

Issuer: Koh Brothers Group Limited

Security: Koh Brothers Group Limited

Meeting details:

Date: 20 April 2017

Time: 14:00H

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

Company Description

Koh Brothers Group Limited, an investment holding company, engages in the construction and building materials, real estate, and leisure and hospitality businesses primarily in Singapore, the People's Republic of China, Malaysia, and the rest of Asia. The company engages in the construction activities for building and civil engineering, and water and wastewater treatment, as well as hydro-engineering, and bio-refinery and bio-energy projects. It also provides building materials, including cement, ready-mix concrete, interlocking paving blocks, and pre-cast concrete. In addition, the company is involved in the development of lifestyle-and-theme residences, as well as shophouses. Further, it owns and operates Asian Hotel Saigon, a 47-room 3-star hotel located in Ho Chi Minh, Vietnam; Oxford Hotel with 135 guest rooms located in Central Business District Singapore; and Alocassia Apartments, a service apartment with 45 units of suites located in the district of Bukit Timah Road. Additionally, the company offers property management, project and travelling management, logistic and business, and commission agent services, as well as rents equipment and properties. Koh Brothers Group Limited was founded in 1966 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=K75)

Q1. In the Executive Chairman’s message (page 13 of the annual report), the group hailed the injection of flagship construction business into Koh Brothers Eco Engineering Limited (KBE) as a “bold move to integrate synergistic businesses along the supply chain”. The Construction and Building Materials business is now part of Catalist-listed Koh Brothers Eco Engineering, which is a sustainable engineering solutions group that provides engineering, procurement and construction services for infrastructure and building, water and wastewater treatment, hydro-engineering, bio-refinery and bio-energy projects.

- a) **With the combined capabilities, what is the potential of KBE? How much more can it grow?**
- b) **Are there plans to expand into regional countries where the demand for sustainable engineering solutions is high?**

The group also has a 30% stake in the joint venture with Samsung C&T Corporation to construct the Changi Airport three-runway system. The mega project, worth \$1.12 billion, is the group’s largest contract win to date.

- c) **Can management give shareholders an update on the major milestones of the project?**
- d) **How is management overseeing the runway project and what are the efforts to manage and mitigate the execution risks?**
- e) **Is the current balance sheet sufficient to support the “mega project”?**

Q2. In the Operations review by the Managing Director and Group CEO (page 18), it was disclosed that asset enhancement initiatives at Sun Plaza has translated into better occupancy rates and improved revenues. Sun Plaza is a 50% joint venture held by the group’s subsidiary, Canberra Development Pte. Ltd..

- a) **Can the group help shareholders understand the operational performance of Sun Plaza after its \$33 million asset enhancement drive? What is the occupancy rate and what is the net property income following the asset enhancement efforts?**
- b) **Given that the AEI has added 5,772 square feet of net lettable area and the enlarged mall (with a total net lettable area of 158,000 square feet) has an enhanced tenant mix, has the joint venture maximised the potential of the asset?**
- c) **What are the strategic options available to the group for Sun Plaza?**

Q3. In Note 39 (page 124 – Segment information, the group’s three business segments are listed as (1) Construction and Building Materials, (2) Real Estate and (3) Leisure & Hospitality.

On 16 January 2017, the group announced that it has “entered into a memorandum and understanding (“MOU”) with Koracle Limited (“Koracle”) to form a joint venture for the purpose of setting up beauty clinics and wellness spas in Singapore and Johore, Malaysia”.

The diversification into the beauty market will see the group opening clinics and spas to be opened in Singapore and Johore to provide beauty consultation and treatment to meet the specialised needs of customers.

- a) **Why has the group diversified into the beauty market, a segment that has no apparent synergy with the group’s core businesses?**
- b) **What expertise and skillsets does management have to oversee this potential joint venture?**