



NEWS RELEASE

KOH BROTHERS ACHIEVES S\$1.2 MILLION NET PROFIT ON S\$67.1 MILLION REVENUE IN 1Q 2018

- *Net profit lifted by share of profits from completion of Westwood Residences EC*
- *Three large-scale construction projects secured in last eight months, strengthened construction order book of S\$915.9 million to be progressively recognised*
- *Bolstered Singapore land bank with recent acquisitions of Toho Mansion, Hollandia and Estoril sites*
- *Healthy balance sheet with S\$49.2 million cash and bank balances and lower net gearing of 0.6 time*

Singapore, 15 May 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 that its net profit attributable to shareholders for the financial quarter ended 31 March 2018 (“**1Q 2018**”) was lifted 13% to S\$1.2 million mainly due to higher share of profit recognised from the completion of its Westwood Residences Executive Condominium (“**EC**”) project.

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented, “FY2018 will be a busier year for the real estate division, as we actively prepare for the impending launch of our residential developments following the recent prudent accumulation of our land bank in Singapore – namely, the Toho Mansion, Hollandia and Estoril sites.”

“On the construction front, our strong order book hit a record high of S\$915.9 million, lifted by three major projects won in the last eight months – the Woodlands Health Campus (S\$192.0 million), Deep Tunnel Sewerage System Phase 2 (S\$182.0 million) and Circle Line 6 (S\$225.4 million). Our share of these contracts amounted to a total of S\$599.4 million, thus reflecting capabilities and strong competitive edge to capture opportunities amid a challenging operating environment.”

Financial Highlights

Koh Brothers reported revenue of S\$67.1 million in 1Q 2018, a 24% decline from S\$88.8 million in the corresponding period a year ago (“**1Q 2017**”), due mainly to lower percentage of revenue recognised from the Construction division.

The Group also recognised its share of profit from the completion of Westwood Residences – Singapore’s first cycling-themed residential development – resulting in a 77% increase in share of result from joint ventures to S\$2.5 million in 1Q 2018 from S\$1.4 million in 1Q 2017.

Coupled with a significant 165% jump in other income to S\$1.9 million, due to higher interest income received from short-term investments, Koh Brothers recorded a 13% growth in 1Q 2018 net profit of S\$1.2 million compared to S\$1.1 million in 1Q 2017.

Earnings per share rose to 0.29 Singapore cent in 1Q 2018 from 0.26 Singapore cent a year ago while net asset value per share rose to 68.90 Singapore cents as at 31 March 2018 from 68.60 Singapore cents as at 31 December 2017.

Cash and bank balances remained healthy at S\$49.2 million while shareholders’ equity rose to S\$284.2 million at the end of the financial quarter. The Group’s debt servicing ability with liquidity remains comfortable with a current ratio of 1.6 times and net gearing ratio of 0.6 time as at 31 March 2018.

Outlook and Strategies

Advance estimates from the Ministry of Trade and Industry (“**MTI**”)¹ showed that the construction sector grew 4.1% on a quarter-on-quarter seasonally adjusted basis, a reversal from the 0.2% decline in 4Q 2017. On a year-on-year basis, the sector contracted 4.4% in 1Q 2018, narrowing from the 5.0% decline from 4Q 2017, due to decreased activities in both the private and public sectors.

The Building and Construction Authority (“**BCA**”)² 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 to 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 and a remaining package for Runway 3 by Changi Airport Group².

With a strong niche and track record in civil engineering projects, the Construction and Building Materials division had successfully captured some of these opportunities, having been awarded a S\$225.4 million contract relating to the Circle Line 6 (from Prince Edward station to Marina Bay station) and a 35%-owned S\$520 million joint venture project for the design and construction of the Deep Tunnel Sewerage System (DTSS) Phase 2.

Together with its JV partners, the Group most recently won a S\$960 million project from the Ministry of Health to construct the upcoming Woodlands Health Campus, a first in the Woodlands vicinity. Koh Brothers owns a 20% stake in this project, which is set to open progressively from 2022.

¹ Ministry of Trade and Industry Singapore, 13 April 2018 – Singapore’s GDP Grew by 4.3 Per Cent in the First Quarter of 2018

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

On the real estate front, latest Urban Redevelopment Authority (“**URA**”) statistics³ showed that the private residential property prices in 4Q 2017 rose 0.8%, continuing the 0.7% growth in 3Q 2017, signaling a turnaround for the sector. For the whole of 2017, prices rose 1.1% compared to the 3.1% decline in the previous year. Singapore home prices for 2018 were projected in a recent Bloomberg survey to increase about 5.5%.

Latest URA data³ showed a 3.9% increase in private residential prices in 1Q 2018, compared to a 0.8% growth in 4Q 2017, marking the steepest quarter-on-quarter gain since 2Q 2010. On market demand, developers launched 921 units for sale in 1Q 2018 compared to 877 units in 4Q 2017, and sold 1,581 units compared to 1,864 in the same corresponding periods.

In Singapore, the Group had recently replenished its land bank with the purchase of its freehold en bloc development site, Toho Mansion, and a 20%-owned joint venture (“**JV**”) for the redevelopment of the Hollandia and Estoril sites.

The latter two sites are intended to be amalgamated into a single residential project with a combined gross floor area (“**GFA**”) of about 22,500 sqm. The Group’s wholly-owned Toho Mansion site could be redeveloped to a potential GFA of 6,818.7 sqm. Both city-fringe projects are located in the up-and-coming neighbourhood earmarked by the Government for a highly-anticipated makeover and expansion.

On the Group’s forward strategies, Mr Koh said, “The expected increase in demand and pipeline of major civil engineering contracts bode well for us as we continue to tender by leveraging on our proven track record, experience and broad suite of capabilities.”

³ Urban Redevelopment Authority, 27 April 2018 – Release of 1st Quarter 2018 real estate statistics

“On the property development front, we understand speed is of the essence in view of the rising property prices and impending increase in supply. All our past development projects have done well due to our ability to select choice locations and clearly differentiate our products in a crowded market. We are focused on execution of our projects on hand, while continuing to keep a look out for promising development and investment opportunities in Singapore and abroad.”

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, and Malaysia.

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.

ISSUED ON BEHALF OF	:	Koh Brothers Group Limited
BY	:	Citigate Dewe Rogerson Singapore Pte Ltd 55 Market Street #02-01 Singapore 048941
CONTACT	:	Ms Dolores Phua / Ms Amelia Lee at telephone
DURING OFFICE HOURS	:	6534-5122
EMAIL	:	dolores.phua@citigatedewerogerson.com amelia.lee@citigatedewerogerson.com
