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KOH BROTHERS ACHIEVES 138% SURGE IN NET PROFIT TO S$11.5 MILLION IN 2Q2014

- ***Revenue and Gross Profit increase 7% and 25% respectively due to higher sales from Real Estate Division in 2Q2014;***
- ***Earnings per share more than double to 2.61 cents as at June 30, 2014;***
- ***Achieves two-fold increase in 1H2014 net profit of S$16.3 million.***

Singapore, August 13, 2014 – Koh Brothers Group Limited ("Koh Brothers" or the "Group") ("許兄弟有限公司"), a well-established construction, property development and specialist engineering solutions provider, announced today that it has achieved higher net profit attributable to equity holders of the Company ("Net Profit") for the three months ended June 30, 2014 ("2Q2014"). Net profit jumped 138% from S$4.8 million in the three months ended June 30, 2013 ("2Q2013") to S$11.5 million in 2Q2014.

Cumulatively, the Group's net profit more than doubled to S$16.3 million in 1H2014 from S$8.2 million in the previous corresponding period ("1H2013").

Mr. Francis Koh ("许庆祥"), Managing Director and Group CEO of Koh Brothers, commented: "The Group was able to achieve a record profit due to our sound business model and time-tested strategies. This was on the back of higher Group Revenue mainly due to our Real Estate Division which contributed higher sales in 2Q2014 and 1H2014.

“Though we began as being involved in flood alleviation and drainage projects, we have developed strong capabilities in a wide spectrum of projects over the years, and are able to do more than what we started with. Now, our diversified revenue streams from various business lines within our core Construction & Building Materials and Real Estate businesses, strengthen the Group’s ability to deliver strong growth. In addition, with the integration of our in-house capabilities, we are able to effectively harness synergies, thereby increasing productivity and efficiencies to achieve better margins overall.”

Performance Review

Group Revenue comprises sales of products, services rendered, property development and rental income, as well as construction contract revenue. In 2Q2014, an increase in sales mainly from the Real Estate division lifted Group revenue 7% to S$109.5 million. Cost of sales at S$92.1 million in 2Q2014 was marginally higher than in 2Q2013.

The Group also recorded Other Gains of S$7.1 million in the period under review as compared to S$0.6 million in the previous corresponding period, due to higher fair value of investment properties.

Group Expenses, which comprise Distribution, Administration and Finance expenses, increased 10% mainly due to higher allowance made for impairment on trade receivables.

Whilst share of results from associated companies recorded a turnaround from a loss of S$90,000 in 2Q2013 to a profit of S$103,000 in 2Q2014, share of results from joint ventures had a loss of S$1.6 million. The latter was mainly due to lower contribution from a property currently undertaking an asset enhancement exercise and initial setup cost for a residential project.

With higher net profit, earnings per share more than doubled to 2.61 SGD cents in 2Q2014 from 1.05 SGD cents in 2Q2013. Likewise in 1H2014, earnings per share also rose to 3.67 SGD cents per share from 1.76 SGD cents per share in 1H2013.

Koh Brothers also has comfortable debt servicing ability with liquidity. As of June 30, 2014, the current ratio was 2.1 times and the gearing ratio was 0.85 times.

Outlook and Strategies

Mr Koh said, “The construction sector is experiencing a tight labour market and there are more stringent regulatory controls. However, the brighter side of it is that more construction demand is expected to be generated from the public sector. For the residential property market, with the various property cooling measures still in place, we expect prices to further moderate this year.”

Ministry of Trade and Industry statistics [1] showed that the construction sector expanded 0.3% in the second quarter of 2014, on a quarter-to-quarter, seasonally-adjusted annualised basis. Flash estimates by the Urban Redevelopment Authority showed that prices of private residential properties declined for a third continuous quarter.

Mr Koh added, “Notwithstanding the industry outlook, we continue to see vast opportunities and will strengthen our core competencies to enhance our competitive position. Given our strong fundamentals and with the successful issue of our first tranche of S$50 million notes under our S$250 million Multicurrency Term Note Programme, the Group has the resources to be better prepared for new business opportunities.”

To capture new business opportunities, the Group intends to continue increasing collaboration opportunities amongst the various business lines – Real Estate Development, Construction, Building Materials, and Environmental Engineering – to

[1] ‘2014 GDP Growth Forecast is Narrowed to 2.5 to 3.5 Per Cent’, Ministry of Trade and Industry, August 12, 2014

capitalise on each business line's strengths and capabilities to harness synergies and economies of scales.

The Group also intends to continue its focus on higher-value projects with higher profit margins. Koh Brothers had developed real estate projects with unique or innovative features that stand out from other property developments, and intends to continue with this approach.

Lastly, Koh Brothers plans to strengthen productivity and enhance efficiency for its construction/civil engineering operations. Through value engineering, the Group will review construction design, specifications and drawings to derive cost savings through improvements in construction methods and productivity as well as reducing reliance on manpower.

About Koh Brothers Group Limited

Listed on SGX Mainboard in August 1994, Koh Brothers 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 ("BCA"). 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.

Koh Brothers Group's diversified businesses present them with multiple revenue streams from three core areas:

- Construction and Building Materials;
- Real Estate; and

- Leisure & Hospitality.

In 2013, the Group also broadened its reach into the environmental engineering sector, with a strategic acquisition of 41% stake in SGX Catalist-listed Koh Brothers Eco Engineering Ltd (formerly known as Metax Engineering Corporation Ltd) ("Koh Eco").

Construction and Building Materials

This division leads in providing a complete and diverse range of infrastructure project management, products, services and solutions for the construction industry.

Major projects that have been successfully completed are the iconic Marina Barrage in 2008; Punggol Waterway Parts One and Two in 2011; Downtown Line 1 Bugis Station in 2013; makeover of Geylang River in 2014 and Lincoln Suites – a luxurious condominium project at Khiang Guan Avenue, off Newton Road, in District 11. This division had also completed the construction of the Common Service Tunnel at the Business Financial Centre and public housing at Choa Chu Kang.

This division was also awarded a number of projects which are currently ongoing. In April 2012, Koh Brothers, through a joint venture, was awarded a S$54.6 million contract by the national water agency, PUB, for the construction of a used water lift station at PUB's Jurong Water Reclamation Plant. In November 2012, Koh Brothers secured a S$30.9 million contract from Changi Airport Group for a proposed retention pond at Changi Airport. In 2012, Koh Brothers also began the construction of Parc Olympia, a condominium project. In February 2013, Koh Brothers secured a S$99.8 million contract from the PUB to carry out improvement works to the existing trapezoidal canal and crossings at the Bukit Timah First Diversion Canal (Bukit Timah Road to Holland Green). In February 2014, Koh Brothers also won a construction contract worth S$98.0 million to build a HDB BTO Project in Yishun.

The Building Materials division provides total ready-mix concrete solutions to the construction industry. The supply chain includes cement, ready-mix concrete, equipment rental and various types of products such as pre-cast elements and interlocking concrete blocks.

Real Estate

The Group's Real Estate division provides quality property developments with specialised themes at choice locations. Koh Brothers Development Pte Ltd ("KBD"), established in 1993, a wholly-owned subsidiary of Koh Brothers, is our flagship company for the Group's Real Estate division.

KBD is noted for its 'lifestyle-and-theme' developments. For example, its Starville project was the first to introduce a star-gazing observatory, complete with an astronomy theme. Launched in June 2003, this project is a joint venture between KBD and AIG Lengkong Investment Limited, a member of American International Group Inc. Earlier projects include The Montana, in which KBD became the first developer to introduce state-of-the-art home automation features, broadband cable and an infinity pool. The Montana, launched in November 1999, is a 108-unit luxury freehold apartment located off River Valley Road. In October 2006, it also launched its four-units-only luxurious, freehold bungalow project, "Bungalows @ Caldecott", uniquely designed with a number of firsts in Singapore such as bathrooms studded with Swarovski wall crystals, Avant-Garde sanitary fittings incorporating luxury brand names like Visentin, and a specially-designed Water Conservation System. In April 2006, it announced the acquisition of Hilton Tower, located in the prime freehold Leonie Hill area, for S$79.2 million together with Heeton Land Pte Ltd. It is now the site for the premium condominium, The Lumos.

In June 2007, Koh Brothers, Heeton Holdings Ltd, KSH Holdings Limited and Lian Beng Group Ltd formed a consortium with equal shares each and were successfully awarded the prime Lincoln Lodge site at 1/3 Khiang Guan Avenue, off Newton Road in District 11. The site has been redeveloped to the luxurious condominium project, Lincoln Suites, which features sky-high elevated gyms, wireless multi – room music systems and thematic communal dining facilities. Lincoln Suites was launched in October 2009.

Fiorenza, another prized freehold development by KBD, was launched in April 2009. Inspired by the passionate Italian culture with its bold artistic tastes, unrestrained luxury and a free-spirited lifestyle, this Avant-Garde development, located at Florence Road, received its TOP in June 2011.

Parc Olympia, a sporting themed condominium in Flora Drive was launched in July 2012. The 99-year, 486-unit development offers over 60,000 sq ft of wide-range sporting area and facilities, with special facilities including a synthetic jogging track, a rock-climbing wall, an air-conditioned badminton court, a skate park and even a putting green for golf-lovers.

Other completed projects include:

- The highly successful Sun Plaza, located next to Sembawang MRT station, which introduced a sunflower theme. The residential block in Sun Plaza has been fully sold and the retail mall is currently held as an investment with high occupancy;
- The Capri, an 18-unit residential development, is situated along the prime Stevens Road; and
- The Sierra, an 18-storey residential development comprising 60 units located in the established and popular enclave of Mount Sinai.

Leisure and Hospitality

This division provides ‘no-frills’ hospitality services through its Oxford Hotel brand name with more than 130 hotel rooms.

Environmental Engineering Sector

Through Koh Brothers' majority stake in Koh Eco, the Group is able to offer EPC services for water and wastewater treatment and hydro-engineering projects. With over 35 years of EPC experience, Koh Eco has been involved in many public and private sector projects in Singapore, Indonesia, Malaysia, Thailand, the Philippines and India. In 2008, Koh Eco extended their EPC business into the palm oil refining industry with the acquisition of WS Bioengineering Pte. Ltd. ("WS Bio"), whose principal business is the engineering and construction of biofuel and palm oil refining facilities.

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070/14/008/KBGL

August 13, 2014