

**IRREVOCABLE UNDERTAKING BY KOH BROTHERS GROUP LIMITED TO FULLY SUBSCRIBE FOR ITS ENTITLEMENT OF 337,969,903 RIGHTS SHARES WITH WARRANTS UNDER THE PROPOSED RIGHTS CUM WARRANTS ISSUE TO BE UNDERTAKEN BY KOH BROTHERS ECO ENGINEERING LIMITED**

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**1. INTRODUCTION**

- 1.1 Koh Brothers Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcements by its subsidiary, Koh Brothers Eco Engineering Limited (“**KBEEL**”), dated 29 June 2018 and 23 August 2018 (the “**KBEEL Announcements**”) in relation to KBEEL’s proposed renounceable non-underwritten rights cum warrants issue of up to 523,317,944 new ordinary shares in the capital of KBEEL (the “**Rights Shares**”) at an issue price of S\$0.045 (the “**Issue Price**”) for each Rights Share, with up to 523,317,944 free detachable warrants (the “**Warrants**”), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of KBEEL (the “**New Share**”) at an exercise price of for each New Share (the “**Exercise Price**”), on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of KBEEL (the “**KBEEL Shares**”) held by the shareholders of KBEEL as at a books closure date to be determined, fractional entitlements being disregarded, with one (1) free Warrant for every one (1) Rights Share validly subscribed (the “**KBEEL Rights cum Warrants Issue**”). A copy of the KBEEL Announcements is attached as Appendix A to this announcement.
- 1.2 In connection with the KBEEL Rights cum Warrants Issue, the Company wishes to announce that it has on 23 August 2018, given an irrevocable undertaking (the “**Irrevocable Undertaking**”) that it will fully subscribe for its *pro rata* entitlement of 337,969,903 Rights Shares with Warrants (“**Proposed Subscription**”), subject to the fulfilment of certain conditions and on the terms set out in the said undertaking.

**2. RATIONALE AND INFORMATION ON THE IRREVOCABLE UNDERTAKING**

- 2.1 The Company is KBEEL’s controlling shareholder and holds 675,939,807 KBEEL Shares, representing approximately 64.58% of KBEEL’s existing issued and paid-up share capital. The Company is also a holder of 193,125,659 existing warrants issued by KBEEL on 14 November 2017. As an indication of its support and commitment to KBEEL, the Company has provided the Irrevocable Undertaking. KBEEL is an important part of the Company’s portfolio, complementing the Company’s construction arm and comprising its sustainable engineering solutions business. The Company is therefore committed to the long-term growth of KBEEL.
- 2.2 As disclosed in the KBEEL Announcements, the KBEEL Rights cum Warrants Issue shall be made on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of KBEEL. Accordingly, based on the Company’s holding of 675,939,807 Shares, the Company will be entitled to subscribe for up to its *pro rata* entitlement of 337,969,903 Rights Shares under the KBEEL Rights cum Warrants Issue.

- 2.3 The principal terms of the KBEEL Rights cum Warrants Issue are set out in section 2 of KBEEL's announcement dated 29 June 2018 ("**29 June 2018 Announcement**").
- 2.4 The market value attributable to the Rights Shares to be subscribed by the Company under the KBEEL Rights cum Warrants Issue is approximately S\$20,616,164, based on the theoretical ex-rights price of S\$0.061 per share in KBEEL, as set out in section 2.3 of the 29 June 2018 Announcement. Shareholders are to note that such value is only an indicative value based on the theoretical ex-rights price per share in KBEEL and the actual market value attributable to the Rights Shares can only be determined after completion of the KBEEL Rights cum Warrants Issue.

### **3. TERMS OF THE IRREVOCABLE UNDERTAKING**

- 3.1 Under the Irrevocable Undertaking, the Company has undertaken to KBEEL in respect of the KBEEL Rights cum Warrants Issue to, among others:
- (a) to subscribe and pay and/or procure subscription and payment for its *pro rata* entitlement to the Rights Shares, in accordance with the terms and conditions of the KBEEL Rights cum Warrants Issue; and
  - (b) that as at the books closure date (to be determined by KBEEL), the number of KBEEL Shares held by it will not be less than the number of KBEEL Shares held by it as at the date of such undertaking.
- 3.2 The Irrevocable Undertaking is conditional upon the following:
- (a) receipt of the listing and quotation notice granted by the SGX-ST for the listing of and quotation for the Rights Shares, Warrants and the New Shares on the Catalist; and
  - (b) the lodgment of the OIS with the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore.

### **4. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL**

- 4.1 The relative figures in relation to the Proposed Subscription computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST, based on the Group's latest announced unaudited consolidated financial statements of the Group for the half year ended 30 June 2018 are as follows:

<b>Bases of calculation</b>		<b>Size of relative figures (%)</b>
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable to an acquisition to assets
Rule 1006 (b)	The net profit attributable to the assets acquired or disposed of, compared with the Group's net profit.	2.5 <sup>(1)</sup>

Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	13.9 <sup>(2)</sup>
Rule 1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable, as the Proposed Subscription does not involve an issue of equity securities by the Company

**Note:**

- (1) Calculated based on the net profit of S\$89,000 attributable to the 337,969,903 Rights Shares (based on KBEEL's unaudited consolidated financial statements for the half year ended 30 June 2018) to be subscribed by the Company under the Proposed Subscription and the net profit of the Group of S\$3,527,000.
- (2) The market capitalisation of the Company is determined by multiplying the Company's total number of issued shares of 412,459,100 (excluding treasury shares) by S\$0.265, being the weighted average share price of the Company's shares on 21 August 2018, being the market day preceding the date of the Irrevocable Undertaking.

4.2 The computations set out in paragraph 4.1 above are based on the "Minimum Subscription Scenario", where the Company has undertaken to KBEEL to subscribe and pay and/or procure the subscription and payment for its pro rata entitlements to the Rights Shares, in accordance with the terms and conditions of the KBEEL Rights cum Warrants Issue, and assuming none of the Warrants are exercised.

4.3 As the relative figure under Rules 1006(c) of the Catalist Rules is more than 5.0% but less than 20.0%, the Irrevocable Undertaking constitutes a "discloseable transaction" under Rule 1010 of the Listing Manual.

**5. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION**

**5.1 Bases and Assumptions**

For the purposes of illustration only, the pro forma financial effects of the Proposed Subscription taken as a whole are set out below. The pro forma financial effects have been prepared based on the latest audited consolidated financial statements of the Group for the full year ended 31 December 2017 and do not necessarily reflect the actual future financial position and performance of the Group following completion of the KBEEL Rights cum Warrants Issue.

## 5.2 Net Tangible Assets (“NTA”)

Assuming that the Proposed Subscription was completed on 31 December 2017 and based on the Group’s audited consolidated financial statements for the financial year ended 31 December 2017, the pro forma financial effects of the Proposed Subscription on the consolidated NTA of the Group are as follows:

	<b>Before Proposed Subscription</b>	<b>After Proposed Subscription (Minimum Subscription Scenario)</b>
Consolidated NTA attributable to the shareholders of the Company (S\$’000)	278,030	279,339
Number of issued shares (excluding treasury shares) (’000)	412,685	412,685
NTA per share (Singapore cents)	67.37	67.69

## 5.3 Earnings Per Share

Assuming that the Proposed Subscription was completed on 1 January 2017 and based on the latest audited consolidated financial statements of the Group for the full year ended 31 December 2017, the pro forma financial effects of the Proposed Subscription on the consolidated earnings per share of the Group are as follows:

	<b>Before Proposed Subscription</b>	<b>After Proposed Subscription (Minimum Subscription Scenario)</b>
Net profit attributable to shareholders after tax (S\$’000)	19,830	20,439
Weighted average number of issued shares (excluding treasury shares) (’000)	413,141	413,141
Earnings per share (Singapore cents)	4.80	4.95

## 5.4 Issued and Paid-up Share Capital

As the Proposed Subscription concerns a rights issue by KBEEL and will not involve the allotment and issue of any new shares in the Company, it will not have any effect on the number of issued and paid-up share capital of the Company.

## **6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Irrevocable Undertaking.

**7. SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Irrevocable Undertaking. Accordingly, no service contract is proposed to be entered into between the Company and any person.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Irrevocable Undertaking will be available for inspection during normal business hours at the Company's registered office at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 for a period of (3) months from the date of this announcement.

The Company will make further announcements on the KBEEL Rights cum Warrants Issue and the Irrevocable Undertaking as appropriate or when there are further developments on the same.

By Order of the Board

Koh Keng Siang  
Managing Director and Group CEO

23 August 2018