



## NEWS RELEASE

### **KOH BROTHERS 1H 2019 NET PROFIT GROWS 8% TO S\$2.4 MILLION; LIFTED BY SHARE OF PROFIT FROM SALE OF NONHYEON I PARK PROJECT**

- ***Construction order book boosted to almost S\$1.0 billion on latest S\$668.2 million contract win for Tuas Water Reclamation Plant***
- ***Healthy balance sheet with S\$52.5 million cash and bank balances***

**Singapore, 13 August 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**”), today reported an 8% growth in net profit attributable to shareholders of S\$2.4 million for the six-month period ended 30 June 2019 (“**1H 2019**”) from S\$2.2 million a year ago (“**1H 2018**”).

Its bottomline was lifted mainly by a S\$4.5 million increase in share of result from associated companies and joint ventures to S\$9.7 million in 1H 2019. This is mainly due to progressive recognition of profit from its maiden mixed-use development project in the prime Gangnam district of South Korea, and a fair value gain from an investment property in Singapore.

Mr. Francis Koh (许庆祥), Managing Director and Group CEO of Koh Brothers, commented, “Both our real estate and construction pillars are doing well, reflecting our ability to remain resilient amidst a challenging operating landscape. The well-received Nonhyeon I PARK project in South Korea continues to contribute healthy profit from units sold, while our construction arm has continued its momentum to clinch a large-scale project from PUB that has lifted our construction book to almost S\$1.0 billion.”

“Moving forward, we continue to monitor the market closely to launch our development projects in Singapore’s up-and-coming Holland Village vicinity. We’ve always been known for our unique lifestyle-themed developments that have served to differentiate our projects in the crowded market, and we are excited to unveil the concepts we have planned for these projects. Meanwhile, the Construction and Building Materials division will focus on executing our ongoing projects efficiently and safely.”

### **Financial Highlights**

1H 2019 revenue rose 6% to S\$161.3 million from S\$152.8 million in 1H 2018 due to higher revenue recognition from the Construction and Building Materials division. Gross profit declined 10% to S\$8.9 million in 1H 2019 from S\$9.9 million in 1H 2018 due to lower margins.

Share of results from associated companies and joint ventures rose 85% to S\$9.7 million in 1H 2019 from S\$5.2 million a year ago due to progressive recognition of profit from the 45%-owned Nonhyeon I PARK project in Seoul, South Korea, as well as a fair value gain from a Singapore investment property.

Coupled with a significant 17% decrease in administrative expenses as a result of lower staff costs, the Group reported an 8% rise in net profit to S\$2.4 million in 1H 2019.

Earnings per share rose to 0.57 Singapore cent in 1H 2019 compared to 0.53 Singapore cent in 1H 2018. Net asset value per share increased to 72.44 Singapore cents as at 30 June 2019 compared to 68.42 Singapore cents as at 31 December 2018.

Cash and bank balances remained healthy at S\$52.5 million while shareholders’ equity stood at S\$298.8 million as at 30 June 2019. The Group’s debt servicing ability with liquidity remains comfortable with a current ratio of 2.1 times and net gearing ratio of 0.98 time as at 30 June 2019.

## **Outlook and Strategies**

Advance estimates from the Ministry of Trade and Industry showed that the Singapore economy grew 0.1% on a year-on-year basis in 2Q 2019 compared to the 1.1% growth recorded in 1Q 2019. On a quarter-on-quarter, seasonally-adjusted annualised basis, the economy contracted 3.4% in contrast to the 3.8% growth recorded in the preceding quarter<sup>1</sup>.

The MTI numbers also showed a 2.2% growth in the construction sector for 2Q 2019, continuing the 2.7% expansion in 1Q 2019, mainly lifted by increased public sector construction activities. The sector saw a 7.6% contraction on a quarter-on-quarter, seasonally-adjusted annualised basis, compared to the 13.3% growth in 1Q 2019.

The Building and Construction Authority<sup>2</sup> had earlier projected the total value of construction contracts to be awarded this year to range between S\$27.0 billion and S\$32.0 billion. Public sector projects are expected to constitute 60% of the forecast to reach between S\$16.5 billion and S\$19.5 billion, boosted by major infrastructure projects and a pipeline for major industrial building projects.

Backed by over five decades of experience and a proven track record of public infrastructure projects, Koh Brothers has captured some of these key public projects, with the most recent being a S\$668.2 million PUB contract to construct the Influent Pumping Stations at Tuas Water Reclamation Plant (“**TWRP**”) in July 2019. The project has commenced and is expected to complete in 2025.

The TWRP project has lifted Koh Brothers’ construction order book to S\$984.7 million from S\$566.4 million as at 30 June 2019, which is expected to contribute progressively to the Group’s performance.

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<sup>1</sup> Ministry of Trade and Industry, 12 July 2019 – Singapore’s GDP Grew by 0.1 Per Cent in the Second Quarter of 2019

<sup>2</sup> Building and Construction Authority, 14 January 2019 – Singapore’s total construction demand to remain strong this year

Other major projects won recently include the Circle Line 6-related works (from Prince Edward station to Marina Bay station); the design and construction of Phase 2 of the Deep Tunnel Sewerage System; and the Woodlands Health Campus project awarded by the Ministry of Health, a first in the Woodlands vicinity.

On the property development front, the Urban Redevelopment Authority's 2Q 2019 real estate statistics showed a 1.5% increase in prices of private residential properties compared to the 0.7% decline in 1Q 2019. Developers launched 2,502 units for sale and sold 2,350 units in 2Q 2019, compared to 2,989 units launched and 1,838 units sold in 1Q 2019<sup>3</sup>.

In Singapore, Koh Brothers plans to launch for sale its wholly-owned Toho Mansion and the 20%-owned joint ventures sites, Hollandia and Estoril. All three sites are freehold and located in Holland Village, which has been earmarked by the government for a highly-anticipated facelift.

Overseas, the Group's Nonhyeon I PARK project in South Korea has sold 97% of its units to date and is expected to continue contributing profits to the Group progressively. Koh Brothers also intends to prudently explore development opportunities overseas where market cycles are favourable.

### **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.

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<sup>3</sup> Urban Redevelopment Authority, 26 July 2019 – Release of 2nd Quarter 2019 real estate statistics

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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