



Building Cities Building Dreams

**KOH BROTHERS  
GROUP LIMITED**

**EXTRAORDINARY  
GENERAL MEETING  
31 MAY 2021**

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# POTENTIAL DILUTION OF SHAREHOLDING INTEREST IN KOH BROTHERS ECO ENGINEERING LIMITED



- **Listed on the Singapore Exchange (“SGX”) in 2006, Koh Brothers Eco Engineering Limited (“KBE”) today is a sustainable engineering solutions group that provides engineering, procurement and construction (“EPC”) services for water & wastewater treatment, hydro-engineering, bio-refinery and bioenergy projects.**
- **On 15 March 2021, the Company announced the potential dilution of the Company’s shareholding interest in its subsidiary KBE, pursuant to the proposed allotment and issue of 810,000,000 new ordinary shares in the capital of KBE to Penta-Ocean Construction Co., Ltd. (the “Potential Dilution”).**
- **As at the Latest Practicable Date, the Company holds 1,544,627,607 shares in KBE, representing approximately 76.94% of KBE’s existing issued and fully-paid shares.**
- **The Company also holds 218,444,432 2017 Warrants issued by KBE, representing approximately 64.60% of the total number of issued 2017 Warrants, and when converted into shares of KBE, would represent approximately 9.81% of KBE’s enlarged issued and fully-paid up shares as at the Latest Practicable Date taking into account only the conversion of the 218,444,432 2017 Warrants held by the Company in KBE.**



# POTENTIAL DILUTION OF SHAREHOLDING INTEREST IN KOH BROTHERS ECO ENGINEERING LIMITED

- **The allotment and issue of the KBE Subscription Shares will result in the reduction of the percentage shareholding of the Company in KBE from approximately 76.94% to:**
  - (i) approximately 54.82%<sup>1</sup> of the Minimum Scenario Enlarged Share Capital of KBE;**
  - (ii) approximately 54.54%<sup>2</sup> of the Maximum Scenario Enlarged Share Capital of KBE; and**
  - (iii) approximately 53.36%<sup>3</sup> of the Partial Scenario Enlarged Share Capital of KBE**

**For the avoidance of doubt, following the allotment and issue of the KBE Subscription Shares, KBE will continue to be a subsidiary of the Company, and the Company will continue to hold more than 50% of the enlarged total number of issued shares in KBE immediately following the completion of the Potential Dilution.**

<sup>1</sup> Assuming that none of the outstanding Warrants as at the Latest Practicable Date are exercised and that none of the outstanding Share Awards as at the Latest Practicable Date are vested as at the Completion Date, KBE will have an enlarged issued and paid-up share capital of 2,817,613,004 Shares (the "**Minimum Scenario Enlarged Share Capital**").

<sup>2</sup> Assuming all of the outstanding Warrants as at the Latest Practicable Date are exercised and that all of the outstanding Share Awards as at the Latest Practicable Date are vested as at the Completion Date, KBE will have an enlarged issue and paid-up share capital of 3,232,742,592 Shares (the "**Maximum Scenario Enlarged Share Capital**").

<sup>3</sup> Assuming that none of the outstanding 2017 Warrants as at the Latest Practicable Date are exercised, all of the outstanding 2018 Warrants as at the Latest Practicable Date are exercised and that all of the outstanding Share Awards as at the Latest Practicable Date are vested as at the Completion Date, KBE will have an enlarged issued and paid-up share capital of [2,894,589,120] Shares (the "**Partial Scenario Enlarged Share Capital**").



# PROPOSED SUBSCRIPTION - SALIENT TERMS

**Proposed Transaction:** Private Placement of New Ordinary Shares (“Proposed Subscription”)

**Subscriber:** Penta-Ocean Construction Co., Ltd. (“POC”)

**Subscription Shares:** 810,000,000 New Ordinary Shares, representing:  
(i) 28.75%<sup>1</sup> of the Minimum Scenario Enlarged Share Capital of KBE;  
(ii) 25.06%<sup>2</sup> of the Maximum Scenario Enlarged Share Capital of KBE; and  
(iii) 27.98%<sup>3</sup> of the Partial Scenario Enlarged Share Capital of KBE

**Issue Price:** S\$0.047 for each Subscription Share, the Issue Price is higher by approx.30.6% to the VWAP of S\$0.036 per Share for trades done on the Catalist of the SGX-ST on 12 March 2021. As compared to the consolidated NAV per Share as at 31 December 2020 (based on the audited consolidated financial statements of the Group for FY2020), the Issue Price is lower by approximately 9.44%.

**Moratorium:** 12 months commencing from the Completion Date

**Board Seat:** Upon completion of the subscription of all the Subscription Shares, POC shall be entitled to nominate one (1) person for appointment as a non-executive director to the board of directors of KBE.

<sup>1</sup> Assuming that none of the outstanding Warrants as at the Latest Practicable Date are exercised and that none of the outstanding Share Awards as at the Latest Practicable Date are vested as at the Completion Date, KBE will have an enlarged issued and paid-up share capital of 2,817,613,004 Shares (the "**Minimum Scenario Enlarged Share Capital**").

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# PROPOSED SUBSCRIPTION - SALIENT TERMS



## Conditions Precedent relating to the Company:

- Koh Brothers Group Limited (the “**KBGL**”), the parent company of KBE, 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 the Subscriber (“**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.

# RATIONALE OF THE PROPOSED SUBSCRIPTION



1

Strengthen Financial Position by increasing the Group's capital base and for working capital requirements.

2

POC is a strong investor with a global perspective

Positioning for Upcoming Opportunities





## INFORMATION OF POC



### BUSINESS OVERVIEW

POC is a leading general contractor operating in Japan and overseas, specialising in marine works and land reclamation. POC also builds residential, commercial, and institutional buildings.

### COMPANY OVERVIEW

Year Founded	1896
Headquarters	Tokyo
Listing	Tokyo Stock Exchange
Market Cap (at 12 May 21)	¥ 221.1 billion ( ~SGD 2.7 billion)
Latest Year's Consolidated Sales	¥ 471.1 billion ( ~SGD 5.7 billion)
Latest Year's Consolidated Net Profit	¥ 21.0 billion (~SGD 255.7 million)
Latest Year's Net Asset Value	¥ 158.4 billion (~SGD 1.9 billion)
No. of Employees	3,084

POC is KBE's existing joint-venture partner for the Deep Tunnel Sewerage System (Phase 2) Project



Approximate Contract Value	S\$520 million
Client	PUB



## USE OF PROCEEDS

Based on the Subscription Price, the gross proceeds for the Propose Subscription is approximately **S\$38.07 million**. The estimated net proceeds will be approximately **S\$36.87 million**, after deducting all costs and expenses payable in relation to the Proposed Subscription ("**Net Proceeds**").

Use of Proceeds	Estimated Percentage Allocation of Net Proceeds
Expansion of business operations	30%
General corporate and working capital purpose of the Group, mainly to support administrative and operational expenses	70%
Total	100%



## FINANCIAL EFFECTS

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 audited consolidated financial statements for FY2020 and (ii) the KBE Group's audited consolidated financial statements for FY2020, and the key assumptions as set out in Section 2.4 of the Circular.

### Net Asset Value

	As at 31 December 2020	Immediately After the Potential Dilution (Maximum Scenario)	% (Decrease)/ Increase
NAV attributable to equity holders (S\$'000)	287,888	284,925	(1.03)
Number of Shares ('000)	412,459	412,459	-
NAV per Share (Singapore cents) <sup>(1)</sup>	69.80	69.08	(1.03)

Notes:

(1) 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.



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### Loss per Share

	FY2020 Before the Potential Dilution	FY2020 Assuming that the Potential Dilution had occurred on 1 January 2020 (Maximum Scenario)	% (Decrease)/ Increase
Net loss attributable to equity holders of the Company (S\$'000)	(14,806)	(12,111)	(18.20)
Weighted average number of Shares ('000)	412,459	412,459	-
LPS on fully diluted basis (Singapore cents)	(3.59)	(2.94)	(18.20)



## FINANCIAL EFFECTS

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### Gearing

	As at 31 December 2020	Immediately after the Potential Dilution (Maximum Scenario)	% (Decrease)/ Increase
Total borrowings (S\$'000) <sup>(1)</sup>	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) <sup>(2)</sup>	0.90	0.72	(19.67)

Notes:

- (1) Total borrowings comprise bank borrowings, lease liabilities and notes payables.  
(2) Net gearing ratio has been computed based on total borrowings net of cash and bank balances divided by shareholders' funds.



# SHAREHOLDERS' APPROVAL

The Company is seeking the approval of the shareholders:

Ordinary Resolution	Description
1 The Proposed Dilution	To approve the potential dilution of the Company's shareholding interest in Koh Brothers Eco Engineering Limited



THANK YOU