



## NEWS RELEASE

### KOH BROTHERS 2Q 2018 REVENUE GROWS 30% TO S\$85.7 MILLION

- *Strengthened construction order book of S\$872.2 million to be progressively recognised*
- *Healthy balance sheet with S\$45.6 million cash and bank balances and net gearing of 0.93 time*

**Singapore, 10 August 2018** – 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**”), announced net profit attributable to shareholders of S\$1.0 million on S\$85.7 million revenue for the financial quarter ended 30 June 2018 (“**2Q 2018**”).

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented, “We’ve over the past year worked hard to sow the seeds for future growth – with the strengthening of our construction order book to S\$872.2 million, a sterling performance for our maiden development project in South Korea, and prudent joint site acquisitions in the up-and-coming Holland Village vicinity.”

“Going forward, we look forward to the careful execution of both our ongoing construction projects and pipeline residential development sites amidst a challenging operating environment. Meanwhile, we continue to look for suitable investment and development opportunities in South Korea and other geographical markets with favourable real estate cycles so as to broaden our portfolio for long-term resilient growth.”

Koh Brothers had announced in June 2018 that it has sold 96% of its first development project, Nonhyeon I’PARK, in Gangnam, South Korea. The prime mixed-use property received warm reception, selling 75% of all its units in the first seven days of its launch. The Group holds a 45%-stake in the project.

## **Financial Highlights**

Koh Brothers reported revenue of S\$85.7 million in 2Q 2018, 30% higher than the S\$65.7 million reported in the corresponding period a year ago (“**2Q 2017**”), lifted mainly by stronger contributions from the Construction and Building Materials division.

In the absence of a one-off compensation income recognised previously in 2Q 2017, other income declined 81% in 2Q 2018 to S\$1.6 million. Share of profit of associates and joint ventures decreased 47% to S\$2.7 million this quarter on lower fair value gain recognised.

In view of the above, the Group reported 2Q 2018 net profit of S\$1.0 million, a 37% decrease from S\$1.5 million reported a year ago.

For the six-month period ended 30 June 2018 (“**1H 2018**”), the Group reported a marginal 1% decline in revenue to S\$152.8 million compared to S\$154.5 million in the corresponding period a year ago (“**1H 2017**”). Net profit declined 16% to S\$2.2 million from S\$2.6 million over the same comparative periods.

Earnings per share decreased to 0.53 Singapore cent in 1H 2018 from 0.63 Singapore cent a year ago while net asset value per share was 68.09 Singapore cents as at 30 June 2018 from 68.60 Singapore cents as at 31 December 2017.

Cash and bank balances remained healthy at S\$45.6 million while shareholders’ equity stood at S\$280.8 million at the end of the financial quarter. The Group’s debt servicing ability with liquidity remains comfortable with a current ratio of 1.9 times and net gearing ratio of 0.93 time as at 30 June 2018.

## **Outlook and Strategies**

Advance estimates from the Ministry of Trade and Industry<sup>1</sup> showed that the construction sector contracted at a slower rate of 4.4% year-on-year in 2Q 2018 compared to 5.2% in the preceding quarter. The sector was weighed down by continued weakness in private sector construction activities.

The Building and Construction Authority<sup>2</sup> had projected the total value of construction contracts to be awarded this year to reach between S\$26.0 billion and S\$31.0 billion, with public sector projects constituting 60% of the forecast to reach between S\$16.0 billion and S\$19.0 billion.

While the private sector is expected to be boosted by a steady pipeline of residential and commercial projects, public construction demand is expected to be lifted by institutional and other buildings, and civil engineering works such as major contracts for the North-South Corridor, new MRT works, the Deep Tunnel Sewerage System (“**DTSS**”) and a remaining package for Runway 3 by Changi Airport Group<sup>2</sup>.

Armed with over five decades of rich experience and established track record, the Group’s construction arm had secured several public projects recently, participating in Circle Line 6-related works (from Prince Edward station to Marina Bay station); the design and construction of Phase 2 of the DTSS; and most recently, the S\$960 million project from the Ministry of Health to construct the upcoming Woodlands Health Campus, a first in the Woodlands vicinity.

These projects have added to Koh Brothers’ strong construction book of S\$872.2 million, as at 30 June 2018, expected to contribute progressively to the Group’s performance.

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<sup>1</sup> Ministry of Trade and Industry Singapore, 13 July 2018 – Singapore’s GDP Grew by 3.8 Per Cent in the Second Quarter of 2018

<sup>2</sup> Building and Construction Authority, 11 January 2018 – Public sector construction demand is expected to strengthen this year

Latest Urban Redevelopment Authority (“**URA**”) statistics<sup>3</sup> showed that the private residential property prices in 2Q 2018 continued growing at 3.4%, sustaining the 3.9% increase in the preceding quarter. On the demand front, developers launched 2,437 residential units during the quarter and sold 2,366 units, compared to 921 units launched and 1,581 units sold in 1Q 2018.

The authorities had on 5 July 2018 tightened cooling measures, adjusting additional buyer’s stamp duty rates and loan-to-value limits in an effort to cool the property market<sup>4</sup>.

Mr Koh commented, “While we recognise the challenges ahead, we have done rigorous due diligence on the viability of our pipeline residential sites, such as Toho Mansion, and are optimistic on the potential of the Holland Village neighbourhood that is undergoing rejuvenation efforts led by the government.”

“Additionally, our innovative approach for lifestyle-themed developments have worked very well for us – not only do these elements help to clearly differentiate our projects, it adds to the development’s intrinsic value to buyers and investors, thereby allowing us to command healthy prices. We look forward to working closely with our partners to do the same for our upcoming projects.”

### **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.

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<sup>3</sup> Urban Redevelopment Authority, 27 July 2018 – Release of 2nd Quarter 2018 real estate statistics

<sup>4</sup> Monetary Authority of Singapore, 5 July 2018 -- Raising Additional Buyer's Stamp Duty Rates and Tightening Loan-to-Value Limits to Promote a Stable and Sustainable Property Market

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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