

## JOINT ANNOUNCEMENT



**KOH BROTHERS GROUP LIMITED**  
(Unique Entity No. 199400775D)  
(Incorporated in the Republic of Singapore)



**KOH BROTHERS ECO ENGINEERING LIMITED**  
(Unique Entity No. 197500111H)  
(Incorporated in the Republic of Singapore)

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### **PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KOH BROTHERS BUILDING & CIVIL ENGINEERING CONTRACTOR (PTE.) LTD. FROM CONSTRUCTION CONSORTIUM PTE. LTD. (A WHOLLY OWNED SUBSIDIARY OF KOH BROTHERS GROUP LIMITED) BY KOH BROTHERS ECO ENGINEERING LIMITED**

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#### **1. INTRODUCTION**

The board of directors of Koh Brothers Group Limited ("**KBG**" and together with its subsidiaries, the "**KBG Group**") and the board of directors of Koh Brothers Eco Engineering Limited ("**KB Eco**" and together with its subsidiaries, the "**KB Eco Group**") wish to announce that KB Eco has today entered into a conditional sale and purchase agreement dated 7 January 2016 ("**SPA**") with Construction Consortium Pte. Ltd. (the "**Vendor**"), a wholly owned subsidiary of KBG, pursuant to which KB Eco will acquire 19,000,000 ordinary shares ("**Sale Shares**") representing the entire issued and paid-up share capital of Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. (the "**Target**") from the Vendor, upon the terms and conditions of the SPA (the "**Proposed Transaction**").

The consideration for the Proposed Transaction shall be an amount of S\$19,011,000 ("**Consideration**") for the Sale Shares.

KBG is the ultimate parent company of KB Eco, the Vendor and the Target. As at the date of this announcement: (a) KBG holds approximately 41.0% of the total issued shares in KB Eco ("**KB Eco Shares**") and is KB Eco's single largest shareholder; (b) the Vendor is a wholly owned subsidiary of KBG; and (c) the Target is a wholly owned subsidiary of the Vendor.

From the perspective of KB Eco, the Proposed Transaction constitutes:

- (a) a major transaction as defined under Rule 1014 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Section B: Rules of Catalist (the "**Catalist Rules**") as the relative figures under Rules 1006(c) and 1006(d) of the Catalist Rules exceed 75.0% but are less than 100.0% and, as such, will be subject to the approval of the shareholders of KB Eco ("**KB Eco Shareholders**") at an extraordinary general meeting to be convened ("**KB Eco EGM**") pursuant to the Catalist Rules; and
- (b) an interested person transaction as defined under Chapter 9 of the Catalist Rules as KBG and the Vendor are "interested persons" in relation to KB Eco for the purposes of Chapter 9 of the Catalist Rules. As the Consideration (being the value of the Proposed Transaction) exceeds 5.0% of the latest audited net tangible assets of the KB Eco Group, the Proposed Transaction will be subject to approval of the independent KB Eco Shareholders at the KB Eco EGM pursuant to Rule 906(1)(a) of the Catalist Rules.

From the perspective of KBG, the Proposed Transaction constitutes a transaction under Rule 704(18)(d) of the Listing Manual of the SGX-ST (the “**Listing Manual**”) and a discloseable transaction as defined under Rule 1010 of the Listing Manual as the relative figures under Rules 1006(a) and 1006(c) of the Listing Manual exceed 5.0% but do not exceed 20.0%.

## **2. INFORMATION ON THE KBG GROUP AND THE KB ECO GROUP**

### **2.1 Information on the KBG Group**

KBG is listed on the Main Board of the SGX-ST. The core businesses of the KBG Group are broadly categorised as follows:

- (a) Construction and Building Materials
  - (i) Construction – the Construction division provides a wide and diverse range of integrated construction services, ranging from design and build to civil works to general construction for residential, commercial and institutional buildings as well as infrastructural works. The Construction division includes the business of the Target as set out in paragraph 3.1 below and the KB Eco Group as set out in paragraph 2.2 below.
  - (ii) Building Materials – the Building Materials division is a supplier of a range of building materials for building and infrastructure projects. The KBG Group manufactures and supplies ready-mixed concrete as well as pre-cast concrete products such as facades, household shelters, columns and planks. The KBG Group also provides rental services of equipment, including, concrete pumps, to its clients.
- (b) Real Estate – the Real Estate division has developed many quality residential and commercial property developments, some of which have specialised themes. The KBG Group is also engaged in property investment and provides property management services.
- (c) Leisure and Hospitality – the KBG Group owns and operates a hotel, namely, Oxford Hotel which has more than 130 hotel rooms and is located in Singapore’s central business district area.

### **2.2 Information on the KB Eco Group**

KB Eco is listed on the Catalist board of the SGX-ST. The KB Eco Group is a sustainable engineering solutions group that provides engineering, procurement and construction (“**EPC**”) services for the water and wastewater treatment and hydro-engineering sectors, as well as design, build and installation services for the bio-refinery and bio-energy sectors.

### **2.3 Warrants issued by KB Eco to KBG and Lee Thiam Seng**

On 24 October 2012, KBG entered into a subscription agreement with KB Eco (then known as Metax Engineering Corporation Limited) pursuant to which KBG had subscribed for (a) 155,000,000 new KB Eco Shares at a subscription price of S\$0.053 per KB Eco Share, and (b) 165,000,000 free detachable, non-transferable and non-listed warrants, each carrying the

right to subscribe for one (1) new KB Eco Share at an exercise price of S\$0.053 per KB Eco Share (the “**Warrants**”), for an aggregate cash consideration of S\$8.215 million (the “**Subscription**”). The Warrants are exercisable until 28 February 2016.

KB Eco had also issued 40,000,000 non-transferable and non-listed warrants to Lee Thiam Seng at a subscription price of S\$0.005 each for introducing KBG to KB Eco as a subscriber in connection with the Subscription, pursuant to the terms of a warrants subscription agreement dated 24 October 2012 entered into between KB Eco and Lee Thiam Seng (the “**Referral Warrants**”). Each Referral Warrant carries the right to subscribe for one (1) new KB Eco Share at an exercise price of S\$0.048 per KB Eco Share, and is exercisable until 28 February 2016. Lee Thiam Seng is not related to any of the directors or controlling shareholders of KBG or KB Eco.

Pursuant to the completion of the Subscription on 28 February 2013, KBG held and continues to hold approximately 41.0% of the total issued shares in KB Eco and is KB Eco’s single largest shareholder. As at the date of this announcement, KBG holds 165,000,000 Warrants.

### **3. INFORMATION ON THE TARGET AND THE VENDOR**

#### **3.1 Information on the Target**

The Target is a private company limited by shares incorporated in Singapore on 8 December 1977. It is wholly owned by the Vendor and has a total issued and paid-up share capital of S\$19,000,000 comprising 19,000,000 ordinary shares.

As at the date of this announcement, the Target is engaged in the business of building and civil engineering construction, ranging from design and build to general construction for residential, commercial and institutional buildings, as well as infrastructure works.

Both the unaudited net asset value and net tangible assets (“**NTA**”) of the Target as at 30 June 2015 were approximately S\$19,011,000, and the audited net profit after tax of the Target for the financial year ended 31 December 2014 was approximately S\$2,111,000. The unaudited net profit after tax of the Target for the six (6) months ended 30 June 2015 (“**1H2015**”) was approximately S\$446,000.

#### **3.2 Information on the Vendor**

The Vendor is a private company limited by shares incorporated in Singapore on 22 January 2005. It is wholly owned by KBG and has a total issued and paid-up share capital of S\$40,215,660 comprising 40,215,660 ordinary shares. As at the date of this announcement, the Vendor is an investment holding company.

### **4. DETAILS OF THE PROPOSED TRANSACTION**

#### **4.1 Rationale for the Proposed Transaction**

The Subscription was a strategic investment by KBG as it saw growth potential in the business of the KB Eco Group. Following the Subscription, KBG undertook a review of the KB Eco Group’s business and operations with a view to identifying areas for synergistic benefits and enhancing the strategic direction, business strategy and operations of the KB Eco Group.

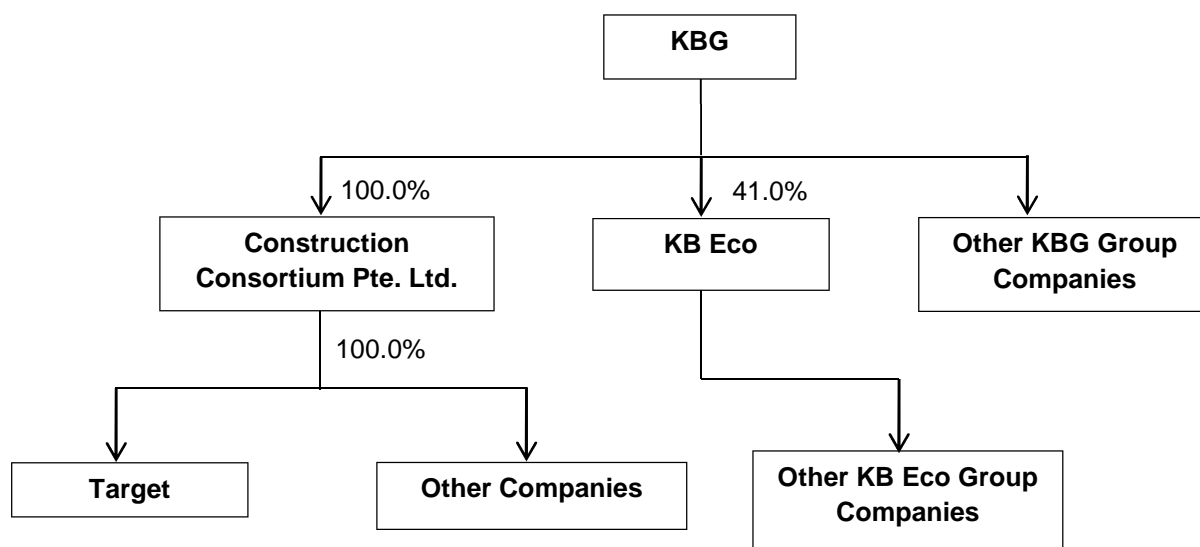
The directors of KBG (“**KBG Directors**”) and the directors of KB Eco (“**KB Eco Directors**”) are of the view that the consolidation of the building construction and civil engineering capabilities of the Target with the EPC capabilities of the KB Eco Group would enable the Target and the KB Eco Group to leverage on each other’s strength and expertise to enhance the operational efficiency between them for greater synergy and cost savings. The Proposed Transaction would enable the KBG Group to leverage on the synergies resulting from combining the Target’s construction business under the KB Eco Group and create a better platform to grow the construction business, including the further exploration of opportunities in water and wastewater treatment and hydro-engineering.

In addition, the KBG Directors and the KB Eco Directors are of the view that the Proposed Transaction will give investors the opportunity to assess the value of the enlarged KB Eco Group, taking into consideration factors unique to it, such as its business model and operations, performance, any synergies and cost savings, risk profile, strategies and future plans. KBG’s shareholders will be able to continue participating and benefiting from the growth and prospects of the enlarged KB Eco Group through KBG’s shareholding interest in KB Eco following the Proposed Transaction.

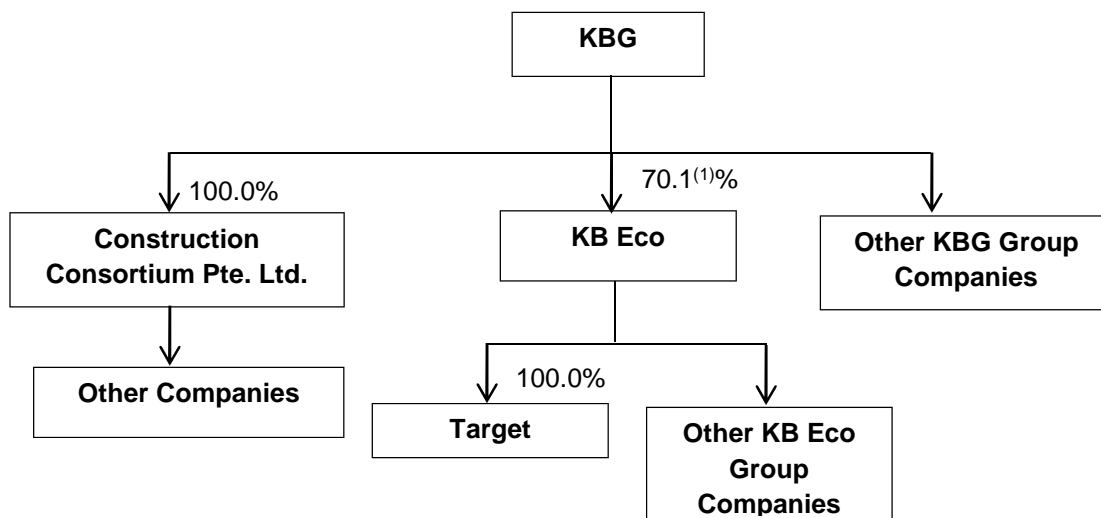
#### 4.2 Overview of the Proposed Transaction

Please refer to the group structure charts of the KBG Group before and after the Proposed Transaction set out below:

##### (a) Before the Proposed Transaction



(b) After the Proposed Transaction



**Note:**

(1) This figure is based on the No Conversion Scenario (as defined below).

As illustrated above, the shareholding of KBG in KB Eco would increase from approximately 41.0% as at the date of this announcement to 70.1% upon Completion (as defined below), assuming that (i) the Consideration Shares have been allotted and issued to KBG, (ii) none of the 165,000,000 Warrants held by KBG have been exercised prior to the Completion Date (as defined below), and (iii) none of the Referral Warrants held by Lee Thiam Seng have been exercised by the Completion Date (the “**No Conversion Scenario**”).

Assuming that all of the Warrants held by KBG and all the Referral Warrants held by Lee Thiam Seng have been exercised by the Completion Date (as defined below) (the “**Conversion Scenario**”), KBG’s shareholding in KB Eco would increase from approximately 41.0% to 72.3% upon Completion.

#### 4.3 **Salient Terms of the Proposed Transaction**

##### 4.3.1 **Sale Shares**

The Sale Shares will be acquired by KB Eco free from all encumbrances or third party interests together with all rights and benefits of any nature attached thereto as at the Completion Date and thereafter attaching thereto, including but not limited to all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date. Under the SPA, KB Eco acknowledges and agrees with the Vendor that the Target may, prior to Completion, declare and pay dividends of an amount not exceeding S\$1.0 million to the Vendor in respect of the six (6) months ending 31 December 2015 (or such other period commencing after 30 June 2015 and ending prior to the Completion Date as may be determined by the Target).

##### 4.3.2 **Consideration**

The Consideration shall be S\$19,011,000, which shall be satisfied in full by the allotment and issuance of 369,145,631 new KB Eco Shares (the “**Consideration Shares**”) by KB Eco to the Vendor (and/or its designated nominees) at the Issue Price (as defined below) on the date of completion of the Proposed Transaction (“**Completion Date**”).

The Vendor shall irrevocably renounce its right to receive the Consideration Shares in favour of KBG or such other party within the KBG Group as it may deem fit on the Completion Date.

The Consideration Shares, when allotted and issued, shall be credited as fully-paid KB Eco Shares free from any and all encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to the KB Eco Shares in issue as at the Completion Date, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of issue of the Consideration Shares.

The issue price of S\$0.0515 ("**Issue Price**") for each Consideration Share represents the volume-weighted average price of S\$0.0515 for each KB Eco Share for trades done on the SGX-ST for the six (6) month period prior to and including 5 January 2016, being the last market day immediately preceding the date of the SPA on which KB Eco Shares were traded on the Catalist board of the SGX-ST.

The Consideration was determined taking into consideration the following: (a) the unaudited net asset value and NTA of the Target as at 30 June 2015; (b) the operating track record of the Target; and (c) the rationale for the Proposed Transaction as set out in paragraph 4.1 above.

The Consideration Shares represent approximately 97.6% of the existing share capital of KB Eco as at the date of this announcement based on the existing share capital of 378,408,576 KB Eco Shares.

Assuming the No Conversion Scenario, the Consideration Shares represent approximately 49.4% of the enlarged share capital of KB Eco immediately upon Completion based on the enlarged share capital of 747,554,207 KB Eco Shares.

Assuming the Conversion Scenario, the Consideration Shares would represent approximately 38.8% of the enlarged share capital of KB Eco immediately upon Completion based on the enlarged share capital of 952,554,207 KB Eco Shares.

#### 4.3.3 **Conditions Precedent**

Completion of the Proposed Transaction ("**Completion**") shall be conditional upon, amongst others, the following conditions being satisfied (or waived by the parties) (collectively, the "**Conditions Precedent**"):

- (a) the completion of a due diligence exercise by KB Eco and/or its appointed advisers on the Target (the "**Due Diligence Exercise**"), and the results of such due diligence being satisfactory in the reasonable opinion of KB Eco;
- (b) the approval of the independent KB Eco Shareholders being obtained at the KB Eco EGM for the Proposed Transaction and all transactions contemplated under the SPA including:
  - (i) the allotment and issuance of the Consideration Shares; and
  - (ii) waiver of their rights to receive a mandatory general offer for all the KB Eco Shares held by such KB Eco Shareholders to be made by the Vendor, KBG and parties acting in concert with it pursuant to Rule 14 of the Singapore Code

on Take-overs and Mergers ("**Code**") as a result of the allotment and issue of the Consideration Shares to the Vendor (and/or its designated nominees including KBG) ("**Whitewash Resolution**");

- (c) the allotment and issuance of the Consideration Shares not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority in Singapore or in any other jurisdiction;
- (d) there being no material adverse change in the financial condition or results of operation of the Target or KB Eco (as the case may be) which has caused or is reasonably likely to cause the net asset value of the Target or KB Eco (as the case may be) to decrease by more than 10.0% from that set forth in the unaudited profit and loss accounts and balance sheets of the Target or KB Eco (as the case may be) for 1H2015 ("**Material Adverse Change**"), or events, acts or omissions reasonably likely to lead to a Material Adverse Change in relation to the Target or KB Eco (as the case may be);
- (e) the Sale Shares being held by the Vendor as at the Completion Date;
- (f) the receipt of a whitewash waiver from the Securities Industry Council of Singapore ("**SIC**") in favour of the Vendor, KBG and parties acting in concert with them in respect of their obligation to make a mandatory general offer for the KB Eco Shares under Rule 14 of the Code as a result of the allotment and issue to the Vendor (and/or its designated nominees, including KBG) of the Consideration Shares, and where such waiver is granted subject to any conditions, such conditions being acceptable to the Vendor (and/or its designated nominees) and KBG;
- (g) the ruling which has been obtained from the SGX-ST (that the Proposed Transaction does not constitute a proposal for restructuring or spin-off falling within the ambit of the SGX-ST's Regulator's Columns issued on 3 February 2010 and 24 February 2011 (which set out the requirements and considerations for restructuring and spin-off proposals by companies listed on the SGX-ST) or a chain listing falling within Rule 210(6) of the Listing Manual) not being revoked, repealed or amended and being in full force and effect as at the Completion Date;
- (h) save as disclosed in the disclosure letter from the Vendor to KB Eco and information disclosed during the Due Diligence Exercise, each of the representations, warranties and undertakings of KB Eco and the Vendor remaining true and correct in all material aspects at all times from signing of the SPA until (and including) the Completion Date;
- (i) the receipt of all necessary approvals, consents and waivers from the SGX-ST and/or KB Eco's sponsor, Stamford Corporate Services Pte Ltd (the "**KB Eco Sponsor**"), required to complete the SPA and all transactions contemplated therein, including (i) approval for the circular to be issued by KB Eco in relation to the Proposed Transaction, and (ii) the receipt of the listing and quotation notice in respect of the listing and quotation of the Consideration Shares on the Catalist. If such approvals, consents and waivers are obtained subject to any conditions and where such conditions affect any party, such conditions being acceptable to the party concerned, and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion;

- (j) the receipt of all necessary approvals, waivers and consents (if any) from the relevant parties under any financing or security agreements or arrangements entered into by the Target (including, without limitation, those required for the release and discharge of any Vendor Securities (as defined below)), and where such consent, waiver or approval is subject to any conditions, such conditions being reasonably acceptable to the parties, and if such conditions are required to be fulfilled on or before Completion, such conditions being fulfilled before Completion and such approvals, consents or waivers not being revoked or repealed on or before Completion;
- (k) all other necessary consents, approvals and waivers being granted for all transactions contemplated under the SPA, not being withdrawn or revoked by third parties, including without limitation, government bodies, stock exchanges and other relevant authorities having jurisdiction over the transactions contemplated therein, and if such approvals, consents and waivers are obtained subject to any conditions and where such conditions affect any party, such conditions being acceptable to the party concerned, and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion; and
- (l) the SPA and all transactions contemplated therein not being prohibited or restricted by the laws of Singapore.

#### 4.3.4 Long-Stop Date

If any of the Conditions Precedent are not fulfilled or waived by KB Eco or the Vendor by 30 June 2016 (or such other date as may be mutually agreed in writing) (the “**Long-Stop Date**”), the provisions of the SPA shall cease and determine (save for certain provisions relating to, *inter alia*, confidentiality, restriction on announcements, costs, governing law and arbitration), and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise, save in respect of any antecedent breach of the SPA.

#### 4.3.5 Completion

Subject to the satisfaction of the Conditions Precedent, Completion is scheduled to take place no later than 30 business days after all the Conditions Precedent are fulfilled (or if not fulfilled, waived by the relevant party) or such other date as agreed in writing between KB Eco and the Vendor.

Upon Completion, KB Eco will provide and procure any performance bond, insurance, guarantee, indemnity, letters of comfort and other forms of financial instrument or security in support of the contractual and financial obligations of the Target with third parties (the “**Securities**”) as may be necessary to replace and procure the release and discharge of such Securities as given by the Vendor or its related corporations (including KBG) to secure performance of the Target’s obligations to such third parties (the “**Vendor Securities**”). In the event that KB Eco is unable to replace and procure the release and discharge of any Vendor Securities upon Completion after having used its reasonable endeavours, the Vendor agrees to extend the period for the provision of Securities by KB Eco to effect the replacement, release and discharge of such Vendor Securities to six (6) months from the Completion Date or such other period as may be mutually agreed by the parties in writing (the “**Extended Period**”), provided that:

- (a) KB Eco unconditionally and irrevocably undertakes, as a continuing obligation, to fully indemnify and at all times keep the Vendor and its related corporations (including KBG) fully indemnified on demand against any and all actions, proceedings, suits,



demands, claims, losses, costs (including legal costs on a full indemnity basis), charges, fees, expenses, interest, damages and all other liabilities and obligations of which the Vendor and/or its related corporations (including KBG) may at any time and from time to time face, suffer, pay or incur under, or pursuant to, in connection with or arising from such Vendor Securities during the period from the Completion Date to the date of release and discharge of the Vendor's and its related corporations' obligations under such Vendor Securities; and

- (b) in the event KB Eco is unable, during the Extended Period, to replace and procure the release and discharge of any Vendor Security which was given in connection with the issuance of any performance bond, insurance bond or banker's guarantee to secure the performance of the Target's contractual obligations to third parties ("**Performance Bond**"), the Vendor or its related corporation (as the case may be) may in its discretion agree to continue to provide such Vendor Security in respect of the Performance Bond (the "**Continuing Security**") after the expiry of the Extended Period. If the Vendor or its related corporation so agrees, KB Eco shall pay to the Vendor or its related corporation (as the case may be) a fee in respect of each Continuing Security on the following basis:
  - (i) the fee payable in respect of each Continuing Security shall be a sum equivalent to the fees, premium or charges paid or payable by the Target to the bank or other financial institution for the provision of the relevant Performance Bond but with respect to the period commencing from the Completion Date; and
  - (ii) the fee shall be paid by KB Eco on a quarterly basis following the expiry of the Extended Period and provided that the first payment on the expiry of the Extended Period shall be in respect of the Extended Period, and
- (c) the indemnity referred to in section 4.3.5(a) above shall continue to apply to the Continuing Securities up to the date of release and discharge of the Vendor's and its related corporations' obligations under such Continuing Securities.

#### 4.3.6 Approval from the SIC

Upon Completion (and upon allotment and issue of the Consideration Shares to KBG) and assuming the No Conversion Scenario, KBG will own an aggregate interest of approximately 70.1% of the enlarged share capital of KB Eco.

Pursuant to Rule 14 of the Code, the Vendor, KBG and their concert parties will incur an obligation to make a mandatory general offer for all the remaining issued KB Eco Shares not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by any of them for the KB Eco Shares, in the six (6) months preceding the allotment and issue of the Consideration Shares.

Under the SPA, it is a condition precedent to Completion that a whitewash waiver in favour of the Vendor, KBG and parties acting in concert with them in respect of their obligation to make a mandatory general offer for the KB Eco Shares under Rule 14 of the Code is received from the SIC (the "**Whitewash Waiver**"), and that the independent KB Eco Shareholders approve the Whitewash Resolution.

#### 4.3.7 Proceeds over Book Value

As at 30 June 2015, the unaudited book value attributable to the Sale Shares is approximately S\$19,011,000. The Consideration is the same as the said book value attributable to the Sale Shares.

### 5. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The pro forma financial effects of the Proposed Transaction have been prepared based on the audited consolidated financial statements of KBG and KB Eco and the audited financial statements of the Target, for the financial year ended 31 December ("FY") 2014, under the following assumptions:

- (a) that the Proposed Transaction had been completed on 1 January 2014 for the purposes of illustrating the financial effects on earnings;
- (b) that the Proposed Transaction had been completed on 31 December 2014 for the purposes of illustrating the financial effects on share capital, NTA and gearing; and
- (c) the expenses in connection with the Proposed Transaction have been disregarded hereto.

In addition to the above assumptions, the following assumptions have been made in preparing the pro forma financial effects of KB Eco and KBG after the Proposed Transaction:

- (a) the No Conversion Scenario; and
- (b) the Conversion Scenario.

The pro forma financial effects presented below are **for illustrative purposes only** and are not intended to reflect the actual future financial situation of KBG and/or KB Eco upon Completion.

#### 5.1 Financial Effects on the KB Eco Group

##### 5.1.1 Share Capital

	Before the Proposed Transaction	After the Proposed Transaction	
		Based on the No Conversion Scenario	Based on the Conversion Scenario
Issued and paid-up share capital (S\$'000)	30,003	49,014	62,791
Number of KB Eco Shares ('000)	378,409	747,554	952,554

### 5.1.2 NTA

	Before the Proposed Transaction	After the Proposed Transaction	
		Based on the No Conversion Scenario	Based on the Conversion Scenario
NTA attributable to owners of KB Eco (S\$'000)	7,300	26,325	36,990
Number of KB Eco Shares ('000)	378,409	747,554	952,554
NTA per KB Eco Share (cents)	1.93	3.52	3.88

### 5.1.3 Earnings per Share ("EPS")

	Before the Proposed Transaction	After the Proposed Transaction	
		Based on the No Conversion Scenario	Based on the Conversion Scenario
Net profit attributable to owners of KB Eco (S\$'000)	424	2,535	2,535
Weighted average number of KB Eco Shares ('000) <sup>(1)</sup>	378,409	747,554	952,554
EPS (cents)	0.11	0.34	0.27

**Note:**

- (1) The weighted average number of KB Eco Shares for FY2014 is equivalent to the number of KB Eco Shares at the beginning of FY2014.

#### 5.1.4 Gearing

	Before the Proposed Transaction	After the Proposed Transaction	
		Based on the No Conversion Scenario	Based on the Conversion Scenario
Total borrowings (S\$'000) <sup>(1)</sup>	1,800	12,952	12,952
Cash and cash equivalents (S\$'000)	10,011	52,136	62,801
Equity attributable to owners of KB Eco (S\$'000)	14,157	33,182	43,847
Net gearing ratio (times) <sup>(2)</sup>	(0.58)	(1.18)	(1.14)

**Notes:**

(1) "Total borrowings" comprises bank borrowings and finance leases.

(2) "Net gearing ratio" has been computed based on total borrowings net of cash and cash equivalents divided by equity attributable to owners of KB Eco.

## 5.2 **Financial Effects on the KBG Group**

### 5.2.1 Share Capital

	Before the Proposed Transaction	After the Proposed Transaction	
		Based on the No Conversion Scenario	Based on the Conversion Scenario
Issued and paid- up share capital (S\$'000)	45,320	45,320	45,320
Number of shares in the capital of KBG <sup>(1)</sup> ("KBG Shares") ( '000)	422,887	422,887	422,887

**Note:**

(1) This excludes 43,588,400 treasury shares.

### 5.2.2 NTA

	<b>Before the Proposed Transaction</b>	<b>After the Proposed Transaction</b>	
		<b>Based on the No Conversion Scenario</b>	<b>Based on the Conversion Scenario</b>
NTA attributable to owners of KBG (S\$'000)	230,611	230,611	232,397
Number of KBG Shares ('000)	422,887	422,887	422,887
NTA per KBG Share (cents)	54.53	54.53	54.95

### 5.2.3 EPS

	<b>Before the Proposed Transaction</b>	<b>After the Proposed Transaction</b>	
		<b>Based on the No Conversion Scenario</b>	<b>Based on the Conversion Scenario</b>
Net profit attributable to owners of KBG (S\$'000)	29,529	29,022	29,078
Weighted average number of KBG Shares ('000) <sup>(1)</sup>	437,071	437,071	437,071
EPS (cents)	6.76	6.64	6.65

**Note:**

- (1) The computation of the weighted average number of KBG Shares for FY2014 is based on the number of KBG Shares outstanding at the beginning of FY2014, adjusted by the number of KBG Shares bought back during FY2014.

## 5.2.4 Gearing

	Before the Proposed Transaction	After the Proposed Transaction	
		Based on the No Conversion Scenario	Based on the Conversion Scenario
Total borrowings (S\$'000) <sup>(1)</sup>	247,741	247,741	247,741
Cash and cash equivalents (S\$'000)	77,331	77,331	79,251
Equity attributable to owners of KBG (S\$'000)	235,689	235,689	237,475
Net gearing ratio (times) <sup>(2)</sup>	0.72	0.72	0.71

**Notes:**

- (1) "Total borrowings" comprises bank borrowings, finance leases and notes payable.
- (2) "Net gearing ratio" has been computed based on total borrowings net of cash and cash equivalents divided by equity attributable to owners of KBG.

## 5.2.5 Gain or Loss on Disposal

As at 30 June 2015, the unaudited book value attributable to the Sale Shares is approximately S\$19,011,000. The Consideration is the same as the said book value attributable to the Sale Shares. Based on the foregoing, the KBG Group is not expected to realise a material gain or loss on the transfer of the Sale Shares.

## 6. **RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES AND THE LISTING MANUAL**

### 6.1 **The Proposed Transaction from KB Eco's perspective**

Based on the unaudited financial statements of the Target and the KB Eco Group for 1H2015 (being the latest announced consolidated accounts for the KB Eco Group), the relative figures of the Proposed Transaction computed on the bases set out in Rules 1006(a) to (e) of the Catalist Rules are as follows:

Rule 1006	Bases of Calculation	Relative Figure (%)
(a)	Net asset value of the assets to be disposed of compared with the KB Eco Group's net asset value	N.A. <sup>(1)</sup>

(b)	The net profit of approximately S\$1,027,000 attributable to the Target, compared with the KB Eco Group's net profit of approximately S\$2,102,000 for 1H2015 <sup>(2)</sup>	48.9
(c)	The Consideration of S\$19,011,000 compared with KB Eco's market capitalisation of approximately S\$20,055,655 as at 5 January 2016, being the last market day the KB Eco Shares were traded on Catalist immediately preceding the date of the SPA <sup>(3)</sup>	94.8
(d)	The number of Consideration Shares issued by KB Eco, compared with the number of KB Eco Shares (excluding treasury shares) previously in issue	97.6
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the KB Eco Group's proved and probable reserves	N.A. <sup>(4)</sup>

**Notes:**

- (1) This is not applicable to an acquisition of assets.
- (2) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Based on the total of 378,408,576 KB Eco Shares, and the volume-weighted average traded price of such KB Eco Shares of S\$0.053 on 5 January 2016, being the last market day immediately preceding the date of the SPA. (Source: Bloomberg).
- (4) This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company. KB Eco is not a mineral, oil and gas company.

The Proposed Transaction would constitute a major transaction under Rule 1014 of the Catalist Rules as the relative figures under Rules 1006(c) and 1006(d) of the Catalist Rules exceed 75.0% but do not exceed 100.0%.

Accordingly, from the perspective of KB Eco, the Proposed Transaction shall, pursuant to Rule 1014 of the Catalist Rules be conditional upon the approval of the KB Eco Shareholders being obtained at the KB Eco EGM.

## 6.2 The Proposed Transaction from KBG's perspective

Based on the unaudited financial statements of the KBG Group for the nine (9) months ended 30 September 2015 (being the latest announced consolidated accounts for the KBG Group), the relative figures of the Proposed Transaction computed on the bases set out in Rules 1006(a) to (e) of the Listing Manual are as follows:

Rule 1006	Bases of Calculation	Relative Figure (%)
(a)	Net asset value of the Target compared with the KBG Group's net asset value	7.6

(b)	The net profit of approximately S\$1,086,000 attributable to the Target, compared with the KBG Group's net profit of approximately S\$26,969,000 for the nine (9) months ended 30 September 2015 <sup>(1)</sup>	4.0
(c)	The Consideration of S\$19,011,000 compared with KBG's market capitalisation (excluding treasury shares) of approximately S\$122,419,100 as at 5 January 2016, being the last market day the KBG Shares were traded on the Main Board of the SGX-ST immediately preceding the date of the SPA <sup>(2)</sup>	15.5
(d)	The number of equity securities issued by KBG as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A. <sup>(3)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the KBG Group's proved and probable reserves	N.A. <sup>(4)</sup>

**Notes:**

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the total of 414,980,000 KBG Shares (excluding treasury shares), and the volume-weighted average traded price of such KBG Shares of S\$0.295 on 5 January 2016, being the last market day immediately preceding the date of the SPA. (Source: Bloomberg).
- (3) This is not applicable to a disposal of assets.
- (4) This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company. KBG is not a mineral, oil and gas company.

As the relative figures under Rules 1006(a) and 1006(c) of the Listing Manual exceed 5.0% but do not exceed 20.0%, the Proposed Transaction would constitute a discloseable transaction under Rule 1010 of the Listing Manual.

## **7. THE PROPOSED TRANSACTION AS AN INTERESTED PERSON TRANSACTION FROM KB ECO'S PERSPECTIVE**

### **7.1 Details of the Interested Persons**

From the perspective of KB Eco, the Proposed Transaction is an interested person transaction ("IPT") as KBG and the Vendor are "interested persons" for the purposes of Chapter 9 of the Catalist Rules. KBG is a controlling shareholder of KB Eco due to its direct interest of 41.0% in KB Eco.

### **7.2 Materiality thresholds under Chapter 9**

- 7.2.1 Under Chapter 9 of the Catalist Rules, KB Eco Shareholders' approval is required for an IPT of a value equal to, or exceeding, 5.0% of the KB Eco Group's latest audited NTA.



- 7.2.2 The value of the Proposed Transaction (being the amount at risk to KB Eco) is the Consideration of S\$19,011,000. The KB Eco Group's latest audited NTA attributable to owners of the KB Eco Group as at 31 December 2014 is approximately S\$7,300,000. As the value of the Proposed Transaction exceeds 5.0% of the KB Eco Group's latest audited NTA, the approval of the KB Eco Shareholders for the Proposed Transaction has to be obtained at the KB Eco EGM.

### 7.3 **Total Value of the IPTs**

The total value of the IPTs, excluding transactions which are less than S\$100,000, entered into by the KB Eco Group with the KBG Group, is approximately S\$480,687 for the period from 1 January 2015 to 31 December 2015.

There are no other IPTs, excluding transactions which are less than S\$100,000, involving the KB Eco Group with interested persons other than the KBG Group for the period from 1 January 2015 to 31 December 2015.

## 8. **AUDIT AND RISK COMMITTEE'S STATEMENT AND INDEPENDENT FINANCIAL ADVISER**

The Audit and Risk Committee of KB Eco comprises Koh Choon Leng, Koh Keng Siang and Tan Hwa Peng. The Chairman of the Audit and Risk Committee is Koh Choon Leng. Save for Koh Keng Siang, the members of the Audit and Risk Committee do not have any interests in the Proposed Transaction and are accordingly deemed to be independent for the purposes of the Proposed Transaction.

The Audit and Risk Committee will form its view as to whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of KB Eco and the minority KB Eco Shareholders after considering the independent financial adviser's opinion to be obtained in due course. The Audit and Risk Committee's view on the Proposed Transaction will be set out in the KB Eco Circular (as defined below).

Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial adviser to the independent KB Eco Directors in connection with the IPT.

## 9. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

### 9.1 **KB Eco**

Save for KBG and Koh Keng Siang who is a substantial shareholder, the Managing Director and Group Chief Executive Officer ("**CEO**") of KBG, and the Non-Executive Chairman of KB Eco, none of the KB Eco Directors or controlling shareholders of KB Eco has any interests, direct or indirect, in the Proposed Transaction, other than through their respective shareholding interests in KB Eco.

### 9.2 **KBG**

Save for Koh Keng Siang, who is the Managing Director and Group CEO of KBG and the Non-Executive Chairman of KB Eco, none of the KBG Directors or controlling shareholders of KBG has any interests, direct or indirect, in the Proposed Transaction, other than through their respective shareholding interests in KBG.

## **10. FURTHER INFORMATION**

### **10.1 Circular**

A circular setting out, *inter alia*, the terms of the Proposed Transaction, the opinion and recommendation of the independent financial adviser in relation to the IPT and the independent KB Eco Directors in relation to the Proposed Transaction and the IPT, together with a notice of the KB Eco EGM ("**KB Eco Circular**"), will be despatched by KB Eco to the KB Eco Shareholders in due course.

### **10.2 Documents for Inspection**

#### **10.2.1 KB Eco**

Copies of the following documents will be made available for inspection during normal business hours at the registered office of KB Eco at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639, for a period of three (3) months from the date of this announcement:

- (a) the Memorandum and Articles of Association of KB Eco;
- (b) the SPA;
- (c) the audited financial statements of the Target for FY2014; and
- (d) the annual report of KB Eco for FY2014.

#### **10.2.2 KBG**

Copies of the following documents will be made available for inspection during normal business hours at the registered office of KBG at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639, for a period of three (3) months from the date of this announcement:

- (a) the Memorandum and Articles of Association of KBG;
- (b) the SPA;
- (c) the audited financial statements of the Target for FY2014; and
- (d) the annual report of KBG for FY2014.

## **11. RESPONSIBILITY STATEMENTS**

### **11.1 KB Eco**

The KB Eco Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (other than those relating to the KBG Group) and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transaction, KB Eco and its subsidiaries, and the KB Eco Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source (including, without limitation, information

relating to the KBG Group), the sole responsibility of the KB Eco Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context. The KB Eco Directors do not accept any responsibility for any information relating to or opinions expressed by KBG or the Vendor or any other party.

## 11.2 **KBG**

The KBG Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (other than those relating to the KB Eco Group) and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transaction, KBG and its subsidiaries (other than the KB Eco Group), and the KBG Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source (including, without limitation, information relating to the KB Eco Group), the sole responsibility of the KBG Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context. The KBG Directors do not accept any responsibility for any information relating to or opinions expressed by KB Eco or any other party.

## 12. **CAUTION IN TRADING**

Shareholders of KBG and KB Eco are advised to exercise caution in trading their shares in KBG and KB Eco, respectively, as the Proposed Transaction is subject to the fulfillment of certain conditions and there is no certainty or assurance as at the date of this announcement that the Proposed Transaction will be completed or that no changes will be made to the terms thereof. KBG and KB Eco will make the necessary announcements when there are further developments on the Proposed Transaction.

Shareholders of KBG and KB Eco are advised to read this announcement and any further announcements by KBG and KB Eco carefully. Shareholders of KBG and KB Eco should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

7 January 2016

By Order of the Board

**KOH BROTHERS GROUP LIMITED**

Koh Keng Siang  
Managing Director & Group CEO

**KOH BROTHERS ECO ENGINEERING  
LIMITED**

Koh Choon Leng  
Director

### *KB Eco Sponsor's Statement*

*This announcement has been prepared by KB Eco and its contents have been reviewed by the KB Eco Sponsor, for compliance (strictly from the perspective of KB Eco only) with the relevant rules of the SGX-ST. The KB Eco Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the KB Eco Sponsor is Mr. Ng Joo Khin.  
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