



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

PROPOSED DIVIDEND *IN SPECIE* OF SHARES IN KOH BROTHERS ECO ENGINEERING LIMITED

1. Introduction

- 1.1 The Board of Directors of Koh Brothers Group Limited (the “**Company**”) is pleased to announce a proposed dividend *in specie* (the “**Proposed Distribution**”) of up to 41,469,500 ordinary shares in the issued share capital of Koh Brothers Eco Engineering Limited (the “**KB Eco Shares**”) held by the Company to the shareholders of the Company (the “**Shareholders**”).
- 1.2 The Proposed Distribution, which is subject to the approval of the Shareholders and such other approvals as set out in paragraph 6(b) below, will be effected by way of a dividend *in specie* to the Shareholders in proportion to their respective shareholdings in the Company, on the basis of 0.1 KB Eco Share for each ordinary share in the capital of the Company (a “**KBGL Share**”) held by Shareholders as at the books closure date to be determined by the Directors of the Company for the purpose of determining the entitlement of Shareholders (the “**Books Closure Date**”), fractional entitlements to be disregarded.
- 1.3 No payment will be required from Shareholders for the Proposed Distribution. The KB Eco Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected.

2. Information on Koh Brothers Eco Engineering Limited (“KB Eco”)

KB Eco is a public limited company incorporated in Singapore and listed on the Catalist board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). KB Eco and its subsidiaries (collectively, the “**KB Eco Group**”) are a sustainable engineering solutions group that provides building and civil engineering construction and infrastructure works; engineering, procurement and construction services for the water and wastewater treatment and hydro-engineering sectors; and design, build and installation services for the bio-refinery and bio-energy sectors.

3. Rationale for the Proposed Distribution

- 3.1. **Unlocking Value for Shareholders: Investment Flexibility for Shareholders.** The Directors believe that the Proposed Distribution will unlock shareholder value by enabling Shareholders to individually and directly participate in the ownership of, and enjoy returns from, securities held in two separately listed entities without any additional cash outlay.

Shareholders will have the discretion and flexibility to separately decide on their holdings of the Company and KB Eco in accordance with their individual investment objectives. Shareholders who decide not to keep the KB Eco Shares can opt to sell all or such numbers of KB Eco Shares as the Shareholders may in their absolute discretion decide in the open market, or to any potential buyers upon the completion of the Proposed Distribution.

Giving Shareholders a direct shareholding in KB Eco enables Shareholders to directly influence the future direction of KB Eco and benefit directly from any future corporate actions and exercises involving KB Eco (for example, any dividends, distributions and rights issues).

- 3.2. **Enhancing the Trading Liquidity of KB Eco.** As at the date of this Announcement, based on information provided by KB Eco, approximately 22.8% of the total number of issued KB Eco Shares is in public hands (the “**KB Eco Public Shareholders**”). Assuming that the Proposed Distribution was completed as at the date of this Announcement, the number of KB Eco Shares held by KB Eco Public Shareholders will increase to approximately 28.3%¹. An increase in public float is expected to improve the trading liquidity of KB Eco.

4. Details of the Proposed Distribution

- 4.1 Shareholders holding KBGL Shares at the Books Closure Date will be entitled to the Proposed Distribution (the “**Entitled Shareholders**”).
- 4.2 As at the date of this Announcement, the Company holds 524,145,631 KB Eco Shares, representing approximately 70.1% of the total number of issued KB Eco Shares.
- 4.3 The Proposed Distribution will be effected by way of a dividend *in specie* of KB Eco Shares to Entitled Shareholders on the basis of 0.1 KB Eco Share for each KBGL Share held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded. Any resulting fractional shares will be aggregated and sold for the benefit of the Company, or otherwise dealt with in such manner and on such terms and conditions as the Directors deem fit. Accordingly, for illustrative purposes, a Shareholder who holds:
- (a) 1,000 KBGL Shares as at the Books Closure Date, would receive 100 KB Eco Shares; and
 - (b) 2,000 KBGL Shares as at the Books Closure Date, would receive 200 KB Eco Shares.

The number of KB Eco Shares to be received by each Entitled Shareholder will depend on the total number of issued KBGL Shares held by the Entitled Shareholder as at the Books Closure Date for the Proposed Distribution.

- 4.4 To effect the Proposed Distribution as a dividend *in specie*, the Company will appropriate an amount of approximately S\$1,916,000 out of the retained profits of the Company to meet the dividend to be declared based on the carrying value (or cost of investment) of the KB Eco Shares in the accounts of the Company.
- 4.5 As at the date of this Announcement, the total issued share capital of the Company comprises 414,695,000 KBGL Shares (excluding 23,305,000 KBGL Shares held as treasury shares). For illustrative purposes, based on such total number of KBGL Shares and assuming that the Company does not purchase or otherwise acquire any KBGL Shares on or before the Books Closure Date:
- (a) 41,469,500 KB Eco Shares, representing approximately 5.5% of the total number of issued KB Eco Shares, will be distributed pursuant to the Proposed Distribution; and
 - (b) following the Proposed Distribution, the Company will own approximately 64.6% of the total number of issued KB Eco Shares.
- 4.6 Shareholders who receive odd lots of KB Eco Shares pursuant to the Proposed Distribution and who wish to trade such odd lots on the SGX-ST should note that an application will be made to the SGX-ST to set up a temporary counter for the trading of smaller board lots of KB Eco Shares for a period of one (1) calendar month from the date that the KB Eco Shares are

¹ Based on a total number of 747,554,207 KB Eco Shares in issue as at the date of this Announcement.

credited to the securities accounts of such Shareholders. Further details of the application will be set out in the Circular (as defined in paragraph 8.1 below).

5. Financial Effects of the Proposed Distribution

5.1 For illustrative purposes, the financial effects of the Proposed Distribution on the return on equity ("**ROE**"), net tangible assets per KBGL Share ("**NTA per KBGL Share**"), earnings per KBGL Share ("**EPS**") and net debt to equity ratio ("**Net Debt Ratio**") of the Company and its subsidiaries (the "**Group**") are set out below and have been computed using the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2015 on the basis that:

- (a) the NTA per Share and Net Debt Ratio as at 31 December 2015 have been prepared on a pro forma basis as if the Proposed Distribution had been completed on 31 December 2015;
- (b) the ROE and EPS has been prepared on a pro forma basis as if the Proposed Distribution had been completed on 1 January 2015; and
- (c) the divestment of the entire issued and paid-up share capital of Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. by Construction Consortium Pte. Ltd., a wholly-owned subsidiary of the Company, to KB Eco (the "**Restructuring**") had been completed on 31 December 2015.

The said financial effects are purely for illustrative purposes only and do not reflect the actual or probable financial position of the Group after the completion of the Proposed Distribution.

5.2 ROE

	Financial Year ended 31 December 2015	Pro forma After the Restructuring and Before the Proposed Distribution	Pro forma After the Proposed Distribution
Net Profit ⁽¹⁾ (S\$'000)	27,878	28,486	28,394
Average shareholders' funds ⁽²⁾ (S\$'000)	246,447	247,055	245,747
Return on equity (%)	11.3	11.5	11.6

Notes:

- (1) For the purposes of this calculation, "Net Profit" means profit after tax and non-controlling interest for the financial year ended 31 December 2015.
- (2) "Average shareholders' funds" means the average of the shareholders' funds at the beginning and end of the financial year ended 31 December 2015.

5.3 NTA per KBGL Share

	As at 31 December 2015	Pro forma After the Restructuring and Before the Proposed Distribution	Pro forma After the Proposed Distribution
NTA attributable to owners of the Company (S\$'000)	252,127	252,127	250,211
Number of issued and paid-up KBGL Shares ('000)	414,980	414,980	414,980
NTA per KBGL Share (cents)	60.76	60.76	60.29

5.4 EPS

	Financial Year ended 31 December 2015	Pro forma After the Restructuring and Before the Proposed Distribution	Pro forma After the Proposed Distribution
Net Profit ⁽¹⁾ (S\$'000)	27,878	28,486	28,394
Weighted average number of issued and paid-up KBGL Shares ('000)	416,758	416,758	416,758
Earnings per KBGL Share (cents)	6.69	6.84	6.81

Note:

- (1) For the purposes of this calculation, "Net Profit" means profit after tax and non-controlling interest for the financial year ended 31 December 2015.

5.5 Net Debt Ratio

	As at 31 December 2015	Pro forma After the Restructuring and Before the Proposed Distribution	Pro forma After the Proposed Distribution
Net Debt (S\$'000)	159,342	159,342	159,342
Total equity (S\$'000)	266,583	266,583	266,583
Net debt ratio (times)	0.60	0.60	0.60

6. Approvals

The Proposed Distribution is subject to the following:

- (a) the passing of an ordinary resolution by Shareholders to approve the Proposed Distribution at an extraordinary general meeting of the Company (the “**EGM**”) to be convened; and
- (b) the satisfaction of any regulatory approvals which may be required in connection with the Proposed Distribution.

7. Overseas Shareholders

The distribution of the KB Eco Shares to Shareholders whose registered addresses as at the Books Closure Date (as recorded in the Register of Members of the Company or in the Depository Register maintained by The Central Depository (Pte) Limited (“**CDP**”)) are outside Singapore (“**Overseas Shareholders**”) may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Overseas Shareholders are required to inform themselves of and to observe any such prohibition or restriction at their own expense and without liability to the Company.

For practical reasons and in order to avoid violating applicable securities laws outside Singapore, the KB Eco Shares will not be distributed to Overseas Shareholders who have not at least three (3) market days prior to the Books Closure Date provided the Company’s Share Registrar (Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00 Singapore 068898) or CDP, as the case may be, with addresses in Singapore for the service of notices or documents in accordance with the foregoing.

Arrangements will be made for the distribution of KB Eco Shares which would otherwise have been distributed to such Overseas Shareholders to be distributed to such person(s) as the Directors may appoint, who shall sell these KB Eco Shares at prices prevalent at the time of sale and thereafter distribute the aggregate amount of the net proceeds, after deducting all dealing and other expenses in connection therewith, proportionately among such Overseas Shareholders according to the respective KB Eco Shares they would otherwise have been entitled to as at the Books Closure Date in full satisfaction of their rights to the KB Eco Shares.

However, where the net proceeds to which any particular Overseas Shareholder is entitled is less than S\$10.00, such net proceeds shall be retained for the benefit of the Company, and no Overseas Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Overseas Shareholders.

For the avoidance of doubt, even if an Overseas Shareholder has provided a Singapore address as aforesaid, the distribution of KB Eco Shares to him will be subject to compliance with applicable securities laws outside Singapore to the extent reasonably practicable.

8. Further Information

- 8.1 A circular to Shareholders (the “**Circular**”) in relation to the Proposed Distribution, together with a notice of the EGM to be convened, will be despatched to Shareholders in due course.
- 8.2 The Books Closure Date will be announced via SGXNET in due course.

- 8.3 In the meantime, Shareholders are advised to refrain from taking any action in relation to their KBGL Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations to be set out in the Circular.

BY ORDER OF THE BOARD

Koh Keng Siang
Managing Director & Group CEO

11 August 2016