



## KOH BROTHERS GROUP LIMITED

(Incorporated in Singapore)

Company Registration No: 199700775D

### ADDITIONAL INFORMATION ON THE FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2004 ("FY04 RESULTS")

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We refer to the SGX's letter dated 1 March 2005 (ref: RMR/IR/HSW) and the request for further information in paragraph 2 of the said letter. We are pleased to provide further information in response to the SGX's queries as follows:-

- (a) **Profit & Loss Statement note 4 on "Amortization of mining rights" of S\$0.28 million – to provide information on nature of mining rights and which balance sheet item this is related to**

The Company's response:

As part of continuous efforts by its Construction Division to expand and diversify its sources of raw materials supply for its construction projects undertaken, the Group acquired the mining rights to mine for construction materials on the island of Pulau Pisang, Indonesia. The costs incurred for the mining rights amount to S\$0.9 million and is classified as "Other Long-Term Assets" in the balance sheet in note 1(b)(i) of the FY2004 announcement. The costs are amortized on the straight-line basis over the period of the mining rights license decreed by the Indonesian authorities which is for 3 years; and subject to approval from the Indonesian authorities, is renewable for an additional number of years to be determined by the Indonesian authorities.

- (b) **Profit & Loss Statement note 4 on "Net exchange loss" of S\$0.82 million – to disclose details and nature of the underlying items which caused the "net exchange loss"**

The Company's response:

The net exchange loss comprise mainly loss of S\$0.7 million arising from year-end revaluation of receivables and payables and is the result of the weakening of US Dollar and Indonesian Rupiah against Singapore Dollar.

- (c) **Balance Sheet increase in “Other Liabilities” from S\$26.1 million to S\$37.4 million – to provide breakdown of major items, quantifying the major increases and to disclose reasons for these increases**

The Company's response:

Breakdown of major items and major increases is as follows:	S\$ million	
	2004	2003
Hire purchase creditors payable within one year	1.2	2.0
Accruals for operating expenses	13.3	12.6
Accruals for developments costs of properties	12.2	0.2
Provision for warranty	0.6	0.9
Sundry creditors	2.5	2.1
Deposits and advances received	3.5	3.8
Due to directors	0.6	0.7
Indirect taxes payable	1.6	1.5
Due to related parties	1.9	1.8
Corporate guarantee payable	-	0.5
	<u>37.4</u>	<u>26.1</u>

The net increase of S\$11.3 million is due to the following:

- (i) Decrease in hire purchase creditors upon lease re-payment and expiry of hire purchase contracts during the year;
  - (ii) Increase in accruals for operating expenses (comprising distribution costs, administration expenses, etc) arising from increased levels of business activities;
  - (iii) Increase in accruals for development costs of properties is due to higher stage of completion and increased sales of the Group's properties in Singapore and China; and
  - (iv) Decrease in corporate guarantee payable upon settlement.
- (d) **To provide a revised commentary on the Group's financial performance to enable investors to better understand the Group's performance – to include the factors leading to any material changes in contributions to earnings to turnover and earnings by the business or geographical segments as required by paragraph 14 of Appendix 7.2 in the Listing Manual**

The Company's revised commentary for note 8 of the FY2004 Announcement (amendments are as underlined):

The Group reported 24% increase in sales to \$341.5 million in FY2004 from \$274.6 million in FY2003 due to increases from all divisions within the Group.

Boosted by healthy operating profits posted by the Construction, Real Estate and Oil & Gas Divisions, the Group reported a significant 116% improvement in operating profit to \$12.8 million in FY2004 from \$5.9 million in FY2003.

The Construction Division reported a 33% increase in turnover to \$121.4 million in FY2004 from \$90.9 million in FY2003. It achieved an operating profit of \$1.4 million in FY2004 as compared against a loss of \$2.0 million in FY2003. This significant improvement was mainly a result of improved margins of current construction contracts undertaken.

Turnover for the Building Materials Division remained relatively stable at \$101.8 million in FY2004. In the face of continued intense competition, the Division's operating profit decreased slightly from \$161,000 in FY2003 to \$52,000 in FY2004.

The Real Estate Division reported a 59% increase in turnover to \$50.7 million in FY2004 from \$31.8 million in FY2003 and a 31% increase in operating profit to \$8.1 million in FY2004 from \$6.2 million in FY2003. The increase arose mainly from higher stage of completion and successful sales of the Division's Starville Project and China properties.

The Leisure & Hospitality Division reported a 7% increase in sales and operating profit of \$0.4 million in FY2004 as compared to a loss of \$82,000 in FY2003. The improvement arose mainly from higher hotel occupancy rates driven by healthy tourist demand.

The Oil & Gas Division reported a 13% increase to \$81.8 million in FY2004 from \$72.0 million in FY2003 due to sales growth of 14% in Singapore and 12% for the Asia Pacific regions respectively. Operating profit increased by 75% to \$2.1 million in FY2004 from \$1.2 million in FY2003 due to increased contribution from the distributorship segment which offset the reduced contribution from the engineering, design and fabrication segment.

Group finance costs reduced to \$5.9 million in FY2004 from \$6.5 million in FY2003 due to lower borrowing levels.

Group pre-tax profit also improved significantly to \$7.4 million in FY2004 from a modest \$207,000 in FY2003.

At the net results level, the Group achieved a net gain of \$3.4 million in FY2004 as compared to a net loss of \$3.7 million in FY2003.

Submitted by Lee Suyin, Company Secretary on 3 March 2005 to the SGX