



NEWS RELEASE

KOH BROTHERS REPORTS REVENUE OF S\$255.7 MILLION AND NET PROFIT OF S\$3.4 MILLION FOR 9M 2019

- ***Strong construction order book amounting to S\$906.6 million¹***
- ***Healthy balance sheet with S\$53.0 million in cash and bank balances***

Singapore, 7 November 2019 – Well-established construction, property development and specialist engineering solutions provider, Koh Brothers Group Limited (“**Koh Brothers**”, 許兄弟有限公司, or the “**Group**”), today reported a revenue of S\$255.7 million and a net profit attributable to shareholders of S\$3.4 million for the nine-month period ended 30 September 2019 (“**9M 2019**”). This compares to a revenue of S\$272.1 million and a net profit attributable to shareholders of S\$3.8 million a year ago (“**9M 2018**”).

The dip in bottomline was mitigated mainly by a S\$4.5 million or 59.0% increase in share of profit from associated companies and joint ventures to S\$12.2 million in 9M 2019. This is mainly due to progressive recognition of profit from its maiden mixed-use development project in the prime Gangnam district of South Korea, and a fair value gain from an investment property in Singapore; as well as lower administrative expenses, in line with lower staff costs.

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented, “Against a backdrop of macroeconomic uncertainties, we will continue to stay resilient by focusing on advanced technologies to further enhance our efficiencies and improve overall productivity to stay ahead of the competition. We will also continually broaden our network and seek strategic partnerships to collectively look for suitable business opportunities.

¹ As at 30 September 2019

“Our construction business has maintained a strong order book of over S\$900 million and we remain committed towards the smooth execution of our projects, while we continue to monitor the real estate market closely to launch our development projects at an opportune time.”

Financial Highlights

9M 2019 revenue stood at S\$255.7 million, a decline of 6.0% from S\$272.1 million in 9M 2018 due to lower revenue recognition from the Construction and Building Materials division. Gross profit declined 20.0% to S\$14.3 million in 9M 2019 from S\$18.0 million in 9M 2018 due to lower margins.

Share of profit from associated companies and joint ventures, on the other hand, rose 59.0% to S\$12.2 million in 9M 2019 from S\$7.7 million a year ago due to progressive recognition of profit from the 45.0%-owned Nonhyeon I PARK project in Seoul, South Korea, as well as a fair value gain from a Singapore investment property. Additionally, there was a significant 24.0% decrease in administrative expenses as a result of lower staff costs.

In line with the above, the Group reported a net profit attributable to shareholders of S\$3.4 million in 9M 2019, a decline of 12.0% from S\$3.8 million in 9M 2018.

Earnings per share stood at 0.81 Singapore cent in 9M 2019 compared to 0.93 Singapore cent in 9M 2018. Net asset value per share increased to 72.24 Singapore cents as at 30 September 2019 compared to 67.91 Singapore cents as at 31 December 2018.

Cash and bank balances remained healthy at S\$53.0 million while shareholders' equity stood at S\$298.0 million as at 30 September 2019. The Group's debt servicing ability with liquidity remains comfortable with a current ratio of close to 2.0 times and net gearing ratio of 0.98 time as at 30 September 2019.

For the third quarter ended 30 September 2019 (“**3Q 2019**”), the Group reported a net profit attributable to equity holders of S\$1.0 million, as compared to S\$1.6 million in the third quarter ended 30 September 2018 (“**3Q 2018**”). Revenue stood at S\$94.4 million in 3Q 2019, a 21.0% decrease compared to S\$119.3 million in 3Q 2018.

Outlook and Strategies

Advance estimates from the Ministry of Trade and Industry (“**MTI**”) showed that the Singapore economy grew 0.1% year-on-year in 3Q 2019, keeping pace with the 0.1% growth recorded in 2Q 2019. On a quarter-on-quarter seasonally-adjusted annualised basis, GDP was up 0.6%, a turnaround from the 2.7% contraction in the preceding quarter².

The MTI numbers showed that the construction sector grew by 2.7% year-on-year for 9M 2019, continuing the 2.8% growth in 2Q 2019, lifted by higher activity in both the public and private sectors.

According to the Building and Construction Authority (“**BCA**”), construction demand is expected to remain strong over the medium term with demand projected to reach between S\$27 billion and S\$34 billion per year for 2020 and 2021 and could increase to between S\$28 billion and S\$35 billion per year for 2022 and 2023.

Backed by over five decades of experience and a proven track record of public infrastructure projects, Koh Brothers has captured some of these key public projects, with the most recent being a S\$668.2 million PUB contract to construct the Influent Pumping Stations at Tuas Water Reclamation Plant (“**TWRP**”) in July 2019. The project has commenced and is expected to complete in 2025.

² Ministry of Trade and Industry Singapore – Singapore’s GDP grew by 0.1 per cent in the third quarter of 2019 – 14 October 2019

On the property development front, latest real estate statistics from the Urban Redevelopment Authority (“**URA**”) showed a 1.3% increase in the private residential property index in 3Q 2019, compared to the 1.5% increase in 2Q 2019³.

In Singapore, Koh Brothers plans to launch for sale its wholly-owned Van Holland project (formerly known as Toho Mansion). The Van Holland project will feature a fresh concept to offer elevated living spaces with access to a myriad of amenities in the vibrant neighbourhood that also boasts excellent connectivity, being a stone’s throw away from the Holland Village MRT station.

Overseas, the Group’s Nonhyeon I PARK project in South Korea has sold 98.0% of its units to date and is expected to continue contributing profits to the Group progressively. Koh Brothers also intends to prudently explore development opportunities overseas where market cycles are favourable.

³ *Urban Redevelopment Authority – Release of 3rd Quarter 2019 real estate statistics – 25 October 2019*

About Koh Brothers Group Limited

Listed on SGX Mainboard 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, Koh Brothers has more than 40 subsidiaries, joint venture companies and associated companies spread over Singapore, the PRC, Indonesia, Malaysia and South Korea.

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

Koh Brothers’ 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 Ltd (“**Koh Brothers Eco**”), a sustainable engineering solutions group that provides engineering, procurement and construction (“**EPC**”) services for water and wastewater treatment, hydro-engineering, bio-refinery and bio-energy projects. Through Koh Brothers Eco, the combined Group is able to reap synergies to offer turnkey engineering solutions and tap opportunities in the water and wastewater treatment, and hydro-engineering sectors.

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