KOH BROTHERS ECO ENGINEERING LIMITED

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NEWS RELEASE

KOH BROTHERS ECO POSTS 33% HIGHER REVENUE OF S$66.2 MILLION AND AN INCREASE OF 137% IN NET PROFIT TO S$1.9 MILLION FOR 2Q2018

- ***Group revenue mainly boosted by higher topline contribution from Engineering and Construction division***
- ***Robust construction order book of S$872.2 million as at 30 June 2018, underpinned by Group's share of three major contracts***
- ***Healthy balance sheet with cash and bank balances of S$18.9 million and low net gearing of 0.20 time***
- ***Continue to leverage on synergistic civil-engineering and hydro-engineering capabilities to secure opportunities to strengthen order book further and sustain long term growth***

SINGAPORE, 31 July 2018 – SGX Catalist-listed sustainable engineering solutions provider, Koh Brothers Eco Engineering Limited ("**Koh Brothers Eco**", 許兄弟生态工程有限公司, and together with its subsidiaries, the "**Group**"), reported revenue of S$66.2 million for the three months ended 30 June 2018 ("2Q2018"), as compared to S$49.8 million in the previous corresponding period ("2Q2017).

The 33% increase in Group revenue was mainly contributed by the Engineering and Construction division. However, higher than expected costs resulted in a marginal decrease of 3% in the Group's gross profit to S$3.4 million in 2Q2018. Net profit attributable to shareholders increased to S$1.9 million from S$0.8 million in 2Q2017.

Koh Brothers Eco's Chairman, Mr. Francis Koh (许庆祥), said, "Operating conditions remain challenging as the industry continues to face keen competition and rising construction materials costs. However, these challenges only heightened the Group's resolve to capitalise on our strengths to seize opportunities to add to our order book and at the same time, stay careful in executing the projects to mitigate rising cost pressures.

"As at 30 June 2018, the Group's order book remained robust with a total outstanding value of S$872.2 million. Our synergistic civil-engineering and hydro-engineering capabilities have proven to sharpen the Group's competitive edge in securing projects to add to our order book, which is currently underpinned by the Group's share of three major projects – the Woodlands Health Campus, Deep Tunnel Sewerage System Phase 2 and Circle Line 6 worth close to S$600 million."

The Group's earnings per share in 2Q2018 came to 0.19 Singapore cent compared to 0.10 Singapore cent in 2Q2017. Net asset value per share as at 30 June 2018 increased to 6.10 Singapore cents from 5.94 Singapore cents as at 31 December 2017.

The Group's balance sheet as at 30 June 2018 remains healthy, with cash and bank balances of S$18.9 million and low net gearing of 0.20 time.

Outlook & Future Strategies

Koh Brothers Eco's Chief Executive Officer, Mr Paul Shin (申龙燮), said, "With prospects in the construction sector expected to pick up over the near to medium term, we will continue to leverage on our synergistic competencies to pursue opportunities in the sector. However, it is crucial that the Group's financial position remains strong to provide us with greater financial flexibility to secure opportunities to strengthen our order book further and sustain growth for the long term. Therefore, we hope that shareholders will lend their support for our growth plans via our recently proposed renounceable non-underwritten rights cum warrants issue.

On 29 June 2018, the Group proposed a renounceable non-underwritten rights cum warrants issue. Under this fund raising exercise, shareholders can subscribe for one rights share at S$0.045 each, for every two existing shares held. Subsequently, with every one rights share subscribed, shareholders are entitled to a free warrant which carries the right to subscribe for one new ordinary share in the share capital of Koh Brothers Eco at an exercise price of S$0.05 for each new share. The proposed rights cum warrants issue is subject to approvals by the relevant authorities.

On the construction sector outlook, the Building and Construction Authority projected demand to reach between S$26 billion and S$31 billion this year, with the public sector contributing 60% of the projects[1]. These projects include additional major contracts for infrastructure projects like the North-South Corridor, new MRT works and DTSS Phase 2 as well as the remaining package for Runway 3 by Changi Airport Group[1].

Advanced estimates from the Ministry of Trade and Industry showed that the construction sector contracted by 4.4 per cent on a year-on-year basis in the second quarter of 2018, extending the 5.2 per cent decline in the previous quarter. The sector was weighed down primarily by the continued weak activity level in the private sector. On a quarter-on-quarter seasonally-adjusted annualised basis, the construction sector reduced by 14.6 per cent, a reversal from the 0.9 per cent growth in the preceding quarter.

Separately, the Group's subsidiary, Oiltek Sdn. Bhd. ("Oiltek"), held under the bio-refinery and bio-energy division, stays optimistic about the long term prospects of the commodities industry despite the current challenges in the sector. Moving forward, Oiltek will continue to develop new and innovative proprietary technology in the oil refining process that will sharpen its competitive edge to secure growth opportunities.

Note to Media: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

[1] *Public sector construction demand is expected to strengthen this year – Building and Construction Authority, 11 January 2018*

About Koh Brothers Eco Engineering Limited

Listed on the Singapore Exchange ("**SGX**") in 2006, Koh Brothers Eco Engineering Limited ("**Koh Brothers Eco**", and together with its subsidiaries, the "**Group**") is 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.

Incorporated in Singapore in 1975, Koh Brothers Eco started out by providing EPC services for water and wastewater treatment projects as well as hydro-engineering projects. Its principal market is in Asia with projects from both the public and private sectors.

The Group's engineering and construction division under Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. ("**KBCE**"), which holds the A1 grade from the Building and Construction Authority ("**BCA**") for both building and civil engineering categories, possesses capabilities in building and civil engineering construction. The BCA A1 grade allows KBCE to tender for building and civil infrastructure projects of unlimited value. KBCE, which enjoys a long and rich corporate history, has a strong track record ranging from design and build to general construction for residential, commercial and institutional buildings and infrastructure works. KBCE is also a BCA L6 – (ME11) graded contractor which enables it to tender for public mechanical engineering projects of unlimited value.

Over the years, KBCE has participated in projects by various public sector agencies such as the BCA, Housing & Development Board ("**HDB**"), PUB, Singapore's National Water Agency, Urban Redevelopment Authority ("**URA**"), Land Transport Authority ("**LTA**") and Changi Airport Group ("**CAG**").

Some of KBCE's major infrastructure projects include the Punggol Waterway awarded by HDB, the iconic Marina Barrage, Geylang River Make Over, Changi Water Reclamation Plant (Phase 1), and Jurong Water Reclamation Plant by PUB, the Common Service Tunnel by URA, Downtown Line 1 Bugis Station by LTA and the retention pond at Changi Airport by CAG. In addition, through a joint venture with Samsung C&T Corporation, KBCE secured a landmark S$1.12 billion project from CAG for development works to effect three-runway operations at Changi Airport.

Other landmark building projects by KBCE include Building and Electrical works at Jurong West Neighbourhood 6 Contract; Building works at Chua Chu Kang Neighbourhood 4 Contract awarded by HDB; New Halls of Residence at Nanyang Avenue for Nanyang Technological University and the development of River Valley High School and a hostel at Boon Lay Avenue, both commissioned by the Ministry of Education; Design and Build projects for the Provost & Armour Cluster in Kranji Camp and Keat Hong Camp, both awarded by the Ministry of Defence; and the construction of the Singapore Civil Defence Force Headquarters Complex at Ubi Avenue 4 commissioned by the Ministry of Home Affairs.

The Group's bio-refinery and bio-energy division under Oiltek Sdn. Bhd. specialises in a full range of conventional edible oil process plants as well as biodiesel, pre-treatment and winter fuel plants. Through its subsidiary, Oiltek Nova Bioenergy Sdn. Bhd., it also designs, builds and supplies biogas recovery systems to palm oil mill effluent plants in Malaysia and Indonesia.

*This press release has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**Exchange**"). The Company's Sponsor has not independently verified the contents of this press release.*

This press release has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this press release including the correctness of any of the statements or opinions made or reports contained in this press release.

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