NEWS RELEASE

KOH BROTHERS FY2017 NET PROFIT SURGES 49% TO S$19.8 MILLION; OUTPACES 7% REVENUE GROWTH TO S$369.4 MILLION

- ***4Q2017 net profit surges 74% to S$12.2 million from S$7.0 million in 4Q2016***
- ***FY2017 net profit lifted by completion of Westwood Residences EC and gains from bulk sale of The Lumos***
- ***Proposes Final and Special dividend of SGD 0.60 cent and SGD 0.40 cent, respectively***
- ***Strong construction order book of S$762.7 million to be progressively recognised***
- ***Healthy balance sheet with S$64.8 million cash and bank balances and lower net gearing of 0.47 time***
- ***Maiden project in South Korea planned for launch in 1H2018***



Koh Brothers' maiden executive condominium project, Westwood Residences, achieved TOP in October 2017 and contributed positively to FY2017



Koh Brothers' poised to launch first mixed-development project in prime Gangnam district, Seoul, in 1H2018

Singapore, 13 February 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 today that its net profit attributable to shareholders for the financial year ended 31 December 2017 ("**FY2017**") had surged 49% to S$19.8 million.

The Group's FY2017 performance was mainly lifted by higher share of profit of joint ventures due to earnings recognised on completion of Koh Brothers' first executive condominium ("**EC**") project, Westwood Residences, which achieved temporary occupation permit ("**TOP**") in October 2017. Gains from the bulk sale of The Lumos also contributed to the stronger bottomline.

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented, “FY2017 had been an eventful year for Koh Brothers, and we’re pleased to report growth amidst the volatile environment. On property development, we have recognised revenue from the completion of our EC project, Westwood Residences. In the coming year, we’ll focus our efforts on the launch of our Gangnam project in South Korea by 1H2018, as well as keep a look out for attractive sites to replenish our land bank, both in Singapore and abroad.”

“Our construction arm had also been busy in FY2017, being awarded two landmark projects recently that boosted our order book to S$762.7 million. We will continue to actively participate in tendering for large-scale public projects in 2018.”

Financial Highlights

Koh Brothers reported revenue of S$369.4 million in FY2017, 7% higher than the S$345.7 million achieved last financial year (“**FY2016**”). The topline growth was mainly due to stronger contributions from the Construction and Building Materials division.

The Construction and Building Materials division had most recently won a S$225.4 million contract relating to the Circle Line 6 (from Prince Edward station to Marina Bay station) and a S$520 million joint venture project for the design and construction of the Deep Tunnel Sewerage System (DTSS) Phase 2.

The Group registered a 223% increase in other income to S$10.5 million in FY2017, up from S$3.2 million in FY2016, mainly due to compensation received from an early termination of a land lease by a Building Materials subsidiary in China.

Other gains rose 970% to S$10.9 million in FY2017 compared to S$1.0 million recorded last financial year primarily due to gains relating to the bulk sale of units at The Lumos.

During the year, the Group also recognised its profit on completion of Westwood Residences – Singapore's first cycling-themed residential development. This is reflected under share of profit of joint ventures, which saw a 3% rise to S$13.6 million from S$13.1 million last year.

In view of the above, the Group's net profit for the year rose 49% to S$19.8 million compared to S$13.3 million in FY2016.

Earnings per share rose to 4.80 Singapore cents in FY2017 from 3.21 Singapore cents in FY2016 while net asset value per share rose to 68.64 Singapore cents as at 31 December 2017 from 63.89 Singapore cents as at 31 December 2016.

Koh Brothers' balance sheet was further strengthened following the issue of S$70 million worth of 5.10% notes due 27 October 2022 in October 2017 under the S$250 million Multicurrency Medium Term Note Programme.

Cash and bank balances rose to S$64.8 million as at 31 December 2017 compared to S$43.2 million as at 31 December 2016, while shareholders' equity rose to S$283.1 million at the end of the financial year compared to S$264.3 million as at 31 December 2016.

The Group's debt servicing ability with liquidity remains comfortable with a current ratio of 1.6 times and net gearing ratio of 0.47 time as at 31 December 2017.

For the fourth quarter ended 31 December 2017, Koh Brothers reported a 74% surge in net profit to S$12.2 million compared to S$7.0 million in the equivalent period a year ago. The bottomline growth outpaced the 21% decline in revenue to S$125.1 million from S$157.9 million across the same comparative periods.

Proposed Dividend

To thank shareholders for their continuous support, the Board has proposed a final and special cash dividend of 0.60 Singapore cent per share and 0.40 Singapore cent per share, respectively. This brings the total dividends distributed for FY2017 to 1.0 Singapore cent per share and translates to a dividend payout ratio of 21%.

Outlook and Strategies

The Ministry of Trade and Industry ("**MTI**") advance estimates[1] demonstrated a 3.5% growth achieved in 2017, the higher end of earlier forecasts that had projected the economy to grow between 3.0% and 3.5%. The economy grew 3.1% in 4Q2017, slower than the 5.4% growth achieved in 3Q2017.

The MTI data[1] also showed an 8.5% contraction in the construction sector, continuing the 7.7% decline in 3Q2017, weighed down by continued weakness in the private sector.

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 billion to S$19 billion.

Public construction demand is expected to be boosted by institutional and other buildings, civil engineering works and other government projects that have been brought forward due to the slowdown in previous years[2].

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[1] *Ministry of Trade and Industry Singapore, January 2, 2018 – Singapore's GDP Grew by 3.1 Per Cent in the Fourth Quarter of 2017*

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

Key civil engineering contracts in 2018[2] include the North-South Corridor that the Group is actively tendering for; new MRT works such as that of the Circle Line 6 contract that the Group had been awarded in 2017; the Deep Tunnel Sewerage System Phase 2 that the Group is already participating in; and the remaining package for Runway 3 by Changi Airport Group, the first package of which was awarded to the Group's joint venture with Samsung C&T.

"Over the last five decades, our construction arm has built a strong brand and track record, having a part to play in Singapore's landmark civil engineering projects. With our requisite track record, BCA A1 grade, strong balance sheet and our reputation for delivering quality products safely and promptly, we are optimistic on the growth of our construction business," said Mr Koh.

On the real estate front, latest Urban Redevelopment Authority ("**URA**") statistics[3] showed that the private residential property prices in 4Q2017 rose 0.8%, continuing the 0.7% growth in 3Q2017, 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%.

The URA data[3] also showed that developers sold 10,566 units last year, a 32.5% increase compared to 7,972 units sold in 2016. The number of units sold also outweighs the 6,020 units launched in 2017.

On the Group's forward strategy for the real estate segment, Mr Koh said, "Land prices are on the rise in Singapore, hence we are prudently seeking opportunities to replenish our land bank, including the possibility of collaboration with other developers for better diversification of risks and efficient use of capital. Meanwhile, we also continue to be on the look out for attractive development sites abroad and yield accretive investment opportunities."

[3] *Urban Redevelopment Authority, January 26, 2018 – Release of 4th Quarter 2017 real estate statistics*

“Currently, we are excited on the upcoming launch of our maiden development project in South Korea, in the prime district of Seoul’s Gangnam. With its ideal location, freehold attribute and our ability as a themed lifestyle developer to clearly differentiate our projects from a crowded market, we are confident the project will resonate well with buyers.”

Planned for launch in 1H2018, the Group’s 45%-owned project in South Korea will be developed into a mixed-use development comprising two 19-storey towers with 5 basement floors. The proposed development will consist of 293 residential units, including SOHO units, and 5,629 square metres of retail space.

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.

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