KOH BROTHERS ECO ENGINEERING LIMITED

(Company Registration No. 197500111H)
(Incorporated in the Republic of Singapore)

PROPOSED SHARE SUBSCRIPTION OF 810,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF KOH BROTHERS ECO ENGINEERING LIMITED AT S$0.047 FOR EACH SUBSCRIPTION SHARE

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1. INTRODUCTION

1.1 The board of directors (the "**Board**" or the "**Directors**") of Koh Brothers Eco Engineering Limited (the "**Company**", and together with its subsidiaries, the "**Group**") had on 15 March 2021 entered into a share subscription agreement (the "**Subscription Agreement**") with Penta-Ocean Construction Co., Ltd. ("**POC**"), pursuant to which POC will subscribe for, and the Company will allot and issue to POC, 810,000,000 new ordinary shares in the capital of the Company (the "**Subscription Shares**") at an issue price of S$0.047 (the "**Issue Price**") for each Subscription Share, amounting to an aggregate consideration of S$38,070,000, which shall be satisfied by POC in cash (the "**Proposed Subscription**").

1.2 As at the date of this Announcement, the Company has an issued and paid-up share capital of 1,998,896,805 ordinary shares, each fully paid-up (the "**Shares**"). The Company does not have any treasury shares and subsidiary holdings. Immediately following the completion of the Proposed Subscription,

(a) on the assumption that none of the outstanding warrants issued under the Company's renounceable non-underwritten rights cum warrants issues announced on 15 May 2017 and 26 September 2018 (the "**2017 Warrants**" and the "**2018 Warrants**" respectively) are exercised and that none of the outstanding share awards granted to its employees under the Koh Brothers Eco Engineering Limited Performance Share Plan 2017 (the "**Share Awards**") are vested as at the date of completion of the Proposed Subscription (the "**Minimum Scenario**"), the Company will have an enlarged issued and paid-up share capital of 2,808,896,805 Shares (the "**Minimum Scenario Enlarged Share Capital**"). The Subscription Shares would represent approximately 28.84% of the Minimum Scenario Enlarged Share Capital of the Company; and

(b) on the assumption that all of the outstanding 2017 Warrants and 2018 Warrants are exercised and that all of the outstanding Share Awards are vested as at the date of completion of the Proposed Subscription (the "**Maximum Scenario**"), the Company will have an enlarged issue and paid-up share capital of 3,232,742,592 Shares (the "**Maximum Scenario Enlarged Share Capital**"). The Subscription Shares would represent approximately 25.06% of the Maximum Scenario Enlarged Share Capital of the Company.

Shareholders of the Company (the "**Shareholders**") should note that following the allotment and issue of the Subscription Shares, Koh Brothers Group Limited ("**KBGL**") will remain the largest

shareholder[1] of the Company, with a shareholding interest of approximately 54.99% of the Minimum Scenario Enlarged Share Capital and approximately 54.54% of the Maximum Scenario Enlarged Share Capital.

1.3 The Proposed Subscription will be undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Subscription.

2. RATIONALE FOR THE PROPOSED SUBSCRIPTION AND INFORMATION ON POC

2.1 Rationale for the Proposed Subscription

The Company is undertaking the Proposed Subscription to strengthen its financial position by increasing the Group's capital base and for working capital requirements. This will provide the Group with additional resources to bid for more capital-intensive projects and pursue potential growth opportunities.

2.2 Information on Penta-Ocean Construction Co., Ltd.

POC is incorporated in Japan and is listed on the first section of the Tokyo Stock Exchange. POC is a leading general contractor operating in Japan and overseas. It specialises in marine works and land reclamation. POC also builds residential, commercial, and institutional buildings.

The Proposed Subscription was introduced to POC by SAC Capital Private Limited, the financial adviser to the Company in relation to the Proposed Subscription. The Company will be paying SAC Capital Private Limited as an adviser and placement agent an amount of approximately 2.6% of the Issue Price for each Subscription Share.

As at the date of this Announcement, POC does not own any Shares and is not directly or indirectly interested in any Shares in the Company. POC will not be holding the Subscription Shares as an agent for, trustee or as a nominee of, a third party or otherwise on behalf of any other person or entity. POC is not an associate of any Director, the chief executive officer or controlling shareholder of the Company. POC does not fall within the category of persons listed in Rule 812(1) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").

Save for collaborations between the Group and POC in civil construction projects in the ordinary course of business (including the joint venture collaboration between the Company's subsidiary and POC for the Deep Tunnel Sewerage System Phase 2 project worth S$520 million (which was announced on 28 September 2017)), as at the date of this Announcement:

(a) to the best of POC's knowledge and belief, none of POC nor its directors or substantial shareholders has any connection or business relationship with the Company or any of its Directors or substantial shareholders; and

(b) as far as the Company is aware, none of the Company nor its Directors or substantial shareholders of the Company has any connection or business relationship with POC or its directors or substantial shareholders.

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[1] As at the date of this Announcement, KBGL holds 218,444,432 2017 Warrants.

3. SUBSCRIPTION AGREEMENT

3.1 Subscription Shares

In connection with the Proposed Subscription, the Company will seek specific approval from the **Shareholders** at an extraordinary general meeting of the Company ("**EGM**") to be convened for the following:

(a) the issuance of the Subscription Shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), and Rule 805(1) of the Catalist Rules; and

(b) the transfer of a controlling interest to POC pursuant to Rule 803 of the Catalist Rules.

Further information on the Proposed Subscription will be provided in a circular to be despatched to Shareholders in due course.

The Subscription Shares, when allotted and issued, shall be free from all encumbrances and shall rank *pari passu* in all respects with the then existing issued ordinary shares of the Company, except that they will not rank for any dividends, distributions or entitlements the record date for which falls on or before the completion of the Proposed Subscription ("**Completion**").

3.2 Issue Price

The Issue Price is higher by approximately 30.56% as compared to the volume weighted average price ("**VWAP**") of S$0.036 per Share for trades done on the Catalist Board of the SGX-ST (the "**Catalist**") on 12 March 2021[2], being the preceding full market day prior to the signing of the Subscription Agreement on 15 March 2021. As compared to the consolidated net asset value ("**NAV**") per Share as at 31 December 2020 (based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2020), the Issue Price is lower by approximately 9.44%.

The Issue Price was arrived at following arm's length negotiations between the Company and POC and on a willing buyer willing seller basis.

3.3 Additional Listing Application

The Company will be making an application to the SGX-ST, via its sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for the listing of and quotation for the Subscription Shares on the Catalist and will make the necessary announcement(s) once the listing and quotation notice for the listing and quotation of the Subscription Shares on the Catalist (the "**LQN**") has been obtained from the SGX-ST.

3.4 Conditions Precedent

Completion is conditional upon:

(a) the issuance of the LQN from the SGX-ST for the listing and quotation of the Subscription Shares on the Catalist having been obtained and if such approval or issuance is subject to conditions, such conditions being reasonably acceptable to the parties and if required by the SGX-ST, such conditions being fulfilled or satisfied before Completion, and such approval remaining in full force and effect;

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[2] There were no trades done in the Shares on 15 March 2021, being the date the Subscription Agreement was signed, as the Company had called for a trading halt on 15 March 2021.

(b) the Company having obtained at the EGM the approval of the Shareholders specifically for the allotment and issue of the Subscription Shares to POC, pursuant to Rule 803 of the Catalist Rules and Section 161 of the Companies Act, such approval not having been revoked or amended and if such approval is subject to any conditions and where such conditions affect any party, such conditions being reasonably acceptable to the party concerned, and if such conditions are required to be fulfilled on or before the date of Completion, they are so fulfilled;

(c) KBGL, the parent company of the Company, having obtained the approval of shareholders of KBGL in general meeting for the potential dilution of KBGL's percentage shareholding in the Company, as a result of the issuance and allotment of the Subscription Shares to POC ("**KBGL Shareholder Approval**"), or the grant of a waiver from the SGX-ST from having to obtain the KBGL Shareholder Approval on or before the date of Completion;

(d) the allotment, issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority (including, without limitation, the Monetary Authority of Singapore and the SGX-ST) in Singapore, which is applicable to either party, including but not limited to the provisions of the Catalist Rules or the SFA;

(e) the issue of the Subscription Shares to POC not resulting in the percentage of issued Shares being held by less than 10% of the public (computed in accordance with the Catalist Rules);

(f) the warranties in the Subscription Agreement given by the Company remaining true and correct in all material respects as at the date of Completion; and

(g) all covenants and undertakings of the Company under the Subscription Agreement having been complied with as at the date of Completion.

If any of the conditions is not satisfied on or before 30 June 2021 (or such later date as the parties may agree), the Subscription Agreement shall lapse, and no party shall have any claim whatsoever against the other party save for any antecedent breach of the Subscription Agreement.

3.5 Board Seat

In connection with the Proposed Subscription, after Completion, the Company shall, upon receiving a written request from POC, and subject to the recommendation of the nominating committee of the Company, the approval of the Board and the Company's Sponsor, and compliance with applicable requirements under the Constitution of the Company and the Catalist Rules, procure the appointment of a director nominated by POC onto the Board of the Company.

3.6 Moratorium

POC has undertaken with the Company, *inter alia*, that for a period of 12 months commencing from the date of Completion, it shall not dispose of any of the Subscription Shares or enter into a transaction with a similar economic effect to a sale of Shares or publicly announce any intention to do any of the above.

4. USE OF PROCEEDS

4.1 Based on the Issue Price, the gross proceeds for the Proposed Subscription is approximately S$38.07 million. The estimated net proceeds (the "**Net Proceeds**") from the Proposed Subscription, after deducting estimated expenses payable in relation to the Proposed Subscription, will amount to approximately S$36.87 million.

4.2 The Company intends to utilise the Net Proceeds in the following manner:

(a) approximately 70% for the Group's general working capital including but not limited to matters such as funding new projects, capital improvements, the repayment of loans and the Group's operating costs; and

(b) approximately 30% for business expansion including financing new business ventures through joint venture, partnership, acquisitions and/or strategic investments.

Pending the utilisation of the Net Proceeds for such purposes, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments or debt instruments or used for any other purposes on a short-term basis as the Directors may, in their absolute discretion, deem fit from time to time.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed and whether such use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status update on the use of the Net Proceeds in the Company's half and full-year financial statements issued under Rule 705 of the Catalist Rules and its annual report(s). Where the Net Proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the Net Proceeds have been utilised. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

5. FINANCIAL EFFECTS

As at the date of this Announcement, the issued and paid-up share capital of the Company is approximately S$96,564,000 comprising 1,998,896,805 Shares. On Completion, assuming the Minimum Scenario, the issued and paid-up share capital of the Company will increase to approximately S$133,434,000, comprising 2,808,896,805 Shares. On Completion, assuming the Maximum Scenario, the issued and paid-up share capital of the Company will increase to approximately S$174,286,000, comprising 3,232,742,592 Shares.

The unaudited pro forma financial effects of the Proposed Subscription on the Group as set out below are purely for illustrative purposes only and are neither indicative nor do they represent any projection of the financial performance or position of the Company or the Group after the completion of the Proposed Subscription.

The pro forma financial effects set out below have been prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2020, as well as the following bases and assumptions.

Net Asset Value

Assuming that the Proposed Subscription was completed on 31 December 2020, the effect on the NAV per Share as at 31 December 2020 after adjusting for the Subscription Shares and the Net Proceeds would be as follows:

	Before the Proposed Subscription	**After the Proposed Subscription**	
		Minimum Scenario	**Maximum Scenario**
NAV (S$'000) [(1)]	103,764	140,634	178,674

Number of Shares ('000)	1,998,897	2,808,897	3,232,743
NAV per Share (Singapore cents)	5.19	5.01	5.53

Loss per Share

Assuming that the Proposed Subscription was completed on 1 January 2020 and assuming that the Net Proceeds are not utilised to reduce borrowings of the Group, the effect on the consolidated loss per Share ("**LPS**") of the Group for the financial year ended 31 December 2020 would be as follows:

	Before the Proposed Subscription	**After the Proposed Subscription**	
		Minimum Scenario	**Maximum Scenario**
Net loss attributable to equity holders (S$'000)	(11,779)	(11,779)	(11,779)
Weighted average number of Shares ('000)	1,979,514	2,789,514	3,213,360
LPS (Singapore cents) [(2)]	(0.60)	(0.42)	(0.37)

Notes:

(1) NAV is based on net assets attributable to equity holders of the Company.

(2) LPS is computed based on net loss attributable to equity holders of the Company.

6. CONFIRMATION BY DIRECTORS

The Directors are of the opinion that, barring unforeseen circumstances and after taking into consideration:

(a) the Group's internal resources, operating cash flow and present banking facilities, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the sufficiency of the Group's present working capital, the Company has decided to undertake the Proposed Subscription to strengthen its financial position by increasing the Group's capital base and for working capital requirements, as further detailed in paragraph 2.1 above; and

(b) the Group's internal resources, operating cash flow, present banking facilities and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

7. CIRCULAR TO SHAREHOLDERS

The Circular containing, *inter alia*, further information on the Proposed Subscription and the notice to convene the EGM will be despatched to Shareholders electronically in accordance with the provisions of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 in due course.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Subscription (other than their direct or indirect shareholdings in the Company).

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement will be made available for inspection during normal business hours at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 for a period of three (3) months from the date of this Announcement.

Shareholders of the Company and potential investors should note that the Proposed Subscription is subject to the fulfilment of, *inter alia*, the conditions precedent set out above and accordingly should exercise caution when trading in the Shares of the Company. Persons who are in doubt as to the action they should take should consult their financial, tax, legal or other professional advisers.

By Order of the Board of Directors

Koh Keng Siang
Non-Executive and Non-Independent Chairman
15 March 2021

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*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr. Ng Joo Khin (Telephone number: 6389 3000; Email address: jookhin.ng@morganlewis.com).