-

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES *(continued)*

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Koh Brothers Eco Engineering Limited				
<u>Ordinary shares</u>				
Koh Tiat Meng	3,134,800	3,950,000	-	-
Koh Teak Huat	6,764,746	6,764,746	32,500	32,500
Koh Keng Siang	13,120,000	13,120,000	1,314,369,607	1,114,369,607
Koh Keng Hiong	3,026,010	3,026,010	1,211,000	1,211,000
Quek Chee Nee	2,589,681	2,589,681	-	-
Lai Mun Onn	14,000	14,000	-	-
Gn Hiang Meng	-	-	28,000	28,000
<u>Warrants 2017</u>				
Koh Teak Huat	1,457,448	1,457,448	-	-
Koh Keng Siang	2,815,195	2,815,195	218,444,432	218,444,432
Lai Mun Onn	4,524	4,524	-	-
Gn Hiang Meng	-	-	9,048	9,048
<u>Warrants 2018</u>				
Koh Teak Huat	2,254,915	2,254,915	-	-
Koh Keng Siang	4,388,846	4,388,846	233,000,000	433,000,000

Koh Keng Siang, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's subsidiaries.

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee at the end of the financial year are as follows:

Er Dr Lee Bee Wah (Chairperson)
Lai Mun Onn
Gn Hiang Meng
Ow Yong Thian Soo

All members of the Audit and Risk Committee are independent and non-executive directors.

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors.

The Audit and Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Koh Keng Siang
Director

Koh Keng Hiong
Director

19 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the accompanying consolidated financial statements of Koh Brothers Group Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards International ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019;
- the balance sheet of the Group as at 31 December 2019;
- the balance sheet of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We have conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

OUR AUDIT APPROACH *(continued)*

Key Audit Matters *(continued)*

Key Audit Matter

How our audit addressed the Key Audit Matter

Accounting for construction contracts

Refer to Note 3(a) and Note 4

During the financial year ended 31 December 2019, revenue from construction contracts amounted to S\$286.5 million and it represented 81% of the total revenue of the Group.

The Group uses the input method (i.e. "cost-to-cost" method) to measure project progress and recognise contract revenue in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

We focused on the accuracy of revenue recognition and adequacy of provision for liquidated damages due to the significant management judgment required in determining the total contract sum and the total contract costs.

We obtained an understanding of the projects under construction through discussions with management and project managers, assessed the appropriateness of the method selected for individual projects to measure project progress and recognise contract revenue, and examined project documentation (including contracts, correspondences with customers on delays or extension of time).

In relation to total contract sum for project in progress, our audit procedures include the following:

- agreed total contract sums to contract entered into by the Group and its customer;
- inspected correspondences with customers and supporting documents by the Group's specialists relating to variation orders included in the total contract sums;
- agreed variation orders with agreed prices included in total contract sums recognised to surveyor/architect's certification; and
- assessed the adequacy of the amount of liquidated damages to be net off against contract sums, based on our understanding of the projects.

In relation to total contracts costs, our audit procedures include the following:

- traced the cost to complete for each project by substantiating costs that have been committed to quotations and contracts entered;
- tested the reasonableness of the cost to complete for selected projects, focusing on those with significant activities during the year; and
- assessed the reasonableness of cost incurred against our understanding of the project.

Based on the audit procedures performed above, we have assessed management's estimates to be reasonable.

We then recomputed the percentage of completion based on actual cumulative cost incurred as a portion of total contract costs, cumulative contract revenue and the contract revenue recognised for the current financial year as well as the amount of provision for onerous contracts (where relevant) for each project, and traced to the accounting records and found it to be appropriate.

We have also assessed the adequacy of the disclosures of the key accounting estimates and sensitivity and found the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

OUR AUDIT APPROACH *(continued)*

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties <i>Refer to Note 3(c) and Note 22</i></p> <p>The Group's investment properties carried at fair value amount to S\$92.9 million at 31 December 2019 and accounted for 11% of the Group's total assets. The disclosures relating to these investment properties are included in Note 3(c) and Note 22 to the financial statements.</p> <p>Management uses external valuers to support its determination of the individual fair value of its investment properties annually.</p> <p>The valuation of investment properties is significant to our audit due to the complexity involved in the valuation techniques. The judgement relating to the assumptions used in the valuation technique, including discount rate, rental rate and market value of comparable property, impact the valuation. Uncertainty arises as a result of having to consider long-term trends and market conditions in the assumptions.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • assessed the competency, capabilities and objectivity of the external valuers engaged by the Group; • obtained an understanding of the techniques used by the external valuers in determining the valuation of individual investment properties; • discussed the critical assumptions made by the external valuers for the key inputs used in the valuation techniques; • tested the integrity of information, including underlying lease and financial information provided to the external valuers; and • assessed the reasonableness of the rental rate and market value of comparable property by benchmarking these against those of comparable properties and prior year inputs. <p>We have also assessed the adequacy of the disclosures relating to the assumptions as we consider them as likely to be significant to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.</p> <p>We found that the external valuers are members of recognised professional bodies for external valuers. We also found that the valuation methodologies used were appropriate in the context of the Group's investment properties and the critical assumptions used for the key inputs were within the range of market data.</p>
<p>Impairment assessment of goodwill <i>Refer to Note 3(b) and Note 26</i></p> <p>The goodwill of S\$5.1 million at 31 December 2019 relates to the "Bio-Refinery and Bio-Energy" cash generating unit ("CGU").</p> <p>In accordance with SFRS(I), the Group performs an impairment test for the CGU to assess whether the goodwill might be impaired.</p> <p>The test performed by the Group did not result in an impairment of goodwill since the recoverable amount based on future cash flows exceeded the carrying amount of goodwill and other net assets.</p> <p>The assumptions, sensitivities and results of the tests performed are disclosed in Note 26 to the financial statements. We focused on this area because of the significant judgement involved in determining inputs for certain assumptions used in the model and the dependency on future market circumstances.</p>	<p>In respect of the assumptions which were most sensitive to changes in terms of the impact on the valuation, our procedures included the following:</p> <ul style="list-style-type: none"> • involved internal specialists in assessment on the appropriateness of the discount rate; • validated terminal growth rate used by corroborating against the long-term average growth rate in the country which the CGU operates in; and • corroborated gross margin used against historical margin of the CGU. <p>Based on the audit procedures performed above, we have assessed management's assumptions to be appropriate.</p> <p>We have also assessed the adequacy of the disclosures relating to key assumptions and the sensitivities and found the disclosures in the financial statements to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yeow Chee Keong.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 19 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 S\$'000	2018 S\$'000 (restated)
Sales	4(a)	353,712	403,645
Cost of sales	7	(336,550)	(382,151)
Gross profit		17,162	21,494
Other income	5	3,315	6,605
Other gains/(losses) - net	6	1,158	(297)
Expenses			
- Distribution and marketing			
- Write-back of allowance for impairment of trade receivables	7	1,100	1,205
- Others	7	(3,757)	(1,461)
- Administrative	7	(17,385)	(20,017)
- Finance	9	(10,271)	(8,343)
- Other			
- Write-back of allowance/(allowance for) impairment of loans to joint ventures	7	563	(526)
- Others	7	(410)	(467)
Share of profit of associated companies	19	135	312
Share of profit of joint ventures	20	17,068	10,808
Profit before income tax		8,678	9,313
Income tax expense	10(a)	(552)	(993)
Profit after income tax		8,126	8,320
Profit attributable to:			
Equity holders of the Company		5,766	5,682
Non-controlling interests		2,360	2,638
		8,126	8,320
Earnings per share for profit attributable to equity holders of the Company:			
- Basic earnings per share (in cents)	11(a)	1.40	1.38
- Diluted earnings per share (in cents)	11(b)	1.40	1.38
Profit after income tax		8,126	8,320
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation arising from consolidation	32(d)	(473)	(256)
Fair value (loss)/gain on debt financial assets at FVOCI	32(b)	(40)	36
		(513)	(220)
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Fair value gain/(loss) on equity financial assets at FVOCI	32(b)	14,925	(7,815)
Other comprehensive income/(loss), net of tax		14,412	(8,035)
Total comprehensive income		22,538	285
Total comprehensive income attributable to:			
Equity holders of the Company		20,403	(2,190)
Non-controlling interests		2,135	2,475
		22,538	285

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET – GROUP

As at 31 December 2019

		31 December		1 January
	Note	2019	2018	2018
		S\$'000	S\$'000	S\$'000
			(restated)	(restated)
ASSETS				
Current assets				
Cash and bank balances	12	85,195	32,678	64,823
Investment securities	13	3,709	47,953	57,473
Trade and other receivables	14	82,354	76,232	101,867
Contract assets	4(b)	139,224	117,183	62,282
Amounts due from an associated company		–	45	–
Amounts due from joint ventures	15	38,159	36,823	61,686
Inventories	17	5,433	6,951	9,342
Development properties	18	136,538	127,578	–
Income tax receivables	10(b)	1,282	773	–
Other current assets	16	6,275	3,229	5,209
		498,169	449,445	362,682
Non-current assets				
Trade and other receivables	14	–	29,448	22,250
Contract assets	4(b)	2,161	10,882	25,431
Investment securities	13	2,158	2,373	2,925
Investments in associated companies	19	1,351	1,676	1,504
Investments in joint ventures	20	104,453	91,354	90,923
Investment properties	22	94,564	93,579	90,973
Property, plant and equipment	23	150,844	113,243	108,067
Goodwill	26	5,078	5,078	5,078
		360,609	347,633	347,151
Total assets		858,778	797,078	709,833
LIABILITIES				
Current liabilities				
Trade and other payables	27	123,154	131,984	122,754
Contract liabilities	4(b)	12,448	4,989	40,459
Amount due to an associated company		–	–	508
Amounts due to joint ventures	15	18,498	16,457	16,282
Current income tax liabilities	10(b)	461	381	1,485
Bank borrowings and lease liabilities	28	90,743	73,593	14,619
Notes payables	31	–	–	37,000
		245,304	227,404	233,107
Non-current liabilities				
Trade and other payables	27	3,820	9,622	17,422
Bank borrowings and lease liabilities	28	208,820	178,472	76,524
Notes payables	31	70,000	70,000	70,000
Deferred income tax liabilities	10(c)	8,124	8,199	8,261
		290,764	266,293	172,207
Total liabilities		536,068	493,697	405,314
NET ASSETS		322,710	303,381	304,519
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	32	36,981	36,981	36,981
Treasury shares	32	(7,983)	(7,983)	(7,910)
Other reserves	32(b)	(974)	(6,796)	989
Retained profits	32(c)	283,247	267,016	261,490
Currency translation reserve	32(d)	(9,475)	(9,134)	(8,916)
		301,796	280,084	282,634
Non-controlling interests		20,914	23,297	21,885
Total equity		322,710	303,381	304,519

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET – COMPANY

As at 31 December 2019

	Note	2019 S\$'000	2018 S\$'000
ASSETS			
Current assets			
Cash and bank balances	12	59	822
Investment securities	13	2,272	3,913
Trade and other receivables	14	443	277
Amounts due from subsidiaries	21	54,240	65,625
Amount due from a related party	15	535	-
		57,549	70,637
Non-current asset			
Investments in subsidiaries	21	143,250	132,361
Total assets		200,799	202,998
LIABILITIES			
Current liabilities			
Trade and other payables	27	1,740	1,938
Amounts due to subsidiaries	21	11,397	9,895
Current income tax liabilities	10(b)	-	82
		13,137	11,915
Non-current liabilities			
Amounts due to subsidiaries	21	19,011	19,011
Notes payables	31	70,000	70,000
		89,011	89,011
Total liabilities		102,148	100,926
NET ASSETS		98,651	102,072
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	32	36,981	36,981
Treasury shares	32	(7,983)	(7,983)
Retained profits	32(c)	69,653	73,074
Total equity		98,651	102,072

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group (S\$'000)	Note	← Attributable to equity holders of the Company →					Total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Other reserves	Retained profits	Currency translation reserve			
Balance at 1 January 2019 as previously reported		36,981	(7,983)	(6,796)	269,157	(9,139)	282,220	23,297	305,517
Effects of agenda decision on SFRS(I) 23 <i>Borrowing Costs</i>	2.1	-	-	-	(2,141)	5	(2,136)	-	(2,136)
Balance at 1 January 2019 (restated)		36,981	(7,983)	(6,796)	267,016	(9,134)	280,084	23,297	303,381
Profit for the financial year		-	-	-	5,766	-	5,766	2,360	8,126
Other comprehensive income/(loss) for the financial year		-	-	14,897	-	(260)	14,637	(225)	14,412
Total comprehensive income/(loss) for the financial year		-	-	14,897	5,766	(260)	20,403	2,135	22,538
Change in ownership interests in subsidiaries	21	-	-	(31)	3,067	(81)	2,955	(2,955)	-
Transfer upon disposal of equity financial assets at FVOCI	32(b)	-	-	(8,936)	8,936	-	-	-	-
Realised negative goodwill from disposal of subsidiaries	32(b)	-	-	(112)	112	-	-	-	-
Share based payment pursuant to performance share plan by a subsidiary	32(b)	-	-	4	-	-	4	55	59
Dividend relating to 2018 paid	33	-	-	-	(1,650)	-	(1,650)	(453)	(2,103)
Dividend relating to 2019 paid		-	-	-	-	-	-	(1,165)	(1,165)
Total transactions with owners, recognised directly in equity		-	-	(9,075)	10,465	(81)	1,309	(4,518)	(3,209)
Balance at 31 December 2019		36,981	(7,983)	(974)	283,247	(9,475)	301,796	20,914	322,710

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group (S\$'000)	Note	← Attributable to equity holders of the Company →					Total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Other reserves	Retained profits	Currency translation reserve			
Balance at 1 January 2018 as previously reported		36,981	(7,910)	989	262,701	(8,916)	283,845	21,885	305,730
Effects of agenda decision on SFRS(I) 23 <i>Borrowing Costs</i>	2.1	-	-	-	(1,211)	-	(1,211)	-	(1,211)
Balance at 1 January 2018 (restated)		36,981	(7,910)	989	261,490	(8,916)	282,634	21,885	304,519
Profit for the financial year		-	-	-	5,682	-	5,682	2,638	8,320
Other comprehensive loss for the financial year		-	-	(7,796)	-	(76)	(7,872)	(163)	(8,035)
Total comprehensive (loss)/income for the financial year		-	-	(7,796)	5,682	(76)	(2,190)	2,475	285
Change in ownership interests in subsidiaries	21	-	-	(57)	4,222	(142)	4,023	(4,145)	(122)
Transfer upon disposal of equity financial assets at FVOCI	32(b)	-	-	68	(68)	-	-	-	-
Rights cum warrants issue by a subsidiary		-	-	-	(185)	-	(185)	3,727	3,542
Purchase of treasury shares	32(a)	-	(73)	-	-	-	(73)	-	(73)
Dividend relating to 2017 paid	33	-	-	-	(4,125)	-	(4,125)	(371)	(4,496)
Dividend relating to 2018 paid		-	-	-	-	-	-	(274)	(274)
Total transactions with owners, recognised directly in equity		-	(73)	11	(156)	(142)	(360)	(1,063)	(1,423)
Balance at 31 December 2018		36,981	(7,983)	(6,796)	267,016	(9,134)	280,084	23,297	303,381

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Group	
	2019 S\$'000	2018 S\$'000 (restated)
Cash flows from operating activities		
Profit after income tax	8,126	8,320
Adjustments for:		
– Income tax expense	552	993
– Depreciation of property, plant and equipment	19,491	10,573
– Property, plant and equipment written off	17	23
– Fair value gain on investment properties	(209)	(1,755)
– Gain on disposal of property, plant and equipment	(1,476)	(810)
– Fair value loss on financial assets at fair value through profit or loss	–	2,902
– Fair value loss on settled financial liability	370	–
– Share of profit of associated companies	(135)	(312)
– Share of profit of joint ventures	(17,068)	(10,808)
– Finance expense	10,271	8,343
– Interest income	(2,717)	(6,009)
– Unrealised translation gain	(188)	(596)
	17,034	10,864
Change in working capital:		
– Trade and other receivables	19,350	20,134
– Inventories	1,519	2,391
– Contract assets and liabilities	(5,861)	(75,822)
– Development properties	(6,120)	(127,578)
– Other current assets	(3,046)	1,980
– Trade and other payables	(15,225)	1,801
– Amount due from/to associated companies	45	(553)
– Amount due from/to joint ventures	700	25,037
Cash generated from/(used in) operations	8,396	(141,746)
Income tax paid	(1,054)	(2,932)
Net cash provided by/(used in) operating activities	7,342	(144,678)
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,578)	(17,327)
Purchase of financial assets at fair value through profit or loss	–	(3,000)
Purchase of financial assets at FVOCI	–	(1,000)
Net proceeds from short-term notes receivables	–	2,873
Proceeds from disposal of property, plant and equipment	2,503	4,810
Proceeds from disposal of financial assets at FVOCI	57,974	518
Proceeds from disposal of financial assets at fair value through profit or loss	1,000	–
Proceeds from disposal of an associated company	460	–
Additions to investment properties	(816)	(855)
Dividends received from associated companies and joint ventures	3,840	11,140
Interest received	1,051	4,394
Investment in joint ventures	–	(683)
Net cash provided by investing activities	44,434	870

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Group	
	2019	2018
	S\$'000	S\$'000 (restated)
Cash flows from financing activities		
Proceeds from bank borrowings	39,608	199,316
Proceeds from rights cum warrants issue of a subsidiary	-	3,802
Principal payment of lease liabilities/finance leases	(11,146)	(3,582)
Repayment of bank borrowings	(11,860)	(37,040)
Redemption of notes payables	-	(37,000)
Restricted cash released	200	3,062
Purchase of treasury shares	-	(73)
Transaction cost relating to rights cum warrants issue of a subsidiary	-	(260)
Transaction cost relating to change of ownership interest in a subsidiary without loss of control	-	(122)
Dividends paid to equity holders of the Company	(1,650)	(4,125)
Dividends paid to non-controlling interests	(1,618)	(645)
Interest paid	(12,464)	(8,719)
Net cash provided by financing activities	1,070	114,614
Net change in cash and bank balances	52,846	(29,194)
Beginning of financial year	32,478	61,568
Effects of currency translation on cash and bank balances	(129)	104
End of financial year [Note 12(i)]	85,195	32,478

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

Reconciliation of liabilities arising from financing activities

	← Non-cash changes →							End of financial year S\$'000
	Beginning of financial year S\$'000	Net cash flows S\$'000	Adoption of SFRS(I)16 S\$'000	Interest expense S\$'000	Additions to property, plant and equipment S\$'000	Foreign exchange movement S\$'000	Conversion of bank borrowings to lease liabilities S\$'000	
2019								
Bank borrowings (Note 28 and 30)	246,772	27,748	-	-	-	15	(11,839)	262,696
Finance leases (Note 29)	5,293	-	(5,293)	-	-	-	-	-
Lease liabilities (Note 28)	-	(12,135)	21,681	989	14,493	-	11,839	36,867
Notes payables (Note 31)	70,000	(3,570)	-	3,570	-	-	-	70,000
Accrued interest expense within trade and other payables - Accruals for operating expenses (Note 27)	1,092	(7,905)	-	8,221	-	-	-	1,408
2018								
Bank borrowings (Note 28 and 30)	84,578	162,276	-	-	-	(82)	-	246,772
Finance leases (Note 29)	6,565	(3,756)	-	174	2,310	-	-	5,293
Notes payables (Note 31)	107,000	(40,581)	-	3,581	-	-	-	70,000
Accrued interest expense within trade and other payables - Accruals for operating expenses (Note 27)	279	(4,964)	-	5,777	-	-	-	1,092

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Koh Brothers Group Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 11 Lorong Pendek, Koh Brothers Building, Singapore 348639.

The principal activities of the Company are investment holding and provision of management services.

The principal activities of its subsidiaries, joint ventures, joint operation entities and associated companies are set out in Note 38 of the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

Adoption of SFRS(I) 16 *Leases*

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.11.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- (ii) On a lease-by-lease basis, the Group has:
 - a) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - b) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
 - c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Adoption of SFRS(I) 16 Leases *(continued)*

(a) When the Group is the lessee *(continued)*

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- (i)* The Group chose to measure its ROU assets at a carrying amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.
- (ii)* Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
- (iii)* For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor. However, there is no such arrangements entered into by the Group.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

The Group	31 December 2018	Effects of adoption of SFRS(I) 16	1 January 2019
Balance sheet	S\$'000	S\$'000	S\$'000
Property, plant and equipment	113,243	16,388	129,631
Bank borrowings and lease liabilities (Current)	73,593	4,345	77,938
Bank borrowings and lease liabilities (Non-current)	178,472	12,043	190,515

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows :

The Group	S\$'000
Operating lease commitment disclosed as at 31 December 2018 [Note 34(a)]	20,217
Less: Short-term leases	(770)
Less: Low-value leases	(47)
Less: Discounting effect using incremental borrowing rate ranging from 2.84% to 3.13%	(3,012)
Add: Finance lease liabilities recognised as at 31 December 2018 (Note 29)	5,293
Lease liabilities recognised as at 1 January 2019	21,681

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Clarifications on SFRS(I) 1-23 *Borrowing costs*

In 2018, the IFRS Interpretations Committee (“Interpretations Committee”), which works with the International Accounting Standards Board in supporting the application of IFRS Standards, received a submission on whether a real estate developer capitalises borrowing costs as part of the cost of units for a residential multi-unit real estate development, for which the developer recognises revenue over time for the sale of individual units in the development based on IFRS 15 *Revenue from Contracts with Customers*.

In November 2018, the Committee tentatively decided not to add this matter to its standard-setting agenda and issued a Tentative Agenda Decision containing explanatory material for the decision and how the applicable principles and requirements in IAS 23 *Borrowing Costs* apply to the fact pattern in the submission. The Interpretations Committee tentatively concluded that such an entity should not capitalise borrowing costs. The tentative agenda decision was finalised in its original form on 20 March 2019.

As the financial reporting framework applied by the Group is equivalent to International Financial Reporting Standards, the agenda decision has relevant impact to the Group’s Real Estate division. Following this agenda decision, borrowing costs on development properties where control is capable of being transferred to customers are expensed off as incurred to profit or loss. Borrowing costs on development properties not ready for transfer of control to customers are capitalised until the time when control is capable of being transferred to customers. As this constitutes a change in accounting policy, comparatives were restated accordingly.

Impact on comparatives for the financial year ended 31 December 2019 financial statements

	2018
The Group	S\$’000
Consolidated statement of comprehensive income	
Decrease in share of profit of joint ventures	(930)
Decrease in profit after income tax	(930)
Decrease in profit attributable to:	
Equity holders of the Company	(930)
Non-controlling interests	-
Decrease in basic earnings per share (in cent)	(0.22)
Decrease in diluted earnings per share (in cent)	(0.22)

	31 December 2018	1 January 2018
The Group	S\$’000	S\$’000
Balance sheet		
Decrease in investments in joint ventures	(925)	-
Decrease in amounts due from joint ventures	(1,211)	(1,211)
Decrease in net assets	(2,136)	(1,211)
Decrease in retained profits	(2,141)	(1,211)
Increase in currency translation reserve	5	-
Decrease in total equity	(2,136)	(1,211)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.2 Revenue recognition

(a) Contract revenue

The Group provides engineering and construction services to customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

In some circumstances such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (i) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (ii) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

(b) Sale of goods

Revenue from sale of goods is recognised at a point in time when the Group has delivered the products to the customer and the customer has accepted the products.

For sale of certain products from the Construction and Building Materials segment with no alternative use to the Group, the Group has assessed at contract inception that it does not have an enforceable right to payment for performance completed to date in relation to such goods.

For such goods, the customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.2 Revenue recognition *(continued)*

(c) Rendering of services

Revenue from services is recognised in the accounting period when services are rendered.

(d) Revenue from property development sales

Revenue from property development sales is recognised as disclosed in Note 2.7 "Development properties".

(e) Rental income

Rental income is recognised as disclosed in Note 2.11(d) "Leases - when the Group is the lessor".

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

(g) Interest income

Interest income is recognised using the effective interest method.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the noncontrolling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.3 Group accounting *(continued)*

(a) Subsidiaries *(continued)*

(ii) Acquisitions (continued)

In an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.5 "Goodwill" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.8 "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.3 Group accounting *(continued)*

(c) Associated companies and joint ventures *(continued)*

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to Note 2.8 "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

(d) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.

The accounting policies of the assets, liabilities, revenue and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses except for certain buildings and leasehold premises, which are subsequently carried at revalued amount less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.19 on borrowing costs).

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they reverse a revaluation decrease of the same asset previously recognised in profit or loss. In this case, the increase are recognised in profit or loss. Decreases in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss.

The revaluation on certain freehold and leasehold properties was done in connection with the listing of the Company in 1993. The increase in carrying amount arising from the revaluation was taken to capital reserve. The Group does not have a policy of revaluing its property, plant and equipment periodically.

(b) Depreciation

Freehold land and assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Buildings on freehold land	20 – 99 years
Leasehold land and buildings	2 – 92 years
Plant and machinery	2 – 20 years
Motor vehicles	2 – 10 years
Furniture, fittings, office and hotel equipment	1 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains/(losses) – net". Any amount in capital reserve relating to that item is transferred to retained profits directly.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.5 Goodwill

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (a) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair values of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of joint venture and associated company represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated company and joint venture is included in the carrying amount of the investments.

Gains and losses on disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

2.6 Investment properties

Investment properties include those portions of commercial buildings that are held for long-term rental yields and/or for capital appreciation and right-of-use assets relating to leasehold land that is held for long term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.7 Development properties

Development properties refer to properties developed for sale. Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

Revenue from sale of development properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer at a point in time or over time.

For development properties where the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset, such as when the property is accepted by the customer, or deemed as accepted according to the contract, or when title has passed to the customer.

For development properties where the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the stage of completion of the properties. The stage of completion is measured by reference to the professional quantity surveyor's certification of value of work done-to-date. Management has determined that a certification-based output method provides a faithful depiction of the Group's performance in transferring control of the development properties to the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.7 Development properties *(continued)*

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. Payment is typically due within two weeks. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. SFRS(I) 2 Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group adjusts the promised amount of consideration for the effect of a financing component, if significant.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2.8 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries (except for warrants in subsidiary, which are accounted for as financial assets at fair value through profit or loss), joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.9 Impairment of non-financial assets *(continued)*

- (b) Property, plant and equipment
Right-of-use assets
Investments in subsidiaries, joint ventures and associated companies

Property, plant and equipment, right-of-use assets and investments in subsidiaries, joint ventures and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to Note 2.4 "Property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.10 Financial assets

- (a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, except for financial assets at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.10 Financial assets *(continued)*

(a) Classification and measurement *(continued)*

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade and other receivables, amounts due from joint ventures, subsidiaries and an associated company, and listed debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "Other gains/(losses) - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "Other gains/(losses) - net" and "Other income" respectively.

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other gains/(losses) - net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments for enhancement of return on capital and the Group considers this to be more relevant. Dividends from equity investments are recognised in profit or loss.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, other receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.10 Financial assets *(continued)*

(c) Recognition and derecognition

Regular way purchases and sale of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sale proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income.

2.11 Leases

The accounting policy for leases before 1 January 2019 are as follows:

(a) When the Group is the lessee:

(i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and finance leases respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

Leases of investment properties and property, plant and equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentive given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. Income from leasing of equipment is recognised on its utilisation basis.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.11 Leases *(continued)*

The accounting policy for leases from 1 January 2019 are as follows:

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment".

Right-of-use asset which meets the definition of an investment property is presented within "Investment properties" and accounted for in accordance with Note 2.6.

(ii) Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- a) Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- b) Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- c) Amount expected to be payable under residual value guarantees;
- d) The exercise price of a purchase option if is reasonably certain to exercise the option; and
- e) Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- a) There is a change in future lease payments arising from changes in an index or rate;
- b) There is a change in the Group's assessment of whether it will exercise an extension option; or
- c) There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.11 Leases *(continued)*

The accounting policy for leases from 1 January 2019 are as follows: *(continued)*

(a) When the Group is the lessee: *(continued)*

(iii) Short-term and low-value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(iv) Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. There are no such variable lease payments for the Group.

(b) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.12 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries and joint ventures. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries and joint ventures fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantees are initially recognised at their fair values plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using either the first-in, first-out basis or the weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) Share-based compensation

A listed subsidiary of the Group operates an equity-settled, share-based performance share plan. The value of the employee services received in exchange for the grant of shares of the listed subsidiary is recognised as an expense with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the shares granted on grant date.

At each balance sheet date, the Group revises its estimates of the number of shares under the performance share plan that are expected to be awarded on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payment reserve over the remaining vesting period.

When shares of the listed subsidiary are awarded, this is accounted for as a transaction with non-controlling interests [Note 2.3(b)]. Any difference between the change in the carrying amounts of non-controlling interests and the related balance previously recognised in the share-based payment reserve is recognised within equity attributable to the equity holders of the Company.

2.19 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.20 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operations is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains/(losses) - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rate at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and bank balances include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies *(continued)*

2.23 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

2.24 Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimation of total contract sum and contract costs for construction contracts

The Group has significant ongoing construction contracts as at 31 December 2019 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract sum and total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. Estimation of total contract sum also includes an estimation of the value of the variation orders that are recoverable from the customers. In making these estimates, management has relied on past experience and the work of specialists.

If the estimated total contract sum decrease by 0.1% from management's estimates, the Group's profit before income tax will decrease by approximately S\$1,281,000.

If the remaining estimated contract costs increase by 1% from management's estimates, the Group's profit before income tax will decrease by approximately S\$1,495,000.

(b) Assessment on impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. In performing the impairment assessment of the carrying amount of goodwill (Note 26), the recoverable amount of the "Bio-Refinery and BioEnergy" cash-generating-unit ("CGU") in which goodwill has been attributable to, is determined using value-in-use (VIU) calculations.

Significant judgements are used to estimate the gross margin, terminal growth rate and discount rate applied in computing the recoverable amounts of the CGU. In making these estimates, management has relied on past performance, its expectation of market developments in Malaysia, and the industry trends for the CGU. Specific estimates are disclosed in Note 26. Management is of the view that no impairment of the CGU was required as at 31 December 2019.

Management has performed a sensitivity analysis and noted that a reasonably possible change in the key assumptions will not result in an impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Critical accounting estimates, assumptions *(continued)*

(c) Valuation of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining fair value, the independent professional valuers have used valuation methods which involve certain estimates (Note 22).

The fair values are determined using the income method, cost method and direct comparison method. The income method involves the estimation of income and expenses, taking into account expected future changes in economic and social conditions, which may affect the value of the properties. The cost method involves the estimation of the current cost required to replace the property. The direct comparison method involves the comparison of recent sales transactions of similar properties. The most significant inputs to the valuation approaches would be monthly rental per square metre, cost per square metre and market value per square metre respectively. Management is of the view that the valuation methods and estimates are reflective of the current market conditions.

4. Revenue

(a) Disaggregation of revenue from contracts with customers

	Construction & Building Materials		Real Estate		Leisure & Hospitality		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Contract revenue	286,538	328,241	-	-	-	-	286,538	328,241
Revenue from sale of products	58,543	66,001	-	-	-	-	58,543	66,001
Rental income from investment properties (Note 22)	-	-	2,899	2,877	-	-	2,899	2,877
Revenue from services rendered	-	-	2,463	3,172	3,269	3,354	5,732	6,526
	345,081	394,242	5,362	6,049	3,269	3,354	353,712	403,645

(b) Contract assets and liabilities

	Group		
	31 December		1 January
	2019	2018	2018
	S\$'000	S\$'000	S\$'000
Contract assets			
<u>Current</u>			
Construction contracts	131,686	105,313	61,171
Sale of products	7,538	11,870	1,111
	139,224	117,183	62,282
<u>Non-current</u>			
Construction contracts	2,161	10,882	25,431
	141,385	128,065	87,713
Contract liabilities			
<u>Current</u>			
Construction contracts	12,448	4,989	40,459

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue *(continued)*

(b) Contract assets and liabilities *(continued)*

Contract assets primarily relates to the Group's right to consideration for work completed but not yet billed at reporting date on construction contracts. The increase in contracts assets was mainly due to revenue being recognised during the financial year and timing of billing to the customers.

Contract liabilities primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for construction contracts. The increase in contract liabilities was mainly due to revenue recognition upon satisfaction of performance obligations for which consideration has been received in advance.

(i) Revenue recognised in relation to contract liabilities

	Group	
	2019	2018
	S\$'000	S\$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
– Construction contracts	3,599	35,690

(ii) Unsatisfied performance obligations

Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December

– Construction contracts	669,259	500,004
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Management expects that the aggregate amount of the transaction price allocated to unsatisfied performance obligations as of 31 December 2019 will be recognised as revenue as the Group continue to perform to complete the construction, which is expected to occur over the next few years up to 2027 (2018: 2025). The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

(c) Trade receivables from contracts with customers

	Group		
	31 December		1 January
	2019	2018	2018
	S\$'000	S\$'000	S\$'000
Current assets			
Trade receivables from contracts with customers (Note 14)	46,688	72,126	89,822
Less: Allowance for impairment (Note 14)	(2,012)	(4,741)	(6,950)
	44,676	67,385	82,872

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. Other income

	Group	
	2019	2018
	S\$'000	S\$'000
Interest income		
- Investment securities		
- measured at FVOCI	50	91
- measured at fair value through profit or loss	403	2,932
- Amortisation of other receivables [Note 14(iii)]	1,667	1,558
- Loans to joint ventures	-	920
- Bank deposits and others	597	508
	2,717	6,009
Other income	598	596
	3,315	6,605

6. Other gains/(losses) – net

Fair value loss on investment securities [Note 13(a)]	-	(2,902)
Fair value loss on settled financial liability	(370)	-
Fair value gain on investment properties [Note 22]	209	1,755
Gain on disposal of property, plant and equipment	1,476	810
Net foreign exchange (loss)/gain	(157)	40
	1,158	(297)

7. Expenses by nature

Write-back of allowance for impairment of trade receivables [Note 14(ii)]	(1,100)	(1,205)
(Write-back of allowance)/ allowance for impairment of loans to joint ventures [Note 15(ii)]	(563)	526
Changes in inventories of raw materials and finished goods	1,518	2,391
Contractor and material costs included in “cost of sales”	210,237	245,173
Depreciation of property, plant and equipment (Note 23)	19,491	10,573
Employee compensation (Note 8)	66,344	68,430
Freight, shipping, transport and travelling expenses	3,893	1,327
Purchases of raw material, finished goods and consumables	40,955	50,947
Rental expenses	2,359	7,951
Repair and maintenance expenses	2,889	3,487
Utilities	1,394	1,484
Other expenses	9,022	12,333
	356,439	403,417

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. Employee compensation

	Group	
	2019	2018
	S\$'000	S\$'000
Salaries, bonus and other costs	62,923	64,774
Share-based compensation expense [Note 32(b)(iii)]	59	-
Employer's contribution to defined contribution plans including Central Provident Fund	3,362	3,656
	66,344	68,430

The compensation to key management personnel, including directors' remuneration, is separately disclosed in Note 36(b).

9. Finance expenses

Interest expenses		
- Banking facilities	8,221	5,777
- Lease liabilities/finance leases	989	174
- Notes payables	3,570	3,581
- Joint venture	388	388
- Amortisation of other payables [Note 27(iii)]	264	271
	13,432	10,191
Less: Interest capitalised in property, plant and equipment and development properties	(3,161)	(1,848)
	10,271	8,343

10. Income taxes

(a) Income tax expense

Tax expense attributable to profit is made up of:

- Current income tax [Note 10(b)]	827	761
- Deferred income tax [Note 10(c)]	92	518
	919	1,279
(Over)/under provision in prior financial years:		
- Current income tax [Note 10(b)]	(201)	288
- Deferred income tax [Note 10(c)]	(166)	(574)
	552	993

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2019 S\$'000	2018 S\$'000 (restated)
Profit before income tax	8,678	9,313
Share of profit of associated companies	(135)	(312)
Share of profit of joint ventures	(17,068)	(10,808)
Profit before tax and share of profit of associated companies and joint ventures	(8,525)	(1,807)
Tax calculated at a tax rate of 17% (2018: 17%)	(1,449)	(307)
Effects of:		
Expenses not deductible for tax purposes	1,177	688
Income not subject to tax	(90)	(308)
Unrecognised deferred tax benefits	1,664	1,389
Tax incentives	(10)	(75)
Utilisation of previously unrecognised:		
– Tax losses	(430)	(268)
– Capital allowances	(135)	(171)
– Others	(148)	–
Effect of different tax rates in other countries	241	240
Over provision in prior financial years	(367)	(286)
Others	99	91
Tax charge	552	993

(b) Movement in the net current income tax (receivables)/liabilities

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Balance at 1 January	(392)	1,485	82	65
Currency translation differences	(1)	6	–	–
Income tax paid	(1,054)	(2,932)	–	–
Utilisation of group relief	–	–	(110)	(197)
Tax expense [Note 10(a)]	827	761	–	82
(Over)/under provision in prior financial years [Note 10(a)]	(201)	288	28	132
Balance at 31 December	(821)	(392)	–	82

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Income taxes (continued)

(b) Movement in current income tax (receivables)/liabilities (continued)

The amounts of current income tax (receivables)/liabilities are presented in the balance sheet as follows:

	Group		Company	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
Income tax receivables	(1,282)	(773)	-	-
Current liabilities				
Current income tax liabilities	461	381	-	82

(c) Deferred income tax

The movement in the net deferred income tax is as follows:

	Group	
	2019	2018
	S\$'000	S\$'000
Balance at 1 January	8,199	8,261
Currency translation differences	(1)	(6)
Tax expense [Note 10(a)]	92	518
Over provision in prior financial years [Note 10(a)]	(166)	(574)
Balance at 31 December	8,124	8,199

(d) Movements in deferred income tax

The movements in the Group's deferred income tax liabilities and assets (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

	Accelerated tax depreciation	Revaluation reserve	Fair value adjustment on investment properties	Unrealised foreign exchange gain	Total
	S\$'000	S\$'000	S\$'000	S\$000	S\$'000
Group					
Deferred income tax liabilities					
Balance at 1 January 2019	1,697	189	6,574	62	8,522
(Credited)/charged to profit or loss	(82)	(189)	52	29	(190)
Balance at 31 December 2019	1,615	-	6,626	91	8,332
Balance at 1 January 2018	2,600	189	6,135	-	8,924
(Credited)/charged to profit or loss	(903)	-	439	62	(402)
Balance at 31 December 2018	1,697	189	6,574	62	8,522

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Income taxes (continued)

(d) Movements in deferred income tax (continued)

	Profits from construction contracts taxed in advance S\$'000	Provision S\$'000	Total S\$'000
Group			
Deferred income tax assets			
Balance at 1 January 2019	(116)	(207)	(323)
Currency translation differences	-	(1)	(1)
Charged to profit or loss	-	116	116
Balance at 31 December 2019	<u>(116)</u>	<u>(92)</u>	<u>(208)</u>
Balance at 1 January 2018	-	(663)	(663)
Currency translation differences	-	(6)	(6)
[Credited]/charged to profit or loss	(116)	462	346
Balance at 31 December 2018	<u>(116)</u>	<u>(207)</u>	<u>(323)</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2019	2018
	S\$'000	S\$'000
Non-current liabilities		
Deferred income tax liabilities	<u>8,124</u>	<u>8,199</u>

(e) Unutilised tax losses and capital allowances

As at 31 December 2019, the Group has unutilised tax losses of approximately S\$52,226,000 (2018: S\$45,894,000) and unabsorbed capital allowances of approximately S\$1,641,000 (2018: S\$1,003,000) which can, subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation, be carried forward and utilised against future taxable profits. The unutilised tax losses and capital allowance do not have expiry dates. The deferred tax benefits on the unutilised tax losses and capital allowances of subsidiaries have not been recognised in the financial statements because of the uncertainty of future utilisation.

(f) There is no tax charge relating to each component of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019	2018 (restated)
Net profit attributable to equity holders of the Company (S\$'000)	5,766	5,682
Weighted average number of ordinary shares in issue for computation of basic earnings per share ('000)	412,459	412,502
Basic earnings per share (in cents)	1.40	1.38

(b) Diluted earnings per share

There is no dilution of earnings per share for the financial years ended 31 December 2019 and 2018. Warrants of the Group's subsidiary, Koh Brothers Eco Engineering Limited, are not included in the calculation of diluted earnings per share above because they are antidilutive for the financial years presented.

12. Cash and bank balances

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Cash and bank balances	39,371	32,471	59	822
Fixed deposits	45,824	207	-	-
	85,195	32,678	59	822

- (i) For the purpose of presenting the consolidated statement of cash flows, cash and bank balances comprise of the following:

	Group	
	2019 S\$'000	2018 S\$'000
Cash and bank balances (as above)	85,195	32,678
Less: Restricted cash	-	(200)
Cash and bank balances per consolidated statement of cash flows	85,195	32,478

- (ii) The carrying amounts of fixed deposits approximate their fair values, as the fixed deposits bear interest at variable rates, which can be re-priced within a period of up to 12 months.
- (iii) As at 31 December 2018, the fixed deposits of the Group included an amount of S\$200,000 pledged to banks for credit facilities granted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Investment securities

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Financial assets, at fair value through profit or loss [Note 13(a)]	3,000	4,000	2,272	3,913
Financial assets, at FVOCI [Note 13(b)]	2,867	46,326	-	-
	5,867	50,326	2,272	3,913
Less: Current portion	3,709	47,953	2,272	3,913
Non-current portion	2,158	2,373	-	-

(a) Financial assets, at fair value through profit or loss

Balance at 1 January	4,000	56,708	3,913	3,090
Net (disposal)/acquisition	(1,000)	127	-	1,693
Exercise of quoted warrants of a subsidiary (Note 21)	-	-	(600)	-
Fair value loss during the financial year (Note 6)	-	(2,902)	(1,041)	(870)
Reclassification upon conversion of notes into quoted equity securities [Note 13(b)]	-	(49,933)	-	-
Balance at 31 December	3,000	4,000	2,272	3,913

Financial assets, at fair value through profit and loss comprise the following:

Current

Quoted warrants of a subsidiary – Singapore	-	-	2,272	3,913
Unquoted short-term structured notes	-	1,000	-	-
Unquoted convertible notes – Singapore	3,000	3,000	-	-
	3,000	4,000	2,272	3,913

The instruments are all mandatorily measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Investment securities *(continued)*

(b) Financial assets, at FVOCI

	Group	
	2019	2018
	S\$'000	S\$'000
Balance at 1 January	46,326	3,690
Additions	-	1,000
Reclassification upon conversion of notes into quoted equity securities [Note 13(a)]	-	49,933
Disposal	(57,974)	(518)
Disposal of quoted equity securities on settlement of financial liability [Note 6]	(370)	-
Fair value gain/(loss) recognised in other comprehensive income [Note 32(b)(i)]	14,885	(7,779)
Balance at 31 December	2,867	46,326
Less: Current portion	(709)	(43,953)
Non-current portion	2,158	2,373

Financial assets, at FVOCI are analysed as follows:

Listed securities

- SGD corporate fixed rate notes of 3.00% to 6.08% (2018: 4.00% to 6.35%) per annum due between July 2021 to October 2026 (2018: July 2021 to June 2022)	1,686	1,752
- Equity securities – Singapore	1,181	1,384
- Equity securities – USA	-	43,190
	2,867	46,326

During the financial year, the Group partially disposed several listed equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These instruments were disposed for S\$57,974,000 (2018: S\$469,000). The accumulated fair value gain (2018: fair value loss) on disposal amounted to S\$8,936,000 (2018: S\$68,000) (net of tax) and was reclassified from fair value reserve to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Trade and other receivables

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Current				
<u>Trade receivables</u>				
Due from non-related parties	46,688	70,943	-	-
Due from non-controlling interests [Note 14(i)]	-	1,183	-	-
Less: Allowance for impairment of trade receivables	(2,012)	(4,741)	-	-
Trade receivables – net	44,676	67,385	-	-
<u>Other receivables</u>				
Deposit	4,248	3,636	6	6
Prepayments	198	222	-	-
Due from a non-related party [Note 14(iii)]	27,975	-	-	-
Sundry debtors	5,312	5,153	437	271
Less: Allowance for impairment of other receivables	(55)	(164)	-	-
	82,354	76,232	443	277
Non-current				
<u>Other receivables</u>				
Prepayments [Note 14(iv)]	-	5,640	-	-
Due from a non-related party [Note 14(v)]	-	23,808	-	-
	-	29,448	-	-

- (i) As at 31 December 2018, the amount due from non-controlling interests was unsecured, interest-free and repayable on demand.
- (ii) Write-back of allowance for impairment of trade receivables of S\$1,100,000 (2018: S\$1,205,000) is recognised as reversal of expense and included in “distribution and marketing expenses”.
- (iii) As at 31 December 2019, the other receivables due from a non-related party is presented at amortised cost and computed based on cash flows discounted at market borrowing rate of 7% per annum, except for an amount of S\$2,500,000 which is unsecured and bears interest at 5% per annum.
- (iv) In the previous financial year, non-current prepayments pertained to prepayments for certain property, plant and equipment which were not delivered on site. These equipment were subsequently delivered and recognised in property, plant and equipment in 2019.
- (v) In the previous financial year, the non-current amount due from a non-related party were presented at amortised cost and computed based on cash flows discounted at market borrowing rate of 7% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. Amounts due from/(to) joint ventures Amount due from a related party

	Group		
	31 December	1 January	
	2019	2018	2018
	S\$'000	S\$'000	S\$'000
		(restated)	(restated)
Current assets			
Trade receivables from joint ventures	1,364	1,718	5,185
Loans to joint ventures	41,226	40,099	60,969
Less: Allowance for impairment of loans	(4,431)	(4,994)	(4,468)
	36,795	35,105	56,501
	38,159	36,823	61,686
Current liabilities			
Amount due to a joint venture (trade)	(1,551)	(950)	(775)
Amount due to a joint venture (non-trade)	(16,947)	(15,507)	(15,507)
	(18,498)	(16,457)	(16,282)

	Company	
	2019	2018
	S\$'000	S\$'000
Current assets		
Trade receivable from a related party	535	-

- (i) The loans to the joint ventures are unsecured, interest-free and repayable on demand (31 December 2018: S\$6,067,000, 1 January 2018: S\$nil). In the previous financial year, the loans to the joint ventures were unsecured, borne interest rate ranging from 2.30% to 3.00% (1 January 2018: 0.40% to 3.00%) per annum and repayable on demand, except for loans amounting to S\$6,067,000 (1 January 2018: S\$nil) which were interest-free and repayable on demand.
- (ii) Write-back of allowance for impairment of loan to a joint venture of S\$563,000 (2018: allowance for impairment of S\$526,000) is recognised as reversal of expense (2018: recognised as expense) and included in "other expenses".
- (iii) The current non-trade amount due to a joint venture is unsecured, bears interest rate of 2.50% (31 December and 1 January 2018: 2.50%) per annum and repayable on demand.
- (iv) The Company's amount due from a related party pertains to a joint venture indirectly held through a wholly owned subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. Other current assets

	Group	
	2019	2018
	S\$'000	S\$'000 (restated)
Project consumables	6,275	3,229

Project consumables are non-project specific consumables which can be used for the projects. These are carried at lower of cost or net realisable value. The comparative figures have been reclassified from capitalised contract fulfilment cost to project consumables (within other current assets) to better reflect the nature of these balances.

17. Inventories

	Group	
	2019	2018
	S\$'000	S\$'000
Raw materials	2,255	3,909
Finished goods	3,178	3,042
	5,433	6,951

The cost of inventories recognised as an expense and included in "cost of sales" amounted to S\$42,473,000 (2018: S\$53,338,000).

18. Development properties

Development properties in progress	136,538	127,578
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Details of the Group's major development properties in progress as at 31 December 2019 are as follows:

Property	Tenure of land	Percentage of completion at 31.12.2019/ expected date of completion	Site area/ gross floor area (sq m)	Effective interest in property
Site for residential development at Holland Road, Singapore	Freehold	0%/2023	4,428/6,819	100%

19. Investment in associated companies

	Group	
	2019	2018
	S\$'000	S\$'000
Balance at 1 January	1,676	1,504
Share of profits	135	312
Disposal during the year [Note 19(i)]	(460)	-
Dividends received during the year	-	(140)
Balance at 31 December	1,351	1,676

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Investment in associated companies *(continued)*

- (i) On 13 November 2019, the Group disposed of its entire interest of 35% in an associated company, Hi Con (S) Pte. Ltd., for a cash consideration of S\$460,000.
- (ii) There are no associated companies as at 31 December 2019 and 2018, which in the opinion of the directors, are individually material to the Group.
- (iii) There are no contingent liabilities relating to the Group's interest in the associated companies.
- (iv) Details of the associated companies are set out in Note 38. The associated companies have share capital consisting solely of ordinary shares, which are held directly by the Group, except for SDK Consortium which is incorporated as a partnership. The country of incorporation is also their principal place of business.

20. Investment in joint ventures

	Group	
	2019 S\$'000	2018 S\$'000 (restated)
Balance at 1 January	91,354	90,923
Share of profit	17,068	10,808
Dividend received during the year	(3,840)	(11,000)
Addition	-	683
Currency translation differences	(129)	(60)
Balance at 31 December	104,453	91,354

There are no contingent liabilities relating to the Group's interest in the joint ventures.

Details of the joint ventures are set out in Note 38. The joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

Summarised financial information of joint ventures

Set out below are the summarised financial information for material joint ventures. The information reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures.

Material joint ventures have been aggregated by the businesses undertaken as they have similar risks and returns characteristics as follows:

- Property investment – Canberra Development Pte Ltd
- Property development – KBD Westwood Pte. Ltd., Phileap Pte. Ltd. and Daeryun Koh Brothers PFV Co. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Investment in joint ventures (continued)

Summarised statement of comprehensive income

	Property Investment		Property Development		Total	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000 (restated)	S\$'000	S\$'000 (restated)
Revenue	24,898	24,443	107,576	152,206	132,474	176,649
Expenses						
Include:						
– Interest expense	(7,167)	(6,206)	(2,831)	(3,266)	(9,998)	(9,472)
Profit before income tax	19,619	14,381	22,202	3,351	41,821	17,732
Income tax expense	(1,363)	(1,276)	(3,897)	(971)	(5,260)	(2,247)
Profit after tax and total comprehensive income	18,256	13,105	18,305	2,380	36,561	15,485
Dividends received from joint ventures	2,000	3,000	1,840	8,000	3,840	11,000

Summarised balance sheet

	Property Investment			Property Development			Total		
	As at 31 December		As at 1 January	As at 31 December		As at 1 January	As at 31 December		As at 1 January
	2019	2018	2018	2019	2018	2018	2019	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000 (restated)	S\$'000 (restated)	S\$'000	S\$'000 (restated)	S\$'000 (restated)
Current assets	42,177	40,742	40,789	143,196	200,861	171,430	185,373	241,603	212,219
Include:									
– Cash and bank balances	7,813	7,248	8,097	27,344	46,024	4,647	35,157	53,272	12,744
Current liabilities	(9,967)	(5,841)	(7,215)	(83,887)	(63,871)	(85,663)	(93,854)	(69,712)	(92,878)
Include:									
– Financial liabilities (excluding trade and other payables)	-	-	-	(63,664)	-	-	(63,664)	-	-
Non-current assets	373,194	360,039	353,042	-	678	-	373,194	360,717	353,042
Non-current liabilities	(217,485)	(221,277)	(220,058)	(58,338)	(152,416)	(96,840)	(275,823)	(373,693)	(316,898)
Include:									
– Financial liabilities (excluding trade and other payables)	(217,000)	(217,000)	(217,000)	(190)	(97,276)	(44,200)	(217,190)	(314,276)	(261,200)
Net assets/(liabilities)	187,919	173,663	166,558	971	(14,748)	(11,073)	188,890	158,915	155,485

The information above reflects the amounts included in the financial statements of the joint ventures (and not the Group's share of those amounts).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Investment in joint ventures (continued)

Reconciliation of the summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	Property Investment		Property Development		Total	
	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000 (restated)	S\$'000	S\$'000 (restated)
Net asset/(liabilities) at beginning of the financial year	173,663	166,558	(14,748)	(11,073)	158,915	155,485
Reclassification from immaterial joint venture	-	-	-	3,934	-	3,934
Profit after tax and total comprehensive income for the financial year	18,256	13,105	18,305	2,380	36,561	15,485
Dividend paid	(4,000)	(6,000)	(2,300)	(10,000)	(6,300)	(16,000)
Currency translation difference	-	-	(286)	11	(286)	11
Net asset/(liabilities) at end of the financial year	187,919	173,663	971	(14,748)	188,890	158,915
Interest in joint ventures	93,959	86,831	5,445	(1,159)	99,404	85,672
Impairment of loans to joint ventures (Note 15)	-	-	4,431	4,994	4,431	4,994
Carrying value	93,959	86,831	9,876	3,835	103,835	90,666
Add:						
Carrying value of individually immaterial joint ventures, in aggregate					618	688
Carrying value of Group's interest in joint ventures					104,453	91,354

Information about immaterial joint ventures

The following table summarises, in aggregate, the Group's share of net (loss)/profit and other comprehensive (loss)/income of the individually immaterial joint ventures accounted for using the equity method:

	2019	2018
	S\$'000	S\$'000
(Loss)/profit after tax and total comprehensive (loss)/income	(69)	5

The immaterial joint ventures individually account for less than 1% of the Group's total assets or profit before tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Investment in subsidiaries and amounts due from/(to) subsidiaries

	Company	
	2019 S\$'000	2018 S\$'000
Investment in subsidiaries		
Balance at 1 January		
- Quoted equity shares, at cost	49,482	31,568
- Unquoted equity shares, at cost	68,069	68,069
- Financial guarantee contracts	14,810	14,480
	132,361	114,117
Purchase of quoted shares in a subsidiary	-	122
Subscription of rights shares in a subsidiary	-	17,792
Conversion of warrants into quoted shares in a subsidiary	10,600	-
Increase in financial guarantee contracts	289	330
Balance at 31 December	143,250	132,361
Current assets		
Amount due from subsidiaries (trade)	2,011	3,268
Amount due from subsidiaries (non-trade) [Note 21(i)]	52,229	62,357
	54,240	65,625
Current liabilities		
Amount due to subsidiaries (trade)	(2,806)	(1,356)
Amount due to subsidiaries (non-trade) [Note 21(ii)]	(8,591)	(8,539)
	(11,397)	(9,895)
Non-current liabilities		
Amount due to a subsidiary (non-trade)	(19,011)	(19,011)
<p>(i) The current non-trade amounts due from/(to) subsidiaries are unsecured and interest-free, except for the loans amounting to S\$46,515,000 (2018: S\$56,515,000) due from subsidiaries which bear interest rate ranging from 3.30% to 5.16% (2018: 5.16%) per annum. The current amounts due from/(to) subsidiaries are repayable on demand and their fair values approximate their carrying amount.</p>		
<p>(ii)</p>		
	Group	
	2019 S\$'000	2018 S\$'000
Carrying value of non-controlling interests		
Koh Brothers Eco Engineering Limited and its subsidiaries	20,856	23,610
Other subsidiaries with immaterial non-controlling interests	58	(313)
	20,914	23,297

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Investment in subsidiaries and amounts due from/(to) subsidiaries *(continued)*

Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information for Koh Brothers Eco Engineering Limited and its subsidiaries which has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

	2019	2018
	S\$'000	S\$'000
Koh Brothers Eco Engineering Limited and its subsidiaries		
Summarised statement of comprehensive income		
Revenue	290,623	328,815
Profit before income tax	6,925	7,021
Income tax expense	(748)	(1,081)
Profit after tax	6,177	5,940
Other comprehensive loss	(1)	(205)
Total comprehensive income	6,176	5,735
Total comprehensive income allocated to non-controlling interests	529	308
Dividends paid to non-controlling interests	(1,165)	(274)
Summarised balance sheet		
Current		
Assets	232,017	184,047
Liabilities	(178,164)	(149,688)
Total current net assets	53,853	34,359
Non-current		
Assets	82,825	66,050
Liabilities	(29,697)	(6,934)
Total non-current net assets	53,128	59,116
Net assets	106,981	93,475
Summarised cash flows		
Net cash provided by/(used in) operating activities	15,212	(46,128)
Net cash used in investing activities	(19,441)	(11,979)
Net cash provided by financing activities	31,054	54,943

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Investment in subsidiaries and amounts due from/(to) subsidiaries *(continued)*

Transactions with non-controlling interests

Change in ownership interest in subsidiaries due to stepped acquisition of remaining equity interest

On 14 May 2019, the Company exercised 200,000,000 warrants in Koh Brothers Eco Engineering Limited ("KBE") at the exercise price of S\$0.05 per warrant for a total cash consideration of S\$10,000,000. Following the warrants exercise, the Company's shareholding interest in KBE increased from 71.07% to 74.35%.

In the previous financial year, the Company subscribed for 433,000,000 rights shares with warrants in KBE for a total consideration of S\$19,485,000. In addition, the Company purchased 2,386,600 shares in KBE from the market amounting to S\$0.1 million. As result of these transactions, the Company increased its shareholding interest in KBE to 71.07%.

The effect of changes in the ownership interest of KBE on the equity attributable to owners of the Company is summarised as follows:

	Group	
	2019	2018
	S\$'000	S\$'000
Carrying amount of non-controlling interests acquired in KBE	2,955	4,145
Transaction cost recognised in equity	-	(122)
Difference recognised in parent's equity	2,955	4,023

22. Investment properties

Balance at 1 January	93,579	90,973
Addition	816	855
Fair value gain recognised in profit or loss (Note 6)	209	1,755
Currency translation difference	(40)	(4)
Balance at 31 December	94,564	93,579

The carrying amount of investment properties under construction that is accounted for at cost (Note 2.6) is S\$1,627,000 (2018: S\$851,000).

The following amounts are recognised in profit or loss:

Rental income (Note 4)	2,899	2,877
Direct operating expenses arising from investment properties that generated rental income	(1,845)	(1,855)

(i) Investment properties with carrying values totalling S\$87,100,000 (2018: S\$87,100,000) are mortgaged to banks for credit facilities granted (Notes 28 and 30).

(ii) Details of the investment properties are set out in Note 39.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Investment properties *(continued)*

Fair value hierarchy – Recurring fair value measurements

Description	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	S\$'000	S\$'000	S\$'000
31 December 2019			
- Investment properties	-	-	92,937
31 December 2018			
- Investment properties	-	-	92,728

Valuation technique and inputs used in Level 3 fair value measurements

The following table represents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value as at 31 December 2019 S\$'000	Valuation Technique(s)	Unobservable inputs ¹	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	92,937 (2018: 92,728)	Income method	Monthly rental per square metre	S\$90 to S\$150 (2018: S\$90 to S\$150) per square metre	The higher the rental value per square metre, the higher the fair value
		Cost method	Cost per square metre	S\$388 to S\$484 (2018: S\$367 to S\$454) per square metre	The higher the replacement cost per square metre, the higher the fair value
		Adjusted market comparison method	Market value per square metre	S\$20,000 to S\$30,000 (2018: S\$20,000 to S\$30,000) per square metre	The higher the market value per square metre, the higher the fair value

¹ There were no significant inter-relationships between unobservable inputs.

Valuation processes of the Group

The fair value of investment properties are determined annually by independent professional valuers at the end of every financial year based on the properties' highest and best use. They are carried at fair value at the balance sheet date.

At each financial year, management:

- provides all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation reports; and
- holds discussions with the independent valuers.

Changes in Level 3 fair values are analysed at each reporting date during management meetings. As part of this discussion, a report is presented to the Audit and Risk Committee that explains the reasons for the fair value movements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Property, plant and equipment

Group	Freehold land	Buildings on freehold land	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture, fittings, office and hotel equipment	Assets under construction	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost or valuation								
At 1 January 2019								
Cost	28,050	18,484	22,601	95,978	26,973	13,640	85	205,811
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	-	-	-	-	28,226
Adoption of SFRS(I) 16 (Note 2.1)	-	-	16,187	-	201	-	-	16,388
	44,300	24,971	44,277	95,978	27,174	13,640	85	250,425
Currency translation differences	24	7	5	6	3	13	-	58
Additions	-	-	95	41,154	193	269	-	41,711
Transfers	-	51	-	34	-	-	(85)	-
Disposals	-	-	-	(7,713)	(3,272)	(653)	-	(11,638)
Write off	-	-	-	(1,020)	-	(156)	-	(1,176)
At 31 December 2019	44,324	25,029	44,377	128,439	24,098	13,113	-	279,380
Represented by:								
Cost	28,074	18,542	38,888	128,439	24,098	13,113	-	251,154
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	-	-	-	-	28,226
	44,324	25,029	44,377	128,439	24,098	13,113	-	279,380
Accumulated depreciation and impairment losses								
At 1 January 2019	2,845	10,280	8,909	70,020	18,313	10,427	-	120,794
Currency translation differences	-	-	1	3	4	13	-	21
Disposals	-	-	-	(7,592)	(2,533)	(486)	-	(10,611)
Write off	-	-	-	(1,013)	-	(146)	-	(1,159)
Depreciation charge (Note 7)	-	189	5,573	10,401	2,535	793	-	19,491
At 31 December 2019	2,845	10,469	14,483	71,819	18,319	10,601	-	128,536
Net book value at 31 December 2019								
	41,479	14,560	29,894	56,620	5,779	2,512	-	150,844

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Property, plant and equipment (continued)

Group	Freehold land	Buildings on freehold land	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture, fittings, office and hotel equipment	Assets under construction	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost or valuation								
At 1 January 2018								
Cost	28,060	18,455	18,877	83,080	26,795	13,808	9,171	198,246
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	-	-	-	-	28,226
	44,310	24,942	24,366	83,080	26,795	13,808	9,171	226,472
Currency translation differences	(10)	(3)	33	(6)	(2)	(22)	-	(10)
Additions	-	32	-	17,639	1,091	714	347	19,823
Transfers	-	-	9,433	-	-	-	(9,433)	-
Disposals	-	-	(5,742)	(4,645)	(702)	(84)	-	(11,173)
Write off	-	-	-	(90)	(209)	(776)	-	(1,075)
At 31 December 2018	44,300	24,971	28,090	95,978	26,973	13,640	85	234,037
Represented by:								
Cost	28,050	18,484	22,601	95,978	26,973	13,640	85	205,811
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	-	-	-	-	28,226
	44,300	24,971	28,090	95,978	26,973	13,640	85	234,037
Accumulated depreciation and impairment losses								
At 1 January 2018	2,845	10,091	9,833	68,876	16,318	10,442	-	118,405
Currency translation differences	-	-	34	28	(3)	(18)	-	41
Disposals	-	-	(2,153)	(4,396)	(565)	(59)	-	(7,173)
Write off	-	-	-	(85)	(197)	(770)	-	(1,052)
Depreciation charge (Note 7)	-	189	1,195	5,597	2,760	832	-	10,573
At 31 December 2018	2,845	10,280	8,909	70,020	18,313	10,427	-	120,794
Net book value at 31 December 2018								
	41,455	14,691	19,181	25,958	8,660	3,213	85	113,243

- (i) Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 24(a).
- (ii) Included within additions in the 2018's consolidated financial statements were property, plant and equipment acquired under finance leases amounting to S\$2,310,000.
- (iii) The valuation made in 1993, in connection with the listing of the Company, was performed by Messrs Knight Frank, Cheong Hock Chye & Baillieu (Property Consultants) Pte Ltd, a firm of independent valuers based on an open market existing use basis as at 31 December 1993.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Property, plant and equipment (continued)

- (iv) If the revalued property, plant and equipment had been included in the financial statements at cost less accumulated depreciation, their net book values would be as follows:

	Group	
	2019	2018
	S\$'000	S\$'000
Freehold land	15,293	15,293
Buildings on freehold land	3,332	3,377
Leasehold land and buildings	13	147

- (v) At 31 December 2019, freehold land, buildings on freehold land and leasehold land and buildings with a carrying value of S\$57,380,000 (2018: S\$57,516,000) are mortgaged to banks for credit facilities granted (Notes 28 and 30).

- (vi) The Group's major properties included in property, plant and equipment are as follows:

Name and location	Description	Tenure
Koh Brothers Building 11 Lorong Pendek Singapore	Industrial building	Freehold
Oxford Hotel 218 Queen Street Singapore	Hotel	Freehold
65 Sungei Kadut Drive Singapore	Factory-cum-office building	35 years from 16 December 1990
50 Tuas Crescent Singapore	Factory-cum-office building	60 years from 16 July 1982
PTD 103250 Jalan Idaman 3/9 Taman Perindustrian Senai Johor, Malaysia	Factory-cum-office building	Freehold
1 Tuas South Street 6 Singapore	Industrial building	22.5 years from 2 May 2013
15 Genting Lane Singapore	Industrial land	Freehold
1 Jalan Bioteknologi 3 Kawasan Perindustrian SiLC Johor, Malaysia	Industrial building	Freehold
Lot 6 Jalan Pasaran 23/5 Kawasan Miel, Shah Alam Selangor Darul Ehsan, Malaysia	Factory-cum-office building	99 years from 15 August 1997

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Leases – the Group as a lessee

Nature of the Group's leasing activities

Leasehold land

The Group leases various leasehold land from non-related parties under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights. These land are recognised within Property, plant and equipment (Note 23).

There are no externally imposed covenant on these lease arrangements.

Plant and machinery, motor vehicles and office equipment

The Group leases certain plant and machinery, motor vehicles and office equipment from non-related parties under operating leases. Some of these lease arrangements prohibit the Group from subleasing the equipment to third parties.

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	Group	
	31 December 2019	1 January 2019
	S\$'000	S\$'000
Leasehold land and buildings	11,898	16,187
Plant and machinery	29,592	5,590
Motor vehicles	1,423	2,473
Office equipment	–	4
	42,913	24,254

(b) Depreciation charge during the year

	Group 2019 S\$'000
Leasehold land and buildings	4,375
Plant and machinery	4,531
Motor vehicles	815
Office equipment	4
Total	9,725

(c) Interest expense

Interest expenses on lease liabilities	989
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(d) Lease expense not capitalised in lease liabilities

Lease expense – short-term leases	2,227
Lease expense – low-value leases	132
Total (Note 7)	2,359

(e) Total cash outflow for all the leases in 2019 was S\$14,494,000.

(f) Addition of ROU assets during the financial year 2019 was S\$14,493,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25. Leases – the Group as a lessor

Nature of the Group's leasing activities – Group as a lessor

The Group leases out commercial space to non-related parties under non-cancellable lease agreements. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

Rental income from investment properties are disclosed in Note 22.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group	
	31 December 2019	1 January 2019
	S\$'000	S\$'000
Less than one year	847	506
One to two years	133	15
Total undiscounted lease payment	980	521

26. Goodwill

	Group	
	2019	2018
	S\$'000	S\$'000
Cost		
Balance at 1 January and 31 December	5,078	5,078

Impairment tests for goodwill

Goodwill arising from the Group's acquisition of Koh Brothers Eco Engineering Limited and its subsidiaries is allocated to the "Bio-Refinery and Bio-Energy" cash-generating-unit ("CGU").

The Group tests the CGU annually for impairment or more frequently if there are indicators that the goodwill might be impaired.

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a one-year period.

Key assumptions used for value-in-use calculations

	Group	
	2019	2018
Gross margin ⁽¹⁾	21%	20%
Terminal growth rate ⁽²⁾	2%	2%
Discount rate ⁽³⁾	14%	14%

⁽¹⁾ Budgeted gross margin

⁽²⁾ Weighted average growth rate used to extrapolate cash flows beyond the budget period

⁽³⁾ Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of the CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. The sensitivity analysis of the recoverable amount of the CGU is set out in Note 3(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. Trade and other payables

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Current				
<u>Trade payables</u>				
Due to non-related parties	76,577	101,651	-	-
Retention due to subcontractors on construction contracts	24,134	13,607	-	-
<u>Other payables</u>				
Accruals for operating expenses	11,308	11,916	1,235	1,373
Sundry payables	1,011	959	-	-
Deposits and advances received	2,173	1,907	-	-
Due to non-controlling interests [Note 27(i)]	-	427	-	-
Due to directors [Note 27(ii)]	799	734	505	565
Indirect taxes payable	1,706	443	-	-
Due to non-related parties [Note 27(iii)]	5,317	-	-	-
Provision for onerous contracts [Note 27(iv)]	129	340	-	-
	123,154	131,984	1,740	1,938
Non-current				
Retention due to subcontractors on construction contracts	3,820	4,170	-	-
Due to non-related parties [Note 27(iii)]	-	5,452	-	-
	3,820	9,622	-	-

- (i) As at 31 December 2018, the non-trade amounts due to non-controlling interests were unsecured, interest-free and repayable on demand.
- (ii) The amounts due to directors are unsecured, interest-free and repayable on demand.
- (iii) The current and non-current other payables due to non-related parties are presented at amortised cost and computed based on cash flows discounted at market borrowing rates of equivalent instrument of 5% per annum.
- (iv) Provision for onerous contracts

	Group	
	2019 S\$'000	2018 S\$'000
Balance at 1 January	340	852
Provision utilised	(211)	(512)
Balance at 31 December	129	340

Provision for onerous contracts is in respect of remaining expected losses arising from non-cancellable construction contracts where the expected total contract costs exceeds the total contract sum and is expected to be utilised as these contracts progress towards completion.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. Bank borrowings and lease liabilities

	Group	
	2019	2018
	S\$'000	S\$'000
Current		
Bills payable		
– Unsecured	–	11,839
Short-term bank loans		
– Secured	23,744	23,742
– Unsecured	54,250	33,200
	77,994	56,942
Term loans payable within one year (Note 30)	4,254	1,861
Lease liabilities payable within one year	8,495	–
Finance leases payable within one year (Note 29)	–	2,951
	90,743	73,593
Non-current		
Term loans payable after one year (Note 30)	180,448	176,130
Lease liabilities payable after one year	28,372	–
Finance leases payable after one year (Note 29)	–	2,342
	208,820	178,472
Total bank borrowings and lease liabilities	299,563	252,065

- (i) As at 31 December 2018, the bills payable were denominated in Euro and borne interest ranging from 1.2% to 2.25% per annum.
- (ii) Weighted average effective interest rates per annum of short-term bank loans at the balance sheet date is 3.02% (2018: 3.20%) per annum.

29. Finance leases

The Group leases certain plant and machinery and motor vehicles from non-related parties under finance leases.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.1.

	Group
	2018
	S\$'000
Minimum lease payments due:	
– Not later than one year	3,062
– Between one and five years	2,443
	<u>5,505</u>
Less: Future finance charges	(212)
Present value of finance lease liabilities	<u>5,293</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Finance leases (continued)

The present value of finance lease liabilities was analysed as follows:

	Group
	2018
	S\$'000
Current	
- Not later than one year (Note 28)	2,951
Non-current	
- Between one and five years (Note 28)	2,342
Present value of finance lease liabilities	<u>5,293</u>

As at 31 December 2018, the weighted average effective interest rate of finance leases at the balance sheet date was 2.73% per annum.

30. Bank borrowings

	Due within one year		Due after one year	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Term loans				
- Secured	1,527	1,861	173,175	176,130
- Unsecured	2,727	-	7,273	-
	4,254	1,861	180,448	176,130

Details of the term loans are as follows:

- (i) Terms loans amounting to S\$27,336,000 (2018: S\$27,663,000) are secured by way of a first legal mortgage on a freehold property [Note 23(v)]. Term Loan I and II amounting to S\$6,863,000 and S\$20,800,000 respectively in 2019 to be converted into interest servicing term loans which are interest servicing only for the 2.5 years upon conversion and will subsequently be converted into a 25 years term loans repayable in equal instalment thereafter and mature on 29 June 2042.
- (ii) Term loans of S\$15,200,000 (2018: S\$16,700,000) are secured by way of a first legal mortgage over an investment property of the Group [Note 22(i)], assignments of all rights, title, benefits and interests in connection with any insurance policies, leases, tenancy agreements and/or sale and purchase agreements with respect to the property. The loans are fully repayable by 24 January 2023.
- (iii) A term loan of S\$24,800,000 (2018: S\$24,800,000) is secured by way of a first legal mortgage over an investment property of the Group [Note 22(i)], assignments of all rights, title, benefits and interests in connection with any insurance policies, leases, tenancy agreements and/or sale and purchase agreements with respect to the property. The loan is fully repayable on 24 January 2023.
- (iv) Term loans of S\$3,226,000 (2018: S\$3,513,000) are secured by way of a first legal mortgage over the Group's investment properties [Note 22(i)]. The loans are repayable for the first 24 instalments from the date of first partial disbursement of the loan and a term of 15 years up to 31 March 2030.
- (v) Term loans of S\$954,000 (2018: S\$1,719,000) are secured by way of a first legal mortgage on freehold land [Note 23(v)]. The loans are repayable in 60 monthly instalments commencing from January 2016.
- (vi) A term loan of S\$100,184,000 (2018: S\$100,184,000) is secured by way of a first legal mortgage over the Group's development property (Note 18). The term loan is fully repayable on 7 June 2022 or 6 months after the date of issuance of the Temporary Occupation Permit, whichever is earlier.
- (vii) A term loan of S\$3,002,000 (2018: S\$3,412,000) is secured by way of a first legal mortgage on freehold land [Note 23(v)]. It is repayable in 60 monthly instalments commencing from 5 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. Bank borrowings (continued)

- (viii) A term loan of S\$10,000,000 (2018: S\$Nil) is unsecured and repayable in 36 monthly instalments commencing from April 2020.
- (ix) The carrying amounts of the non-current term loans approximate their fair values, as the term loans bear interest at variable rates, which are re-priced within a period of up to six months. These term loans can be contractually re-priced at one, two, three or six monthly intervals.
- (x) The weighted average effective interest rate at the balance sheet date is 2.76% (2018: 2.88%) per annum.

31. Notes payables

The Company has established a S\$250 million Multicurrency Medium Term Note programme, under which the Company may, from time to time, issue notes in series or tranches in Singapore Dollars or in other currencies, in various amounts and tenors and interest rates agreed between Company and the relevant dealer. The net proceeds arising from the issue of notes will be used for general corporate purposes, financing investments and general working capital of the Group.

The Company issued the first series of notes amounting to S\$50,000,000 in July 2014. The notes borne a fixed rate of 4.80% per annum payable semi-annually in arrear and were due on 2 January 2018. These were fully repaid during the previous financial year.

The Company issued the second series of notes amounting to S\$70,000,000 in October 2017. The notes bear a fixed rate of 5.10% per annum payable semi-annually in arrear and are due on 27 October 2022.

At the balance sheet date, the carrying amounts of the notes payables approximate its fair values.

32. Share capital, treasury shares and reserves

Group and Company	No. of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital S\$'000	Treasury shares S\$'000
2019				
Balance at 1 January and 31 December	438,000	(25,541)	36,981	(7,983)
2018				
Balance at 1 January	438,000	(25,315)	36,981	(7,910)
Treasury shares purchased	-	(226)	-	(73)
Balance at 31 December	438,000	(25,541)	36,981	(7,983)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

(a) Treasury shares

In 2018, the Company acquired 225,800 shares of the Company in the open market. The total amount paid to acquire the shares was S\$73,000 and this was presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. Share capital, treasury shares and reserves (continued)

(b) Other reserves

	Group	
	2019	2018
	S\$'000	S\$'000
<u>Composition</u>		
Fair value reserve	(2,555)	(8,485)
Capital reserve	1,577	1,689
Share-based payment reserve	4	-
	(974)	(6,796)

Other reserves are non-distributable.

Movements

(i) Fair value reserve

Balance at 1 January	(8,485)	(700)
Change in ownership interests in subsidiaries (Note 21)	(31)	(57)
Transfer to retained profits upon disposal of equity financial assets, at FVOCI	(8,936)	68
Fair value gain/(loss) on financial assets, at FVOCI [Note 13(b)]	14,885	(7,779)
Less: Non-controlling interests	12	(17)
Balance at 31 December	(2,555)	(8,485)

(ii) Capital reserve

Balance at 1 January	1,689	1,689
Transfer to retained profit upon disposal of a subsidiary	(112)	-
Balance at 31 December	1,577	1,689

As at 31 December 2019 and 2018, capital reserve comprises goodwill in relation to acquisitions of subsidiaries prior to 1 January 2001.

(iii) Share-based payment reserve

Balance at 1 January	-	-
Performance share plan of a subsidiary		
– Value of employee services (Note 8)	59	-
– Performance shares awarded	(55)	-
Balance at 31 December	4	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. Share capital, treasury shares and reserves (continued)

(b) Other reserves (continued)

(iii) Share-based payment reserve (continued)

Performance share plan of a subsidiary

On 20 April 2017, the shareholders of a listed subsidiary, Koh Brothers Eco Engineering Limited ("KBE"), approved a new performance share plan to be known as the "Koh Brothers Eco Engineering Limited Performance Share Plan 2017 ("KBE PSP)". Under the KBE PSP, the total number of shares which may be delivered (whether in the form of shares or in the form of cash in lieu of shares) shall not exceed 20% of the total number of issued shares (excluding treasury shares) from time to time. The KBE PSP shall continue in force at the discretion of its Remuneration Committee subject to a maximum period of 10 years commencing on the date on which KBE PSP is adopted.

During the financial year, KBE awarded 1,888,278 new ordinary shares of KBE to its employees on 22 July 2019. The award comprised of (i) 1,388,058 fully paid-up ordinary shares of KBE, free of payment, which vested on 26 July 2019; and (ii) 500,220 fully paid-up ordinary shares of KBE, free of payment and will vest in accordance with the vesting schedule commencing on 22 July 2019 and ending on the ninth anniversary of the date of grant, subject to certain vesting conditions (including service condition).

Details of the performance share plan granted by KBE are disclosed in KBE's audited consolidated financial statements for the financial year ended 31 December 2019, which is publicly available.

(c) Retained profits

Retained profits of the Group are distributable except for accumulated retained profits of associated companies amounting to S\$574,000 (2018: S\$829,000). Retained profits of the Company are fully distributable.

(d) Currency translation reserve

	Group	
	2019	2018
	S\$'000	S\$'000 (restated)
Balance at 1 January	(9,134)	(8,916)
Change in ownership interests in subsidiaries	(81)	(142)
Net currency translation differences of financial statements of foreign operations	(473)	(256)
Less: Non-controlling interests	213	180
Balance at 31 December	<u>(9,475)</u>	<u>(9,134)</u>

33. Dividend

	Company	
	2019	2018
	S\$'000	S\$'000
Special dividend paid in respect of the previous financial year ended of nil cent (2018: 0.40 cent) per share	-	1,650
Final dividend paid in respect of the previous financial year ended of 0.40 cent (2018: 0.60 cent) per share	<u>1,650</u>	<u>2,475</u>

At the forthcoming Annual General Meeting, a final cash dividend of 0.40 cent per share amounting to a total of S\$1,650,000 will be recommended. These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Commitments

(a) Operating lease commitments – where a group company is a lessee

The Group leases various lands and buildings from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, were as follows:

	Group
	S\$'000 (restated)
Not later than one year	5,576
Between one and five years	8,022
Later than five years	6,619
	<u>20,217</u>

Operating lease commitments as at 31 December 2018 were restated to include the Group's share of operating lease commitments from certain joint operations and extension of lease agreements at year-end.

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

(b) Operating lease commitments – where a group company is a lessor

The Group leases out commercial space to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

As at 31 December 2018, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, were as follows:

	Group
	S\$'000
Not later than one year	506
Between one and five years	15
	<u>521</u>

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 25.

(c) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2019	2018
	S\$'000	S\$'000
Property, plant and equipment	<u>145</u>	<u>27,986</u>

The contracts are entered into with non-related parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. Where possible, the Group seeks to match assets and liabilities of the same currency. Derivative financial instruments are only used where necessary to reduce exposure to fluctuation in foreign exchange rates and interest rates.

(a) Market risk

(i) Currency risk

The Group operates mainly in Asia with operations mainly in Singapore, Malaysia, Indonesia, South Korea and China. Entities in the Group transact predominantly in their respective functional currencies, except for balances between entities in the Group.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD"), Euro ("EUR") and Chinese Renminbi ("RMB"). The Group monitors the foreign currency exchange rate movements closely to ensure that its exposures are minimised. The Group has investments in foreign subsidiaries and is exposed to currency translation risk.

The Group's currency exposure is as follows:

	SGD	USD	Others	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2019				
Financial assets				
Cash and bank balances	64,578	13,614	7,003	85,195
Investment securities	5,867	–	–	5,867
Trade and other receivables	75,443	1,379	5,334	82,156
Amount due from joint ventures	36,221	–	1,938	38,159
Inter-company balances	69,062	–	718	69,780
	251,171	14,993	14,993	281,157
Financial liabilities				
Borrowings and lease liabilities	(365,114)	–	(4,449)	(369,563)
Trade and other payables	(118,105)	(173)	(8,567)	(126,845)
Amounts due to joint ventures	(18,498)	–	–	(18,498)
Inter-company balances	(69,062)	–	(718)	(69,780)
	(570,779)	(173)	(13,734)	(584,686)
Net financial assets/(liabilities)	(319,608)	14,820	1,259	(303,529)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currency	295,834	–	1,843	297,677
Net currency exposure	(23,774)	14,820	3,102	(5,852)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Group	SGD S\$'000	USD S\$'000	EUR S\$'000	Others S\$'000	Total S\$'000
At 31 December 2018					
Financial assets					
Cash and bank balances	19,405	7,659	64	5,550	32,678
Investment securities	7,136	43,190	-	-	50,326
Trade and other receivables	90,274	6,595	117	2,832	99,818
Amount due from an associated company	45	-	-	-	45
Amount due from joint ventures	33,151	-	-	3,672	36,823
Inter-company balances	52,685	-	-	1,296	53,981
	202,696	57,444	181	13,350	273,671
Financial liabilities					
Borrowings	(304,602)	-	(11,839)	(5,624)	(322,065)
Trade and other payables	(130,646)	(1,152)	(1,999)	(7,469)	(141,266)
Amounts due to joint ventures	(16,457)	-	-	-	(16,457)
Inter-company balances	(52,685)	-	-	(1,296)	(53,981)
	(504,390)	(1,152)	(13,838)	(14,389)	(533,769)
Net financial assets/(liabilities)	(301,694)	56,292	(13,657)	(1,039)	(260,098)
Less: Net financial assets denominated in the respective entities' functional currency	304,843	-	-	15,681	320,524
Net currency exposure	3,149	56,292	(13,657)	14,642	60,426

As at 31 December 2019 and 2018, the Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies. All financial assets and financial liabilities are mainly denominated in SGD.

If the USD and EUR changes against the SGD by 5% (2018: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets and liabilities on profit after tax and other comprehensive income will be as follows:

Group	Increase/(decrease)			
	2019		2018	
	Profit after tax S\$'000	Other comprehensive income S\$'000	Profit after tax S\$'000	Other comprehensive income S\$'000
USD against SGD				
- Strengthened	615	-	544	2,160
- Weakened	(615)	-	(544)	(2,160)
EUR against SGD				
- Strengthened	*	-	(567)	-
- Weakened	*	-	567	-

* The Group's business are not exposed to significant EUR currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to cash flow interest rate risks arises mainly from the Group's debt obligations. The Group manages its cash flow interest rate risks by adopting a preference for fixed rate instruments over variable-rate instruments.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rates increase/decrease by 1% (2018: 1%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by S\$2,180,000 (2018: S\$2,048,000) as a result of higher/lower interest expense on these borrowings.

(iii) Price risk

The Group is exposed to equity and debt securities price risk arising from the quoted investments held by the Group which are classified either as financial assets, at fair value through profit or loss or financial assets, at FVOCI. Some of these securities are listed in Singapore and the United States. The Group is not exposed to commodity price risk.

If prices for the equity and debt securities listed in Singapore and the United States change by 10% (2018: 10%) with all other variables including tax rate being held constant, the profit after tax and other comprehensive income will be:

	← Increase/(decrease) →	
	2019	2018
	Other comprehensive income	Other comprehensive income
	S\$'000	S\$'000
Group		
Listed in Singapore		
– Increased by 10%	287	314
– Decreased by 10%	(287)	(314)
Listed in the United States		
– Increase by 10%	-	4,319
– Decrease by 10%	-	(4,319)
	<hr/>	<hr/>
	← Increase/(decrease) →	
	2019	2018
	Profit after tax	Profit after tax
	S\$'000	S\$'000
Company		
Listed in Singapore		
– Increased by 10%	227	391
– Decreased by 10%	(227)	(391)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management *(continued)*

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, where cash term, advance payments, bankers' guarantees and performance bonds are required for customers of lower credit standing; and
- High credit quality counterparties.

The Group's investments in quoted debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except for corporate guarantees as follows:

	2019 S\$'000	2018 S\$'000
Group		
Corporate guarantees provided to banks on		
– Joint ventures' loan	180,178	114,750
Company		
Corporate guarantees provided to banks on		
– Subsidiaries' loan	256,339	212,903
– Joint ventures' loan	180,178	114,750

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2019 S\$'000	2018 S\$'000
By geographical areas		
Singapore	36,617	56,638
Malaysia	5,093	1,870
Others	2,966	8,877
	44,676	67,385
By industry sectors		
Construction & Building Materials	44,013	66,746
Real Estate	505	607
Leisure & Hospitality	158	32
	44,676	67,385

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management *(continued)*

(b) Credit risk *(continued)*

The movement in credit loss allowance are as follows:

	Group	
	2019	2018
	S\$'000	S\$'000
Trade receivables⁽¹⁾		
Balance at 1 January	4,741	6,950
Loss allowance recognised in profit or loss on:		
– Changes in credit risk	295	153
– Reversal of unutilised amounts	(1,395)	(1,358)
	(1,100)	(1,205)
Currency translation difference	(25)	(145)
Allowance written off	(1,604)	(859)
Balance at 31 December	2,012	4,741

⁽¹⁾ Loss allowance measured at lifetime expected credit loss

The Group's contract assets and other receivables are subject to immaterial credit loss.

The Company's debt financial assets are subject to immaterial credit loss.

(i) Trade receivables and contract assets

In measuring the expected credit losses ("ECL"), trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate mainly to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts.

The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The Group has identified the gross domestic product ("GDP") growth of the countries in which it sells goods and services to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in this factor.

The Group considers a financial asset as in default when the counterparty fail to make contractual payments for a prolonged period of time when they fall due, and the Group may also consider internal and external information, such as significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flow, such as a debtor failing to engage in a repayment plan with the Group and it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Management has assessed and concluded that the expected credit loss rate for trade receivables past due less than 1 year approximates nil and is immaterial, while the expected credit loss rate for trade receivables past due more than 1 year approximates 50% to 100%, except for specific cases where management has assessed the amount is still fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management *(continued)*

(b) Credit risk *(continued)*

(i) Trade receivables and contract assets *(continued)*

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 are set out in the provision matrix as follows:

	Current	Past due			Total
		1 to 6 months	7 to 12 months	Over 12 months	
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2019					
Construction & Building Materials					
Contract assets	141,385	-	-	-	141,385
Trade receivables	33,590	7,957	301	3,471	45,319
Loss allowance	-	-	-	1,306	1,306
Real Estate					
Trade receivables	29	34	-	1,148	1,211
Loss allowance	-	-	-	706	706
Leisure & Hospitality					
Trade receivables	158	-	-	-	158
Loss allowance	-	-	-	-	-
At 31 December 2018					
Construction & Building Materials					
Contract assets	128,065	-	-	-	128,065
Trade receivables	54,670	7,772	1,444	6,849	70,735
Loss allowance	-	-	-	4,035	4,035
Real Estate					
Trade receivables	35	49	4	1,271	1,359
Loss allowance	-	-	-	706	706
Leisure & Hospitality					
Trade receivables	32	-	-	-	32
Loss allowance	-	-	-	-	-

(ii) Financial guarantee contracts

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management *(continued)*

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year S\$'000	Between 1 and 2 years S\$'000	Between 2 and 5 years S\$'000	Over 5 years S\$'000
Group				
At 31 December 2019				
Payables	141,523	-	3,820	-
Bank borrowings and lease liabilities	94,891	13,310	171,457	40,396
Notes payables	2,924	3,570	72,975	-
Financial guarantee contracts	180,178	-	-	-
At 31 December 2018				
Payables	148,101	5,870	4,170	-
Bank borrowings and finance leases	79,847	8,126	153,652	37,105
Notes payables	2,924	3,570	76,545	-
Financial guarantee contracts	114,750	-	-	-
Company				
At 31 December 2019				
Payables	1,740	-	-	-
Amount due to subsidiaries	11,397	19,011	-	-
Notes payables	2,924	3,570	72,975	-
Financial guarantee contracts	436,517	-	-	-
At 31 December 2018				
Payables	1,938	-	-	-
Amount due to subsidiaries	9,895	19,011	-	-
Notes payables	2,924	3,570	76,545	-
Financial guarantee contracts	327,653	-	-	-

The Group and Company manage the liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by shareholders funds. Net debt is calculated as notes payables, bank borrowings and lease liabilities less cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management *(continued)*

(d) Capital risk *(continued)*

	Group	
	2019 S\$'000	2018 S\$'000 (restated)
Net debt	284,368	289,387
Shareholders' funds	301,796	280,084
Gearing ratio (times)	0.94	1.03

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(e) Fair value measurements

The following presents the assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted price (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See Note 22 for disclosure of the investment properties that are measured at fair value.

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Group				
31 December 2019				
Assets				
Financial assets, at fair value through profit or loss	-	-	3,000	3,000
Financial assets, at FVOCI	2,867	-	-	2,867
31 December 2018				
Assets				
Financial assets, at fair value through profit or loss	-	1,000	3,000	4,000
Financial assets, at FVOCI	46,326	-	-	46,326
Company				
31 December 2019				
Assets				
Financial assets, at fair value through profit or loss	2,272	-	-	2,272
31 December 2018				
Assets				
Financial assets, at fair value through profit or loss	3,913	-	-	3,913

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management *(continued)*

(e) Fair value measurements *(continued)*

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments with adjustment on the market price of linked listed equity securities and interest rate curve are used to estimate the fair value of unquoted short-term structured notes. These instruments are classified as Level 2.

For unquoted convertible notes, the fair value is determined using discounted cash flow analysis which involves the use of significant unobservable inputs. These instruments are classified as Level 3.

Valuation techniques and inputs used in Level 3 fair value measurements

Description	Fair value at 31 December 2019 S\$'000	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unquoted convertible notes	3,000 (2018: 3,000)	Risk adjusted discount rate	9%-10% (2018: 9%-10%)	The higher the discount rate, the lower the fair value

(f) Financial instrument by category

The carrying amounts of financial assets measured at fair value (fair value through profit and loss and FVOCI) are disclosed in Note 13.

The aggregate carrying amounts of financial assets and liabilities at amortised cost are as follows:

	Group	
	2019 S\$'000	2018 S\$'000 (restated)
Financial assets at amortised cost	205,510	169,364
Financial liabilities at amortised cost	514,906	479,788
	<hr/>	
	Company	
	2019 S\$'000	2018 S\$'000
Financial assets at amortised cost	55,277	66,724
Financial liabilities at amortised cost	102,148	100,844
	<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group has significant transactions with related parties on terms agreed between the parties concerned as shown below:

(a) Sales and purchases of goods and services

	Group	
	2019	2018
	S\$'000	S\$'000
(i) Progressive billing to build residential properties for a joint venture	819	128
(ii) Purchase of goods from an associated company	186	701
(iii) Disposal of club membership to a key management personnel	174	-
(iv) Construction works performed by a related party	6,025	2,938

Related party comprises companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2019 and 2018, arising from sale/purchase of goods and services, are disclosed in Notes 14, 15, and 27.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

Salaries and other short-term employee benefits	7,000	7,670
Post-employment benefits – contribution to Central Provident Fund	312	279
	7,312	7,949

Included in the above was total directors' fees to directors of the Company amounting to S\$505,000 (2018: S\$496,000).

37. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer and Executive Directors.

The Exco considers the business from a business segment perspective. Management manages and monitors the business in three main business segments which are Construction & Building Materials, Real Estate and Leisure & Hospitality. The Exco assesses the performance of these business segments based on sales, segment results, segment assets and segment liabilities.

- (a) Construction & Building Materials – This business segment undertakes construction activities for "Engineering and Construction", "Bio-Refinery and Bio-Energy" segments and sales of building materials. Management has aggregated the above businesses under Construction & Building Materials as they have similar economic growth prospects.
- (b) Real Estate – This business segment involves real estate development and rental of properties.
- (c) Leisure & Hospitality – This business segment involves hotel and leisure operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information *(continued)*

Group (S\$'000)	Construction & Building Materials	Real Estate	Leisure & Hospitality	Others	Total	
2018 (restated)						
Sales						
- External	394,242	6,049	3,354	-	403,645	
- Inter-segment	692	445	2	2,949	4,088	
	<u>394,934</u>	<u>6,494</u>	<u>3,356</u>	<u>2,949</u>	<u>407,733</u>	
Elimination					(4,088)	
					<u>403,645</u>	
Results						
Segment results						
- Company and subsidiaries	(154)	1,602	(475)	(446)	527	
- Associated companies	312	-	-	-	312	
- Joint ventures	-	10,808	-	-	10,808	
Earnings before interest and tax	<u>158</u>	<u>12,410</u>	<u>(475)</u>	<u>(446)</u>	<u>11,647</u>	
Interest income (Note 5)					6,009	
Finance expenses (Note 9)					(8,343)	
Profit before income tax					<u>9,313</u>	
Other information						
Capital expenditure	18,894	1,639	145	-	20,678	
Depreciation	9,904	187	482	-	10,573	
Group (S\$'000)	Construction & Building Materials	Real Estate	Leisure & Hospitality	Others	Elimination	Total
Segment assets	316,343	314,578	40,951	6,949	(26,079)	652,742
Associated companies	1,676	-	-	-	-	1,676
Joint ventures	-	91,354	-	-	-	91,354
<u>Unallocated assets:</u>						
Income tax receivables						773
Short-term bank deposits						207
Investment securities						50,326
Consolidated total assets						<u>797,078</u>
Segment liabilities	155,754	27,671	627	1,782	(22,782)	163,052
<u>Unallocated liabilities:</u>						
Current income tax liabilities						381
Deferred income tax liabilities						8,199
Bank borrowings and finance leases						322,065
Consolidated total liabilities						<u>493,697</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information *(continued)*

The measurement of segment sales, results, assets and liabilities are as follows:

- (a) Inter-segment transactions are determined on an arm's length basis. The sales from external parties reported to the Exco are measured in a manner consistent with that in the statement of comprehensive income.
- (b) The Exco assesses the performance of the business segments based on a measure of earnings before interest and tax for continuing operations. This measurement excludes the income or expenses that are not expected to recur regularly in every period. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash performance of the Group.
- (i) The amounts provided to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than income tax receivables, short-term bank deposits and investment securities.
- (ii) The amounts provided to the Exco with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments other than current income tax liabilities, deferred income tax liabilities, bank borrowings and lease liabilities/finance leases.

Geographical information

The Group's three business segments operate in four main geographical areas: Singapore, Malaysia, Indonesia and others.

The following table presents sales and non-current assets information for the main geographical areas for the financial years ended 31 December 2019 and 2018.

	Group	
	2019 S\$'000	2018 S\$'000
Total sales		
Singapore	326,442	375,320
Malaysia	6,536	8,976
Indonesia	3,407	5,872
Others	17,327	13,477
	353,712	403,645
	2019 S\$'000	2018 S\$'000 (restated)
Total non-current assets		
Singapore	338,157	327,082
Malaysia	12,320	12,363
Others	10,132	8,188
	360,609	347,633

Information about major customers

Revenue of approximately 72% (2018: 73%) are derived from four (2018: four) major customers. These revenues are attributable to the Construction & Building Materials segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information *(continued)*

Changes in accounting policy

The adoption of the new leasing standard described in Note 2.1 had the following impact on the segment results in the current year:

	Segment results before adoption of SFRS(I) 16	Rental expenses under SFRS(I) 1-17, when the Group is a lessee	Depreciation expenses under SFRS(I) 16 when the Group is a lessee	Segment results after adoption of SFRS(I) 16
	S\$'000	S\$'000	S\$'000	S\$'000
Construction & Building Materials	399	4,619	(4,309)	709
Real Estate	15,140	186	(179)	15,147
Leisure & Hospitality	(295)	-	-	(295)
Others	671	-	-	671
	15,915	4,805	(4,488)	16,232

The adoption of the new leasing standard resulted in the recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follows:

	Segment assets	Segment liabilities
	S\$'000	S\$'000
Construction & Building Materials	11,891	12,027
Real Estate	164	166
Leisure & Hospitality	-	-
Others	-	-
	12,055	12,193

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. Significant Group companies

The Group's significant subsidiaries, joint ventures, joint operation entities and associated companies at 31 December 2019 and 2018 are as follows:

Name of company	Country of incorporation and business	Principal activities	Effective holding by the Group	
			2019	2018
SUBSIDIARIES				
Held by the Company:				
Construction Consortium Pte. Ltd. ^a	Singapore	Investment holding	100%	100%
Koh Brothers Development Pte Ltd ^a	Singapore	Property development and management services	100%	100%
Koh Brothers Eco Engineering Limited ^a	Singapore	Construction project management and investment holding	74.29%	71.07%
Koh Brothers Holdings Pte Ltd ^a	Singapore	Investment holding and property investment	100%	100%
Koh Brothers International Pte. Ltd. ^a	Singapore	Investment holding	100%	100%
Koh Brothers Investment Pte Ltd ^a	Singapore	Hotel investment	100%	100%
Oxford Hotel Pte Ltd ^a	Singapore	Hotel management	100%	100%
Held by Subsidiaries:				
Beijing G & W Cement Products Co., Ltd ^b	China	Manufacture of building materials	55%	55%
Changi Properties Pte Ltd ^a	Singapore	Property development and management services	100%	100%
G & W Industrial Corporation Pte Ltd ^a	Singapore	Investment holding	100%	100%
G & W Industries Pte Ltd ^a	Singapore	Manufacture of cement	100%	100%
G & W Precast Pte Ltd ^a	Singapore	Manufacture of precast products	100%	100%
G & W Ready-Mix Pte Ltd ^a	Singapore	Manufacture of building materials	100%	100%
KBD Kosdale Pte. Ltd. ^a	Singapore	Property investment	100%	100%
KBD Holland Pte. Ltd. ^a	Singapore	Property Development	100%	100%
KBD Ventures Pte Ltd ^a	Singapore	Project and travel management	100%	100%
Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. ^a	Singapore	Building and civil engineering contracting	74.29%	71.07%
Koh Eco Engineering Pte. Ltd. ^a	Singapore	Engineering and construction	74.29%	71.07%
Kosland Pte. Ltd. ^a	Singapore	Property investment	100%	100%
Oiltek Nova Bioenergy Sdn. Bhd. ^c	Malaysia	Specialist engineers and commission agent	59.46%	56.86%
Oiltek Sdn. Bhd. ^c	Malaysia	Specialist engineers and commission agent	59.46%	56.86%
Oiltek (S) Pte. Ltd. ^a	Singapore	Construction and project management	74.29%	71.07%
PT. Koh Brothers Indonesia ^a	Indonesia	Property investment and development	100%	100%
WSB Pte. Ltd. ^a	Singapore	Engineering and management services	74.29%	71.07%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. Significant Group companies (continued)

Name of company	Country of incorporation and business	Principal activities	Effective holding by the Group	
			2019	2018
JOINT VENTURE COMPANIES				
Held by Subsidiaries:				
Canberra Development Pte. Ltd. ^d	Singapore	Property investment	50%	50%
Phileap Pte. Ltd. ^d	Singapore	Property development	25%	25%
KBD Westwood Pte. Ltd. ^{a,*}	Singapore	Property development	80%	80%
Daeryun Koh Brothers PFV Co., Ltd. ⁱ	South Korea	Property development	45%	45%
Atlantic Star Pte. Ltd. ^d	Singapore	Property management	50%	50%
FEC Skypark Pte. Ltd. ^a	Singapore	Property development	20%	20%
Global KB Venture Sdn. Bhd. ^j	Malaysia	Property development	25%	25%
JOINT OPERATION ENTITIES				
Held by Subsidiary:				
Samsung – Koh Brothers Joint Venture ^{a,#}	Singapore	Construction	22.29%	21.32%
POKB JV ^{a,#}	Singapore	Construction	26%	24.87%
Koh Brothers – China Harbour Joint Venture ^{b,#}	Singapore	Construction	44.57%	–
ASSOCIATED COMPANIES				
Held by Subsidiaries:				
Tricaftan Environmental Technology Pte. Ltd. ^f	Singapore	Construction and project management	29.72%	28.43%
SDK Consortium ^h	Singapore	Construction	14.86%	14.21%

a Audited by PricewaterhouseCoopers LLP, Singapore.

b Audited by PricewaterhouseCoopers LLP, Singapore for the purpose of preparing the consolidated financial statements of the Group.

c Audited by PricewaterhouseCoopers PLT, Malaysia.

d Audited by Ernst & Young LLP, Singapore.

e Audited by Riyanto, SE, Ak, Registered Public Accountants.

f Audited by Reanda Adept Public Accounting Corporation, Singapore.

g Audited by RSM Chio Lim LLP, Singapore.

h Audited by Deloitte & Touche LLP, Singapore

i Audited by Seonjin Accounting Corporation

j Audited by Chong Yew & Co. (Malaysia).

k In accordance with Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit and Risk Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries, joint venture companies and associated companies would not compromise the standard and effectiveness of the audit of the Group.

* KBD Westwood Pte. Ltd. is regarded as a joint venture (Note 20) in accordance with SFRS(I) 11 Joint Arrangements based on the contractual term of agreement between the shareholders.

These entities are regarded as joint operations in accordance with SFRS(I) 11 Joint Arrangements as the joint venture agreements for these entities require unanimous consent from all parties and the partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. Therefore these entities are classified as joint operations and the Group recognise its direct right to the jointly held assets, liabilities, revenues and expenses as described in Note 2.3(d).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Investment properties

Property	Tenure of land	Site area/gross floor area (sq ft)
The First City Complex comprising commercial units, office units and service apartments at Pulau Batam, Indonesia	Right-of-use for 20 years from October 2018	200,456 186,066
11 shop units at Alocassia Apartments at 383 Bukit Timah Road, Singapore	Freehold	44,863* 22,895
45 apartment units at Alocassia Apartments at 383 Bukit Timah Road, Singapore	Freehold	44,863* 35,166
2 residential units at Lincoln Suites at 1 Kiang Guan Avenue, Singapore	Freehold	3,456

* The 11 shop units and 45 apartment units are located within the same building.

40. New or revised accounting standards and interpretations

The Group has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning on or after 1 January 2020. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the consolidated financial statements of the Group in the period of their initial adoption.

41. Events occurring after balance sheet date

On 29 January 2020, the Company has exercised 233,000,000 warrants of KBE at the exercise price of S\$0.05 per warrant for a total consideration of S\$11,650,000. Following the allotment and issuance of KBE shares pursuant to the warrants exercise, the Company's shareholding in KBE has increased from 1,311,627,607 to 1,544,627,607 KBE shares, representing an increase from 74.29% to 77.29% of KBE's issued share capital. This will result in an increase in equity attributable to shareholders and decrease in non-controlling interests of approximately S\$3.1 million.

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak have been and continues to be implemented in countries/regions where the Group operates. The Group will continue to pay close attention to the development of COVID-19 outbreak and its related impact on the Group's businesses and financials. As at the date of this financial statements, there is no material adverse effect on the financial statements for the financial year ended 31 December 2019 as a result of the COVID-19 outbreak. In 2020, the Group will continue to assess the impact of COVID-19 on the fair values of the Group's investment properties and carrying amount of goodwill by testing for impairment as required under the accounting standards.

42. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Koh Brothers Group Limited on 19 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 19 March 2020

Issued and paid-up capital	:	S\$36,981,331.12
Number of issued shares	:	438,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of subsidiary holdings held	:	Nil
Treasury shares	:	25,540,900 (representing 5.83% of the total number of issued shares)

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 19 MARCH 2020

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 99	4	0.04	124	0.00
100 – 1,000	110	1.25	84,300	0.02
1,001 – 10,000	6,762	76.74	30,914,526	7.50
10,001 – 1,000,000	1,912	21.70	91,738,990	22.24
1,000,001 and above	24	0.27	289,721,160	70.24
Total	8,812	100.00	412,459,100	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 19 MARCH 2020

No.	Name of shareholders	No. of shares	%
1	HSBC (Singapore) Nominees Pte Ltd	60,469,900	14.66
2	Koh Keng Hiong	55,260,100	13.40
3	Koh Teak Huat	32,213,088	7.81
4	Koh Keng Siang	29,622,535	7.18
5	Quek Chee Nee	25,896,814	6.28
6	Koh Kheng How	16,408,800	3.98
7	Morph Investments Ltd	15,073,000	3.65
8	Koh Tiat Meng	8,908,654	2.16
9	Phillip Securities Pte Ltd	6,261,500	1.52
10	DBS Nominees Pte Ltd	5,311,900	1.29
11	OCBC Securities Private Ltd	4,365,384	1.06
12	Loh Wing Wah	4,113,000	1.00
13	Citibank Nominees Singapore Pte Ltd	3,925,600	0.95
14	United Overseas Bank Nominees Pte Ltd	3,378,100	0.82
15	Tan Thian Hwee	2,576,600	0.62
16	CGS-CIMB Securities (Singapore) Pte Ltd	2,520,385	0.61
17	Tan Noi Soon	2,400,000	0.58
18	Koh Tiak Chye	2,365,900	0.57
19	OCBC Nominees Singapore Pte Ltd	2,154,700	0.52
20	Ong Sze Wang (Wang Siyuan)	1,813,600	0.44
Total		285,039,560	69.10

STATISTICS OF SHAREHOLDINGS

As at 19 March 2020

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Koh Teak Huat	32,213,088	7.81	325,000 ⁽¹⁾	0.88
Koh Keng Siang	29,822,535	7.23	60,020,000 ⁽²⁾⁽⁴⁾	14.55
Koh Keng Hiong	55,260,100	13.40	10,000 ⁽³⁾	0.00
Quek Chee Nee	25,896,814	6.28	Nil	Nil
Phua Siew Gaik	20,000	0.00	60,000,000 ⁽⁴⁾	14.55
Rachel Koh Han Ling	Nil	Nil	60,000,000 ⁽⁴⁾	14.55
Benjamin Koh Yong Jun	Nil	Nil	60,000,000 ⁽⁴⁾	14.55
Nicholas Koh Yong Wei	Nil	Nil	60,000,000 ⁽⁴⁾	14.55
Kohs Investments Limited ⁽⁵⁾	60,000,000	14.55	Nil	Nil
HSBC Trustee (Singapore) Limited	Nil	Nil	60,000,000 ⁽⁵⁾	14.55
HSBC International Trustee Limited	Nil	Nil	60,000,000 ⁽⁵⁾	14.55
HSBC International Trustee (Holdings) Pte. Limited	Nil	Nil	60,000,000 ⁽⁵⁾	14.55
The Hongkong and Shanghai Banking Corporation Limited	Nil	Nil	60,000,000 ⁽⁵⁾	14.55
HSBC Asia Holdings Limited	Nil	Nil	60,000,000 ⁽⁵⁾	14.55
HSBC Holdings plc	Nil	Nil	60,000,000 ⁽⁵⁾	14.55

Notes:

- (1) Mr Koh Teak Huat is deemed interested in the shares held by his spouse, Mdm Quek Siew Lang.
- (2) Mr Koh Keng Siang is deemed interested in (i) 60,000,000 shares held by Kohs Investments Limited, and (ii) 20,000 shares held by his spouse, Mdm Phua Siew Gaik.
- (3) Mr Koh Keng Hiong is deemed interested in 10,000 shares held by his spouse, Mdm Erliana Sutadi.
- (4) The deemed interest arises from the 60,000,000 shares held by Kohs Investments Limited, which is wholly owned by The Kohs Trust set up pursuant to the Trust Deed dated 11 January 2017 (the "Trust"). The Trust is a discretionary trust of which the present eligible beneficiaries are Mr Koh Keng Siang, his wife (Mdm Phua Siew Gaik), their children (Rachel Koh Han Ling, Benjamin Koh Yong Jun and Nicholas Koh Yong Wei), and their remoter issue. Pursuant to Section 4 of the Securities and Futures Act, Chapter 289, the beneficiaries of the Trust are deemed to have an interest in the 60,000,000 shares held by Kohs Investments Limited.
- (5) Kohs Investments Limited is wholly owned by a trust for which HSBC Trustee (Singapore) Limited acts as trustee. HSBC Trustee (Singapore) Limited is wholly owned by HSBC International Trustee Limited, which is, in turn, wholly owned by HSBC International Trustee (Holdings) Pte. Limited, which is, in turn, wholly owned by The Hongkong and Shanghai Banking Corporation Limited, which is, in turn, wholly owned by HSBC Asia Holdings Limited, which is, in turn, wholly owned by HSBC Holdings plc.

SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 19 March 2020, approximately 43.7% of the issued ordinary shares of the Company is held by the public, and therefore the Company complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
Date of appointment	7 February 2007	2 February 1994	16 August 2007	20 June 2016
Date of last re-appointment	26 April 2018	26 April 2018	26 April 2018	20 April 2017
Age	53	78	71	69
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment/re-appointment (including, where applicable, rationale, selection criteria and the search and nomination process)	Mr Koh Keng Hiong has extensive experience in hospitality and property which equip him to accomplish his role in key corporate and operations functions such as strategic business management, corporate planning, sales and marketing, finance, human resource, information technology and business development. He has continued to discharge his duties well and continued to positively contribute to the Group.	Mdm Quek Chee Nee has more than 40 years of experience in the construction industry and contributed significantly to the Group's growth. Her inside perspectives on all aspects of the Company will be beneficial to Board deliberations.	Mr Gn Hiang Meng possesses a wealth of experience in financial matters, having been involved in investment banking and stock-broking businesses of a reputable bank for more than 25 years. His extensive work experiences will enhance Board deliberations.	Mr Ow Yong Thian Soo is a lawyer by profession and brings with him a wealth of expertise on legal matters. His experience will continue to enhance Board deliberations.
Where appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> • Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality Divisions) • Member of Executive Committee 	Nil	<ul style="list-style-type: none"> • Independent Director • Chairman of Share Purchase Committee • Member of Audit & Risk Committee • Member of Nominating Committee • Member of Remuneration Committee 	<ul style="list-style-type: none"> • Independent Director • Chairman of Nominating Committee • Member of Audit & Risk Committee • Member of Remuneration Committee • Member of Share Purchase Committee
Professional qualifications	Bachelor of Science with Honours in Business Administration (majoring in Finance) from the San Francisco State University, California, USA	Not applicable	Bachelor in Business Administration with Honours from the University of Singapore	<ul style="list-style-type: none"> • Articled Clerk Final Examination conducted by Board of Legal Education • Called to the Bar on 14 July 1982

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
Working experience and occupation(s) during the past 10 years	2007 to Present Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality Divisions) of Koh Brothers Group Limited ("KBGL")	1994 to Present Non-Executive and Non-Independent Director of KBGL	Acted as a non-executive advisor of Cairnhill Group Holdings Pte Ltd and ceased to act in this position since 1 January 2016. Mr Gn retired from full-time employment in 2007.	2016 to Present Independent Director of KBGL. 2004 to Present Senior Partner of Lee & Lee
Shareholding interest in the listed issuer and its subsidiaries	<ul style="list-style-type: none"> • 55,260,100 direct interest and 10,000 deemed interest in the ordinary shares of KBGL • 3,026,010 direct interest and 1,211,000 deemed interest in the ordinary shares of Koh Brothers Eco Engineering Limited ("KBEEL") 	<ul style="list-style-type: none"> • 25,896,814 direct interest in ordinary shares of KBGL • 2,589,681 direct interest in ordinary shares of KBEEL 	<ul style="list-style-type: none"> • 200,000 deemed interest in ordinary shares of KBGL • 28,000 deemed interest in ordinary shares of KBEEL 	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries	<ul style="list-style-type: none"> • Spouse of Erliana Sutadi, who is the Office Manager of Oxford Hotel Pte Ltd • Son of Koh Tiat Meng, who is the Executive Chairman of KBGL • Son of Quek Chee Nee, who is the Non-Executive Director and Substantial Shareholder of KBGL • Brother of Koh Keng Siang, who is the Managing Director & Group Chief Executive Officer and Substantial Shareholder of KBGL and the Non-Executive and Non-Independent Chairman of KBEEL • Nephew of Koh Teak Huat, who is the Executive Deputy Chairman and Substantial Shareholder of KBGL 	<ul style="list-style-type: none"> • Spouse of Koh Tiat Meng, who is the Executive Chairman of KBGL • Mother of Koh Keng Siang, who is the Managing Director & Group Chief Executive Officer and Substantial Shareholder of KBGL and the Non-Executive and Non-Independent Chairman of KBEEL • Mother of Koh Keng Hiong, who is the Executive Director, Deputy Chief Executive Officer and Substantial Shareholder of KBGL • Sister-in-law of Koh Teak Huat, who is the Executive Deputy Chairman and Substantial Shareholder of KBGL 	Nil	Nil

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries (continued)	<ul style="list-style-type: none"> • Cousin of Koh Keng Seng, who is the Director of Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. ("KBCE") • Brother-in-law of Phua Siew Gaik, who is the Senior Group Human Resources and Administration Manager and Substantial Shareholder of KBGL • Uncle of Rachel Koh Han Ling, who is the Substantial Shareholder of KBGL • Uncle of Benjamin Koh Yong Jun, who is the Substantial Shareholder of KBGL • Uncle of Nicholas Koh Yong Wei, who is the Substantial Shareholder of KGBL 	<ul style="list-style-type: none"> • Aunty of Koh Keng Seng, who is the Director of KBCE • Mother-in-law of Phua Siew Gaik, who is the Senior Group Human Resources and Administration Manager and Substantial Shareholder of KBGL • Mother-in-law of Erliana Sutadi, who is the Office Manager of Oxford Hotel Pte Ltd • Grandmother of Rachel Koh Han Ling, who is the Substantial Shareholder of KBGL • Grandmother of Benjamin Koh Yong Jun, who is the Substantial Shareholder of KBGL • Grandmother of Nicholas Koh Yong Wei, who is the Substantial Shareholder of KGBL 		
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Whether the undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
Other principal commitments including directorships	<p>Past (for the last 5 years) Nil</p> <p>Present</p> <ul style="list-style-type: none"> • Koh Brothers Group Limited • Altantic Star Pte. Ltd. • Canberra Development Pte Ltd • Changi Properties Pte. Ltd. • KBD Holland Pte. Ltd. • KBD Kosdale Pte. Ltd. • KBD Management Pte. Ltd. • KBD Ventures Pte. Ltd. • KBD Westwood Pte. Ltd. • Koh Brothers Development Pte Ltd • Koh Brothers Holdings Pte Ltd • Koh Brothers International Pte. Ltd. • Koh Brothers Investment Pte Ltd • Oxford Hotel Pte Ltd • Koh Maju Sdn. Bhd. 	<p>Past (for the last 5 years) Nil</p> <p>Present</p> <ul style="list-style-type: none"> • Koh Brothers Group Limited • Koh Brothers Holdings Pte Ltd 	<p>Past (for the last 5 years) Treasure Resort Pte. Ltd.</p> <p>Present</p> <ul style="list-style-type: none"> • Koh Brothers Group Limited • Centurion Corporation Limited • Haw Par Corporation Limited • Singhaiyi Group Limited • Tee International Limited 	<p>Past (for the last 5 years) Nil</p> <p>Present</p> <ul style="list-style-type: none"> • Koh Brothers Group Limited • Hogan Lovells Lee & Lee
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:				

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	<p>Yes</p> <p>Mr Gn is an independent non-executive director of TEE International Limited ("TEEI").</p> <p>TEEI had, on 4 March 2020, received an order under section 20 of the Criminal Procedure Code (Cap. 68) of Singapore ("CPC") to produce various categories of documents to the Commercial Affairs Department ("CAD") to assist with an investigation into an offence under the Penal Code (Chapter 224) of Singapore pursuant to the provisions of the CPC.</p> <p>TEEI had also received a notice to provide assistance to gain access to the computers containing any corporate email accounts and instant messages/chat accounts assigned to (i) the Company's former Group Chief Executive (ii) Group Chief Financial Officer and (iii) the Financial Controller.</p> <p>On 4 March 2020, the CAD took certain documents and items from the premises of TEEI.</p>	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	<p>Yes</p> <p>Mr Gn was a Non-Executive Director of UOB Asia Limited which in November 2000 was served with 2 charges under section 97 and 2 charges under section 99 of Singapore's Securities Industry Act ("SIA") in respect of its handling of the initial public offering of shares by e. World of Sports.com Limited and Hua Kok International Limited.</p> <p>UOB Asia Limited (wholly owned subsidiary of United Oversea Bank Limited) pleaded guilty to the 2 charges under section 99 of the SIA and was fined S\$400,000. The other 2 charges under section 97 of the SIA were not proceeded with but were taken into consideration for the purpose of sentencing.</p>	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH KENG HIONG	QUEK CHEE NEE	GN HIANG MENG	OW YONG THIAN SOO
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

CORPORATE INFORMATION

REGISTERED OFFICE

11 Lorong Pendek
Koh Brothers Building
Singapore 348639
Tel: (65) 6289 8889
Fax: (65) 6841 5100
Website: www.kohbrothers.com

BOARD OF DIRECTORS

Koh Tiat Meng
(Executive Chairman)

Koh Teak Huat
(Executive Deputy Chairman)

Koh Keng Siang
(Managing Director & Group CEO)

Koh Keng Hiong
(Executive Director and Deputy CEO, Leisure & Hospitality and Real Estate Divisions)

Lee Sok Khian John
(Executive Director)

Quek Chee Nee
(Non-Executive and Non-Independent Director)

Er Dr Lee Bee Wah
(Lead Independent Director)

Lai Mun Onn
(Independent Director)

Gn Hiang Meng
(Independent Director)

Ow Yong Thian Soo
(Independent Director)

Low Yee Khim
(Independent Director)

EXECUTIVE COMMITTEE

Koh Tiat Meng (Chairman)

Koh Teak Huat

Koh Keng Siang

Koh Keng Hiong

AUDIT AND RISK COMMITTEE

Er Dr Lee Bee Wah (Chairperson)

Lai Mun Onn

Gn Hiang Meng

Ow Yong Thian Soo

NOMINATING COMMITTEE

Ow Yong Thian Soo (Chairman)

Lai Mun Onn

Gn Hiang Meng

Koh Keng Siang

REMUNERATION COMMITTEE

Lai Mun Onn (Chairman)

Gn Hiang Meng

Ow Yong Thian Soo

SHARE PURCHASE COMMITTEE

Gn Hiang Meng (Chairman)

Lai Mun Onn

Ow Yong Thian Soo

COMPANY SECRETARY

Chua Hanyang, Isaac

GROUP PR MANAGER

David Tay

AUDITOR

PricewaterhouseCoopers LLP
7 Straits View
Marina One East Tower, Level 12
Singapore 018936
Partner-in-charge
Yeow Chee Keong
(appointed during the financial year ended 31 December 2015)

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

INVESTOR RELATIONS

Citigate Dewe Rogerson,
i.MAGE Pte Ltd
55 Market Street #02-01
Singapore 048941
Contact Persons
Dolores Phua/Amelia Lee
Tel: (65) 6534 5122
Fax: (65) 6534 4171

KOH BROTHERS GROUP LIMITED

(Unique Entity Number: 199400775D)

(Incorporated in Singapore)

11 Lorong Pendek
Koh Brothers Building
Singapore 348639

Tel: (65) 6289 8889 • **Fax:** (65) 6841 5400

www.kohbrothers.com



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