KOH BROTHERS ECO ENGINEERING LIMITED

(Incorporated in Singapore)
(Company Registration No. 197500111H)

Board of Directors:

Koh Keng Siang (Non-Executive and Non-Independent Chairman)
Shin Yong Seub (Executive Director and Chief Executive Officer)
Koh Choon Leng (Independent Director)
Tan Hwa Peng (Independent Director)
Lee Sok Khian John (Non-Executive and Non-Independent Director)

Registered Office:

11 Lorong Pendek
Koh Brothers Building
Singapore 348639

10 April 2018

To: The Shareholders of Koh Brothers Eco Engineering Limited (the "**Company**")

Dear Shareholders

1. INTRODUCTION

1.1 **Background.** We refer to:

(a) the Notice of Annual General Meeting of the Company dated 10 April 2018 (the "**Notice**"), accompanying the Annual Report for the financial year ended 31 December 2017, convening the Annual General Meeting of the Company to be held on 26 April 2018 (the "**2018 AGM**");

(b) Ordinary Resolution No. 9 relating to the proposed renewal of the IPT Mandate (as defined in paragraph 2.1 below, as proposed in the Notice); and

(c) Ordinary Resolution No. 10 relating to the proposed renewal of the Share Buy Back Mandate (as defined in paragraph 3.1 below, as proposed in the Notice).

1.2 **Letter to Shareholders.** The purpose of this Letter to Shareholders (the "**Letter**") is to provide shareholders of the Company ("**Shareholders**") with information relating to Ordinary Resolution Nos. 9 and 10 proposed in the Notice (collectively, the "**Proposals**").

1.3 **Sponsor and SGX-ST.** The Company is a sponsored company listed on the Catalist board ("**Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Companies listed on Catalist may carry higher investment risks when compared with larger or more established companies listed on the SGX-ST Main Board. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares traded on Catalist. This Letter has been prepared by the Company and its contents have been reviewed by the Company's continuing sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Letter. The contact person for the Sponsor is Mr Ng Joo Khin, at telephone no. (65) 6389 3000; email address: jookhin.ng@morganlewis.com. This Letter has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Letter, including the correctness of any of the statements or opinions made or reports contained in this Letter.

1.4 **Advice to Shareholders.** If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 **IPT Mandate.** At the annual general meeting of the Company held on 20 April 2017 (the "**2017 AGM**"), Shareholders approved the renewal of a mandate (the "**IPT Mandate**") to enable the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9 of the Listing Manual of the SGX-ST, Section B: Rules of Catalist (the "**Catalist Rules**")), or any of them, to enter into certain interested person transactions (the "**Interested Person Transactions**") with the classes of interested persons as set out in the IPT Mandate. Particulars of the IPT Mandate were set out in Appendix 1 to the Letter to Shareholders dated 28 March 2017 (the "**2017 Letter**").

2.2 **Proposed Renewal.** At the 2017 AGM, the IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the 2018 AGM which is scheduled to be held on 26 April 2018. Accordingly, the Directors of the Company (the "**Directors**") propose that the IPT Mandate be renewed at the 2018 AGM, to take effect until the next Annual General Meeting of the Company. The particulars of the Interested Person Transactions in respect of which the IPT Mandate is sought to be renewed remain unchanged.

2.3 **The Appendix.** Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons as set out in the IPT Mandate and other general information relating to Chapter 9 of the Catalist Rules, are set out in the Appendix to this Letter.

2.4 **Audit and Risk Committee's Statement.** The Audit and Risk Committee (currently comprising Mr Koh Choon Leng, Mr Koh Keng Siang and Mr Tan Hwa Peng) has reviewed the terms of the proposed renewal of the IPT Mandate and confirms that:

(a) the methods or procedures for determining the transaction prices of the Interested Person Transactions under the IPT Mandate have not changed since the 2017 AGM; and

(b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that such Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

2.5 **Abstention from Voting.** Koh Brothers Group Limited ("**KBGL**") and its associates (as defined in the Catalist Rules), being interested persons (as described in paragraph 3.1 of the Appendix to this Letter) in relation to the IPT Mandate, will abstain from voting their ordinary shares of the Company ("**Shares**"), if any, in respect of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2018 AGM. The Company will disregard any votes cast by KBGL and its associates on Ordinary Resolution No. 9.

Mr Koh Keng Siang and Mr Lee Sok Khian John, each being a director of KBGL, and their respective associates (as defined in the Catalist Rules), will abstain from voting their Shares, if any, in respect of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2018 AGM. The Company will disregard any votes cast by each of Mr Koh Keng Siang and Mr Lee Sok Khian John and their respective associates, in respect of their holdings of Shares (if any) on Ordinary Resolution No. 9.

In addition, the Company will procure that such persons will also decline to accept appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution No. 9, unless the Shareholder concerned shall have given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 9.

3. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

3.1 **Background.** At the 2017 AGM, Shareholders had approved the adoption of a mandate (the "**Share Buy Back Mandate**") to enable the Company to purchase or otherwise acquire issued Shares. The rationale for, the authority and limitations on, and the financial effects of, the Share Buy Back Mandate were set out in the 2017 Letter and Ordinary Resolution No. 9 set out in the Notice of the 2017 AGM.

The Share Buy Back Mandate took effect on the date of the passing of Ordinary Resolution No. 9 set out in the Notice of the 2017 AGM at the 2017 AGM and will expire on the date of the forthcoming 2018 AGM to be held on 26 April 2018. Accordingly, Shareholders' approval is being sought for the renewal of the Share Buy Back Mandate at the 2018 AGM.

It should be noted that any purchase or acquisition by the Company of its issued Shares ("**Share Buy Back**") has to be made in accordance with the Companies Act, Chapter 50 (the "**Companies Act**"), the Catalist Rules and such other laws and regulations as may, for the time being, be applicable.

As at 16 March 2018 (the "**Latest Practicable Date**"), the Company has not purchased or acquired any issued Shares pursuant to the Share Buy Back Mandate approved at the 2017 AGM.

3.2 **Rationale for the Share Buy Back Mandate.** The rationale for the Company to undertake Share Buy Backs is as follows:

(a) It is a principal mission of the Directors and the management of the Company to constantly increase Shareholders' value and to improve, *inter alia*, the return on equity (the "**ROE**") of the Company and its subsidiaries (the "**Group**"). Share Buy Backs at the appropriate price level is one of the ways through which the ROE of the Group may be enhanced.

(b) The Share Buy Back Mandate will enable the Directors to return part of the Group's surplus funds, in excess of the financial and possible investment needs of the Group, to Shareholders. It is an expedient, effective and cost-efficient way of returning surplus cash to Shareholders.

(c) The Share Buy Back Mandate will give the Company greater flexibility to control, *inter alia*, the Company's share capital structure and give the Directors the ability to purchase the Shares on the SGX-ST, where appropriate.

(d) Repurchased Shares which are held in treasury may be transferred for the purposes of the Koh Brothers Eco Engineering Limited Performance Share Plan 2017 that was approved by Shareholders at the 2017 AGM, and such other share-based incentive schemes which may be implemented by the Company from time to time. The use of treasury shares in lieu of issuing new Shares would also mitigate the dilutive impact on existing Shareholders.

3.3 **Authority and Limits on the Share Buy Back Mandate.** The authority and limitations placed on the Share Buy Back Mandate, if renewed at the 2018 AGM, are substantially the same as were previously approved by Shareholders at the 2017 AGM, and are summarised below:

3.3.1 ***Maximum Number of Shares***

Only Shares which are issued and fully paid may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate is limited to that number of Shares representing not more than 10% of the issued Shares as at the date of the 2018 AGM at which the renewal of the Share Buy Back Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Catalist Rules)[1] will be disregarded for the purposes of computing the 10% limit.

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[1] "Subsidiary holdings" is defined in the Catalist Rules to mean shares referred to in sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

As at the Latest Practicable Date, the Company had no treasury shares or subsidiary holdings.

Based on 1,046,635,889 issued Shares as at the Latest Practicable Date (where no Shares are treasury shares or subsidiary holdings), and assuming that on or prior to the 2018 AGM, (i) no further Shares are issued, (ii) no Shares are purchased or acquired by the Company, (iii) no Shares are held by the Company as treasury shares, and (iv) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares (excluding treasury shares and subsidiary holdings) will result in the purchase or acquisition of 104,663,500 Shares (rounded down to the nearest 100 Shares).

3.3.2 ***Duration of Authority***

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2018 AGM at which the renewal of the Share Buy Back Mandate is approved, up to:

(a) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(b) the date on which the authority conferred by the Share Buy Back Mandate is revoked or varied by Shareholders in a general meeting; or

(c) the date on which purchases and acquisitions of Shares pursuant to the Share Buy Back Mandate are carried out to the full extent mandated,

whichever is the earliest.

3.3.3 ***Manner of Share Buy Backs***

A Share Buy Back may be made by way of:

(a) an on-market Share Buy Back ("**On-Market Share Buy Back**"), transacted on the SGX-ST through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) an off-market Share Buy Back ("**Off-Market Equal Access Share Buy Back**") effected pursuant to an equal access scheme under section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Catalist Rules and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Equal Access Share Buy Back must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares and (3) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid.

If the Company wishes to make an Off-Market Equal Access Share Buy Back, it will, pursuant to Rule 870 of the Catalist Rules, issue an offer document containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances; and

(iii) the information required under Rules 868(2), (3), (4), (5) and (6) of the Catalist Rules.

3.3.4 ***Purchase Price***

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors, or a committee constituted for the purposes of effecting Share Buy Backs.

The purchase price to be paid for the Shares pursuant to Share Buy Backs must not exceed:

(a) in the case of an On-Market Share Buy Back, 105% of the Average Closing Price (as defined below) of the Shares; and

(b) in the case of an Off-Market Equal Access Share Buy Back, 120% of the Average Closing Price of the Shares,

in either case, excluding related expenses of the purchase or acquisition (the "**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy Back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Share Buy Back, and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Buy Back, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy Back.

3.4 **Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.5.1 ***Maximum Holdings***

The number of Shares held as treasury shares[2] cannot at any time exceed 10% of the total number of issued Shares.

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[2] For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under sections 21(4B) or 21(6C) of the Companies Act, Chapter 50.

3.5.2 ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.5.3 ***Disposal and Cancellation***

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Singapore Code on Take-overs and Mergers (the "**Take-over Code**")):

(a) sell the treasury shares (or any of them) for cash;

(b) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

(c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares (or any of them); or

(e) sell, transfer or otherwise use the treasury shares (or any of them) for such other purposes as may be prescribed by the Minister for Finance.

In addition, under Rule 704(31) of the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

3.6 **Funding of Share Buy Backs.** The Company may use internal sources of funds, external borrowings, and/or a combination of both of the aforesaid to finance Share Buy Backs. The Directors do not propose to exercise the Share Buy Back Mandate in a manner and to such extent that it would adversely affect the financial condition of the Group.

3.7 **Financial Effects.** The financial effects of a Share Buy Back on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial statements of the Group and the Company will depend, *inter alia*, on the factors set out below.

3.7.1 ***Purchase or Acquisition out of Profits and/or Capital***

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

3.7.2 ***Number of Shares Purchased or Acquired***

Based on 1,046,635,889 issued Shares as at the Latest Practicable Date (where no Shares are treasury shares or subsidiary holdings), and assuming that on or prior to the 2018 AGM, (i) no further Shares are issued, (ii) no Shares are purchased or acquired by the Company, (iii) no Shares are held by the Company as treasury shares, and (iv) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares (excluding treasury shares and subsidiary holdings) will result in the purchase or acquisition of 104,663,500 Shares (rounded down to the nearest 100 Shares).

3.7.3 ***Maximum Price Paid for Shares Purchased or Acquired***

Assuming that the Company purchases or acquires the 104,663,500 Shares at the Maximum Price, the maximum amount of funds required is approximately:

(a) in the case of an On-Market Share Buy Back, $9,210,388 based on $0.088 for each Share (being the price equivalent of 105% of the Average Closing Price of a Share immediately preceding the Latest Practicable Date); and

(b) in the case of an Off-Market Equal Access Share Buy Back, $10,571,014 based on $0.101 for each Share (being the price equivalent to 120% of the Average Closing Price of a Share immediately preceding the Latest Practicable Date).

3.7.4 ***Illustrative Financial Effects***

For illustrative purposes only, on the basis of the assumptions set out above as well as the following:

(a) the Share Buy Back Mandate had been effective on 1 January 2017;

(b) the issued share capital as at 1 January 2017 was the same as the issued share capital as at the Latest Practicable Date, that is, 1,046,635,889 issued Shares (where no Shares are treasury shares or subsidiary holdings);

(c) the Company had on 1 January 2017 purchased 104,663,500 Shares (representing 10% of its issued Shares (with no Shares held as treasury shares or subsidiary holdings) (rounded down to the nearest 100 Shares) at the Maximum Price as stated in paragraph 3.7.3 above); and

(d) the purchase or acquisition of 104,663,500 Shares representing 10% of such issued Shares by the Company (rounded down to the nearest 100 Shares) pursuant to the Share Buy Back Mandate was made as to 1% out of profits and as to 9% out of capital and either cancelled or held in treasury,

the financial effects of the Share Buy Back on the audited financial statements of the Group and the Company for the financial year ended 31 December 2017 would have been as follows:

(i) On-Market Share Buy Backs made as to 1% out of profits and as to 9% out of capital

	Group		
		After Share Buy Back	
As at 31 December 2017 (audited)	**Before Share Buy Back**	**Scenario A**	**Scenario B**
	S$'000	**S$'000**	**S$'000**
Profit attributable to equity holders for the year	7,045	7,045	7,045
Share capital	52,143	52,143	43,854
Other reserves	1,827	1,827	1,827
Retained profits	10,524	10,524	9,603
Currency translation reserve	(2,289)	(2,289)	(2,289)
Treasury shares	-	(9,210)	-
Shareholders' funds	62,205	52,995	52,995
NAV [(1)]	62,205	52,995	52,995
Current assets	155,280	146,070	146,070
Current liabilities	(139,903)	(139,903)	(139,903)
Net current assets	15,377	6,167	6,167
Total borrowings	13,922	13,922	13,922
Cash and bank balances	24,864	15,654	15,654
Number of Shares (in '000)	1,046,636	941,972	941,972
Treasury shares (in '000)	-	104,664	-
Weighted average shares (in '000)	884,807	780,143	780,143
Financial Ratios			
EPS - cent [(2)]	0.80	0.90	0.90
NAV per Share - cents [(2)]	5.94	5.63	5.63
Net gearing ratio (times) [(3)]	#	#	#
Current ratio (times) [(4)]	1.11	1.04	1.04

Notes:

(1) NAV equals to total assets less total liabilities and excludes non-controlling interests.

(2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share purchases or acquisitions.

(3) Net gearing ratio means total borrowings less cash and bank balances divided by shareholders' funds.

(4) Current ratio means current assets divided by current liabilities.

The Group was in a net cash position as at 31 December 2017.

As at 31 December 2017 (audited)	Company		
	Before Share Buy Back	After Share Buy Back	
		Scenario A	Scenario B
	S$'000	S$'000	S$'000
Profit attributable to equity holders for the year	1,087	1,087	1,087
Share capital	52,143	52,143	43,854
Other reserves	2,482	2,482	2,482
Retained profits	1,730	1,730	809
Treasury shares	-	(9,210)	-
Shareholders' funds	56,355	47,145	47,145
NAV (1)	56,355	47,145	47,145
Current assets (2)	10,029	10,029	10,029
Current liabilities (2)	(3,175)	(12,385)	(12,385)
Net current assets	6,854	(2,356)	(2,356)
Total borrowings	-	-	-
Cash and bank balances	5,977	5,977	5,977
Number of Shares (in '000)	1,046,636	941,972	941,972
Treasury shares (in '000)	-	104,664	-
Weighted average shares (in '000)	884,807	780,143	780,143
Financial Ratios			
EPS - cent (3)	0.12	0.14	0.14
NAV per Share - cents (3)	5.38	5.00	5.00
Net gearing ratio (times) (4)	#	#	#
Current ratio (times) (5)	3.16	0.81	0.81

Notes:

(1) NAV equals to total assets less total liabilities and excludes non-controlling interests.

(2) As at 31 December 2017, the Company has approximately S$10.03 million of current assets, out of which S$5.98 million is in the form of cash and bank balances. The Group on a consolidation basis has S$24.86 million of cash and bank balances as at 31 December 2017. The Directors believe that the Company will be able to use the Group's internal financial resources to carry out purchases or acquisitions under the Share Buy Back Mandate, after taking into account the prevailing market conditions, the financial position of the Group and other relevant factors.

(3) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Buy Backs.

(4) Net gearing ratio means total borrowings less cash and bank balances divided by shareholders' funds.

(5) Current ratio means current assets divided by current liabilities.

The Company was in a net cash position as at 31 December 2017.

(a) Scenario A: On-Market Share Buy Backs of 104,663,500 Shares made as to 1% out of profits and as to 9% out of capital and held as treasury shares

As illustrated under Scenario A in the tables above, such purchase of Shares will have the effect of reducing the working capital and NAV of the Company and of the Group by the dollar value of the Shares purchased. The consolidated NAV per Share of the Group as at 31 December 2017 will decrease from 5.94 cents to 5.63 cents.

Assuming that the purchase of Shares had taken place on 1 January 2017, the consolidated basic EPS for the Group for FY2017 would be increased from 0.80 cent to 0.90 cent per Share as a result of the reduction in the number of issued Shares. No adjustments have been made to take into account forgone interest income as a result of the use of funds for the purchase of Shares.

(b) Scenario B: On-Market Share Buy Backs of 104,663,500 Shares made as to 1% out of profits and as to 9% out of capital and cancelled

As illustrated under Scenario B in the tables above, such purchase of Shares will have the effect of reducing the working capital and NAV of the Company and of the Group by the dollar value of the Shares purchased. The consolidated NAV per Share of the Group as at 31 December 2017 will decrease from 5.94 cents to 5.63 cents.

Assuming that the purchase of Shares had taken place on 1 January 2017, the consolidated basic EPS for the Group for FY2017 would be increased from 0.80 cent to 0.90 cent per Share as a result of the reduction in the number of issued Shares. No adjustments have been made to take into account forgone interest income as a result of the use of funds for the purchase of Shares.

(ii) Off-Market Equal Access Share Buy Backs made as to 1% out of profits and as to 9% out of capital

As at 31 December 2017 (audited)	Group		
	Before Share Buy Back	After Share Buy Back	
		Scenario A	Scenario B
	S$'000	S$'000	S$'000
Profit attributable to equity holders for the year	7,045	7,045	7,045
Share capital	52,143	52,143	42,629
Other reserves	1,827	1,827	1,827
Retained profits	10,524	10,524	9,467
Currency translation reserve	(2,289)	(2,289)	(2,289)
Treasury shares	-	(10,571)	-
Shareholders' funds	62,205	51,634	51,634
NAV [(1)]	62,205	51,634	51,634
Current assets	155,280	144,709	144,709
Current liabilities	(139,903)	(139,903)	(139,903)
Net current assets	15,377	4,806	4,806
Total borrowings	13,922	13,922	13,922
Cash and bank balances	24,864	14,293	14,293
Number of Shares (in '000) [(2)]	1,046,636	941,972	941,972
Treasury shares (in '000)	-	104,664	-
Weighted average shares (in '000)	884,807	780,143	780,143
Financial Ratios			
EPS - cent [(2)]	0.80	0.90	0.90
NAV per Share - cents [(2)]	5.94	5.48	5.48
Net gearing ratio (times) [(3)]	#	#	#
Current ratio (times) [(4)]	1.11	1.03	1.03

Notes:

(1) NAV equals to total assets less total liabilities and excludes non-controlling interests.

(2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Buy Backs.

(3) Net gearing ratio means total borrowings less cash and bank balances divided by shareholders' funds.

(4) Current ratio means current assets divided by current liabilities.

The Group is in a net cash position as at 31 December 2017.

As at 31 December 2017 (audited)	Company		
	Before Share Buy Back	After Share Buy Back	
		Scenario A	Scenario B
	S$'000	S$'000	S$'000
Profit attributable to equity holders for the year	1,087	1,087	1,087
Share capital	52,143	52,143	42,629
Other reserves	2,482	2,482	2,482
Retained profits	1,730	1,730	673
Treasury shares	-	(10,571)	-
Shareholders' funds	56,355	45,784	45,784
NAV (1)	56,355	45,784	45,784
Current assets (2)	10,029	10,029	10,029
Current liabilities(2)	(3,175)	(13,746)	(13,746)
Net current assets	6,854	(3,717)	(3,717)
Total borrowings	-	-	-
Cash and bank balances	5,977	5,977	5,977
Number of Shares (in '000) (3)	1,046,636	941,972	941,972
Treasury shares (in '000)	-	104,664	-
Weighted average shares (in '000)	884,807	780,143	780,143
Financial Ratios			
EPS - cent (3)	0.12	0.14	0.14
NAV per Share - cents (3)	5.38	4.86	4.86
Net gearing ratio (times) (4)	#	#	#
Current ratio (times) (5)	3.16	0.73	0.73

Notes:

(1) NAV equals to total assets less total liabilities and excludes non-controlling interests.

(2) As at 31 December 2017, the Company has approximately S$10.03 million of current assets, out of which S$5.98 million is in the form of cash and bank balances. The Group on a consolidation basis has S$24.86 million of cash and bank balances as at 31 December 2017. The Directors believe that the Company will be able to use the Group's internal financial resources to carry out purchases or acquisitions under the Share Buy Back Mandate, after taking into account the prevailing market conditions, the financial position of the Group and other relevant factors.

(3) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Buy Backs.

(4) Net gearing ratio means total borrowings less cash and bank balances divided by shareholders' funds.

(5) Current ratio means current assets divided by current liabilities.

The Company was in a net cash position as at 31 December 2017.

(a) Scenario A: Off-Market Equal Access Share Buy Backs of 104,663,500 Shares made as to 1% out of profits and as to 9% out of capital and held as treasury shares

As illustrated under Scenario A in the tables above, such purchase of Shares will have the effect of reducing the working capital and NAV of the Company and of the Group by the dollar value of the Shares purchased. The consolidated NAV per Share of the Group as at 31 December 2017 will decrease from 5.94 cents to 5.48 cents.

Assuming that the purchase of Shares had taken place on 1 January 2017, the consolidated basic EPS for the Group for FY2017 would be increased from 0.80 cent to 0.90 cent per Share as a result of the reduction in the number of issued Shares. No adjustments have been made to take into account forgone interest income as a result of the use of funds for the purchase of Shares.

(b) Scenario B: Off-Market Equal Access Share Buy Backs of 104,663,500 Shares made as to 1% out of profits and as to 9% out of capital and cancelled

As illustrated under Scenario B in the tables above, such purchase of Shares will have the effect of reducing the working capital and NAV of the Company and of the Group by the dollar value of the Shares purchased. The consolidated NAV per Share of the Group as at 31 December 2017 will decrease from 5.94 cents to 5.48 cents.

Assuming that the purchase of Shares had taken place on 1 January 2017, the consolidated basic EPS for the Group for FY2017 would be increased from 0.80 cent to 0.90 cent per Share as a result of the reduction in the number of issued Shares. No adjustments have been made to take into account forgone interest income as a result of the use of funds for the purchase of Shares.

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE FOR ILLUSTRATION PURPOSES ONLY (BASED ON THE AFOREMENTIONED ASSUMPTIONS). IN PARTICULAR, IT IS IMPORTANT TO NOTE THAT THE ABOVE ANALYSIS IS BASED ON THE HISTORICAL PROFORMA NUMBERS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017, AND IS NOT NECESSARILY REPRESENTATIVE OF FUTURE FINANCIAL PERFORMANCE.

Although the Share Buy Back Mandate would authorise the Company to purchase or acquire up to 10% of its issued Shares (excluding treasury shares or subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares (excluding treasury shares or subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

3.8 **Take-over implications arising from Share Buy Backs.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

3.8.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or a group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

3.8.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.8.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the following are the effects of Rule 14 and Appendix 2 of the Take-over Code:

(a) Unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

(b) A Shareholder who is not acting in concert with Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder increases by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy Back Mandate.

Based on the interests of the substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date as set out in paragraph 4.2 below, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10% of its issued Shares as at the Latest Practicable Date.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3.9 **Listing Status of the Shares.** The Catalist Rules require a listed company to ensure that at least 10% of the equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public (as defined in the Catalist Rules). As at the Latest Practicable Date, approximately 24.9% of the issued Shares (excluding Shares held in treasury) were held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Buy Back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or affect orderly trading.

The Company will not effect a Share Buy Back if immediately following the Share Buy Back, the continuing shareholding spread requirement prescribed by the SGX-ST which is in force at the time of the intended Share Buy Back cannot be maintained. The Directors will ensure that Share Buy Backs will not have an adverse effect on the listing status of the Shares on the SGX-ST.

3.10 **Reporting Requirements.** Rule 871 of the Catalist Rules specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 am (a) in the case of an On-Market Share Buy Back, on the market day following the day of purchase or acquisition of any of its shares, and (b) in the case of an Off-Market Equal Access Share Buy Back, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8D to the Catalist Rules) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

3.11 **No Purchases During Price Sensitive Developments.** While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buy Back Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through On-Market Share Buy Backs or Off-Market Equal Access Share Buy Backs during the period of one month immediately preceding the announcement of the Company's full-year results, and the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 **Directors' Interests in Shares.** The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest		Direct Interest	Deemed Interest
Director	**No. of Ordinary Shares**	**%**	**No. of Ordinary Shares**	**%**	**No. of Ordinary Shares Comprised in Warrants Held**	**No. of Ordinary Shares Comprised in Warrants Held**
Koh Keng Siang	8,731,154	0.83	678,681,807[1]	64.84[1]	2,488,901	193,125,659[2]
Shin Yong Seub	-	-	-	-	-	-
Koh Choon Leng	-	-	-	-	-	-
Tan Hwa Peng	-	-	-	-	-	-
Lee Sok Khian John	-	-	-	-	-	-

Notes:

1 Koh Keng Siang is deemed interested in (i) 2,000 Shares held by his spouse, (ii) 2,740,000 Shares in respect of a deed of settlement and CDP Form 4.2 executed by Koh Tiat Meng ("**KTM**") in relation to KTM's shares in Koh Brothers Group Limited ("**KBGL**") and (iii) 675,939,807 Shares held by KBGL.

2 Koh Keng Siang is deemed interested in 193,125,659 warrants held by KBGL.

4.2 **Substantial Shareholders' Interests in Shares.** The interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest		Direct Interest	Deemed Interest
Substantial Shareholder	**No. of Ordinary Shares**	**%**	**No. of Ordinary Shares**	**%**	**No. of Ordinary Shares Comprised in Warrants Held**	**No. of Ordinary Shares Comprised in Warrants Held**
Koh Brothers Group Limited	675,939,807	64.58	-	-	193,125,659	-
Tan Tze Wen	63,215,579	6.04	-	-	20,377,022	-
Koh Keng Siang	8,731,154	0.83	678,681,807[1]	64.84[1]	2,488,901	193,125,659[2]

Notes:

1 Koh Keng Siang is deemed interested in (i) 2,000 Shares held by his spouse, (ii) 2,740,000 Shares in respect of a deed of settlement and CDP Form 4.2 executed by KTM in relation to KTM's shares in KBGL and (iii) 675,939,807 Shares held by KBGL.

2 Koh Keng Siang is deemed interested in 193,125,659 warrants held by KBGL.

5. DIRECTORS' RECOMMENDATIONS

5.1 **Proposed Renewal of the IPT Mandate.** The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Mr Koh Choon Leng, Mr Shin Yong Seub and Mr Tan Hwa Peng. Mr Koh Choon Leng, Mr Shin Yong Seub and Mr Tan Hwa Peng, having fully considered, *inter alia*, the scope, guidelines and review procedures, the rationale for and the benefits of the IPT Mandate, are of the opinion that the proposed renewal of the IPT Mandate to permit entry into the Interested Person Transactions (as described in paragraph 3 of the Appendix) between the EAR Group (as described in paragraph 2 of the Appendix) and the Interested Persons (as described in paragraph 3 of the Appendix) in the ordinary course of its business will enhance the efficiency of the Group and is in the best interests of the Company. For the reasons set out in paragraph 2 of the Appendix, Mr Koh Choon Leng, Mr Shin Yong Seub and Mr Tan Hwa Peng recommend that Shareholders vote in favour of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2018 AGM.

5.2 **Proposed Renewal of the Share Buy Back Mandate.** The Directors, having carefully considered the terms and rationale of the Share Buy Back Mandate, are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 10, being the Ordinary Resolution relating to the proposed renewal of the Share Buy Back Mandate to be proposed at the 2018 AGM.

6. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 during normal business hours from the date of this Letter up to the date of the 2018 AGM:

(a) the Annual Report of the Company for the financial year ended 31 December 2017;

(b) the 2017 Letter; and

(c) the Constitution of the Company.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
Koh Brothers Eco Engineering Limited

Koh Keng Siang
Chairman

THE APPENDIX

THE IPT MANDATE

1. Chapter 9 of the Catalist Rules

1.1 Chapter 9 of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), Section B: Rules of Catalist (the "**Catalist Rules**") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. Under this Chapter, a listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for a transaction, when the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**")) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

(a) 5% of the listed company's latest audited consolidated NTA; or

(b) 5% of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Catalist Rules) during the same financial year.

1.3 Based on the latest audited consolidated financial statements of Koh Brothers Eco Engineering Limited ("**KBE**" or the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2017, the consolidated NTA of the Group was approximately S$55,348,000. In relation to KBE, for the purposes of Chapter 9 of the Catalist Rules, in the current financial year and until such time as the consolidated audited financial statements of the Group for the financial year ending 31 December 2018 are published, 5% of the latest audited consolidated NTA of the Group would be approximately S$2,767,400.

1.4 Chapter 9 of the Catalist Rules, however, permits a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons. A general mandate is subject to annual renewal.

1.5 Under the Catalist Rules:

(a) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;

(b) (in the case of a company) an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

(c) (in the case of a company) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, means its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

(d) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Catalist Rules; and

(e) an "**interested person transaction**" means a transaction between an entity at risk and an interested person.

2. Rationale for the IPT Mandate and Benefits to EAR Group

2.1 It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group (as defined below) and KBE's interested persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to KBE's interested persons or the obtaining of goods and services from them.

2.2 In view of the time-sensitive nature of commercial transactions in general, the renewal of the IPT Mandate pursuant to Chapter 9 of the Catalist Rules will enable:

(a) KBE;

(b) subsidiaries of KBE (other than a subsidiary that is listed on the SGX-ST or an approved exchange, if any); and

(c) associated companies of KBE (other than an associated company that is listed on the SGX-ST or an approved exchange, if any) over which the Group, or the Group and interested person(s) of KBE has or have control,

(together, the "**EAR Group**"), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions (the "**Interested Person Transactions**") set out in paragraph 3 below with the specified classes of KBE's interested persons (the "**Interested Persons**") set out in paragraph 3 below, provided such Interested Person Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its Shareholders (excluding those who are Interested Persons) (the "**Minority Shareholders**").

2.3 The IPT Mandate (if approved and renewed on an annual basis) will eliminate, amongst others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when Interested Person Transactions arise. This will reduce substantially the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the Company's corporate objectives and adversely affecting the EAR Group's business opportunities.

2.4 The Board is of the view that the Interested Person Transactions are and will be carried out on an arm's length basis as the terms of the Interested Person Transactions are and will be comparable to the terms of the transactions that the EAR Group enters and will be entering into with other unrelated parties.

2.5 The Board having considered, *inter alia*, the terms and rationale for the IPT Mandate, is of the view that it will be beneficial to the EAR Group to transact with the Interested Persons. Disclosure will be made where required under the prevailing Catalist Rules, in the Company's annual report and financial results on the aggregate value of Interested Person Transactions conducted pursuant to the IPT Mandate during the relevant financial period, and in the annual reports for the subsequent financial years during which the IPT Mandate is in force or announced where required pursuant to the prevailing Catalist Rules.

3. SCOPE OF THE IPT MANDATE

3.1 Classes of Interested Persons

The IPT Mandate will apply to any Interested Person Transaction that is carried out between (a) the EAR Group, with (b) Koh Brothers Group Limited ("**KBGL**") and/or its associates (as defined in the Catalist Rules) (the "**Interested Persons**").

3.2 Categories of Interested Person Transactions

The categories of Interested Person Transactions which will be covered by the IPT Mandate include:

(a) General Transactions

General transactions by the EAR Group relating to the provision to, and obtaining from, the Interested Persons of the following products and services in the normal course of business of the EAR Group in providing services for (i) water and wastewater treatment; (ii) hydro-engineering projects and/or (iii) construction (including but not limited to building and infrastructure) activities:

(i) the engagement and/or provision of contractor services and supplier services in respect of (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) activities;

(ii) the rental, sale or purchase (as the case may be) of materials, plants, machinery and equipment (which is in the ordinary course of business, and save for those transactions which fall under the ambit of Chapter 10 of the Catalist Rules) for (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) activities;

(iii) the engagement and/or provision of logistics and transportation services;

(iv) the engagement and/or provision of drainage system services, including but not limited to design, fabrication, delivering, installing and testing systems;

(v) the engagement and/or provision of project development and/or management services, including but not limited to application for relevant permits, licences and approvals, management of tender process, advice on appointment of consultants, liaison with relevant authorities, liaison with consultants and contractors, supervision of work and the engagement and provision of financial and administrative support services related to such projects;

(vi) the engagement and/or provision of services for (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) projects, including, amongst others, labour, design, supply, 3D modelling, delivery, diversion, installation, testing and commission of equipment;

(vii) the provision and/or the obtaining of corporate guarantees and/or performance bonds in relation to obligations which are incidental to or in connection with transactions described in sub-paragraphs (i) to (vi) above and which are in the ordinary course of business; and

(viii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in subparagraphs (i) to (vii) above.

(b) Management and Support Services

These transactions relate to the provision and/or obtaining of management and support services in the area of professional, administrative and support services, including but not limited to, corporate events, potential and/or existing business development, business relations, investment/project risk review, information technology, and management information systems, intellectual property rights, human resource and staff secondment, insurance, corporate communications (including investor relations), taxation, accounting, internal audit, central purchasing, corporate secretarial services and any other professional, administrative and support services that may arise from time to time.

By having access to such services, the EAR Group will benefit through savings in terms of reduced overheads and greater economies of scale (such as bulk discounts enjoyed by KBGL on a group basis). In addition, the EAR Group is able to obtain expertise in the areas of project/investment risk review, business relations and business development through the extensive global network of the Interested Persons and their top executives. The ability to tap on such expertise and experience is important for the EAR Group's ability to respond in a timely manner to take advantage of opportunities as and when they arise.

(c) Other Services

Such transactions include:

(i) the leasing of premises and obtaining of property maintenance services; and

(ii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraph (i) above.

For the avoidance of doubt, the IPT Mandate does not extend to the purchase or sale of assets, undertakings or businesses between the EAR Group and the Interested Persons. The IPT Mandate will also not cover any Interested Person Transaction that is below S$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Catalist Rules would not apply to such transactions.

Transactions by the Group with the Interested Persons that do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

4. Guidelines and Review Procedures for the Interested Person Transactions

4.1 Review Procedures

The Directors have confirmed that the EAR Group has in place, *inter alia*, internal control systems, review and approval procedures to ensure that transactions with the "interested persons" (including the Interested Persons) are made on normal commercial terms and/or on an arm's length basis, consistent with the EAR Group's usual business practices and policies and not prejudicial to the interests of the Company and its Minority Shareholders. The Audit and Risk Committee of the Company (which currently comprises Mr Koh Choon Leng (Chairman), Mr Koh Keng Siang, and Mr Tan Hwa Peng) will also review and approve the Interested Person Transactions where applicable, and ensure that all future Interested Person Transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the EAR Group or the Minority Shareholders.

The following review procedures will be implemented after having regard to the nature of Interested Person Transactions and the criteria for establishing review procedures, which is to ensure that such review procedures are adequate and/or commercially practicable in ensuring that the Interested Person Transactions are conducted on normal commercial terms, are in the interest of the Company and are not prejudicial to the interests of the Company and Minority Shareholders:

(a) all Interested Person Transactions shall be conducted in accordance with the EAR Group's usual business practices and policies, consistent or comparable with the usual margins or historical margins or costs (where applicable), rates (including commission) or prices extended to or received by the EAR Group for the same or substantially similar type of transactions between the EAR Group and unrelated third parties, and the terms shall not be more favourable to the Interested Person compared to those extended to or received from unrelated third parties after taking into account the speed of and cost for timely response and mobilisation, credit terms, quality, requirements, specifications, scope, size, complexity and resources required for implementation of the projects for which Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions and array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks;

(b) when purchasing any products or obtaining any services (including the leasing of premises) from an Interested Person, in order to ensure that the interests of the EAR Group or the Minority Shareholders are not disadvantaged, comparison will be made with at least two quotations from unrelated/independent third party(ies) as a basis for comparison, from independently verifiable and reliable sources as approved by the Audit and Risk Committee from time to time ("**Approved Independent Sources**"), with advice from relevant employees of the Company with management responsibilities comprising personnel from the finance department and other relevant departments.

The list of Approved Independent Sources will be maintained by the relevant departments and reviewed by the Audit and Risk Committee periodically. Specifically, for the provision of corporate guarantee(s) by an Interested Person, a comparison shall be made with the fees, premium or charges paid or payable by the EAR Group to the bank or other financial institution for the provision of relevant or equivalent performance bond or guarantee with similar or comparable terms including, *inter alia,* duration and guaranteed amount. The purchase price or fee or rates for the products or services, after taking into account factors mentioned in paragraph (a) above, shall not be higher than the most favourable price or fee of the two other quotations (wherever possible or available) from the Approved Independent Sources. Credit terms of the purchases will be comparable to those offered by unrelated third parties. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, requirements, specifications, delivery time of goods or services, industry norms, specifications, scope, size, complexity and resources required for implementation of the projects for which Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks will be taken into consideration;

(c) when selling any products or supplying any services (including the leasing of premises) to an Interested Person, the price or fee or profit margins and terms of two other successful transactions of a similar nature (or comparable nature) with non-Interested Persons will be used as comparison to ensure that the interests of the EAR Group or the Minority Shareholders are not disadvantaged. The price or fee or margin for the supply of products or services shall not be lower than the lowest price or fee of the two other successful transactions with non-Interested Persons, taking into account all pertinent factors, including but not limited to speed of and cost for timely response and mobilisation, quantity, credit records of the customer, terms of sale or supply, strategic purpose of the transaction, specifications, scope, size, complexity and resources required for implementation of the projects for Interested Persons, preferential or relatively advantageous access to assets and buyers, asset type, restrictions, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks and other qualitative considerations; and

(d) in circumstances where it is impractical or impossible to obtain comparable prices of contemporaneous transactions of similar goods or services due to the nature of the goods or services to be purchased or provided, any two Directors of the Company with no interest, direct or indirect, in the proposed Interested Person Transaction will, subject to the approval thresholds as set out in paragraph 4.2 below, take such necessary steps which would include but are not limited to (1) relying on corroborative inputs from reasonably experienced market practitioners in order to determine that the terms provided by the Interested Persons are fair and reasonable; and (2) evaluate and weigh the benefits of, and rationale for transacting with the Interested Persons, taking into account factors such as, but not limited to, the nature of the services, track record, delivery schedules, requirements and specifications of the Group or the customer, duration of contract, quality, reliability, previous working experience taking into account mobilisation cost and timely response, specifications, scope, size, complexity and resources required for implementation of the projects for which Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions and structure for investments, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks, project restrictions and structure or the results of and returns from the underlying projects.

4.2 Approval and Review Threshold

The following approval procedures will be implemented to supplement existing internal control procedures for the Interested Person Transactions to ensure that such transactions are undertaken on an arm's length basis and on normal commercial terms. For the avoidance of doubt, where the approving party as stipulated herein is interested in the transaction to be approved, he/she will inform the Audit and Risk Committee and such disclosures should be documented. In the event any equivalent person with the relevant experience and responsibility, as stated below for the various thresholds cannot be determined, the approving authority shall be decided by the Audit and Risk Committee.

Individual and aggregate transactions review and approval thresholds shall be as follows:

(a) Where the individual or aggregate value of the Interested Person Transactions is equal to or more than S$100,000 but less than 20% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall require the prior approval of either the Financial Controller (or equivalent person) or Chief Executive Officer for the Group. Interested Person Transactions that have been approved by the Audit and Risk Committee need not be aggregated for the purpose of such approval.

(b) Where the individual or aggregate value of the Interested Person Transactions is equal to or more than 20% but less than 50% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall require the prior approval of both the Financial Controller (or equivalent person) or the Chief Executive Officer and at least one (1) Director, who is not interested in the transaction and a member of the Audit and Risk Committee. Interested Person Transactions that have been approved by the Audit and Risk Committee need not to be aggregated for the purpose of such approval.

(c) Where the individual or aggregate Interested Person Transactions is equal to or more than 50% of the Group's latest audited NTA, all subsequent Interested Person Transactions will be subject to the prior approval of the Audit and Risk Committee and recommendation of the Financial Controller (or equivalent person) or the Chief Executive Officer. If a member of the Audit and Risk Committee is interested in any Interested Person Transactions, he shall abstain from participating in the review of that particular transaction. Interested Person Transactions that have been approved by the Audit and Risk Committee need not be aggregated for the purpose of such approval. For avoidance of doubt, the Audit and Risk Committee shall be responsible for such approvals.

(d) All approvals must strictly follow the review procedures as stipulated in paragraphs 4.1 and 4.2 and must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit.

In addition, the Financial Controller (or equivalent person), who is a key executive of the Company as disclosed in the Company's annual report, will review (and document such reviews) all Interested Person Transactions (including Interested Person Transactions that are less than S$100,000 in value) and its register on a quarterly basis or such other periods as approved by the Audit and Risk Committee.

The threshold limits set out above are adopted by the Company taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at after considering the operational efficiency for the day-to-day business operations of the Group and the internal control for Interested Person Transactions. The threshold limits act as an additional safeguard to supplement the review procedures which will be implemented by the Company for Interested Person Transactions.

4.3 Additional Controls

The additional controls will apply to the Interested Person Transactions as stated below.

(a) The finance department of the Group will maintain a register of transactions carried out with Interested Persons pursuant to the IPT Mandate (recording and documenting the identity of the interested persons, basis, including the quotations and supporting evidence or records or details obtained to support such basis, on which they were entered into as well as the approving authority). For avoidance of doubt, the quotations and supporting evidence or records or supporting details obtained may be kept or maintained by other relevant departments. The Interested Person Transactions register shall be prepared, maintained, monitored and reviewed on a monthly basis, by the Financial Controller (or equivalent person) of the Company who is not an Interested Person. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit and Risk Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit and Risk Committee immediately.

(b) The Financial Controller (or equivalent person) / Company Secretary will obtain signed letters of confirmation from persons delegated with the approving authority as set out in the letter dated 12 April 2016 issued by Asian Corporate Advisors Pte. Ltd., the independent financial adviser (the "**Independent Financial Adviser**") to the Directors who are deemed non-interested in relation to the proposed adoption of the IPT Mandate at the 2016 EGM containing the advice of the Independent Financial Adviser in respect of the IPT Mandate, controlling shareholders (as defined in the Catalist Rules) and the Directors on a periodic basis (annual basis or such other period as may be determined by the Audit and Risk Committee) with respect to their interest in any transactions with the Group.

(c) The Financial Controller (or equivalent person) / Company Secretary will maintain a list of the Directors and controlling shareholders (as defined in the Catalist Rules) of the Company (which is to be updated immediately if there are any changes) to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed by the Audit and Risk Committee at least on a semi-annual basis.

(d) The Group's annual or periodic (such periods as may be decided by the Audit and Risk Committee) internal audit plan may incorporate a review of all Interested Person Transactions (where applicable), including the established review procedures for monitoring of such Interested Person Transactions, entered into during the current financial year pursuant to the IPT Mandate and consistent with the Code of Corporate Governance 2012. The approval thresholds as stipulated herein may be delegated with the approval of the Audit and Risk Committee which will be duly documented together with the bases for such approval.

(e) The Audit and Risk Committee shall periodically review all Interested Person Transactions, at least on a semi-annual basis, to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit and Risk Committee. The Audit and Risk Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review.

(f) In the event that a member of the Audit and Risk Committee is interested in any Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.

(g) Subject to paragraph 4.3(d) above, the Group's internal auditor shall, on at least a semi-annual basis or such other periods as required by the Audit and Risk Committee, subject to adjustment in frequency, depending on factors such as, *inter alia*, substantial increment of aggregate transactional value, report to the Audit and Risk Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding period. The Audit and Risk Committee shall review such Interested Person Transactions at its periodic meetings (not less than twice or such other frequency a year as decided by the Audit and Risk Committee) except where Interested Person Transactions are required under the review procedures to be approved by the Audit and Risk Committee prior to the entry thereof.

(h) The Audit and Risk Committee will conduct periodic reviews (of not less than half-yearly or such other period as may be determined by the Audit and Risk Committee) of the review procedures for the Interested Person Transactions. If, during these periodic reviews, the Audit and Risk Committee is of the view that these review procedures are no longer sufficient or appropriate to ensure that the Interested Person Transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new review procedures for Interested Person Transactions. All Interested Person Transactions will be reviewed and approved by the Audit and Risk Committee prior to entry while a fresh mandate is being sought from the Shareholders.

(i) The Audit and Risk Committee will review the letters of confirmation from key management personnel, controlling shareholders (as defined in the Catalist Rules) and the Directors of the Company and all Interested Person Transactions on a periodic basis (annual basis or such other period as may be determined by the Audit and Risk Committee) and the minutes of such review and its outcome shall be taken.

(j) For purposes of the above review and approval process, any Director who is not considered independent for purposes of the IPT Mandate and/or any Interested Person Transactions will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit and Risk Committee's decision during its review of the established review procedures for the Interested Person Transactions or during its review or approval of any Interested Person Transactions.

4.4 Further Compliance

The Directors will ensure that all disclosures, approvals and other requirements in respect of the Interested Person Transactions, including those required by prevailing legislation, the Catalist Rules and relevant accounting standards, are complied with.

5. Validity Period of the IPT Mandate

If approved by Shareholders at the Annual General Meeting, the IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, and will apply to all Interested Person Transactions entered into from the date of receipt of Shareholders' approval. Approval from Shareholders will be sought for the renewal of the IPT Mandate at each subsequent annual general meeting, subject to review by the Audit and Risk Committee of its continued application to the Interested Person Transactions.

6. Disclosures

6.1 The Company will announce the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate for each financial period on which the Company is required to report on pursuant to Appendix 7C of the Catalist Rules and within the time required for the announcement of such report in accordance with Rule 920(1)(a)(ii) of the Catalist Rules.

6.2 Disclosure will also be made in the annual report of the Company of the aggregate value of the Interested Person Transactions pursuant to the IPT Mandate during the relevant financial period and in the annual reports for the subsequent financial years during which the IPT Mandate is in force, in the following format as stipulated under Rule 907 of the Catalist Rules:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)