

Issuer: Koh Brothers Eco Engineering Limited

Security: Koh Brothers Eco Engineering Limited

Meeting details:

Date: 20 April 2017

Time: 10:30H

Venue: Dunearn Ballroom, Raffles Town Club, 1 Plymouth Avenue, Singapore 297753

Company Description

Koh Brothers Eco Engineering Limited, an environmental engineering company, provides engineering, procurement, and construction services for water and wastewater treatment, hydro-engineering, bio-refinery, and bio-energy projects. It operates in two segments, Water and Wastewater Treatment and Hydro-Engineering, and Bio-Refinery and Bio-Energy. The company offers water and wastewater treatment solutions, such as engineering, manufacturing, procurement, supply, installation, commissioning, performance trials, training, spares, and operation and maintenance services, as well as supplies water and wastewater treatment equipment, including filters, thickeners, and clarifiers. It also provides hydro-engineering services, including the design and supply of equipment comprising pump systems, gates, valves, and related operating equipment to control the flow of fluid. In addition, the company offers engineering, procurement, and construction facilities for refining palm oil, which include edible oil and non-edible oil refining plants, renewable energy, and biofuel plants; and improvements to production systems in existing refining operations, as well as individual components of refining plants comprising heat exchangers, heating systems, tower packing solutions, etc. It serves government institutions and private corporations in Malaysia, Singapore, Indonesia, rest of Asia, South America, Africa, and internationally. The company was formerly known as Metax Engineering Corporation Limited and changed its name to Koh Brothers Eco Engineering Limited in April 2014. The company was founded in 1975 and is based in Singapore. Koh Brothers Eco Engineering Limited is a subsidiary of Koh Brothers Group Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=)

Q1. In the Chairman's statement (page 9 of the annual report), the potential and the progress of the water sector was highlighted, following the government's multi-million investments since 2006 to fund innovation and capability development. The Chairman had added that the integration of KBCE and KBE has equipped the company with the necessary capabilities and will allow the enlarged entity to compete with the rest.

- a) **Can management help shareholders understand what are the business opportunities locally?**
- b) **What are the potential regional markets that the group can expand to for projects in the water sector?**
- c) **What is the group's strategy for expansion into the water sector? Would the group be focused on engineering, procurement and construction (EPC) projects or would the group go into long term concession projects and/or build-operate-transfer/design-build-operate projects?**

Q2. Can management update shareholders on the integration of the construction and civil engineering business (Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd.) into Koh Brothers Eco Engineering Limited? Has it been successfully completed? What kind of synergies have been achieved?

Following the injection of the construction and civil engineering business, the group's revenue jumped more than 4 fold from \$45 million in 2015 to \$202 million in 2016. The increase of S\$157.5 million was mainly due to contribution from the Engineering and Construction Business Division. However, employee compensation increased by about 33% - from \$3.0 million in 2015 to \$3.98 million in 2016.

- a) **Can shareholders understand if this was the result of the synergistic acquisition and the economies of scale? How much more cost efficient is the combined group?**

Q3. The bio-refinery and bio-energy segment reported segment revenue of \$27.7 million, and a segment result of \$4.4 million in 2016 (page 94 – Segment information). This was a slight drop from the revenue of \$34.6 million and segment results of \$6.0 million in 2015. In 2014, revenues were \$38.2 million while the segment results were \$4.2 million.

- a) **What are the factors that led to the decrease in the segment's revenue?**
- b) **As the segment contributes good profit margins to the group, what are management's plans to further drive growth and improve sales and profitability?**
- c) **With its reach in more than 26 countries in Asia, Africa, Central America and Latin America (page 7 – Bio - Refinery and Bio - Energy Business Division), what are some of the key opportunities the division sees?**