



## NEWS RELEASE

### KOH BROTHERS REPORTS 1H 2016 NET PROFIT OF S\$6.0 MILLION ON S\$124.0 MILLION REVENUE; PROPOSES DIVIDEND IN SPECIE

- *Balance sheet remains healthy with cash and cash equivalents of S\$35.6 million and low net gearing of 0.42 time*
- *Koh Brothers shareholders to receive 0.1 Koh Brothers Eco ordinary share for each Koh Brothers ordinary share held by way of a proposed dividend in specie*

**Singapore, August 11, 2016** – Koh Brothers Group Limited (“**Koh Brothers**”, 許兄弟有限公司, or the “**Group**”), a well-established construction, property development and specialist engineering solutions provider, announced today net profit of S\$6.0 million on S\$124.0 million revenue for the six-month financial period ended June 30, 2016 (“**1H 2016**”).

The 1H 2016 revenue was a 44% slip from S\$222.0 million recorded in the equivalent period a year ago (“**1H 2015**”), in the absence of a significant revenue recognition in 1H 2015 on completion of a residential project.

Coupled with a 15% decrease in other income on lower interest income earned, and a 77% decrease in the Group’s share of results of joint venture companies to S\$0.9 million in 1H 2016 in the absence of a fair value gain on an investment property following an asset enhancement exercise recorded a year ago, the Group’s net profit slipped 61% from S\$15.3 million in 1H 2015.

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented: “Over the past fifty years, we have remained resilient due to our strong fundamentals and track record, and our ability to adapt and evolve with the ever-changing operating environment. Recognising the challenges in the tepid property market in Singapore and competitive construction industry, we have restructured internally to sharpen our competitive edge to tap new growth opportunities.”

On July 1, 2016, Koh Brothers completed a restructuring exercise where its SGX Catalist-listed environmental and sustainable engineering solutions provider subsidiary, Koh Brothers Eco Engineering Limited (“**Koh Brothers Eco**”), acquired the Group’s building and civil engineering construction subsidiary, Koh Brothers Building & Civil Engineering (Pte.) Ltd. (“**KBCE**”), to tap opportunities in the water and wastewater treatment and hydro-engineering sectors.

To celebrate its 50<sup>th</sup> anniversary and unlock value for shareholders, Koh Brothers also announced today a proposed dividend in specie of up to 41,469,500 ordinary Koh Brothers Eco shares to the Group’s shareholders.

Subject to shareholders’ approval at an extraordinary general meeting to be convened and other relevant approvals required, shareholders will receive 0.1 ordinary Koh Brothers Eco share for each ordinary Koh Brothers share held.

Following the exercise, Koh Brothers’ stake in Koh Brothers Eco will decrease slightly from the current 70.1% to 64.6%, while 28.3% of Koh Brothers Eco’s shares will be held by the public.

“We’d like our shareholders to join us in participating in Koh Brothers Eco’s growth and enjoy the synergies that can be harnessed by putting together KBCE’s expertise and track record in civil engineering and Koh Brothers Eco’s strength in hydro-engineering solutions. As Singapore strives to be self-sufficient, the water industry presents large growth opportunities that we are now well-positioned and equipped to capitalise on.”

Shortly after the completion of the restructuring exercise, Koh Brothers Eco announced in August 2016 that it had secured a S\$31.3 million contract to provide infrastructure, buildings, all civil and structural, and mechanical and electrical work for the Wet Weather Facility as part of the Changi Water Reclamation Plant Phase 2 Expansion.

For the three-month period ended June 30, 2016, the Group reported lower revenue of S\$70.8 million compared to S\$104.5 million a year ago. Accordingly, net profit slipped to S\$2.7 million from S\$10.6 million across the same comparative periods.

As at June 30, 2016, the Group's balance sheet remains healthy with cash and cash equivalents of S\$35.6 million and shareholders' equity of approximately S\$261.2 million.

Earnings per share for the three months ended June 30, 2016 decreased to 0.64 Singapore cent from 2.53 Singapore cents a year ago, while net asset value per share rose to 63.00 Singapore cents from 61.98 Singapore cents across the comparative periods.

The Group's debt servicing ability with liquidity remains comfortable with a current ratio of 1.79 times, while net gearing ratio reduced to 0.42 time as at June 30, 2016, from 0.62 time as at December 31, 2015.

### **Outlook & Future Strategies**

Latest statistics from the Ministry of Trade and Industry Singapore ("**MTI**") showed the economy grew 2.1% on a year-on-year ("**y-o-y**") basis in 2Q2016, or 0.3% on a quarter-on-quarter seasonally-adjusted annualised basis ("**q-o-q**"), slightly faster than the 0.1% growth in 1Q2016<sup>1</sup>.

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<sup>1</sup> MTI narrows 2016 GDP growth forecast to 1.0 to 2.0 per cent – Ministry of Trade and Industry Singapore, August 11, 2016

In view of the weakened global economic outlook exacerbated by Brexit, the MTI narrowed its 2016 growth forecast to 1.0% to 2.0% from an earlier forecast of 1.0% to 3.0%<sup>1</sup>.

The MTI data also showed that the construction sector grew at a faster q-o-q seasonally-adjusted annualised rate of 5.3% compared to the 1.4% growth recorded in 1Q2016, albeit a slowdown in growth on a y-o-y basis to 3.3% in 2Q2016 from 4.0% in 1Q2016 due to a decline in private sector construction works<sup>1</sup>.

For 2016, the Building and Construction Authority remains optimistic on the industry's outlook and had forecasted S\$27 billion to S\$34 billion worth of construction contracts to be awarded this year, of which 65.0% will be derived from the public sector<sup>2</sup>.

On Koh Brothers' construction outlook, Mr Koh commented, "While we continue to pursue larger-scale projects such as our recent Changi Airport Runway 3 development works (Package 1) contract win to replenish our order book, internally, we will continue to raise productivity and efficiencies through innovation and embracing technology to drive margin efficiency amidst rising operational costs."

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

On the property front, Urban Redevelopment Authority flash estimates showed an improvement in private residential property price index that declined 0.4% in 2Q2016, compared to a 0.7% decrease in the preceding quarter, marking the smallest quarter-on-quarter decrease since 1Q2014<sup>3</sup>.

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<sup>2</sup> BCA estimates \$27 billion to \$34 billion worth of construction contracts to be awarded this year – Building and Construction Authority, January 15, 2016

<sup>3</sup> Release of 2<sup>nd</sup> Quarter 2016 real estate statistics – Urban Redevelopment Authority, July 22, 2016

“We continue to be on the lookout for opportunities in Singapore and overseas to prudently replenish our land bank, with a view to create more unique lifestyle-themed developments that have so far been well-received by the market,” added Mr. Koh.

### **About Koh Brothers Group Limited**

Listed on Main Board of the SGX-ST in August 1994, Koh Brothers Group Limited (“**Koh Brothers**”, or together with its subsidiaries, the “**Group**”) is a well-established construction, property development and specialist engineering solutions provider, which was started as a sole proprietorship in 1966 by Mr. Koh Tiat Meng. Today, the Group has more than 40 subsidiaries, joint venture companies and associated companies spread over Singapore, PRC, Indonesia, and Malaysia.

Over the years, the Group has undertaken numerous construction and infrastructure projects with its A1 grading by the Building and Construction Authority. It is currently the highest grade for contractors’ registration in this category, and allows the Group to tender for public sector construction projects of unlimited value. In addition, the Group has developed a name for itself as a niche real estate developer, with an established reputation for quality and innovation.

The Group’s diversified businesses present them with multiple revenue streams from three core areas:

- Construction and Building Materials;
- Real Estate; and
- Leisure and Hospitality.

The Group is also the single largest shareholder of SGX Catalist-listed Koh Brothers Eco Engineering Limited (“**Koh Brothers Eco**”), a sustainable engineering solutions group that provides engineering, procurement and construction services for water and wastewater treatment, hydro-engineering, bio-refinery and bio-energy projects.

Following a restructuring exercise that combines the capabilities of Koh Brothers Eco with the Group's previously-owned civil engineering construction arm, Koh Brothers Building & Civil Engineering (Pte.) Ltd. ("**KBCE**"), through its shareholdings in Koh Brothers Eco, Koh Brothers can reap synergies and sharpen its competitive edge to offer turnkey engineering solutions and tap opportunities in the water, wastewater treatment and hydro-engineering sectors.

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