



NEWS RELEASE

KOH BROTHERS REPORTS 3Q 2018 REVENUE OF S\$119.3 MILLION AND NET PROFIT OF S\$2.2 MILLION

- *Recognised maiden contributions from well-received Gangnam development project in Seoul, South Korea*
- *Absence of a one-time gain on disposal of joint venture of S\$11.6 million recorded in 3Q 2017*
- *Strong construction order book of S\$765.9 million to be progressively recognised*
- *Healthy balance sheet with S\$51.0 million cash and bank balances and net gearing of 0.96 time*

Singapore, 5 November 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\$2.2 million on S\$119.3 million revenue for the financial quarter ended 30 September 2018 (“**3Q 2018**”).

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented, “While the real estate sector in Singapore remains challenging, exacerbated by the cooling measures implemented, we are pleased that our diversification strategy for the real estate business pillar has started to bear fruit as we commence profit recognition of our Nonhyeon I’PARK mixed-development project in Seoul.”

“Meanwhile, we continue to execute our large-scale construction projects that have allowed us to maintain our strong construction order book of S\$765.9 million, which will continue to progressively contribute meaningfully to our performance.”

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

The revenue of S\$119.3 million recorded this quarter was a 2.0% growth from S\$117.4 million reported in the equivalent period a year ago ("**3Q 2017**"). The improved topline was mainly driven by stronger contributions from the Construction and Building Materials segment.

The Group reported a 171% increase in gross profit to S\$8.1 million in 3Q 2018 compared to S\$3.0 million in 3Q 2017 due to higher gross margins derived from the Construction and Building Materials segment.

Koh Brothers reported S\$1.3 million in other income in 3Q 2018 due to an increase in interest income. Other gains/losses slipped into a S\$170,000 loss this quarter compared to a S\$11.1 million gain in 3Q 2017 in the absence of a one-time gain on disposal of a joint venture recognised a year ago.

Share of profits of associates and joint ventures rose 155% in 3Q 2018 to S\$3.1 million compared to S\$1.2 million in 3Q 2017 due mainly to profit recognised from the Nonhyeon I'PARK mixed-development project in South Korea as construction progressed.

In view of the above, Koh Brothers reported 3Q 2018 net profit of S\$2.2 million, a 62% decline from S\$5.9 million from 3Q 2017.

For the nine-month period ended 30 September 2018 (“**9M 2018**”), the Group’s revenue remained steady at S\$272.1 million while 9M 2018 net profit decreased 48% to S\$4.4 million from S\$8.4 million in the corresponding period a year ago (“**9M 2017**”). This was due mainly to the absence of a S\$11.6 million one-off gain on disposal of a joint venture recognised in 9M 2017.

3Q 2018 earnings per share decreased to 0.54 Singapore cent from 1.41 Singapore cents a year ago¹ while net asset value per share as at 30 September 2018 was 69.52 Singapore cents compared to 68.70 Singapore cents as at 31 December 2017¹.

Cash and bank balances remained healthy at S\$51.0 million while shareholders’ equity stood at S\$286.7 million at the end of the financial quarter. The Group’s debt servicing ability with liquidity remains comfortable with a current ratio of 2.2 times and net gearing ratio of 0.96 time as at 30 September 2018.

Outlook and Strategies

Latest statistics from the Ministry of Trade and Industry² showed that the construction sector grew 1.7% on a quarter-on-quarter seasonally-adjusted basis, a turnaround from the 14.5% contraction in 2Q 2018. On a year-on-year basis, the sector contracted at a slower rate of 3.1% in 3Q 2018 compared to 4.2% in the preceding quarter and continues to be weighed down by continued weakness in private sector construction activities.

The Building and Construction Authority³ 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.

¹ Restated

² Ministry of Trade and Industry Singapore, 12 October 2018 – Singapore’s GDP Grew by 2.6 Per Cent in the Third Quarter of 2018

³ Building and Construction Authority, 11 January 2018 – Public sector construction demand is expected to strengthen this year

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 Group².

The Group has secured some of these landmark projects – namely, the 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 Woodlands Health Campus project awarded by the Ministry of Health, a first in the Woodlands vicinity.

These projects have added to Koh Brothers’ strong construction order book of S\$765.9 million, as at 30 September 2018, expected to contribute progressively to the Group’s performance.

Latest Urban Redevelopment Authority (“**URA**”) statistics⁴ showed that the private residential property prices in 3Q 2018 rose 0.5%, sustaining the 3.4% increase in the preceding quarter. On the demand front, developers launched 3,754 residential units during the quarter and sold 3,012 units, compared to 2,437 units launched and 2,366 units sold in 2Q 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 market⁵.

⁴ Urban Redevelopment Authority, 26 October 2018 – Release of 3rd Quarter 2018 real estate statistics

⁵ 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

Mr Koh commented, “While the operating landscape is challenging, we remain optimistic on the potential of the Holland Village neighbourhood where our development sites are located, and our ability to clearly differentiate our projects through our niche in lifestyle-themed developments. We will monitor the market closely to time our launches prudently. Meanwhile, we continue to explore development opportunities overseas.”

The Group’s development land bank in Singapore includes the wholly-owned Toho Mansion, and the 20%-owned joint-venture development sites, Hollandia and Estoril. All three freehold sites are located in the Holland Village vicinity, which has been earmarked by the Government for a highly-anticipated makeover and expansion.

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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