



NEWS RELEASE

KOH BROTHERS REPORTS FY2018 REVENUE OF S\$403.6 MILLION AND NET PROFIT OF S\$6.6 MILLION

- *Gross profit up 39% to S\$21.5 million on improvement in gross profit margin*
- *Absence of a one-time gain on disposal of joint venture of S\$11.6 million and compensation income of S\$6.2 million recorded in FY2017*
- *Strong construction order book of S\$682.8 million to be progressively recognised*
- *Healthy balance sheet with S\$32.7 million cash and bank balances and low net gearing of 1.0 time*
- *Proposes Final Dividend of 0.40 Singapore cent per ordinary share*

Singapore, 4 February 2019 – 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\$6.6 million on steady revenue of S\$403.6 million for the financial year ended 31 December 2018 (“**FY2018**”).

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented, “Our geographical diversification has paid off and we have started to see profit recognition of our Nonhyeon I’PARK mixed-development project in Seoul. At the same time, we are focused on launching three freehold developments in the prime Holland Village district this year where we see good potential. We will differentiate our projects through our unique focus on lifestyle-themed developments, capitalising on the rejuvenation of the Holland Village vicinity.”

Koh Brothers had announced in June 2018 that it has sold 96% of its first development project, Nonhyeon l'PARK, in Gangnam, South Korea. The Group holds a 45% stake in this prime, mixed-use property which received warm reception for its launch, with 75% of all its units sold within a week.

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.

Financial Highlights

The revenue of S\$403.6 million recorded in FY2018 held steady with a marginal decline from S\$403.8 million reported in the equivalent period a year ago ("FY2017"). The revenue was contributed by the Construction and Building Materials division.

Meanwhile, gross profit increased by 39% to S\$21.5 million in FY2018 from S\$15.5 million in FY2017 mainly due to an improvement in gross profit margin, from 3.8% to 5.3% over the same period.

Koh Brothers reported a decline in other income in FY2018 to S\$6.6 million mainly due to the absence of a one-time gain on compensation income a year ago, partially offset by higher interest income in the current financial year.

Other losses of S\$0.3 million in FY2018 was mainly due to fair value loss on financial assets through profit or loss. By contrast in FY2017, the Group recorded other gain of S\$11.6 million from the sale of a joint venture.

Share of profits of associates and joint ventures decreased from S\$13.8 million in FY2017 to S\$12.1 million in FY2018 mainly due to timing of profit recognition from the property development joint venture projects.

In view of the above, Koh Brothers reported FY2018 net profit of S\$6.6 million, a decline from S\$20.6 million in FY2017.

For the fourth quarter ended 31 December 2018, Koh Brothers reported a decline in net profit to S\$2.2 million compared to S\$12.1 million in the equivalent period a year ago whilst revenue held steady at S\$131.5 million, from S\$131.9 million over the same comparative periods.

FY2018 earnings per share decreased to 1.60 Singapore cents from 4.98 Singapore cents a year ago¹ while net asset value per share as at 31 December 2018 was 68.42 Singapore cents compared to 68.78 Singapore cents as at 31 December 2017¹.

Cash and bank balances remained healthy at S\$32.7 million while shareholders' equity stood at S\$282.2 million at the end of the financial year. The Group's debt servicing ability with liquidity remains comfortable with a current ratio of 1.98 times and net gearing ratio of 1.0 time as at 31 December 2018.

Proposed Dividend

To thank shareholders for their continuous support, the Board has proposed a final dividend of 0.40 Singapore cent per share to be approved by shareholders at the forthcoming Annual General Meeting.

Outlook and Strategies

According to advanced estimates from the Ministry of Trade and Industry, Singapore's economy grew by 3.3% in 2018. For the fourth quarter of 2018, Singapore's economy expanded 2.2% year-on-year, moderating slightly from the 2.3% in the third quarter of 2018. Overall, on a quarter-on-quarter, seasonally-adjusted annualised basis, the economy grew at a slower pace of 1.6%, lower than the 3.5% growth achieved in the preceding quarter².

¹ Restated

² Ministry of Trade and Industry, 2 January 2019 - Singapore's GDP Grew by 2.2 Per Cent in the Fourth Quarter of 2018

According to the latest statistics from the Building and Construction Authority³, the total value of construction contracts to be awarded this year is projected to reach between S\$27.0 billion and S\$32.0 billion, with public sector projects constituting 60% of the forecast to reach between S\$16.5 billion and S\$19.5 billion.

Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects. The private sector's construction demand, on the other hand, is expected to remain steady at between S\$10.5 billion and S\$12.5 billion in 2019, supported by projects including the redevelopment of past en-bloc sales sites concluded prior to the second half of 2018 and new industrial developments.

BCA also expects a steady improvement in construction demand over the medium term. Demand is projected to reach between S\$27 billion and S\$34 billion per year for 2020 and 2021 and could increase to between S\$28 billion and S\$35 billion per year for 2022 and 2023.

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\$682.8 million as at 31 December 2018, expected to contribute progressively to the Group's performance.

“We continue to execute our large-scale construction projects that have allowed us to maintain our strong construction order book of S\$682.8 million, which will continue to progressively contribute meaningfully to our performance.”

³ *Building and Construction Authority, 14 January 2019 – Singapore's total construction demand to remain strong this year*

Latest flash estimates from the Urban Redevelopment Authority (“**URA**”) showed a 0.1 point decrease in the prices of private residential properties in 4Q 2018, compared to 3Q 2018. For the whole of 2018, prices increased by 7.9% as compared to the 1.1% increase in 2017⁴.

Mr Koh commented, “Looking ahead, we will monitor the market closely to time our launches in Singapore prudently. Meanwhile, we look forward to the TOP of our Gangnam development in 2020 and will continue to prudently look for opportunities to expand our presence overseas.”

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.

⁴ Urban Redevelopment Authority, 25 January 2019 – Release of 4th Quarter 2018 real estate statistics

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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