

KOH BROTHERS GROUP LIMITED

(Company Registration No. 199400775D)

(Incorporated in the Republic of Singapore)

POTENTIAL DILUTION OF SHAREHOLDING INTEREST IN KOH BROTHERS ECO ENGINEERING LIMITED

1. INTRODUCTION

- 1.1 The Board of Directors (the **"Board"**) of Koh Brothers Group Limited (the **"Company"** or **"KBGL"**, and together with its subsidiaries, the **"KBGL Group"**) refers to the announcement dated 15 March 2021 by the Company's subsidiary, Koh Brothers Eco Engineering Limited (**"KBE"**) in relation to the proposed issuance to, and the subscription for, new shares by Penta-Ocean Construction Co., Ltd. (**"POC"**) in KBE.
- 1.2 KBE (and together with its subsidiaries, the **"KBE Group"**) had on 15 March 2021 announced that it had entered into a share subscription agreement with POC, pursuant to which POC will subscribe for, and KBE will allot and issue to POC, 810,000,000 new ordinary shares in the capital of KBE (**"Subscription Shares"**) at an issue price of S\$0.047 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"**). KBE is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**) (**"Catalist"**).
- 1.3 Completion of the Proposed Subscription is conditional upon, amongst others, the issuance of a listing and quotation notice from the SGX-ST for the listing and quotation of the Subscription Shares on the Catalist, the approval by the shareholders of KBE in a general meeting to be convened for the Proposed Subscription as well as the approval of shareholders of KBGL in general meeting (the **"KBGL EGM"**) to be convened for the potential dilution (the **"Potential Dilution"**) of the Company's percentage shareholding in KBE, as a result of the issuance and allotment of the Subscription Shares to POC (the **"KBGL Shareholder Approval"**) (or the grant of a waiver from the SGX-ST in respect of the KBGL Shareholder Approval). Further details of the Potential Dilution are set out in Section 3 below.

2. INFORMATION ON KBE

- 2.1 The Company currently holds 1,544,627,607 shares in KBE, representing approximately 77.27% of KBE's existing issued and fully-paid shares. The Company also holds 218,444,432 warrants issued by KBE under KBE's renounceable non-underwritten rights cum warrants issue announced on 15 May 2017 (the **"2017 Warrants"**).
- 2.2 KBE is a sustainable engineering solutions group that provides engineering, procurement and construction (EPC) services for infrastructure, water and wastewater treatment, bio-refinery and bio-energy projects.
- 2.3 Based on KBE's announcement dated 15 March 2021, KBE intends to use the net proceeds raised by the Proposed Subscription for the KBE Group's general working capital (including but not limited to matters such as funding new projects, capital improvements, the repayment of loans and the KBE Group's operating costs) and for business expansion (including financing new business ventures through joint venture, partnership, acquisitions and/or strategic investments).

3. POTENTIAL DILUTION

- 3.1 Following the allotment and issue of the Subscription Shares, the resulting shareholding percentage of POC in KBE will range from between 25.06% to 28.84% of the enlarged total number of issued shares in KBE (depending on whether the outstanding 2017 Warrants and outstanding warrants issued under KBE's renounceable non-underwritten rights cum warrants issue announced on 26 September 2018 (**"2018 Warrants"**) are exercised and 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).

- 3.2 The allotment and issue of the Subscription Shares will result in the reduction of the percentage shareholding of the Company in KBE from approximately 77.27% to between 54.54% and 54.99% of the enlarged total number of issued shares in KBE (depending on whether the outstanding 2017 Warrants and 2018 Warrants are exercised and Share Awards are vested as at the date of completion of the Proposed Subscription). For the avoidance of doubt, following the allotment and issue of the Subscription Shares, KBE will continue to be a subsidiary of KBGL and KBGL will continue to hold a minimum of 54.54% of the enlarged total number of issued shares in KBE immediately following the completion of the Proposed Subscription.

4. FINANCIAL EFFECTS OF THE POTENTIAL DILUTION

4.1 Bases and Assumptions

The proforma financial effects of the Potential Dilution set out below are for illustrative purposes only and are based on (i) the KBGL Group’s unaudited consolidated financial statements for the financial year ended 31 December 2020 (“**FY2020**”) and (ii) the KBE Group’s unaudited consolidated financial statements for FY2020, and the following key assumptions:

- (a) the Proposed Subscription had been completed on 1 January 2020 for the purpose of computing the financial effects on the consolidated loss of KBGL;
- (b) the Proposed Subscription had been completed on 31 December 2020 for the purpose of computing the financial effects on the net asset value (“**NAV**”) of KBGL;
- (c) NAV means total assets less the sum of total liabilities and non-controlling interest; and
- (d) all of the outstanding 2017 Warrants and 2018 Warrants are exercised and all of the outstanding Share Awards are vested as at the date of completion of the Proposed Subscription.

4.2 NAV per share

The NAV per share of the Company would be as follows:

	As at 31 December 2020	Immediately after the Potential Dilution	% (Decrease)/ Increase
NAV attributable to equity holders (S\$'000)	287,888	284,925	(1.03)
Number of issued shares ('000)	412,459	412,459	-
NAV per share (Singapore cents)⁽¹⁾	69.80	69.08	(1.03)

Note:

- (1) The NAV per share is calculated using the Company’s NAV attributable to equity holders as at 31 December 2020 divided by the share capital of 412,459,100 ordinary shares (excluding 25,540,900 shares which are held as treasury shares) as at 31 December 2020.

4.3 Loss per share ("LPS")

The LPS for FY2020 of the Company would be as follows:

	For FY2020 (Assuming that the Potential Dilution had not occurred)	For FY2020 (Assuming that the Potential Dilution had occurred on 1 January 2020)	% (Decrease)/ Increase
Net loss attributable to equity holders of the company (S\$'000)	(14,806)	(12,111)	(18.20)
Weighted average number of issued shares ('000)	412,459	412,459	-
LPS on a fully diluted basis (Singapore cents)	(3.59)	(2.94)	(18.20)

4.4 Gearing

The gearing of KBGL would be as follows:

	As at 31 December 2020	Immediately after the Potential Dilution	% (Decrease)/ Increase
Total borrowings (S\$'000) ⁽¹⁾	360,708	360,708	-
Cash and bank balances (S\$'000)	101,849	154,915	52.10
Shareholders' funds (S\$'000)	287,888	284,925	(1.03)
Net gearing ratio (times) ⁽²⁾	0.90	0.72	(19.67)

Notes:

(1) Total borrowings comprise bank borrowings, lease liabilities and notes payable.

(2) Net gearing ratio has been computed based on total borrowings net of cash and bank balances divided by shareholders' funds.

5. **INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE POTENTIAL DILUTION**

Save for Koh Keng Siang (who is the Non-Executive and Non-Independent Chairman of KBE) and Lee Sok Khian John (who is a Non-Executive and Non-Independent Director of KBE), none of the Directors nor (so far as the Directors are aware) any controlling shareholders of the Company has any interest, direct or indirect, in the Potential Dilution (other than their direct or indirect shareholdings in the Company and KBE).

The circular containing, *inter alia*, further information on the Potential Dilution and the notice to convene the KBGL EGM will be despatched to shareholders of the Company 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.

Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company. Shareholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD
KOH BROTHERS GROUP LIMITED

Koh Keng Siang
Managing Director and Group CEO
15 March 2021