CIRCULAR DATED 12 APRIL 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.

Unless otherwise defined, capitalised terms appearing on the cover of this Circular bear the same meanings ascribed to them in the section entitled "Definitions" of this Circular.

If you have sold or transferred all your shares in the capital of Koh Brothers Eco Engineering Limited (the "**Company**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Company is a sponsored company listed on the Catalist board ("**Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Companies listed on Catalist may carry higher investment risks when compared with larger or more established companies listed on the SGX-ST Main Board. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares traded on Catalist.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's continuing sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Circular. The contact person for the Sponsor is Mr. Ng Joo Khin, at telephone no. (65) 6389 3000; email address: jookhin.ng@morganlewis.com.

This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

There are certain risks involved in the Proposed Acquisition. In particular, Shareholders should refer to the section entitled "*Letter to Shareholders – The Proposed Acquisition – Risk Factors Relating to the Proposed Acquisition*" of this Circular.

KOH BROTHERS ECO ENGINEERING LIMITED

(Incorporated in Singapore)
(Unique Entity Number: 197500111H)

CIRCULAR TO SHAREHOLDERS

in relation to

(1) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KOH BROTHERS BUILDING & CIVIL ENGINEERING CONTRACTOR (PTE.) LTD. WHICH CONSTITUTES A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES;

(2) THE PROPOSED ALLOTMENT AND ISSUE OF 369,145,631 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE ISSUE PRICE OF S$0.0515;

(3) THE PROPOSED WHITEWASH RESOLUTION BY THE INDEPENDENT SHAREHOLDERS FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM KOH BROTHERS GROUP LIMITED AND ITS CONCERT PARTIES; AND

(4) THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

Independent Financial Adviser to the Non-Interested Directors in respect of the Proposed Transactions

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in Singapore)
(Unique Entity Number: 200310232R)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	25 April 2016 at 11 a.m.
Date and time of Extraordinary General Meeting	:	27 April 2016 at 11 a.m. (or immediately following the conclusion of the annual general meeting of the Company to be held on the same day)
Place of Extraordinary General Meeting	:	Oxford Hotel, 218 Queen Street, Singapore 188549

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For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply throughout:

Companies within the Enlarged Group

“**Company**”	:	Koh Brothers Eco Engineering Limited
“**Enlarged Group**”	:	The enlarged group comprising the Group and the Target, assuming Completion
“**Group**”	:	The Company and its subsidiaries from time to time
“**Target**”	:	Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd., a wholly owned subsidiary of the Vendor

Other Companies, Organisations and Agencies

“**BCA**”	:	Building and Construction Authority
“**CDP**”	:	The Central Depository (Pte) Limited
“**CPF**”	:	Central Provident Fund
“**EAR Group**”	:	Has the meaning ascribed thereto in Section 4.1 of this Circular
“**HDB**”	:	Housing and Development Board
“**IFA**” or “**Independent Financial Adviser**”	:	Asian Corporate Advisors Pte. Ltd., the independent financial adviser to the Non-Interested Directors in respect of the Proposed Transactions
“**Independent Shareholders**”	:	The Shareholders other than KBG and its Associates
“**KBG**”	:	Koh Brothers Group Limited
“**KBG Group**”	:	KBG and its subsidiaries
“**LTA**”	:	Land Transport Authority of Singapore
“**MOM**”	:	The Ministry of Manpower of Singapore
“**PUB**”	:	Public Utilities Board
“**SGX-ST**”	:	Singapore Exchange Securities Trading Limited
“**SIC**”	:	The Securities Industry Council of Singapore
“**Sponsor**”	:	The continuing sponsor of the Company, Stamford Corporate Services Pte. Ltd.
“**URA**”	:	Urban Redevelopment Authority of Singapore

"**Vendor**"	:	Construction Consortium Pte. Ltd., a wholly owned subsidiary of KBG

<u>**General**</u>

"**1H2015**"	:	The six (6) month period ended 30 June 2015
"**2014 EGM**"	:	The extraordinary general meeting of the Company held on 29 April 2014, at which Shareholders approved, *inter alia*, the Existing IPT Mandate
"**2015 EGM**"	:	The extraordinary general meeting of the Company held on 29 April 2015, at which Shareholders approved, *inter alia*, the Existing IPT Mandate
"**Announcement**"	:	The announcement of the Proposed Acquisition dated 7 January 2016
"**Approved Independent Sources**"	:	Has the meaning ascribed to it in <u>Section 4.3.4(A)(b)</u> of this Circular
"**Associate**"	:	(a) In relation to any director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family (that is, the person's spouse, child, adopted child, step-child, sibling and parent); (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company), means any other company which is its subsidiary or holding company or a subsidiary of such holding company or company in which it and/or they, taken together (directly or indirectly) have an interest of 30.0% or more
"**Audit and Risk Committee**"	:	The audit and risk committee of the Company, comprising Mr. Koh Choon Leng, Mr. Koh Keng Siang and Mr. Tan Hwa Peng as at the Latest Practicable Date
"**Board**"	:	The board of Directors of the Company as at the Latest Practicable Date
"**Catalist**"	:	The Catalist board of the SGX-ST, being the sponsor-supervised listing platform of the SGX-ST

"**Catalist Rules**"	:	The Listing Manual of the SGX-ST, Section B: Rules of Catalist, as may be amended, modified or supplemented from time to time
"**Circular**"	:	This circular to Shareholders dated 12 April 2016
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Companies Act**"	:	The Companies Act (Chapter 50) of Singapore as amended, modified or supplemented from time to time
"**Completion**"	:	The completion of the Proposed Acquisition in accordance with the terms and conditions set out in the Sale and Purchase Agreement
"**Completion Date**"	:	The date of Completion
"**Consideration**"	:	Has the meaning ascribed thereto in Section 2.1.4(B) of this Circular
"**Consideration Shares**"	:	Has the meaning ascribed thereto in Section 2.1.4(B) of this Circular
"**Constitution**"	:	The constitution of the Company, as amended or modified from time to time
"**Controlling Shareholder**"	:	A person who (a) holds directly or indirectly 15.0% or more of all voting shares in a company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over a company
"**Director**"	:	A director of the Company as at the Latest Practicable Date
"**EGM**"	:	The extraordinary general meeting of the Company to be convened and held on 27 April 2016 at 11 a.m. (or immediately following the conclusion of the annual general meeting of the Company to be held on the same day) at Oxford Hotel, 218 Queen Street, Singapore 188549, notice of which is set out on pages N-1 to N-4 of this Circular
"**Enlarged Share Capital**"	:	The enlarged share capital of the Company comprising 747,554,207 Shares (excluding treasury shares), assuming Completion
"**EPC**"	:	Engineering, procurement and construction
"**EPS**"	:	Earnings per Share
"**Existing IPT Mandate**"	:	General mandate first given by Shareholders on 8 February 2013 pursuant to Chapter 9 of the Catalist Rules permitting members of the EAR Group to enter into Interested Person Transactions with the Mandated Interested Persons, and subsequently renewed at the 2014 EGM and the 2015 EGM
"**Existing Share Capital**"	:	The existing share capital of the Company comprising 378,408,576 Shares (excluding treasury shares) as at the Latest Practicable Date
"**FY**"	:	A financial year ended or ending 31 December, as the case may be

"**IFA Letter**"	:	The letter dated 12 April 2016 issued by the IFA to the Non-Interested Directors containing the advice of the IFA in respect of the Proposed Transactions, as reproduced in Appendix A to this Circular
"**Interested Person Transactions**"	:	Has the meaning ascribed thereto in Section 4.1 of this Circular
"**Issue Price**"	:	S$0.0515
"**Latest Practicable Date**"	:	28 March 2016, being the latest practicable date prior to the printing of this Circular
"**Mandated Interested Persons**"	:	Has the meaning ascribed thereto in Section 4.1 of this Circular
"**Material Adverse Change**"	:	Any material adverse change in the financial condition or results of operation of the Target or the Company (as the case may be) which has caused or is reasonably likely to cause the net asset value of the Target or the Company (as the case may be) to decrease by more than 10.0% from that set forth in the management accounts of the Target or the Company for 1H2015
"**Market Day**"	:	A day on which the SGX-ST is open for trading of securities
"**NAV**"	:	Net asset value
"**New Interested Person Transactions**"	:	Categories of Interested Person Transactions which will be covered by the New IPT Mandate
"**New IPT Mandate**"	:	Has the meaning ascribed thereto in Section 4.3 of this Circular
"**Non-Interested Directors**"	:	Directors who are deemed non-interested for the purposes of the Proposed Transactions, being Mr. Koh Choon Leng and Mr. Tan Hwa Peng
"**Notice of EGM**"	:	The notice of the EGM which is set out on pages N-1 to N-4 of this Circular
"**NTA**"	:	Net tangible assets
"**Proposed Acquisition**"	:	The proposed acquisition by the Company of the entire issued and paid-up share capital of the Target in accordance with the terms and conditions set out in the Sale and Purchase Agreement
"**Proposed Transactions**"	:	The Proposed Acquisition, the Proposed Whitewash Resolution and the New IPT Mandate collectively
"**Proposed Whitewash Resolution**"	:	The proposed resolution to be approved by a majority of the Independent Shareholders by way of poll to waive their rights to receive a mandatory general offer from KBG for all the Shares in issue not already owned, controlled, or agreed to be acquired by KBG and its concert parties following Completion
"**Proxy Form**"	:	Has the meaning ascribed thereto in Section 11 of this Circular

"**Referral Warrants**"	:	Has the meaning ascribed thereto in Section 2.1.1(A) of this Circular
"**Register of Members**"	:	Register of members of the Company
"**Resolutions**"	:	The ordinary resolutions set out in the Notice of EGM
"**Sale and Purchase Agreement**"	:	The conditional sale and purchase agreement dated 7 January 2016 between the Company and the Vendor in relation to the Proposed Acquisition
"**Sale Shares**"	:	The 19,000,000 ordinary shares representing the entire issued and paid-up share capital of the Target
"**Securities Account**"	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
"**SFA**"	:	Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
"**SGXNET**"	:	The system maintained by the SGX-ST for announcements by listed companies
"**Share**"	:	An ordinary share in the capital of the Company, and "**Shares**" shall be construed accordingly
"**Shareholders**"	:	Registered holders of Shares, except where the registered holder is CDP, in which case the term "**Shareholders**" shall in relation to such Shares mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
"**Substantial Shareholder**"	:	A person (including a corporation) who has an interest in not less than 5.0% of the issued shares of a company
"**Target Securities**"	:	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
"**Vendor Securities**"	:	Target Securities as may be necessary to replace and procure the release and discharge of such Target Securities as given by the Vendor or its related corporations (including KBG) to secure performance of the Target's obligations to such third parties pursuant to the Target Securities
"**VWAP**"	:	Volume weighted average price of the Shares
"**Warrants**"	:	Has the meaning ascribed thereto in Section 2.1.1(A) of this Circular
"**Whitewash Waiver**"	:	Has the meaning ascribed thereto in Section 3.2 of this Circular

Currencies and Units of Measurements

"**%**"	:	Per cent or percentage
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively

The terms "**acting in concert**" and "**concert parties**" shall have the meanings ascribed to them in the Code.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the respective meanings ascribed to them in Section 81SF of the SFA.

The terms "**subsidiary**" and "**related corporations**" shall have the meanings ascribed to them respectively in the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to "**Rule**" or "**Chapter**" is a reference to the relevant rule or chapter in the Catalist Rules.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Code and the Catalist Rules or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the SFA, the Code and the Catalist Rules or any statutory modification thereof, as the case may be.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Circular to Shares being allotted to a person includes allotment to CDP for the account of that Depositor.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, unless otherwise stated.

Any discrepancies in tables included in this Circular between the listed amounts and the totals are due to rounding; accordingly, the figures shown as totals in certain tables may not be an aggregation of the figures that precede them.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements contained in this Circular, which are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", "could" or similar words. However these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group’s or the Enlarged Group’s expected financial position, business strategy, plans and prospects are forward-looking statements and accordingly involve known and unknown risks, uncertainties and other factors that may cause the Group’s or the Enlarged Group’s actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties which may cause the Group’s or the Enlarged Group’s actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this Circular, undue reliance must not be placed on those statements. The Company does not represent or warrant that the Group’s or the Enlarged Group’s actual future results, performance or achievements will be as discussed in those statements. Further, the Company disclaims any responsibility, and undertakes no obligation to update or revise any forward-looking statements contained in this Circular to reflect any change in the Group’s or the Enlarged Group’s expectations with respect to such statements after the Latest Practicable Date or to reflect any change in events, conditions or circumstances on which the Company based any such statements subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.

KOH BROTHERS ECO ENGINEERING LIMITED
(Incorporated in Singapore)
(Unique Entity Number: 197500111H)

Directors:	**Registered Office:**
Mr. Koh Keng Siang (Non-Executive Chairman)	11 Lorong Pendek
Mr. Koh Choon Leng (Independent Director)	Koh Brothers Building
Mr. Tan Hwa Peng (Independent Director)	Singapore 348639
Mr. Tan Liang Seng (Non-Executive and Non-Independent Director)	
	12 April 2016

To: The Shareholders of Koh Brothers Eco Engineering Limited

Dear Sir / Madam,

(1) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KOH BROTHERS BUILDING & CIVIL ENGINEERING CONTRACTOR (PTE.) LTD. WHICH CONSTITUTES A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES;

(2) THE PROPOSED ALLOTMENT AND ISSUE OF 369,145,631 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE ISSUE PRICE OF S$0.0515;

(3) THE PROPOSED WHITEWASH RESOLUTION BY THE INDEPENDENT SHAREHOLDERS FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM KBG AND ITS CONCERT PARTIES; AND

(4) THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

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1. INTRODUCTION

1.1. Background

1.1.1. The Proposed Acquisition

On 7 January 2016, the Company announced that it had entered into the Sale and Purchase Agreement dated 7 January 2016 with the Vendor in relation to the Proposed Acquisition, pursuant to which the Company will acquire an aggregate of 19,000,000 ordinary shares representing the entire issued and paid-up share capital of the Target from the Vendor, upon the terms and conditions of the Sale and Purchase Agreement.

KBG is the ultimate parent company of the Company, the Vendor and the Target. As at the Latest Practicable Date: (a) KBG holds approximately 41.0% of the Shares in the Company and is the Company'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.

In accordance with the Sale and Purchase Agreement, the consideration for the Proposed Acquisition of S$19,011,000 shall be satisfied in full by the allotment and issuance of 369,145,631 Consideration Shares to the Vendor (and/or its designated nominees) at the

Issue Price upon Completion.

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

The Proposed Acquisition constitutes:

(a) a major transaction as defined under Rule 1014 of the Catalist Rules as the relative figures under Rule 1006(c) and Rule 1006(d) of the Catalist Rules exceed 75.0% but are less than 100.0%; and

(b) an interested person transaction as defined under Chapter 9 of the Catalist Rules as (i) the Vendor is an "interested person" for the purposes of Chapter 9 of the Catalist Rules as it is an Associate of KBG which is a Controlling Shareholder of the Company and (ii) the value of the Proposed Acquisition exceeds 5.0% of the latest audited NTA of the Group pursuant to Rule 906 of the Catalist Rules.

Accordingly, the Company will be seeking the approval of the Shareholders for the Proposed Acquisition and the issue of Consideration Shares at the EGM. Following the completion of the Proposed Acquisition, the Target will become a wholly owned subsidiary of the Company.

1.1.2. The Proposed Whitewash Resolution

Upon the allotment and issuance of the Consideration Shares on Completion, KBG will incur an obligation to make a mandatory general offer for the Shares under Rule 14 of the Code unless such obligation is waived by the SIC. The Whitewash Waiver was obtained by KBG from the SIC on 1 February 2016 and is subject to, among other things, the Proposed Whitewash Resolution being approved by the Independent Shareholders at the EGM. Accordingly, the Company is seeking the approval of the Independent Shareholders for the Proposed Whitewash Resolution.

1.1.3 The New IPT Mandate

As at the Latest Practicable Date, the Target has existing contracts with KBG and its Associates (being the Mandated Interested Persons) in the ordinary course of business.

Following the Proposed Acquisition, the Mandated Interested Persons will become interested persons of the Enlarged Group as defined under Chapter 9 of the Catalist Rules. Accordingly, the performance of the obligations under the existing contracts and the entry into any subsequent contracts between the Enlarged Group and the Mandated Interested Persons will constitute interested person transactions under Chapter 9 of the Catalist Rules. Further details of the New Interested Person Transactions and the New IPT Mandate are set out in Section 4 of this Circular.

Accordingly, the Company will be seeking the approval of the Shareholders for the adoption of the New IPT Mandate at the EGM.

1.1.4 Opinion of the Independent Financial Adviser

The IFA has been appointed to advise the Non-Interested Directors on (a) whether the Proposed Acquisition is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders, (b) whether the terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are on balance fair, reasonable and not prejudicial to the interests of the Independent Shareholders and (c) whether the methods or procedures for determining transaction prices in respect of the New IPT Mandate are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The IFA Letter is set out in Appendix A of this Circular.

1.2. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with all necessary information relating to the Proposed Transactions, and to seek Shareholders' approval for the same at the EGM.

Approval for the Proposed Acquisition, the allotment and issue of the Consideration Shares, the Proposed Whitewash Resolution and the New IPT Mandate will be sought by way of ordinary resolutions at the EGM.

This Circular has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than the Shareholder to whom this Circular is despatched to by the Company) or for any other purpose.

1.3. Conditionality of Resolutions

Shareholders should note that ALL the Resolutions are conditional on the Resolution to adopt the New IPT Mandate being approved. Shareholders should further note that, save for the Resolution to adopt the New IPT Mandate, all other Resolutions are also inter-conditional on each other. This means that if any of these Resolutions is not approved, the other Resolutions, save for the Resolution to adopt the New IPT Mandate, will not be passed.

1.4. The Sponsor and the SGX-ST

The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular including the correctness of any of the statements made or opinions expressed or reports contained in this Circular. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.

2. THE PROPOSED ACQUISITION

2.1. Information about the Proposed Acquisition

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company has agreed to purchase, and the Vendor has agreed to sell, the Sale Shares, free from any charge, pledge, lien or other encumbrances, and together with all rights, benefits and entitlements attaching thereto, for an aggregate consideration of S$19,011,000.

The Company shall not be obliged to complete the purchase of any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

2.1.1. Information on KBG and the Target

The information presented herein and in other sections of this Circular relating to information on KBG is based on information provided by KBG.

(A) Information on KBG

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 business of the Construction division is conducted solely through the Target, as set out in Section 2.1.1(B) below, and the Group.

(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.

As stated in the joint announcement by KBG and the Company dated 7 January 2016, KBG previously held 165,000,000 free detachable, non-transferable and non-listed warrants, each carrying the right to subscribe for a new Share at an exercise price of S$0.053 per Share (the "**Warrants**"). These Warrants were issued together with 40,000,000 non-transferable and non-listed warrants, each carrying the right to subscribe for a new Share at an exercise price of S$0.0048 per Share (the "**Referral Warrants**"), to Lee Thiam Seng. As the Warrants and Referral Warrants were exercisable only until 28 February 2016, they have since expired.

(B) Information on the Target

The Target is a private company limited by shares incorporated in Singapore on 8 December 1977. As at the Latest Practicable Date, the Target 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 Latest Practicable Date, 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. The Target acts as the main contractor for construction projects in both the public and private sectors in Singapore.

Both the audited NAV and NTA of the Target as at 31 December 2015 were approximately S$19,096,000 and the audited net profit after tax of the Target for FY2015 was approximately S$608,000.

A valuation was commissioned by the Company to assess the fair market value of the assets (only) of the Target which comprise heavy construction machinery and equipment, land and a factory building. The valuers appointed, Asian Appraisal Company Pte Ltd, adopted the depreciated replacement cost method in assessing the value of the machinery and equipment and the market comparable method in assessing the value of the land and factory building. The value of the assets of the Target was determined to be S$23,316,000 as at 31 December 2015. The valuation report by Asian Appraisal Company Pte Ltd is set out in Appendix B of this Circular.

Operating Track Record

The Target has been registered with the BCA with A1 ratings under the CW01 (General Building) and CW02 (Civil Engineering) categories, for more than 15 years. The A1 rating is currently the highest grade for contractors' registration in such categories and enables the Target to tender for public sector construction projects in Singapore of unlimited project value.

The Target's clients include government agencies such as the LTA, PUB, HDB and the URA.

As part of its business operations, the Target periodically enters into joint ventures with other parties.

Significant construction projects completed by the Target up to the Latest Practicable Date include:

- the construction of a used water lift station at PUB's Jurong Water Reclamation Plant;
- the Marina Barrage;
- the Downtown Line 1 Bugis mass rapid transit station and its associated tunnels;
- the 2.4-kilometre Punggol Waterway, which is part of a larger HDB project to make Punggol a vibrant people-centric heartland;
- the Changi Water Treatment Plant, a covered sewage treatment plant;
- the Geylang River Makeover Project spearheaded by PUB; and
- the development of a retention pond at Changi Airport.

Significant ongoing construction projects being undertaken by the Target as at the Latest Practicable Date include:

- the S$1.12 billion joint venture project for development works to effect three-runway operations at Changi Airport, for which the Target has a 30.0% interest;

- the construction of a new executive condominium development at Westwood Avenue, Jurong West;

- the upgrading of a section of the Kallang River between Bishan and Braddell Road, as part of PUB's Active, Beautiful, Clean Waters project;

- the improvement works at the Bukit Timah First Diversion Canal, also as part of PUB's Active, Beautiful, Clean Waters project; and

- the construction of a public housing project in Yishun which will comprise a total of 696 residential units.

2.1.2. Information on the Vendor

The information presented herein and in other sections of this Circular relating to information on the Vendor is based on information provided by the Vendor.

The Vendor is a private company limited by shares incorporated in Singapore on 22 January 2005. As at the Latest Practicable Date, the Vendor 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. The Vendor is an investment holding company.

2.1.3. Rationale for the Proposed Acquisition

The Board is of the view that undertaking the Proposed Acquisition would be in the interests of the Company as the consolidation of the building construction and civil engineering capabilities of the Target with the EPC capabilities of the Group would enable the Target and the 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 Acquisition would enable the Group to leverage on the synergies resulting from combining the Target's construction business under the Company and create a better platform to grow its construction business, including the further exploration of opportunities in water and wastewater treatment and hydro-engineering.

In addition, the Board is of the view that the Proposed Acquisition will also give investors the opportunity to assess the value of the Enlarged Group, taking into consideration factors unique to the Enlarged Group, such as its business model and operations, performance, any synergies and cost savings, risk profile, strategies and future plans.

2.1.4. Principal terms of the Proposed Acquisition

(A) Sale Shares

The Sale Shares will be acquired by the Company 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 Sale and Purchase Agreement, the Company 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 ended 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).

(B) Consideration

In accordance with the Sale and Purchase Agreement, the consideration for the Sales Shares is S$19,011,000 (the "**Consideration**") which shall be satisfied in full by the allotment and issuance of 369,145,631 new Shares by the Company to the Vendor (and/or its designated nominees) at the Issue Price (the "**Consideration Shares**") upon Completion.

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

The Company intends to seek the specific approval of Shareholders for the allotment and issue of the Consideration Shares at the EGM in accordance with Rules 805(1) of the Catalist Rules and Section 161 of the Companies Act.

The Consideration Shares, when allotted and issued, shall be credited as fully-paid Shares free from any and all encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to the 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 represents the VWAP of S$0.0515 for each 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 Sale and Purchase Agreement on which the Shares were traded on the Catalist.

The Consideration was determined taking into consideration:

(a) the unaudited NAV 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 Acquisition as set out in Section 2.1.3 above.

The Consideration Shares represent approximately 97.6% of the Existing Share Capital.

The Consideration Shares represent approximately 49.4% of the Enlarged Share Capital of the Company immediately upon Completion.

(C) Conditions Precedent

Completion is conditional upon, among other things, the following conditions having been fulfilled or waived in accordance with the terms of the Sale and Purchase Agreement:

(a) the completion of a due diligence exercise by the Company and/or its appointed advisers on the Target, and the results of such due diligence being satisfactory in the reasonable opinion of the Company (the "**Due Diligence Information**");

(b) the approval of the Independent Shareholders being obtained at the EGM for the Proposed Acquisition and all transactions contemplated under the Sale and Purchase Agreement, including:

  (i) the allotment and issuance of the Consideration Shares; and

  (ii) the Proposed 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 or events, acts or omissions reasonably likely to lead to a Material Adverse Change in relation to the Target or the Company (as the case may be);

(e) the Sale Shares being held by the Vendor as at the Completion Date;

(f) the receipt of the Whitewash Waiver from the 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 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 obtained from the SGX-ST on 15 October 2015 (that the Proposed Acquisition 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 the Company and the Due Diligence Information, each of the representations, warranties and undertakings of the Company and the Vendor remaining true and correct in all material respects at all times from signing of the Sale and Purchase Agreement until (and including) the Completion Date;

(i) the receipt of all necessary approvals, consents and waivers from the SGX-ST and/or the Sponsor required to complete the Sale and Purchase

Agreement and all transactions contemplated therein, including (i) approval for the circular to be issued by the Company in relation to the Proposed Acquisition, and (ii) the receipt of the listing and quotation notice in respect of the listing and quotation of the Consideration Shares on Catalist being obtained. 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 contemplated under Clause 5.3.4 of the Sale and Purchase Agreement), 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 Sale and Purchase Agreement, 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 Sale and Purchase Agreement and all transactions contemplated therein not being prohibited or restricted by the laws of Singapore.

(D) Long-Stop Date

If any of the conditions precedent as set out in Section 2.1.4(C) above are not fulfilled or waived by the Company or the Vendor by 30 June 2016 (or such other date as may be mutually agreed in writing by the parties), the provisions of the Sale and Purchase Agreement 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 Sale and Purchase Agreement.

2.2. Risk Factors Relating to the Proposed Acquisition

To the best of the Directors' knowledge and belief, as at the Latest Practicable Date, all the risk factors that are material to Shareholders and prospective investors in making an informed judgement on the Proposed Acquisition are set out below. Shareholders should carefully consider and evaluate each of the following risks and all other information contained in this

Circular before deciding whether to vote in favour of the Proposed Acquisition. If any of such risks develops into actual events, the business, operations, financial performance, financial condition and prospects of the Group could be materially and adversely affected.

The Target is dependent on the construction industry in Singapore

The Target is dependent on the construction industry in Singapore. The performance of the construction industry in Singapore is generally dependent on the general economic conditions in Singapore including employment levels, availability of financing, interest rates, consumer confidence and demand for developed residential, commercial and industrial properties. A downturn in Singapore or a dampening of the general sentiments of, or a correction in, the construction industry may result in reduced demand for the Target's business activities. In addition, such downturn may erode the profit margins for any construction activities undertaken by the Target due to keen competition. Accordingly, the Target's construction business may be subject to cyclical fluctuations of the general economy in Singapore and this may have a material and adverse effect on the Target's business.

Further, the relevant authorities in Singapore may adjust monetary and other economic policies from time to time to prevent and curtail the overheating of the economy. Such economic adjustments may affect the construction industry in Singapore. Such policies may lead to changes in market conditions, including price instability and imbalance of supply and demand for construction services, which may materially and adversely affect the Target's business.

The Target is subject to environmental regulations

The Target's operations are subject to various environmental laws in Singapore. These relate mainly to the storage, discharge, handling, emission, generation, use and disposal of chemicals, solid and hazardous waste and other toxic and hazardous materials used in the Target's construction business. Changes to environmental laws and regulations in Singapore may lead to increased compliance costs. Further, the costs of remedying potential violations or resolving enforcement actions that might be initiated by governmental entities could be substantial.

Environmental laws require the Target to maintain and comply with a number of permits, authorisations and approvals and to maintain and update training programmes and safety data for materials used in the Target's operations.

In the event of a violation, the Target may be required to halt its operations until remedial actions are implemented. The costs of remedying violations or resolving enforcement actions that may be initiated by governmental authorities could be substantial, which may materially and adversely affect the Target's business. In addition, the Target cannot predict the nature, scope or effect of future regulatory requirements to which the Target's operations may be subject or the manner in which existing or future laws will be administered or interpreted. Compliance with more stringent local laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditure by the Target and could materially and adversely affect the Target's business.

In addition, violation of environmental regulatory requirements may occur at the sites for the Target's projects even though the Target has put in place certain measures as may be required. The Target may incur fines and penalties imposed in relation to any breaches of environmental regulations on worksites. In such an event, the Target's business may be materially and adversely affected. In the event that the Target is issued such stop-work orders or has its business licences revoked in the future, this may severely disrupt its operations and lead to a delay in the completion of a project. These circumstances may generate negative publicity and adversely affect the Target's market reputation, and may also have a material and adverse impact on the Target's business.

The Target faces keen competition in its business

The Target faces keen competition in its construction business from new and existing competitors based in Singapore and elsewhere, while pitching for a limited number of large scale projects. Some of these competitors are established global players in the construction industry. In order to secure tenders, the Target may have to compete aggressively in its bid price. If the Target needs to lower its bid prices, its profit margins may be adversely affected.

Domestic companies may have extensive knowledge of the local construction industry and longer operational track records than the Target. International companies are able to capitalise on their overseas experience and greater financial resources to compete in the construction industry in Singapore. As a result, there can be no assurance that the Target will be able to compete successfully in the future against its existing or potential competitors or that increased competition may not have a material and adverse effect on the Target's business.

In the event that the Target's competitors are able to provide comparable services at lower prices or respond to changes in market conditions more swiftly or effectively than the Target, the Target's business may be materially and adversely affected.

The Target may be subject to risks of disputes, claims and variation orders

Under the terms of certain construction contracts entered into by the Target, in the event of a breach by the Target of the terms of such contracts, its clients may be entitled to claim for liquidated damages for delay in completion or other losses suffered by them by off-setting the same from retention monies or enforcing performance bonds furnished by the Target. Disputes may also arise between the Target, its clients, sub-contractors and suppliers in relation to the construction projects that it undertakes. For example, disputes may arise because of defective works, delays in the completion of a project and disputes over contract specifications and the final amount payable for work done on a project. Claims may be made against the Target from time to time arising from such disputes. The resolution of claims and disputes may be protracted. While the Target seeks to manage such risks through project management and negotiation, in the event that such claims succeed, the Target's business may be materially and adversely affected. Any legal proceedings relating to such claims may also have an adverse impact on the Target's market reputation and integrity.

From time to time, after work on a project has started, the Target's clients may request for alterations to the agreed specifications or additional works which were not originally specified. Notwithstanding that the costs for such variations may have been agreed with the clients, such costs may still be disputed by the clients. Where a dispute involves a substantial amount, such dispute may result in the final value of the variations being lower than that initially agreed as well as a delay in payment by the clients, and may therefore materially and adversely affect the Target's business.

Where the developer of a project in which the Target is involved in withholds an agreed percentage of the contract sum as retention monies, the Target may sometimes encounter difficulties in collecting the full sum or any part of the retention monies due and may run the risk of incurring additional costs to make good the rectification or reconstruction of works under dispute to the extent that its profit margin is eroded or losses are incurred for the project.

The Target may face risks relating to labour shortages and dependence on foreign workers in respect of its operations in Singapore

The Target is highly dependent on foreign workers in its business and is vulnerable to the shortage and high employment cost of foreign workers. Depending on Singapore's immigration policy limiting the supply of foreign labour, the Target may not be able to employ sufficient workers. The Target is also required to bear the levy of employing foreign workers. Any changes in the labour policy in Singapore or the countries of origin of foreign workers may affect the supply of or cost of employing foreign workers and cause disruptions to the operations of the Target. In the event of a shortage of foreign workers, an increase in the cost of hiring foreign workers, or the Target being barred from employing foreign workers by the Ministry of Manpower of Singapore ("**MOM**"), the Target's business may be materially and adversely affected.

In general, manpower costs in Singapore have increased and this has arisen primarily from shortage of labour and an increase in levy for employing foreign workers. If manpower costs continue to rise and the Target is unable to pass on the additional costs to its customers, the Target's business may be materially and adversely affected.

Fluctuations in the prices and disruptions in the supply of construction materials may affect the Target's earnings and operations

The materials used in the Target's business include concrete, sand, cement, tiles, steel, copper and aluminium. The prices of these materials may fluctuate due to changes in the supply and demand conditions. The Target does not typically enter into long term supply contracts with any of its suppliers. Any sudden shortage or disruption of supply of materials to the Target from its suppliers for any reason may materially and adversely affect the Target's operations or result in the Target having to pay a higher cost for these materials. If the Target is unable to procure the materials from alternative sources or is only able to procure the materials at a higher cost and the Target is unable to pass the additional costs to its clients, the Target's business may be materially and adversely affected.

Further, a typical construction project generally spans more than one (1) year. As a result, the Target's costs may increase beyond its initial projections and this may result in a reduction in its previously estimated profit margins or the Target incurring a loss. In the event of any significant increase in the costs of such construction materials and the Target failing to find a cheaper source of supply or pass on such increases in raw material prices to its clients, its business may be materially and adversely affected.

The Target is subject to government legislation, regulations and policies which affect the Target's business and requires various licences and permits for its operations

The Target is subject to government legislation, regulations and policies governing, among other things, employment of workers (including foreign workers), licensing of builders, approval and execution of plans of building works, workplace safety and health, and environmental matters such as public health and noise pollution. In the event that the Target contravenes any of these laws, regulations and policies, the Target, its employees and/or its directors may face statutory penalties such as fines imposed by the relevant authorities or the Target may have to modify, suspend or discontinue its operations. Hence, any conviction for such contravention may have a material and adverse effect on the Target's business.

The Target also requires various licences and permits such as the BCA Builder Licence, for its operations. The Target's licences and permits may be granted for fixed periods of time after the expiry of which these need to be renewed from time to time. There is no assurance that upon expiration of such licences and permits, the Target will be able to successfully renew them in a timely manner or at all, or that the renewal of such licences and permits will not be attached with conditions which the Target may find difficult to comply with, or that if the relevant authorities enact new laws and regulations, the Target will be able to successfully meet their requirements.

Failure by the Target to obtain, renew or maintain the required licences and permits, or cancellation, suspension or revocation of any of the Target's licences and permits may result in the interruption of its operations and may have a material and adverse effect on the Target's business.

Government legislation, regulations and policies affecting the Target's business are also subject to amendments from time to time. Any such changes could adversely affect the Target's business operations and/or have a negative effect on the demand for the Target's services. The compliance with such changes may also increase the Target's costs and any significant increase in compliance costs arising from such changes may materially and adversely affect the Target's business. Additionally, there may be some uncertainty in the interpretation or application of certain laws and regulations and such uncertainty may also materially and adversely affect the Target's business.

The Target may be adversely affected by any cost overruns and/or increases in costs

The contract value quoted in the tenders submitted by the Target is determined based on internal costing and budgetary evaluations on costs such as labour costs and material costs, including the indicative pricing for various suppliers and sub-contractors. However, the time taken and the costs involved in completing the Target's projects may be adversely affected by several factors including fluctuations in costs of building materials, equipment and/or labour, accidents, delay in approvals from the relevant authorities, mismanagement of projects, unfavourable weather conditions, unanticipated construction constraints and other unforeseen circumstances. Any of these factors could delay the completion of the Target's projects and could result in cost overruns. It is also possible that incorrect and/or inaccurate estimations of costs may be made during the tender submission or for delays to arise during the execution of projects. These circumstances may erode the Target's profit margin for the project or may result in losses for the Target.

Further, for delays in projects mainly due to factors attributable to the Target, the Target may be liable for liquidated damages, which are pre-determined sums payable in the event of, for example, non-completion of a project within a stipulated period of time and delays in meeting specified milestones. Such events may have a material and adverse impact on the Target's business.

The Target's financial performance is dependent on the Target's successful bidding for new projects and the non-cancellation of secured projects

As most of the Target's projects are undertaken on a non-recurring basis, it is critical that the Target is able to regularly and consistently secure new projects of similar value and volume. There is no assurance that the Target will be able to do so. In the event that the Target is not able to regularly and consistently secure new projects of similar or higher value and on terms and conditions that are favourable to the Target, the Target's business may be materially and adversely affected. In addition, the scope of work in a project, which is dependent on its scale and complexity, will affect the profit margin of the project and the Target's financial performance. In the event that the Target has to sub-contract a material portion of the project work to a third-party sub-contractor, its profit margins from such projects may be reduced.

Cancellation or delays in the commencement of secured projects due to factors such as changes in the Target's clients' businesses, poor market conditions and/or lack of funds on the part of the project owners may materially and adversely affect the Target's business. In addition, there may be a lapse of time between the completion of the Target's projects and the commencement of its subsequent projects. Any cancellation of or delay in projects could lead to idle or excess capacity, and in the event that the Target is unable to secure replacement projects on a timely basis, this may materially and adversely affect the Target's business.

The Target may face risks relating to potential loss or downgrade of the Target's BCA Grades

In Singapore, the BCA administers a contractors' registry to serve the procurement needs of government departments, statutory bodies and other public sector organisations. Contractors registered with the BCA are accorded grades ("**BCA Grades**") by the BCA, taking into consideration factors such as the contractor's resources, experience and technical expertise to undertake contracts of the relevant nature and size.

These BCA Grades have to be renewed on an annual basis. To maintain its existing BCA Grades, the Target is required to comply with the prescribed requirements relating to financial capacity, personnel resources and track record. In the event that the Target fails to maintain its BCA Grades because of inability to comply with any of the prescribed requirements, its BCA Grades would be revoked or downgraded accordingly. As such, the Target would not be able to tender for public sector projects as well as some private sector projects which require contractors to possess A1 or A2 BCA Grades. In any such event, the Target's business may be materially and adversely affected.

The Target's ability to secure new projects may depend on the Target being able to secure performance bond guarantees and other credit facilities

In line with the industry practice, certain of the Target's projects and projects in which the Target acts as the main contractor require a performance bond to be furnished by a bank or an acceptable financial institution to guarantee the Target's contractual performance of the project. In the event that the Target defaults in its contractual obligations, the project owner would be entitled to call on the bond with the bank or financial institution and the Target's liquidity and financial position may be materially and adversely affected.

There is no assurance that the Target can continue to secure performance bonds for its new projects in the future or that the performance bonds may be secured on terms that are acceptable to the Target or on terms as favourable as those previously obtained. If the Target is unable to secure performance bond guarantees from banks or financial institutions including as a result of factors which are beyond its control such as general economic and political conditions, the Target may be unable to secure new projects, and this would have a material and adverse effect on the Target's business.

The Target relies on independent contractors

The Target engages independent sub-contractors to provide various services, including piling and foundation, building and property fit-out works, installation of air-conditioning units and elevators, and interior decoration. There is no assurance that the services rendered by these sub-contractors will be satisfactory or that it will match the quality that the Target requires.

In the event that these sub-contractors terminate their contracts with the Target, the Target may not be able to seek alternative sub-contractors in a timely manner and/or at terms and conditions acceptable to the Target, or at all. This may cause an increase in the costs relating to the Target's construction projects and/or cause a delay in the completion of such projects, and this may materially and adversely affect the Target's business.

Moreover, these sub-contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of the Target's projects or resulting in additional costs for the Target. The occurrence of any of these factors could materially and adversely affect the Target's business.

The Target is exposed to risks in changes of relevant government expenditure on infrastructure and building projects from the public sector

The Target has secured and completed infrastructure and building contracts from the public sector for many years and some of the Target's customers include LTA, PUB, HDB and URA. A significant proportion of the Target's business is derived from infrastructure and building projects from the public sector. Any change in the policy of the Singapore Government in its expenditure on these public infrastructure and building projects may materially and adversely affect the Target's business.

The Target may be affected by accidents at its work sites

Accidents or mishaps may occur at the work sites of the Target's projects. Such accidents or mishaps may severely disrupt operations of the Target and lead to delays in the completion of projects, and in the event of such delay, the Target may be liable to pay liquidated damages to its clients. In such event, the Target's business may be materially and adversely affected. Further, such accidents or mishaps may subject the Target to claims from workers or other persons involved in such accidents or mishaps for damages, and any claims which are not covered by the Target's insurance policies may materially and adversely affect the Target's business.

In addition, in Singapore, a Demerit Point Scheme in relation to workplace safety for the construction industry has been introduced by the MOM. If the Target or contractor engaged by the Target is found to have breached the Workplace Safety and Health Act, Chapter 354A of Singapore, and the relevant subsidiary legislation, it will be given demerit points. The number of demerit points given will depend on the severity of the violation. Any contractor who has received more than the prescribed number of demerit points within a particular duration will receive a formal warning letter. If the contractor has received a formal warning letter from the MOM and continues to accumulate demerit points, the MOM will impose more stringent corrective actions.

Further, in the event that the Target's work sites contravene the requisite safety standards imposed by the regulatory authorities, the Target may be subject to penalties which include fines, or being issued with partial or full stop-work orders. The issuance of such stop-work orders may disrupt operations and lead to a delay in the completion of a project. These circumstances may have a material and adverse impact on the Target's business.

The Target's business is capital intensive and the Target may be unable to obtain financing on terms which are acceptable

The Target's business is capital intensive. The availability of adequate financing is crucial in funding the Target's working capital requirements as it may have to fund the purchases of raw materials and engage the services of sub-contractors for the construction projects it undertakes and only receives payments from its customers upon the submission and approved of progress claims during the course of the construction.

The Target's ability to arrange adequate financing (if at all) on terms which are acceptable to the Target depends on a number of factors that are beyond its control, including general economic and political conditions, the terms on which financial institutions are willing to extend credit to the Target and the availability of other sources of debt or equity financing. Uncertainty in the capital and credit markets may adversely affect the Target's ability to obtain financing on terms which are acceptable to the Target. Such an event may have a material and adverse impact on the Target's business.

If the Target is unable to obtain financing on terms which are acceptable to the Target, it may not be able to undertake additional projects and this may have an adverse effect on the Target's business.

The Target is subject to interest rate fluctuations

The Target is subject to the effects of interest rate fluctuations on its borrowings from financial institutions. Some of the Target's existing borrowings are on a floating rate basis, and the Target's future borrowings may also be on a floating rate basis. Consequently, the interest costs to the Target will be subject to fluctuations in interest rates.

Although the Target may enter into hedging transactions to mitigate the risk of such interest rate fluctuations, such hedging may not adequately cover the Target's exposure to interest rate fluctuations. As a result, the Target's business could potentially be materially and adversely affected by interest rate fluctuations.

The Target may not be able to successfully implement its future plans

The Target's future plans involve numerous risks, including but not limited to, the incurrence of working capital requirements. Further, these plans may also require substantial capital expenditure and financial resources. There is no assurance that these plans will achieve revenue that will be commensurate with the Target's investment costs, or that it will be successful in securing more projects. If the Target fails to achieve a sufficient level of revenue or if it fails to manage its costs efficiently, it will not be able to recover its investment. If such events occur, the Target's business may be materially and adversely affected.

There is no assurance on the sustainability of the growth of the Target

There are numerous factors such as intense market competition and general economic conditions, which are beyond the Target's control, which may affect the growth of the Target. There is no assurance that the Target will continue to be able to achieve or maintain similar levels of growth in its revenue and profits in the future.

The Target may be involved in legal and other proceedings arising from its operations from time to time

The Target may be involved from time to time in disputes with various parties involved in the construction projects that it undertakes. These parties include developers, sub-contractors and suppliers. These disputes may lead to legal and other proceedings. In relation to the Target's construction business, the Target may also have disagreements with regulatory bodies and these may subject it to administrative proceedings. In the event that unfavourable decrees are determined by the courts or the regulatory bodies, the Target may suffer not only financial losses but also a delay in the construction or completion of the Target's projects. In addition, as the main contractor of residential developments such as condominium projects and commercial projects, the Target is exposed to the risk of legal suits, by either the management corporation or the Target's clients who in turn are being sued by the management corporation in respect of defective works in common areas and common property. In such an event, the Target may be liable for damages and incur legal costs, which may materially and adversely affect its business.

The Target is subject to revenue and profit volatility

The Target is vulnerable to revenue volatility which is characteristic of construction companies. The amount of revenue to be recognised in a financial year period is dependent on the number, value and stage of completion of projects undertaken by the Target, which in turn depends on various factors, such as the availability of the Target's resources, market sentiment, market competition and general economic conditions.

Revenues are generated by way of contracts secured through the competitive process of tenders and there is no guarantee that the Target will be able to secure a tender every time it submits a bid. Therefore, there may be fluctuations in the number and value of projects it undertakes and there is no assurance that it will be able to continuously secure new projects of similar value and volume as the projects undertaken are non-recurring. In the event that the Target is not able to continually and consistently secure new projects, its business may be materially and adversely affected.

Thus, there is no assurance that the amount of revenue from the projects the Target undertakes will remain comparable every year. Should there be any reasons that cause the Target to undertake fewer or no new construction projects or should there be any delay in the progress of any of the projects, its revenue recognised in a particular year will be adversely affected.

The Target is dependent on key management personnel and other skilled personnel

The Target is dependent on the continued services of its management team, as well as other skilled personnel such as its project managers and engineers. Having a team of experienced management staff and skilled personnel is critical in fulfilling the Target's contractual obligations and maintaining its relationships with its clients. The Target's continued success depends to a significant extent on its strong management team and skilled personnel. The loss of any of these personnel without timely and suitable replacement, and the inability to attract and retain qualified and experienced personnel may have a material and adverse impact on the Target's business.

The Target is exposed to the credit risks of its clients

The Target's financial performance and position are dependent, to a certain extent, on the creditworthiness of its clients. If there are any unforeseen circumstances affecting the ability or willingness of the Target's clients to pay the Target, the Target may experience payment delays or non-payment. In any of such events, the Target's business may be materially and adversely affected.

The Target's insurance coverage may not be adequate

The Target maintains insurance policies covering both its assets and employees. Risks insured include fire and public liability. There are, however, certain types of losses such as from wars, acts of terrorism or acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur or insurers fail to fulfil their obligation for the sum insured, the Target may be required to pay compensation, cover the shortfall for such amounts claimed and/or may lose capital invested in the affected property or equipment, as well as anticipated future returns from such property or equipment. Any such loss could materially and adversely affect the Target's business.

The Target is subject to risks associated with joint ventures

The Target has presently and may in the future have interests in joint ventures in connection with its business plans. Political uncertainties or new governmental regulations such as restrictions on ownership could result in a decline in the Target's investments in these joint ventures or a loss in the Target's ability to influence the management, directors and decisions made by these entities. Additionally, disagreements may occur between the Target and its joint venture partners regarding the business and operations of these entities which may not be resolved amicably, or in a manner that will be in the Target's best interests. The Target's joint venture partners may also have economic or business interests or goals that are inconsistent with those of the Target, take actions contrary to the Target's instructions, requests, policies or objectives, be unable or unwilling to fulfil their obligations, have financial difficulties or have disputes with the Target as to the scope of their responsibilities and obligations. The occurrence of these events may materially and adversely affect the performance of the joint ventures and in turn could have a material and adverse impact on the Target's business.

Additionally, the Target's joint venture partners: (a) may not be able to fulfill their respective contractual obligations with the Target (for example they may default in making payments during future capital calls or capital raising exercises); or (b) may experience a decline in their creditworthiness. Although joint venture agreements generally contain terms that govern the treatment of such events to the detriment of the defaulting party and the Target would generally seek to enforce its rights as enumerated within these legal agreements, the occurrence of any of these events may materially and adversely affect the performance of the Target's joint ventures, which may in turn materially and adversely affect the Target's business.

The Target may face risks arising from its indebtedness

While the Target has unutilised facilities and funds available for use, there can be no assurance that the Target will be able to refinance its borrowings as it becomes due on commercially reasonable terms, or at all. The Target may be required to meet its funding needs by procuring financing on terms which restrict it in certain ways, including by limiting its ability to pay dividends or requiring it to procure consents before it can pay dividends to holders of shares. Additionally, the Target's level of indebtedness means that a material portion of its expected cash flow may be required to be dedicated to the payment of interest on its indebtedness, thereby reducing the funds available to the Target for use in its general business operations. The Target's level of indebtedness may also restrict its ability to obtain additional financing for capital expenditure, acquisitions or general corporate purposes and may cause it to be particularly vulnerable in the event of a general economic downturn.

The Target's bank facilities contain restrictive covenants that, if not satisfied or waived, could impact the Target's ability to borrow money under these facilities and could result in acceleration of the Target's debt obligations under these facilities that may be outstanding from time to time

The Target's failure to comply with restrictive covenants in its credit facilities could result in an event of default which, if not satisfied or waived, could preclude the Target from drawing down on such credit facilities or which may result in the Target being required to repay any borrowings it may have under such credit facilities. If the Target is unable to utilise these credit facilities to finance its operations or if it is unable to refinance its borrowings under its credit facilities that may fall due, its business may be materially and adversely affected.

The Target may be subject to foreign exchange risks

The Target may be subject to foreign exchange risks as a result of transactions denominated in currencies other than its functional currency in S$. The Target may also hold assets and liabilities denominated in foreign currencies. Our exposure to foreign exchange risks may also increase in the event that the Enlarged Group undertakes offshore projects in the future.

To the extent that the Target's revenue or receipts and costs or payments are not perfectly matched in the same currency and that there are time gaps between revenue recognition and actual receipts and between cost recognition and actual payments, the Target will be exposed to foreign exchange fluctuations.

As the Target's financial statements are recorded in the functional and reporting currency in S$, any foreign exchange fluctuations against the S$ arising from transactions carried out in foreign currencies as well as translations of foreign currency assets and liabilities as at the end of the reporting period will result in exchange gains or losses in the Target's statements of comprehensive income and statements of financial position.

The financial performance, financial condition and future growth of the Target's operations may be susceptible to changes in the political, economic and social conditions in Singapore

The Target's operations are currently in Singapore. The Target's operations and business may be materially and adversely affected by changes in the legal, political, economic and social conditions in Singapore, including but not limited to:

- political unrest and economic instability;
- acts of terrorism;
- changes in laws and regulations;
- changes in the rate and method of taxation;
- difficulties in managing supply chain channels; and
- employment and labour issues.

Tax positions which the Target has taken may be challenged and the Target is subject to the risk of changing income tax rates and laws

From time to time, the Target may be subject to various types of tax audits (including routine and special audits) in connection with tax positions which have been taken and which may be challenged and overturned. If this were to occur, the Target's tax rates could significantly increase and the Target may be required to pay significant back taxes, interests and/or penalties. The outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Target's tax audits are resolved in a manner which is not consistent with the Target's expectations, the Target could be required to adjust its provision for income tax in the period such resolution occurs. Any significant proposed adjustments could have a material and adverse effect on the Target's business.

In addition, a change in the Target's business, tax laws or regulations, or their interpretation thereof in Singapore, could result (including with retrospective effect) in a higher tax rate or have a material impact on the Target's tax exposure. While the Target may seek tax advice or opinions from external advisers from time to time in relation to its operations, there is no assurance that a tax position adopted by the Target (with or without such tax advice or opinion) will not be successfully challenged by the tax authorities.

The Target may be affected by outbreaks of severe communicable diseases, epidemics, acts of God, war and terrorist attacks

The outbreak of communicable diseases in Singapore, if uncontrolled, could have an adverse effect on the overall business sentiments and environment in Singapore, which may materially and adversely affect the Target's business. In addition, in the event of an outbreak of epidemic in Singapore, if any of the Target's employees are infected with such diseases, the Target's business may be materially and adversely affected.

Natural disasters and other acts of God which are beyond the Target's control may adversely affect the economy, infrastructure and livelihood of the people of Singapore in which the Target operates. The Target's business may be materially and adversely affected if such natural disasters occur. War and terrorist attacks may cause damage or disruption to the Target and its employees, facilities and clients, any of which may materially and adversely affect the Target's business. Furthermore, war or hostility between countries may result in a drop in the value of global stock markets and have a negative impact on the global economy. The above may have a material and adverse impact on the Target's business.

The Target is exposed to disruption in the global credit markets

The global economic downturn in late 2008 resulted in negative developments in the global financial markets including the failure of a number of financial institutions in the United States of America, the downgrading by major international credit rating agencies of credit ratings of some of the European Union member countries and financial institutions and the difficult conditions in the global credit and capital markets. These factors, combined with declining business and market sentiments and reduced capital investments, resulted in a global economic slowdown. These challenging market conditions gave rise to reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and lack of market confidence.

It is difficult to predict how long these developments will last or whether new developments involving other countries and financial institutions, which are adverse, may occur. Further, there can be no assurance that measures implemented by governments around the world to stabilise the credit and capital markets will improve market confidence and the overall credit environment and economy. A global economic downturn can adversely affect the Target's ability to obtain short-term and long-term financing. It could also result in an increase in the cost of credit facilities and reduction in the amount of credit facilities currently available to the Target, its customers, suppliers, and sub-contractors. The inability of the Target, its customers, suppliers and sub-contractors to access capital efficiently on time, or at all, as a result of possible financial and/or economic difficulties may have an adverse effect on the Target's ability to complete existing projects and/or secure new projects.

In the event that the global economic conditions do not improve or any recovery is halted or reversed, the business, results of operations and prospects of the Target may be adversely affected.

2.3. Financial Effects of the Proposed Acquisition

The pro forma financial effects of the Proposed Acquisition have been prepared based on the audited consolidated financial statements of the Group and the audited financial statements of the Target for FY2015 under the following assumptions:

(a) that the Proposed Acquisition had been completed on 1 January 2015 for the purposes of illustrating the financial effects on earnings;

(b) that the Proposed Acquisition had been completed on 31 December 2015 for the purposes of illustrating the financial effects on share capital, NTA and gearing;

(c) that any inter-company transactions and/or balances between the Group and the Target has been disregarded hereto; and

(d) the expenses in connection with the Proposed Acquisition have been disregarded hereto.

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

2.3.1. Share Capital

	Before the Proposed Acquisition	After the Proposed Acquisition
Issued and paid-up share capital (S$'000)	16,476	35,487
Number of Shares ('000)	378,409	747,554

2.3.2. NTA

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to owners of the Company (S$'000)	8,097	27,193
Number of Shares ('000)	378,409	747,554
NTA per Share (cents)	2.14	3.64

2.3.3. EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to owners of the Company (S$'000)	2,086	2,694
Weighted average number of Shares ('000)[(1)]	378,409	747,554
EPS (cents)	0.55	0.36

Note:

(1) The weighted average number of Shares for FY2015 is equivalent to the number of Shares at the beginning of FY2015.

2.3.4. Gearing

	Before the Proposed Acquisition	After the Proposed Acquisition
Total borrowings (S$'000)[(1)]	1,800	3,450
Cash and cash equivalents (S$'000)	16,047	32,271
Equity attributable to owners of the Company (S$'000)	14,954	34,050
Net gearing ratio (times)[(2)]	(0.95)	(0.85)

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 the Company.

2.4. The Proposed Acquisition as a Major Transaction

Based on the audited financial statements of the Target and the Group for FY2015, the relative figures of the Proposed Acquisition 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 Group's net asset value	N.A.[(1)]
(b)	The net profit of approximately S$439,000 attributable to the Target, compared with the Group's net profit of approximately S$4,438,000 for FY2015[(2)]	9.9
(c)	The Consideration of S$19,011,000 compared with the Company's market capitalisation of approximately S$20,055,655 as at 5 January 2016, being the last market day the Shares were traded on Catalist immediately preceding the date of the Sale and Purchase Agreement[(3)]	94.8
(d)	The number of Consideration Shares issued by the Company, compared with the number of 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 Group's proved and probable reserves	N.A.[(4)]

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 Shares, and the volume-weighted average traded price of such Shares of S$0.053 on 5 January 2016, being the last market day immediately preceding the date of the Sale and Purchase Agreement. (Source: Bloomberg).

(4) This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company. the Company is not a mineral, oil and gas company.

The Proposed Acquisition 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, the Proposed Acquisition shall, pursuant to Rule 1014 of the Catalist Rules, be conditional upon the approval of the Shareholders being obtained at the EGM.

2.5. Listing and Quotation Notice

Following the EGM, the Sponsor will, on behalf of the Company, be applying for a listing and quotation notice from the SGX-ST so as to obtain approval for the listing and quotation of the Consideration Shares on the SGX-ST and such listing and quotation of the Consideration Shares on the SGX-ST will be subject to the conditions as stated in the listing and quotation notice. The Company will be making the necessary announcements on the listing and quotation notice with regard to the Consideration Shares in due course.

2.6. The Proposed Acquisition as an Interested Person Transaction

2.6.1. Requirements of Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, where a listed company or any of its subsidiaries or associated companies which is an "entity at risk" (as defined below) proposes to enter into a transaction, an "interested person transaction" (as defined below) with the listed company's "interested persons" (as defined below), Shareholders' approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds set out in Chapter 9 of the Catalist Rules.

Pursuant to Rule 906 of the Catalist Rules, Shareholders' approval (in addition to an immediate announcement) is required where:

(a) the value of such transaction is equal to or exceeds 5.0% of the Group's latest audited NTA; or

(b) the value of such transaction, when aggregated with the value of other transactions entered into with the same interested person during the same financial year, equals to or exceeds 5.0% of the Group's latest audited NTA (such aggregation need not include any transaction that has been approved by Shareholders previously or is the subject of aggregation with another transaction that has been previously approved by Shareholders).

Interested person transactions below S$100,000 each are to be excluded.

2.6.2. Definitions under Chapter 9 of the Catalist Rules

For the purposes of Chapter 9 of the Catalist Rules:

(a) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Catalist Rules;

(b) "**Control**" means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;

(c) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary company of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has Control over the associated company;

(d) an "**interested person**" means:

(i) a director, chief executive officer or Controlling Shareholder of the listed company; or

(ii) an Associate of such director, chief executive officer or Controlling Shareholder;

(e) an "**interested person transaction**" means a transaction between an entity at risk and an interested person; and

(f) a "**transaction**" includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

2.6.3. Details of the interested persons

Pursuant to the Sale and Purchase Agreement, the Vendor is an "interested person" for the purpose of Chapter 9 of the Catalist Rules as it is an Associate of KBG which is a Controlling Shareholder of the Company. As at the Latest Practicable Date, KBG holds approximately 41.0% of the Shares.

Accordingly, the Proposed Acquisition would constitute an interested person transaction within the ambit of Chapter 9 of the Catalist Rules.

2.6.4. Materiality thresholds under Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, Shareholders' approval is required for an interested person transaction of a value equal to, or exceeding, 5.0% of the Group's latest audited NTA.

The value of the Proposed Acquisition (being the amount at risk to the Company) is the Consideration of S$19,011,000. The Group's latest audited NTA attributable to owners of the Group as at 31 December 2015 is S$8,097,000. As the value of the Proposed Acquisition is approximately 234.8% of the Group's latest audited NTA, the Proposed Acquisition is subject to the approval of the Independent Shareholders at the EGM and an independent financial adviser is required to be appointed to advise the Non-Interested Directors on whether the transaction is carried out on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. In this regard, Asian Corporate Advisors Pte. Ltd. has been appointed as the IFA.

Please refer to Section 6 of this Circular and Appendix A to this Circular for the advice provided by the IFA.

3. THE PROPOSED WHITEWASH RESOLUTION

3.1. Mandatory General Offer

As at the Latest Practicable Date, KBG holds an aggregate shareholding interest of approximately 41.0% of the Existing Share Capital, representing approximately 41.0% of the voting rights in the Company.

After Completion and assuming the allotment and issuance of 369,145,631 Consideration Shares to KBG, KBG will have a direct interest in 524,145,631 Shares, representing 70.1% of the Enlarged Share Capital. Accordingly, KBG will hold an aggregate shareholding interest of approximately 70.1% of the Enlarged Share Capital, representing 70.1% of the voting rights in the Company.

Under Rule 14 of the Code, any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights, such person is required, except with the consent of SIC, to make a mandatory general offer, for all remaining issued shares in the company concerned which he and/or his concert parties do not already own, control or have agreed to acquire.

As such, pursuant to Rule 14 of the Code, KBG will incur an obligation to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by it or its concert parties at the highest price paid or agreed to be paid by any of them for the Shares, in the six (6) months preceding the allotment and issue of the Consideration Shares, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

3.2. Whitewash Waiver

On 1 February 2016, the SIC waived the obligation of KBG to make a mandatory general offer for the Company in the event KBG and its concert parties increase their aggregate shareholdings in the Company by more than 1.0% of the total voting rights in the Company in any period of six (6) months based on the Enlarged Share Capital as a result of the issue of the Consideration Shares to KBG under the Proposed Acquisition, subject to, among other things, the following conditions (the "**Whitewash Waiver**"):

(a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Consideration Shares under the Proposed Acquisition, approve by way of a poll, the Proposed Whitewash Resolution;

(b) the Proposed Whitewash Resolution is separate from other resolutions;

(c) KBG, its concert parties and parties not independent of them abstain from voting on the Proposed Whitewash Resolution;

(d) KBG did not acquire or is not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):

(i) during the period between the date of the Announcement and the date on which Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

(ii) in the six (6) months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Acquisition;

(e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution;

(f) the Company sets out clearly in this Circular:

(i) details of the Proposed Acquisition;

(ii) the possible dilution effect to existing holders of voting rights as a result of KBG acquiring the Consideration Shares;

(iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by KBG and its concert parties as at the Latest Practicable Date;

(iv) the number and percentage of voting rights to be issued to KBG under the Proposed Acquisition;

(v) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from KBG at the highest price paid by KBG and its concert parties for the Shares in the past six (6) months preceding the commencement of the offer; and

(vi) specific and prominent reference to the fact that the issue of the Consideration Shares to KBG under the Proposed Acquisition would result in KBG and its concert parties holding Shares carrying over 49.0% of the voting rights of the Company and that KBG and its concert parties would then be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.

(g) this Circular states that the waiver granted by the SIC to KBG from the requirement to make a general offer under Rule 14 is subject to the conditions stated in sub-paragraphs (a) to (f) above;

(h) the Company obtains the SIC's approval in advance for those parts of this Circular that refer to the Whitewash Resolution; and

(i) to rely on the Whitewash Resolution, the acquisition by KBG of the Consideration Shares must be completed within three (3) months of the date of approval of the Whitewash Resolution.

As at the Latest Practicable Date, save for conditions set out under Sections 3.2(a), 3.2(d)(i) and 3.2(i), which are expected to be satisfied only at or after the EGM, all the other conditions imposed by the SIC set out above have been satisfied.

KBG did not acquire and will not acquire any Shares, instruments convertible into Shares or options in respect of Shares:

(a) during the period between the date of the Announcement and the date on which Independent Shareholders' approval is obtained for the Proposed Whitewash Resolution at the EGM; and

(b) in the six (6) months prior to the date of the Announcement.

3.3. Proposed Whitewash Resolution

The Independent Shareholders are requested to vote by way of poll on the Proposed Whitewash Resolution as set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a general offer from KBG for the remaining Shares that KBG and its concert parties do not already own, control or have agreed to acquire.

Shareholders should note that the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.

Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from KBG at the highest price paid by KBG and its concert parties for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares.

Independent Shareholders should note that the allotment and issuance of the Consideration Shares to KBG under the Proposed Acquisition would result in KBG and its concert parties holding Shares carrying over 49.0% of the voting rights of the Company based on the Enlarged Share Capital, and KBG and its concert parties would then be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.

3.4. Changes in Shareholding Interests

As a result of the Proposed Acquisition, the shareholding interests of the Independent Shareholders in the Company will change. In satisfaction of one of the conditions of the Whitewash Waiver granted by the SIC as set out in Section 3.2(f)(ii) above, such changes in shareholding interests are illustrated below:

	Before Completion [1]				On Completion			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
DIRECTORS								
Mr. Koh Keng Siang	-	-	-	-	-	-	-	-
Mr. Koh Choon Leng	-	-	-	-	-	-	-	-
Mr. Tan Hwa Peng	-	-	-	-	-	-	-	-
Mr. Tan Liang Seng	-	-	-	-	-	-	-	-
SUBSTANTIAL SHAREHOLDERS (other than Directors)								
Mr. Tan Tze Wen	52,942,557	14.0	-	-	52,942,557	7.1	-	-
Mr. Sunny Ong Keng Hua	24,800,000	6.6	-	-	24,800,000	3.3	-	-
KBG	155,000,000	41.0	-	-	524,145,631	70.1	-	-
OTHER SHAREHOLDERS	144,741,719	38.4	-	-	144,741,719	19.5	-	-
TOTAL	378,408,576	100	-	-	747,554,207	100	-	-

Notes:

(1) The percentage of shareholdings has been computed based on the Existing Share Capital.

4. THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

4.1. The Existing IPT Mandate

At the 2015 EGM, approval of the Shareholders was obtained for the renewal of the Existing IPT Mandate to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" pursuant to Chapter 9 of the Catalist Rules (together, the "**EAR Group**"), in their ordinary course of businesses, to enter into the following categories of transactions ("**Interested Person Transactions**") with the specified classes of interested persons set out below:

General Transactions

General transactions by the EAR Group relating to the provision to, and obtaining from, interested persons of the following products and services in the normal course of business of the EAR Group in providing EPC services for water and wastewater treatment and hydro-engineering projects:

(i) the engagement of contractors and suppliers for building and infrastructure works in respect of water and wastewater treatment and hydro-engineering projects;

(ii) the sale and purchase of materials, plants, machinery and equipment for water and wastewater treatment and hydro-engineering projects;

(iii) the engagement and provision of project development services, including but not limited to liaison with relevant authorities;

(iv) the engagement and provision of drainage system services, including but not limited to design, fabrication, delivering, installing and testing systems;

(v) the engagement and provision of project management services, including but not limited to application for relevant permits, licences and approvals, management of tender process, advice on appointment of consultants, liaison with consultants and contractors, supervision of work and the engagement and provision of financial and administrative support services related to such projects;

(vi) the sale and purchase of services for water and wastewater treatment and hydro-engineering projects, including but not limited to labour, design, supply, 3D modelling, delivery, diversion, installation, testing and commission of equipment;

(vii) the provision of guarantees in relation to obligations to be performed under the transactions described in sub-paragraphs (i) to (vi) above; and

(viii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (i) to (vii) above.

Management and Support Services

These transactions relate to obtaining professional, administrative and support services, including but not limited to finance and treasury, business development, information technology and management information systems, human resource and staff secondment, management and development, corporate communications (including investor relations), taxation, accounting, internal audit, central purchasing, corporate secretarial services and any other professional, administrative and support services that may arise from time to time (the "**Management and Support Services**").

Other Services

Such transactions include:

(i) the leasing of premises and obtaining of property maintenance services; and

(ii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraph (i) above,

Under the Existing IPT Mandate, all transactions and services set out above are to be made in accordance with certain specified review procedures that are designed to ensure that the transactions and services covered by the Existing IPT Mandate are entered into on normal commercial terms and will not be prejudicial to the Company and its minority Shareholders.

The Existing IPT Mandate applies to any Interested Person Transactions that are carried out between (a) any member of the EAR Group, with (b) KBG (being the Controlling Shareholder of the Company) and/or its Associates (the "**Mandated Interested Persons**").

4.2. Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, a listed company may seek a shareholders' general mandate for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, which may be carried out with the listed company's interested persons, but will not cover the transactions relating to the purchase or sale of assets, undertakings or businesses.

Due to the time-sensitive nature of commercial transactions, such a general mandate will enable a listed company, in its ordinary course of business, to enter into certain categories of transactions with interested persons, provided such interested person transactions are made on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

Please also refer to Section 2.6.1 of the Circular for more information on the Catalist Rules pertaining to interested person transactions.

4.3. The New IPT Mandate

The Existing IPT Mandate was to take effect until the conclusion of the next annual general meeting of the Company. As the terms of the Existing IPT Mandate only encompass transactions entered into and/or proposed to be entered into by the EAR Group with the Mandated Interested Persons, but do not cover transactions entered into by the Target with the Mandated Interested Persons post-Completion, the Directors propose to table, for the Shareholders' consideration and approval, a new general mandate for Interested Person Transactions with the Mandated Interested Persons (the "**New IPT Mandate**"), which will increase the scope and categories of recurrent Interested Person Transactions covered by the Existing IPT Mandate. If approved by Shareholders at the EGM, the New IPT Mandate will replace the Existing IPT Mandate.

Shareholders should note that the New IPT Mandate will cover both transactions entered by the EAR Group with the Mandated Interested Persons and transactions entered into by the Target with the Mandated Interested Persons upon Completion. All references under this Section 4.3 to the "Group" should thus be construed accordingly.

4.3.1. Categories of Interested Person Transactions

The categories of Interested Person Transactions which will be covered by the New IPT Mandate (the "**New Interested Person Transactions**") include:

General Transactions

General transactions by the Group relating to the provision to, and obtaining from, the Mandated Interested Persons of the following products and services in the normal course of business of the Group in providing services for (i) water and wastewater treatment; (ii) hydro-engineering projects and/or (iii) construction (including but not limited to building and infrastructure) activities:

(i) the engagement and/or provision of contractor services and supplier services in respect of (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) activities;

(ii) the rental, sale or purchase (as the case may be) of materials, plants, machinery and equipment (which is in the ordinary course of business, and save for those transactions which fall under the ambit of Chapter 10 of the Catalist Rules) for (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) activities;

(iii) the engagement and/or provision of logistics and transportation services;

(iv) the engagement and/or provision of drainage system services, including but not limited to design, fabrication, delivering, installing and testing systems;

(v) the engagement and/or provision of project development and/or management services, including but not limited to application for relevant permits, licences and approvals, management of tender process, advice on appointment of consultants, liaison with relevant authorities, liaison with consultants and contractors, supervision of work and the engagement and provision of financial and administrative support services related to such projects;

(vi) the engagement and/or provision of services for (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) projects, including, amongst others, labour, design, supply, 3D modelling, delivery, diversion, installation, testing and commission of equipment;

(vii) the provision and/or the obtaining of corporate guarantees and/or performance bonds in relation to obligations which are incidental to or in connection with transactions described in sub-paragraphs (i) to (vi) above and which are in the ordinary course of business; and

(viii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (i) to (vii) above.

Management and Support Services

These transactions relate to the provision and/or obtaining of management and support services in the area of professional, administrative and support services, including but not limited to, corporate events, potential and/or existing business development, business relations, investment/project risk review, information technology, and management information systems, intellectual property rights, human resource and staff secondment, insurance, corporate communications (including investor relations), taxation, accounting, internal audit, central purchasing, corporate secretarial services and any other professional, administrative and support services that may arise from time to time.

By having access to such services, the Group will benefit through savings in terms of reduced overheads and greater economies of scale (such as bulk discounts enjoyed by KBG on a group basis). In addition, the Group is able to obtain expertise in the areas of project/investment risk review, business relations and business development through the extensive global network of the Mandated Interested Persons and their top executives. The ability to tap on such expertise and experience is important for the Group's ability to respond in a timely manner to take advantage of opportunities as and when they arise.

Other Services

Such transactions include:

(i) the leasing of premises and obtaining of property maintenance services; and

(ii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraph (i) above.

For the avoidance of doubt, the New IPT Mandate does not extend to the purchase or sale of assets, undertakings or businesses between the Group and the Mandated Interested Persons. The New IPT Mandate will also not cover any Interested Person Transaction that is below S$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Catalist Rules would not apply to such transactions.

Transactions by the Group with the Mandated Interested Persons that do not fall within the ambit of the New IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

4.3.2. Classes of Interested Persons

The New IPT Mandate will apply to any Interested Person Transactions that are carried out between (a) the Group, with (b) any of the Mandated Interested Persons.

4.3.3. Rationale for the New IPT Mandate

The Target has in the ordinary course of its business, entered into transactions with the Mandated Interested Persons. Post-Completion, the Company envisages that the Target will continue to enter into transactions with the Mandated Interested Persons from time to time as KBG (being the Controlling Shareholder of the Company) intends for the Target to remain as the main operating construction company of the KBG Group. Please refer to Section 2.1.1(B) of this Circular for further details of the Target's business.

In view of the time-sensitive nature of commercial transactions in general, the Directors are of the view that post-Completion, it would be advantageous for the Company to obtain the New IPT Mandate to enter into the New Interested Person Transactions, provided that all the New Interested Person Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders. The New IPT Mandate (if approved and renewed on an annual basis) will eliminate, among others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when New Interested Person Transactions arise. This will reduce substantially the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the Company's corporate objectives and adversely affecting the Group's business opportunities.

The Board is of the view that the New Interested Person Transactions are and will be carried out on an arm's length basis as the terms of the New Interested Person Transactions are and will be comparable to those that the Group enters and will be entering into with other unrelated parties.

The Board having considered, *inter alia*, the terms, rationale for the New IPT Mandate, is of the view that it will be beneficial to the Group to transact with the Mandated Interested Persons. Disclosure will be made where required under the prevailing Catalist Rules, in the Company's annual report and financial results on the aggregate value of New Interested Person Transactions conducted pursuant to the New IPT Mandate during the relevant financial period, and in the annual reports for the subsequent financial years during which the New IPT Mandate is in force or announced where required pursuant to the prevailing Catalist Rules.

4.3.4. Guidelines and Review Procedures for the New Interested Person Transactions

(A) Review Procedures

The Directors have confirmed that the Group has in place, *inter-alia*, internal control systems, review and approval procedures to ensure that transactions with the "interested persons" (including the Mandated Interested Persons) are made on normal commercial terms and/or on an arm's length basis, consistent with the Group's usual business practices and policies and not prejudicial to the interests of the Company and the minority shareholders of the Company. The Audit and Risk Committee of the Company (which currently comprises Mr Koh Choon Leng (chairman), Mr Koh Keng Siang, and Mr Tan Hwa Peng) will also review and approve the New Interested Person Transactions where applicable, and to ensure that all future New Interested Person Transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Group or the minority Shareholders.

The following review procedures will be implemented after having regard to the nature of New Interested Person Transactions and the criteria for establishing review procedures, which is to ensure that such review procedures are adequate and/or commercially practicable in ensuring that the New Interested Person Transactions are conducted on normal commercial terms, are in the interest of the Company and are not prejudicial to the interests of the Company and minority Shareholders:

(a) all New Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and policies, consistent or comparable with the usual margins or historical margins or costs (where applicable), rates (including commission) or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Mandated Interested Person compared to those extended to or received from unrelated third parties after taking into account the speed of and cost for timely response and mobilisation, credit terms, quality, requirements, specifications, scope, size, complexity and resources required for implementation of the projects for which Mandated Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions and array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks;

(b) when purchasing any products or obtaining any services (including the leasing of premises) from a Mandated Interested Person, in order to ensure that the interests of the Group or the minority Shareholders are not disadvantaged, comparison will be made with at least two quotations from unrelated/independent third party(ies) as a basis for comparison, from independently verifiable and reliable sources as approved by the Audit and Risk Committee from time to time ("**Approved Independent Sources**"), with advice from relevant employees of the Company with management responsibilities comprising personnel from the finance department and other relevant departments.

The list of Approved Independent Sources will be maintained by the relevant departments and reviewed by the Audit and Risk Committee periodically. Specifically, for the provision of corporate guarantee(s) by the Mandated Interested Person, a comparison shall be made with the fees, premium or charges paid or payable by the Target or the Group to the bank or other financial institution for the provision of relevant or equivalent performance bond or guarantee with similar or comparable terms including, *inter alia,* duration and guaranteed amount. The purchase price or fee or rates for the products or services, after taking into account factors mentioned in paragraph (a) above, shall not be higher than the most favourable price or fee of the two other quotations (wherever possible or available) from the Approved Independent Sources. Credit terms of the purchases will be comparable to those offered by unrelated third parties. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, requirements, specifications, delivery time of goods or services, industry norms, specifications, scope, size, complexity and resources required for implementation of the projects for which Mandated Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks will be taken into consideration;

(c) when selling any products or supplying any services (including the leasing of premises) to a Mandated Interested Person, the price or fee or profit margins and terms of two other successful transactions of a similar nature (or comparable nature) with non-Mandated Interested Persons will be used as comparison to ensure that the interests of the Group or the minority Shareholders are not disadvantaged. The price or fee or margin for the supply of products or services shall not be lower than the lowest price or fee of the two other successful transactions with non-Mandated Interested Persons, taking into account all pertinent factors, including but not limited to speed of and cost for timely response and mobilisation, quantity, credit records of the customer, terms of sale or supply, strategic purpose of the transaction, specifications, scope, size, complexity and resources required for implementation of the projects for Mandated Interested Persons, preferential or relatively advantageous access to assets and buyers, asset type, restrictions, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks and other qualitative considerations; and

(d) in circumstances where it is impractical or impossible to obtain comparable prices of contemporaneous transactions of similar goods or services due to the nature of the goods or services to be purchased or provided, any two of Directors of the Company with no interest, direct or indirect, in the proposed New Interested Person Transaction will, subject to the approval thresholds as set out in Section 4.3.4(B) below, take such necessary steps which would include but is not limited to (1) relying on corroborative inputs from reasonably experienced market practitioners in order to determine that the terms provided by the Mandated Interested Persons are fair and reasonable; and (2) evaluate and weigh the benefits of, and rationale for transacting with the Mandated Interested Persons, taking into account factors such as, but not limited to, the nature of the services, track record, delivery schedules, requirements and specifications of the Group or the customer, duration of contract, quality, reliability, previous working experience taking into account mobilisation cost and timely response, specifications, scope, size, complexity and resources required for implementation of the projects for which Mandated Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions and structure for investments, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks, project restrictions and structure or the results of and returns from the underlying projects.

(B) Approval and Review Threshold

The following approval procedures will be implemented to supplement existing internal control procedures for the New Interested Person Transactions to ensure that such transactions are undertaken on an arm's length basis and on normal commercial terms. For the avoidance of doubt, where the approving party as stipulated herein is interested in the transaction to be approved, he/she will inform the Audit and Risk Committee and such disclosures should be documented. In the event any equivalent person with the relevant experience and responsibility, as stated below for the various thresholds cannot be determined, the approving authority shall be decided the Audit and Risk Committee.

Individual and aggregate transactions review and approval thresholds shall be as follows:

(a) Where the individual or aggregate value of the New Interested Person Transactions is equal to or more than S$100,000 but less than 20% of the Group's latest audited NTA, all subsequent New Interested Person Transactions shall require the prior approval of either the Financial Controller (or equivalent person) or Chief Executive Officer for the Group. New Interested Person Transactions that have been approved by the Audit and Risk Committee need not be aggregated for the purpose of such approval.

(b) Where the individual or aggregate value of the New Interested Person Transactions is equal to or more than 20% but less than 50% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall require the prior approval of both the Financial Controller (or equivalent person) or the Chief Executive Officer and at least one (1) Director, who is not interested in the transaction and a member of the Audit and Risk Committee. New Interested Person Transactions that have been approved by the Audit and Risk Committee need not to be aggregated for the purpose of such approval.

(c) Where the individual or aggregate New Interested Person Transactions is equal to or more than 50% of the Group's latest audited NTA, all subsequent New Interested Person Transactions will be subject to the prior approval of the Audit and Risk Committee and recommendation of the Financial

Controller (or equivalent person) or the Chief Executive Officer. If a member of the Audit and Risk Committee is interested in any New Interested Person Transactions, he shall abstain from participating in the review of that particular transaction. New Interested Person Transactions that have been approved by the Audit and Risk Committee need not be aggregated for the purpose of such approval. For avoidance of doubt, the Audit and Risk Committee shall be responsible for such approvals.

(d) All approvals must strictly follow the review procedures as stipulated in Sections 4.3.4(A) and 4.3.4(B) and must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit.

In addition, the Financial Controller (or equivalent person), who is a key executive of the Company as disclosed in the Company's annual report, will review (and document such reviews) all New Interested Person Transactions (including New Interested Person Transactions that are less than S$100,000 in value) and its register on a quarterly basis or such other periods as approved by the Audit and Risk Committee.

The threshold limits set out above are adopted by the Company taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at after considering the operational efficiency for the day-to-day business operations of the Group and the internal control for New Interested Person Transactions. The threshold limits act as an additional safeguard to supplement the review procedures which will be implemented by the Company for New Interested Person Transactions.

(C) Additional Controls

The additional controls will apply to the New Interested Person Transactions as stated below.

(a) The finance department of the Group will maintain a register of transactions carried out with Mandated Interested Persons pursuant to the New IPT Mandate (recording and documenting the identity of the interested persons, basis, including the quotations and supporting evidence or records or details obtained to support such basis, on which they were entered into as well as the approving authority). For avoidance of doubt, the quotations and supporting evidence or records or supporting details obtained may be kept or maintained by other relevant departments. The New Interested Person Transactions register shall be prepared, maintained, monitored and reviewed on a monthly basis, by the Financial Controller (or equivalent person) of the Company who is not a Mandated Interested Person. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the New IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit and Risk Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit and Risk Committee immediately.

(b) The Financial Controller (or equivalent person) / Company Secretary will obtain signed letters of confirmation from persons delegated with the approving authority as set out in the IFA Letter, Controlling Shareholders and the Directors on a periodic basis (annual basis or such other period as may be determined by the Audit and Risk Committee) with respect to their interest in any transactions with the Group.

(c) The Financial Controller (or equivalent person) / Company Secretary will maintain a list of the Directors and Controlling Shareholders of the Company (which is to be updated immediately if there are any changes) to enable identification of Mandated Interested Persons. The master list of Mandated Interested Persons which is maintained shall be reviewed by the Audit and Risk Committee at least on a semi-annual basis.

(d) The Group's annual or periodic (such periods as may be decided by the Audit and Risk Committee) internal audit plan may incorporate a review of all New Interested Person Transactions (where applicable), including the established review procedures for monitoring of such New Interested Person Transactions, entered into during the current financial year pursuant to the New IPT Mandate and consistent with the Code of Corporate Governance 2012. The approval thresholds as stipulated herein may be delegated with the approval of the Audit and Risk Committee which will be duly documented together with the bases for such approval.

(e) The Audit and Risk Committee shall periodically review all New Interested Person Transactions, at least on a semi-annual basis, to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the New IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit and Risk Committee. The Audit and Risk Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review.

(f) In the event that a member of the Audit and Risk Committee is interested in any New Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.

(g) Subject to Section 4.3.4(C)(d) above, the Group's internal auditor shall, on at least a semi-annual basis or such other periods as required by the Audit and Risk Committee, subject to adjustment in frequency, depending on factors such as, *inter alia*, substantial increment of aggregate transactional value, report to the Audit and Risk Committee on all New Interested Person Transactions, and the basis of such transactions, entered into with Mandated Interested Persons during the preceding period. The Audit and Risk Committee shall review such interested person transactions at its periodic meetings (not less than twice or such other frequency a year as decided by the Audit and Risk Committee) except where New Interested Person Transactions are required under the review procedures to be approved by the Audit and Risk Committee prior to the entry thereof.

(h) The Audit and Risk Committee will conduct periodic reviews (of not less than half-yearly or such other period as may be determined by the Audit and Risk Committee) of the review procedures for the New Interested Person Transactions. If, during these periodic reviews, the Audit and Risk Committee is of the view that these review procedures are no longer sufficient or appropriate to ensure that the New Interested Person Transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new review procedures for New Interested Person Transactions. All New Interested Person Transactions will be reviewed and approved by the Audit and Risk Committee prior to entry while a fresh mandate is being sought from the Shareholders.

(i) The Audit and Risk Committee will review the letters of confirmation from key management personnel, controlling shareholders and the Directors of the Company and all New Interested Person Transactions on a periodic basis (annual basis or such other period as may be determined by the Audit and Risk Committee) and the minutes of such review and its outcome shall be taken.

(j) For purposes of the above review and approval process, any Director who is not considered independent for purposes of the New IPT Mandate and/or any New Interested Person Transactions will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit and Risk Committee's decision during its review of the established review procedures for the New Interested Person Transactions or during its review or approval of any New Interested Person Transactions.

(D) Further Compliance

The Directors will ensure that all disclosures, approvals and other requirements in respect of the New Interested Person Transactions, including those required by prevailing legislation, the Catalist Rules and relevant accounting standards, are complied with.

4.3.5. Validity Period of the New IPT Mandate

If approved by Shareholders at the EGM, the New IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, and will apply to all New Interested Person Transactions entered into from the date of receipt of Shareholders' approval. Approval from Shareholders will be sought for the renewal of the New IPT Mandate at each subsequent annual general meeting, subject to review by the Audit and Risk Committee of its continued application to the New Interested Person Transactions.

4.3.6. Disclosures

The Company will announce the aggregate value of transactions conducted with the Mandated Interested Persons pursuant to the New IPT Mandate for each financial period on which the Company is required to report on pursuant to Appendix 7C of the Catalist Rules and within the time required for the announcement of such report in accordance with Rule 920(1)(a)(ii) of the Catalist Rules.

Disclosure will also be made in the annual report of the Company of the aggregate value of the New Interested Person Transactions pursuant to the New IPT Mandate during the relevant financial period and in the annual reports for the subsequent financial years during which the New IPT Mandate is in force, in the following format as stipulated under Rule 907 of the Catalist Rules:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

5.1. Interests of the Directors and Substantial Shareholders in the Shares

The interests of the Directors and Substantial Shareholders' in the Shares as at the Latest Practicable Date, based on the Company's register of interest of Directors and register of Substantial Shareholders respectively, are as follows:

	Direct Interest		**Deemed Interest**	
	Number of Shares	**%**	**Number of Shares**	**%**
Directors				
Mr. Koh Keng Siang	-	-	-	-
Mr. Koh Choon Leng	-	-	-	-
Mr. Tan Hwa Peng	-	-	-	-
Mr. Tan Liang Seng	-	-	-	-
Substantial Shareholders (other than Directors)				
KBG	155,000,000	41.0	-	-
Mr. Tan Tze Wen	52,942,557	14.0	-	-
Mr. Sunny Ong Keng Hua	24,800,000	6.6	-	-

5.2. Interests of the Directors and Substantial Shareholders in the Proposed Transactions

Mr. Koh Keng Siang is interested in the Proposed Transactions by virtue of him being the Non-Executive Chairman of the Company and also the Managing Director and Group Chief Executive Officer and Substantial Shareholder of KBG.

Mr. Tan Liang Seng is interested in the Proposed Transactions by virtue of him being a Non-Executive Director of the Company and also an Executive Director of the Target.

Save for KBG, Mr. Koh Keng Siang and Mr. Tan Liang Seng, none of the other Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed

Transactions other than through their respective shareholding interests in the Company.

6. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Chapter 9 of the Catalist Rules, Asian Corporate Advisors Pte. Ltd. has been appointed as the IFA to advise the Non-Interested Directors in respect of the Proposed Transactions.

Having regard to the considerations set out in the IFA Letter and the information available as at the Latest Practicable Date, the IFA is of the opinion that:

a) the Proposed Acquisition as an interested party transaction is on normal commercial terms and is not prejudicial to the interest of the Company and its minority Shareholders;

b) the terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are on balance fair, reasonable and not prejudicial to the interest of the Company and the Independent Shareholders; and

c) the adoption of the New IPT Mandate and the procedures set out in this Circular is in the interests of the Company and the review procedures (including the additional controls) set out in this Circular, if fully adhered to, are sufficient to ensure that the New Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The IFA has advised the Non-Interested Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Acquisition, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate.

A copy of the IFA Letter in respect of the Proposed Acquisition (as an interested person transaction), the Proposed Whitewash Resolution and the New IPT Mandate is set out in Appendix A of this Circular. Shareholders are advised to read the IFA Letter in its entirety carefully and consider it in the context of this Circular before deciding on whether to approve the Proposed Transactions.

7. OPINION OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises Mr. Koh Choon Leng, Mr. Koh Keng Siang and Mr. Tan Hwa Peng. The Chairman of the Audit and Risk Committee is Mr. Koh Choon Leng. Save for Mr. Koh Keng Siang, the members of the Audit and Risk Committee do not have any interests in the Proposed Transactions and are deemed to be independent for the purposes of the Proposed Transactions. Mr. Koh Keng Siang has abstained from undertaking any review, participating in any deliberation and giving any opinion in the Audit and Risk Committee's review in relation to the Proposed Transactions.

The Audit and Risk Committee, having reviewed, among other things, the terms, rationale for the Proposed Acquisition, the details of the Proposed Whitewash Resolution and the New IPT Mandate and after considering the advice of the IFA as set out at Appendix A to this Circular, concurs with the IFA and is of the opinion that the Proposed Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

8. RECOMMENDATION BY THE NON-INTERESTED DIRECTORS

Independent Shareholders should read and consider carefully the recommendation of the Non-Interested Directors and the advice of the IFA in its entirety before giving their approvals pertaining to the Proposed Transactions. Independent Shareholders are also urged to read carefully the terms and conditions of the Proposed Transactions, the rationale for the Proposed Acquisition, the details of the Proposed Whitewash Resolution and the New IPT Mandate and the financial effects of the Proposed Acquisition, as respectively set out in this Circular.

Mr. Koh Keng Siang, being an interested person under Chapter 9 of the Catalist Rules, and Mr Tan Liang Seng, being interested the Proposed Transactions by virtue of his directorship in the Company and the Target, will abstain from making any recommendation to the Independent Shareholders on the Proposed Transactions in their capacity as Directors.

The Non-Interested Directors, having considered and reviewed, among other things, the terms and conditions of the Proposed Acquisition, the details of the Proposed Whitewash Resolution and the New IPT Mandate, the opinion of the IFA given in the IFA Letter in respect of the Proposed Transactions, the rationale for the Proposed Transactions, financial effects of the Proposed Acquisition, and all the other relevant information set out in this Circular, concur with the advice of the IFA given in the IFA Letter. Accordingly, they unanimously recommend that the Independent Shareholders vote in favour of the Resolutions relating to the Proposed Transactions as set out in the Notice of EGM.

Please refer to Section 6 of this Circular and the IFA Letter reproduced at Appendix A to this Circular for the advice from the IFA.

The Non-Interested Directors further recommend that any Independent Shareholder who may require specific advice to consult his or her stockbroker, bank manager, solicitor, accountant or other professional adviser(s).

9. ABSTENTION FROM VOTING

Pursuant to Rule 919 of the Catalist Rules, an interested person and any Associate of the interested person shall abstain from voting on the resolutions approving the interested person transactions involving themselves and their Associates. Such interested persons and their Associates shall not act as proxies nor accept appointments as proxies in relation to such resolutions unless specific voting instructions had been given by the Shareholders.

Accordingly, KBG, Mr. Koh Keng Siang, and Mr. Tan Liang Seng, will abstain, and have undertaken to ensure that their respective Associates will abstain, from voting on Resolutions 1, 2, and 4 set out in the Notice of EGM, nor accept any nominations to act as proxy for any Shareholder in approving the Proposed Acquisition and the New IPT Mandate at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy instrument.

In addition, KBG and its concert parties will abstain, and has undertaken to ensure that its respective Associates will abstain, from voting on Resolution 3 set out in the Notice of EGM, nor accept any nominations to act as proxy for any Shareholder in approving the Proposed Whitewash Resolution at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy instrument.

10. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 27 April 2016 at 11 a.m. (or immediately following the conclusion of the annual general meeting of the Company to be held on the same day) at Oxford Hotel, 218 Queen Street, Singapore 188549 for the purpose of considering and, if thought fit, passing with or without any modifications, the Resolutions set out in the Notice of EGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, may complete, sign and return the proxy form attached to the Notice of EGM (the "**Proxy Form**") in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attention: The Company Secretary) not less than 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

Depositors who wish to attend and vote at the EGM, and whose names are shown in the Depository Register of CDP as at a time not less than 72 hours before the time appointed for the EGM supplied by CDP to the Company, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any Proxy Form.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Proposed Transactions and the Group are fair and accurate in all material aspects.

13. CONSENT FROM THE INDEPENDENT FINANCIAL ADVISER AND VALUER

Asian Corporate Advisors Pte. Ltd., the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter set out at Appendix A to this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

Asian Appraisal Company Pte Ltd, the valuer appointed to assess the fair market value of the assets (only) of the Target, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the valuation report set out in Appendix B of this Circular and references to its name in the form and context in which it appears in this Circular.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 during normal business hours for a period of three (3) months from the date of this Circular:

(a) the Constitution of the Company;

(b) the Sale and Purchase Agreement;

(c) the IFA Letter;

(d) the valuation report by Asian Appraisal Company Pte Ltd;

(e) the audited financial statements of the Target for FY2015; and

(f) the annual report of the Company for FY2015.

Yours faithfully

For and on behalf of the Board of Directors of
KOH BROTHERS ECO ENGINEERING LIMITED

Koh Keng Siang
Chairman

LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF KOH BROTHERS ECO ENGINEERING LIMITED

ASIAN CORPORATE ADVISORS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Unique Entity Number: 200310232R)

112 Robinson Road #03-02
Singapore 068902

The Non-Interested Directors
Koh Brothers Eco Engineering Limited
11 Lorong Pendek
Koh Brothers Building
Singapore 348639

12 April 2016

(1) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KOH BROTHERS BUILDING & CIVIL ENGINEERING CONTRACTOR (PTE.) LTD. (THE "TARGET") WHICH CONSTITUTES A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES ("PROPOSED ACQUISITION");

(2) THE PROPOSED WHITEWASH RESOLUTION BY THE INDEPENDENT SHAREHOLDERS FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM KOH BROTHERS GROUP LIMITED AND ITS CONCERT PARTIES ("PROPOSED WHITEWASH RESOLUTION"); AND

(3) THE PROPOSED ADOPTION OF THE NEW INTERESTED PERSON TRANSACTIONS MANDATE ("NEW IPT MANDATE")

*Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular letter dated 12 April 2016 (the "**Circular**").*

1. INTRODUCTION

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as an independent financial adviser ("**IFA**") to the directors of Koh Brothers Eco Engineering Limited (the "**Company**", and together with its subsidiaries, the "**Group**") who are deemed non-interested (the "**Non-Interested Directors**") for the purposes of making recommendation(s) in relation to (i) the Proposed Acquisition, (ii) the Proposed Whitewash Resolution and (iii) the New IPT Mandate.

We note from the Circular that the Non-Interested Directors for the Proposed Acquisition, the Proposed Whitewash Resolution and the New IPT Mandate comprise Mr. Koh Choon Leng and Mr. Tan Hwa Peng.

This letter ("**Letter**" or "**IFA Letter**") sets out, *inter alia*, our views and evaluation of the Proposed Acquisition as an interested person transaction ("**IPT**" or "**Interested Person Transaction**"), the Proposed Whitewash Resolution and the New IPT Mandate which have been proposed as ordinary resolutions in the notice of the extraordinary general meeting ("**EGM**") of the Company as set out in the Circular to registered holders ("**Shareholders**") of the ordinary shares ("**Shares**") in the capital of the Company. Likewise, it contains our recommendations to the Non-Interested Directors in relation to the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution as well as the New IPT Mandate as set out in Section 4 of the Circular, for determining whether (i) the financial terms of the Proposed Acquisition as an IPT (pursuant to Chapter 9 of the Catalist Rules) are on normal commercial terms and are not prejudicial to the interests of the Company and the minority shareholders of the Company ("**Minority Shareholders**"); (ii) the Proposed Whitewash Resolution is not prejudicial to the interest of the Independent Shareholders (defined below) when considered in the context of the Proposed Acquisiton; and (iii) the review procedures, as set out in Section 4 of the Circular, for determining transaction prices and/or the terms, are sufficient to ensure that the transactions under the New IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

This Letter is prepared for inclusion in the Circular in connection with*, inter alia*, the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the New IPT Mandate. For the purposes of this Letter, references to independent Shareholders ("**Independent Shareholders**") shall in the context of: (a) the Proposed Acquisition mean Shareholders other than (i) Koh Brothers Group Limited ("**KBG**"); (ii) Construction Consortium Pte. Ltd. (the "**Vendor**"); (iii) parties acting in concert with KBG and the Vendor; and (iv) parties not independent of the persons mentioned in (i), (ii) and (iii) above; (b) the Proposed Whitewash Resolution and (c) the New IPT Mandate mean Shareholders other than the interested persons and/or their Associates as defined by the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"). Unless otherwise defined or where the context otherwise requires, the definition used in the Circular shall apply throughout this Letter. Certain figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

1.1 BACKGROUND OF THE PROPOSED ACQUISITION

On 7 January 2016 (the "**Announcement Date**"), the Company announced that it had entered into a conditional sale and purchase agreement dated 7 January 2016 with the Vendor in relation to the Proposed Acquisition ("**Sales and Purchase Agreement**"), pursuant to which the Company will acquire an aggregate of 19,000,000 ordinary shares representing the entire issued and paid-up share capital of the Target ("**Sale Shares**") from the Vendor, upon the terms and conditions of the Sale and Purchase Agreement.

KBG is the ultimate parent company of the Company, the Vendor and the Target. As at 28 March 2016 (the "**Latest Practicable Date**"): (a) KBG holds approximately 41.0% of the Shares in the Company and is the Company'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.

In accordance with the Sale and Purchase Agreement, the consideration for the Proposed Acquisition of S$19,011,000 shall be satisfied in full by the allotment and issuance of 369,145,631 new Shares (the "**Consideration Shares**") to the Vendor (and/or its designated nominees) at S$0.0515 for each Consideration Share (the "**Issue Price**") upon completion of the Proposed Acquisition in accordance with the terms and conditions set out in the Sale and Purchase Agreement ("**Completion**").

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

The Proposed Acquisition constitutes:

(a) a major transaction as defined under Rule 1014 of the Catalist Rules as the relative figures under Rule 1006(c) and Rule 1006(d) of the Catalist Rules exceed 75.0% but are less than 100.0%; and

(b) an interested person transaction as defined under Chapter 9 of the Catalist Rules as (i) the Vendor is an "interested person" for the purposes of Chapter 9 of the Catalist Rules as it is an Associate of KBG which is a Controlling Shareholder of the Company and (ii) the value of the Proposed Acquisition exceeds 5.0% of the latest audited net tangible assets ("**NTA**") of the Group pursuant to Rule 906 of the Catalist Rules.

Accordingly, the Company will be seeking the approval of the Shareholders for the Proposed Acquisition and the issue of Consideration Shares at the EGM. Following the completion of the Proposed Acquisition, the Target will become a wholly owned subsidiary of the Company.

1.2 THE PROPOSED WHITEWASH RESOLUTION

As at the Latest Practicable Date, KBG holds an aggregate shareholding interest of approximately 41.0% of the existing share capital of the Company or 378,408,576 Shares (excluding treasury shares) (the "**Existing Share Capital**"), representing approximately 41.0% of the voting rights in the Company.

Upon Completion and assuming the allotment and issuance of 369,145,631 Consideration Shares to KBG, KBG will have a direct interest in 524,145,631 Shares, representing 70.1% of the enlarged share capital of the Company comprising 747,554,207 Shares (excluding treasury shares) (the "**Enlarged Share Capital**"). Accordingly, KBG will hold an aggregate shareholding interest of approximately 70.1% of the Enlarged Share Capital, representing 70.1% of the voting rights in the Company.

Under Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**"), except with the consent of the Securities Industry Council ("**SIC**"), (i) any person who acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or (ii) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights, is required to make a mandatory general offer, for all remaining issued shares in the company concerned which he and/or his concert parties do not already own, control or have agreed to acquire.

As such, pursuant to Rule 14 of the Code, KBG will incur an obligation to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by it or its concert parties at the highest price paid or agreed to be paid by any of them for the Shares, in the six (6) months preceding the allotment and issue of the Consideration Shares, unless such obligation is waived by the SIC. The Whitewash Waiver was obtained by KBG from the SIC on 1 February 2016 and is subject to, among other things, the Proposed Whitewash Resolution being approved by the Independent Shareholders at the EGM. Accordingly, the Company is seeking the approval of the Independent Shareholders for the Proposed Whitewash Resolution.

We note from discussion with the Management that as at the Latest Practicable Date, the following convertibles issued by the Company have expired:

– 165,000,000 detachable, non-transferable and non-listed warrants of the Company ("**Warrants**") issued to KBG, each Warrant carrying the right to subscribe for one (1) new Share at an exercise price of S$0.053 for each new Share; and

– 40,000,000 detachable, non-transferable and non-listed warrants of the Company issued to Mr Lee Thiam Seng ("**Referral Warrants**"), each Referral Warrant carrying the right to subscribe for one (1) new Share at an exercise price of S$0.048 for each new Share.

On 1 February 2016, the SIC waived the obligation of KBG to make a mandatory general offer for the Company in the event KBG and its concert parties increase their aggregate shareholdings in the Company by more than 1.0% of the total voting rights in the Company in any period of six (6) months based on the Enlarged Share Capital as a result of the issue of the Consideration Shares to KBG under the Proposed Acquisition, subject to, among other things, the following conditions (the "**Whitewash Waiver**"):

(a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Consideration Shares under the Proposed Acquisition, approve by way of a poll, the Proposed Whitewash Resolution;

(b) the Proposed Whitewash Resolution is separate from other resolutions;

(c) KBG, its concert parties and parties not independent of them abstain from voting on the Proposed Whitewash Resolution;

(d) KBG did not acquire or is not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):

    (i) during the period between the date of the Announcement and the date on which Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

    (ii) in the six (6) months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Acquisition;

(e) the Company appoints an independent financial adviser to advise its independent Shareholders on the Proposed Whitewash Resolution;

(f) the Company sets out clearly in the Circular:

(i) details of the Proposed Acquisition;

(ii) the possible dilution effect to existing holders of voting rights as a result of KBG acquiring the Consideration Shares;

(iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by KBG and its concert parties as at the Latest Practicable Date;

(iv) the number and percentage of voting rights to be issued to KBG under the Proposed Acquisition;

(v) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from KBG at the highest price paid by KBG and its concert parties for the Shares in the past six (6) months preceding the commencement of the offer; and

(vi) specific and prominent reference to the fact that the issue of the Consideration Shares to KBG under the Proposed Acquisition would result in KBG and its concert parties holding Shares carrying over 49.0% of the voting rights of the Company and that KBG and its concert parties would then be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.

(g) the Circular states that the waiver granted by the SIC to KBG from the requirement to make a general offer under Rule 14 is subject to the conditions stated in sub-paragraphs (a) to (f) above;

(h) the Company obtains the SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and

(i) to rely on the Proposed Whitewash Resolution, the acquisition by KBG of the Consideration Shares must be completed within three (3) months of the date of approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for conditions set out under 1.2(a), 1.2(d)(i) and 1.2(i) which are expected to be satisfied only at or after the EGM, all the other conditions imposed by the SIC set out above have been satisfied.

We note from the Circular that as at the Latest Practicable Date, KBG did not acquire and will not acquire any Shares, instruments convertible into Shares or options in respect of Shares:

(a) during the period between the date of the Announcement and the date on which Independent Shareholders' approval is obtained for the Proposed Whitewash Resolution at the EGM; and

(b) in the six (6) months prior to the date of the Announcement.

The Independent Shareholders are requested to vote by way of poll, on the Proposed Whitewash Resolution as set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a general offer from KBG for the remaining Shares that KBG and its concert parties do not already own, control or have agreed to acquire.

We recommend the Non-Interested Directors to highlight to the Independent Shareholders that:

(i) Shareholders should note that the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.

(ii) Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer from KBG at the highest price paid by KBG and its concert parties for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares.

(iii) Independent Shareholders should note that the allotment and issuance of the Consideration Shares to KBG under the Proposed Acquisition would result in KBG and its concert parties holding Shares carrying over 49.0% of the voting rights of the Company based on the Enlarged Share Capital, and KBG and its concert parties would then be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.

1.3 THE NEW IPT MANDATE

As at the Latest Practicable Date, the Target has existing contracts with KBG and its Associates (being the Mandated Interested Persons (defined later)) in the ordinary course of business.

Following the Proposed Acquisition, the Mandated Interested Persons will become interested persons of the enlarged group comprising the Group and the Target upon Completion ("**Enlarged Group**"), as defined under Chapter 9 of the Catalist Rules. Accordingly, the performance of the obligations under the existing contracts and the entry into any subsequent contracts between the Enlarged Group and the Mandated Interested Persons will constitute Interested Person Transactions under Chapter 9 of the Catalist Rules. Further details of the New Interested Person Transactions (defined later) and the New IPT Mandate are set out in Section 4 of the Circular.

Accordingly, the Company will be seeking the approval of the Shareholders for the adoption of the New IPT Mandate at the EGM.

2. TERMS OF REFERENCE

ACA has been appointed by the Company to advise the Non-Interested Directors in respect of (i) the Proposed Acquisition as an IPT; (ii) the Proposed Whitewash Resolution; and (3) the New IPT Mandate. We were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition as an IPT, the proposed issue and allotment of the Consideration Shares, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate (collectively, the "**Proposed Transactions**"), nor were we involved in the deliberation leading up to the decision on the part of the directors of the Company ("**Directors**") to enter into the Proposed Transactions. We do not, by this Letter or otherwise, advise or form any judgment on the merits of the Proposed Transactions contemplated in the Circular for the Group or the possibilities or feasibilities of the completion of the Proposed Acquisition or the timing on when the Proposed Acquisition can be completed or whether there are alternative transactions available other than to form an opinion, strictly and solely on the bases set out herein on whether: (i) the financial terms of the Proposed Acquisition as an IPT (pursuant to Chapter 9 of the Catalist Rules) are on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders; (ii) the Proposed Whitewash Resolution is not prejudicial to the interests of the Independent Shareholders when considered in the context of the Proposed Acquisition and (iii) whether the review procedures, as set out in Section 4 of the Circular, for determining transaction prices and/or the terms, are sufficient to ensure that the transactions under the New IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

We have confined our evaluation strictly and solely on the financial terms for the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and have not taken into account the commercial/financial/operational/compliance risks and/or merits (if any) of or the timing for the Proposed Transactions contemplated in the Circular including the structuring or inter-conditionality of the Proposed Transactions or the validity of any resolution or its feasibility. It is not within our scope to opine on the future financial performance or position of the Company or the Group or the Target or the Enlarged Group subsequent to the Proposed Acquisition or the proposed adoption of the New IPT Mandate or the possibility or probability that the Group or the Target or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transactions or the viability, profitability and risks of the Proposed Acquisition or the profitability and risks related to the Target's business operations. In addition, our scope does not require us to opine on the ability of the Group or the Target or the Enlarged Group to service its borrowings (both principal and interest payment) when it falls due or the adequacy of the working capital of the Group, the Target or the Enlarged Group or the ability of the Company or the Group to 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 within such period as stipulated in the Sale and Purchase Agreement. Such evaluation or comment remains the responsibility of the Directors and the management ("**Management**") of the Company or where applicable the directors of the Target ("**Target Directors**") and the management of the Target ("**Target Management**") although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In addition, our terms of reference do not require us to evaluate or comment on the strategic or commercial/financial/legal/operational/compliance merits of the New IPT Mandate (including the reliability of the sources for the transactions as well as the pricing as compared to third party sources) or on the future prospects or value of the Company or the Group or the Enlarged Group following the completion of the Proposed Acquisition. In addition, we are not required to comment and have not commented on the reliability as well as the implementation of the system for review and monitoring of the Interested Person Transactions. In addition, we do not and are not required to determine or confirm the nature or the types of Interested Person Transactions or the Mandated Interested Persons or the disclosure of the Interested Person Transactions that the Company or the Group or the Enlarged Group or KBG is involved in. Although, there are certain controls and procedures in determining Mandated Interested Persons, we are not required to and had not commented on or evaluated the methods or the procedures for determining Mandated Interested Persons. Likewise we are not required to comment on or evaluate the methods or procedures used by the Company in the context of possible changes in the nature of operations. Such evaluations or comments remain the sole responsibility of the Directors and Management.

In the course of our evaluation, we have held discussions with certain Directors and the Management as well as, where applicable, the Target Directors and the Target Management, *inter alia*, regarding their assessment of the rationale for the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate as well as the existing and future processes or procedures for the Company in connection with IPT, the Group and/or the Enlarged Group, and have examined publicly available information collated by us including the audited financial statements as well as information including material information or developments pertaining to the Company, the Group, and the Target where applicable (both written and verbal), provided to us by the Directors and Management or where applicable the Target Directors and the Target Management and professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such reasonable enquiries and used our judgement as we deemed necessary on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements and annual reports have been reasonably made after due and careful enquiry. Likewise, we have relied upon the assurance that all statements of fact, belief, opinion and intention made by the Target Directors or Target Management, to the best of their knowledge and beliefs have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial statements for the financial year ended 31 December 2015 ("**FY2015**") for the Group and for the Target. The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target or the Enlarged Group after the completion of the transactions stipulated in the Circular. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group or the Target or the Enlarged Group and neither are we responsible for it. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Transactions (in part or in full) or voting for or voting against the Proposed Acquisition or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the Target or the Enlarged Group or the plans (if any) for each of them. Estimates or analysis or evaluation of the merits of the Company or the Group or the Target or the Enlarged Group or the Proposed Acquisition as an IPT, or the Proposed Whitewash Resolution or the proposed adoption of the New IPT Mandate if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, property, plant and equipment) or contracts entered into by the Company or the Group or the Target and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group or the Target save for the valuation report dated 28 March 2016 ("**Valuation Report**") issued by Asian Appraisal Co Pte Ltd (the "**Valuer**") in respect of the market value of the Target's lands and buildings and plants and machineries ("**Appraised Assets**") as at 31 December 2015 ("**Valuation Date**"). With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, *inter alia* the contracts that the Group or the Target has embarked upon or are about to embark upon and have relied on the opinion of the Directors or the Target Directors and the financial statements (audited and unaudited) of the Group and the Target, where applicable for the assessment.

The Directors are of the opinion that to the best of their knowledge and beliefs, based on the confirmation from the Management, the values of the assets and liabilities as well as the financial performance or condition or position of the Company and the Group as reflected in the full year audited financial statements for financial year ended 31 December 2014 ("**FY2014**") and FY2015 for the Company and the Group are true and fair in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and beliefs, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities, the contracts that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading in any material aspect.

The Target Directors are of the opinion that to the best of their knowledge and beliefs, based on the confirmation from the Target Management, the values of the assets and liabilities as well as the financial performance or condition or position of the Target as reflected in the full year audited financial statements for FY2014 and FY2015 for the Target are true and fair in any material aspect. In addition, the Target Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts that the Target has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading in any material aspect. Our views, opinion and recommendations are thus limited and subject to these matters as well as others mentioned in the Letter.

The Directors and the Target Directors further confirmed that to the best of their knowledge and beliefs as at the Latest Practicable Date and save for matters disclosed in this Letter, the audited financial statements for the Group and the Target for FY2015, there has been no material changes to the Group's and the Target's assets and liabilities, financial position, condition and performance.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Non-Interested Directors (as well as Independent Shareholders who would be receiving the Circular and this Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information, and other information provided by the Company, the Directors as well as those disclosed in the Circular as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end or interim financial period for the Company or the Group or the Target or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution, the New IPT Mandate and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment.

The Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors and contained therein. The Directors have confirmed to ACA to the best of their knowledge and belief, that all material information including but not limited to plans or prospects or proposals or rationale involving the Proposed Acquisition or the Proposed Whitewash Resolution or the New IPT Mandate or the other transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Proposed Acquisition or the Proposed Whitewash Resolution or the New IPT Mandate or such other transactions as described in the Circular or such other parties has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material aspects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular to be untrue, inaccurate or incomplete in any respect or misleading in any material aspect. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group or the Enlarged Group before and after the transactions stipulated in the Circular or the Proposed Acquisition or the Proposed Whitewash Resolution or the New IPT Mandate. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Acquisition or the Proposed Whitewash Resolution or the New IPT Mandate or the other transactions or resolutions stipulated in the Circular or voting for or voting against the Proposed Acquisition or the other transactions or resolutions stipulated in the Circular or on the future financial performance of the Company or the Group or the plans (if any) for each of them.

We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and the Management to the best of their knowledge and beliefs in the Circular and that all representations and undertakings from the Directors to us on the continuance of the system for Interested Person Transactions, have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information. In addition, we are not able to and are not required to ascertain the efficiency of the respective markets for the transactions and the impact of any efficiency on the pricing for the Interested Person Transactions. We relied on the Directors' representation and have assumed for the purposes of this Letter that there are transactions with other third parties similar to the Interested Person Transactions and that it would be possible to determine the market prices and terms. For transactions where the appropriate information for comparative purposes is not available or prevailing market rates or prices are not available due to the types of the product to be sold or service to be provided, we have relied on the Directors' representation that it is possible to determine the pricing for such products to be bought or services to be obtained from the Interested Persons in accordance with the Group's and/or the Enlarged Group's usual business practices (as modified from time to time taking into account market, business conditions and competition) and pricing policies, at margins to be paid by the Group and/or the Enlarged Group for the same or substantially similar type of product or services with unrelated third parties. In determining the transaction price payable to the Interested Persons for such products or services, factors such as, but not limited to, delivery schedules, previous supply of services and pricing, credit terms, profit margins, pricing policies, quality, track record, experience, expertise, nature of transactions, customer requirements, specifications, contract duration, prevailing market conditions and strategic purposes of the transactions, will be taken into account. Thus, we have also relied on the Directors' representation that the prices and/or other terms are in accordance with usual business practices and pricing policies and with the usual margins and/or terms to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken at an arm's length and on normal commercial terms and without prejudicing the interests of the Company and the minority Shareholders.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Non-Interested Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter on the Proposed Acquisition, the Proposed Whitewash Resolution or the New IPT Mandate or the Company or the Group or the Target or the Enlarged Group or the Shares, and the Company's warrants which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Non-Interested Director, and as such the Non-Interested Directors are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views on the Proposed Acquisition as an IPT or the Proposed Whitewash Resolution or the New IPT Mandate or its recommendation, following the date of the issue of this Letter.

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purposes of their evaluation of the financial terms of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor Shareholders, may reproduce, disseminate or quote from this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the New IPT Mandate. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter alia*, the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

3. THE PROPOSED ACQUISITION

3.1. INFORMATION ABOUT THE PROPOSED ACQUISITION

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company has agreed to purchase, and the Vendor has agreed to sell, the Sale Shares, free from any charge, pledge, lien or other encumbrances, and together with all rights, benefits and entitlements attaching thereto, for an aggregate consideration of S$19,011,000 ("**Consideration**").

The Company shall not be obliged to complete the purchase of any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

3.2. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

The principal terms the Proposed Acquisition can be found in Section 2.1.4 of the Circular. The principal terms of the Proposed Acquisition have been extracted from the Circular and are set out in italics below. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"2.1.4. <u>Principal terms of the Proposed Acquisition</u>

(A) <u>Sale Shares</u>

The Sale Shares will be acquired by the Company 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 Sale and Purchase Agreement, the Company 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 ended 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).

(B) <u>Consideration</u>

In accordance with the Sale and Purchase Agreement, the consideration for the Sales Shares is S$19,011,000 (the "Consideration") which shall be satisfied in full by the allotment and issuance of 369,145,631 new Shares by the Company to the Vendor (and/or its designated nominees) at the Issue Price (the "Consideration Shares") upon Completion.

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

The Company intends to seek the specific approval of Shareholders for the allotment and issue of the Consideration Shares at the EGM in accordance with Rules 805(1) of the Catalist Rules and Section 161 of the Companies Act.

The Consideration Shares, when allotted and issued, shall be credited as fully-paid Shares free from any and all encumbrances and shall rank pari passu in all respects with and carry all rights similar to the 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 represents the VWAP of S$0.0515 for each 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 Sale and Purchase Agreement on which the Shares were traded on the Catalist.

The Consideration was determined taking into consideration:

(a) the unaudited NAV 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 Acquisition as set out in Section 2.1.3 above.

The Consideration Shares represent approximately 97.6% of the Existing Share Capital.

The Consideration Shares represent approximately 49.4% of the Enlarged Share Capital of the Company immediately upon Completion.

(C) <u>Conditions Precedent</u>

Completion is conditional upon, among other things, the following conditions having been fulfilled or waived in accordance with the terms of the Sale and Purchase Agreement:

(a) *the completion of a due diligence exercise by the Company and/or its appointed advisers on the Target, and the results of such due diligence being satisfactory in the reasonable opinion of the Company (the "***Due Diligence Information***");*

(b) *the approval of the Independent Shareholders being obtained at the EGM for the Proposed Acquisition and all transactions contemplated under the Sale and Purchase Agreement, including;*

 (i) *the allotment and issuance of the Consideration Shares; and*

 (ii) *the Proposed 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 or events, acts or omissions reasonably likely to lead to a Material Adverse Change in relation to the Target or the Company (as the case may be);*

(e) *the Sale Shares being held by the Vendor as at the Completion Date;*

(f) *the receipt of the Whitewash Waiver from the 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 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 obtained from the SGX-ST on 15 October 2015 (that the Proposed Acquisition 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 the Company and the Due Diligence Information, each of the representations, warranties and undertakings of the Company and the Vendor remaining true and correct in all material aspects at all times from signing of the Sale and Purchase Agreement until (and including) the Completion Date;*

(i) *the receipt of all necessary approvals, consents and waivers from the SGX-ST and/or the Sponsor required to complete the Sale and Purchase Agreement and all transactions contemplated therein, including (i) approval for the circular to be issued by the Company in relation to the Proposed Acquisition, and (ii) the receipt of the listing and quotation notice in respect of the listing and quotation of the Consideration Shares on Catalist being obtained. 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 contemplated under Clause 5.3.4 of the Sale and Purchase*

Agreement), 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 Sale and Purchase Agreement, 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 Sale and Purchase Agreement and all transactions contemplated therein not being prohibited or restricted by the laws of Singapore.

(D) Long-Stop Date

If any of the conditions precedent as set out in Section 2.1.4(C) above are not fulfilled or waived by the Company or the Vendor by 30 June 2016 (or such other date as may be mutually agreed in writing by the parties), the provisions of the Sale and Purchase Agreement 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 Sale and Purchase Agreement."

3.3. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

We note from Section 2.6.3 of the Circular, that pursuant to the Sale and Purchase Agreement, the Vendor is an "interested person" for the purpose of Chapter 9 of the Catalist Rules as it is an Associate of KBG which is a Controlling Shareholder of the Company. As at the Latest Practicable Date, KBG holds approximately 41.0% of the Shares.

Accordingly, the Proposed Acquisition would constitute an interested person transaction within the ambit of Chapter 9 of the Catalist Rules.

Under Chapter 9 of the Catalist Rules, Shareholders' approval is required for an interested person transaction of a value equal to, or exceeding, 5.0% of the Group's latest audited NTA.

The value of the Proposed Acquisition (being the amount at risk to the Company) is the Consideration of S$19,011,000. The Group's latest audited NTA attributable to owners of the Group as at 31 December 2015 is S$8,097,000. As the value of the Proposed Acquisition is approximately 234.8% of the Group's latest audited NTA, the Proposed Acquisition is subject to the approval of the Independent Shareholders at the EGM and an independent financial adviser is required to be appointed to advise the Non-Interested Directors on whether the transaction is carried out on normal commercial terms and whether it is prejudicial to the interests of the Company and its Minority Shareholders.

4. INFORMATION ON KBG, THE TARGET AND THE VENDOR

Information on KBG and the Target as well as the Vendor can be found in Sections 2.1.1 and 2.1.2 of the Circular respectively.

5. EVALUATION OF THE PROPOSED ACQUISITION AS AN IPT AND THE PROPOSED WHITEWASH RESOLUTION

In assessing the financial terms of the Proposed Acquisition as an IPT and for the purpose of the Proposed Whitewash Resolution, we have taken into account the following pertinent factors as well as others as set out in this Letter, which we consider as having a significant bearing on our assessment:

(i) Financial performance and position of the Group and the Target;

(ii) NAV and NTA of the Group and the Target;

(ii) Market quotation and trading activity for the Shares;

(iii) Relative valuation analysis for the Group and the Target;

(iv) Analysis of comparable transactions;

(vii) Financial effects of the Proposed Acquisition; and

(viii) Other considerations.

These factors are discussed in greater detail in the ensuing sections.

We have applied certain valuation ratios in assessing the reasonableness of the Consideration and the Issue Price. A brief description of such valuation ratios are as follows:–

(i) **EV/EBITDA**

"**EV**" or "**Enterprise Value**" is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. **"EBITDA"** stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items.

The **"EV/EBITDA"** multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.

(ii) **Price-to-Earnings ("PER")**

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company's shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.

(iii) **Price-to-NTA ("P/NTA")**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value. The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(iv) **Price-to-NAV ("P/NAV")** The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value. The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the Proposed Acquisition as an IPT and the Proposed Whitewash Resolution, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

5.1. FINANCIAL PERFORMANCE AND POSITION OF THE GROUP AND THE TARGET

5.1.1. FINANCIAL PERFORMANCE AND POSITION OF THE GROUP

The following are extracts from the audited consolidated financial statements of the Group for FY2015, FY2014, and the financial period from 1 July 2012 to 31 December 2013 ("**FP2013**"):-

Summary of consolidated income statement

Figures in S$'000	Audited FY2015	Audited FY2014	Audited FP2013(2)
Revenue	44,782	44,384	70,722
Cost of sales	(37,063)	(38,771)	(65,415)
Gross Profit	7,719	5,613	5,307
Profit/(Loss) before tax	4,485	1,474	(10,306)
Profit/(Loss) after tax	2,930	1,109	(11,067)
Profit/(Loss) after tax attributable to equity holders of the Company	2,086	424	(11,114)

Summary of consolidated statements of financial position

Figures in S$'000	Audited FY2015	Audited FY2014	Audited FP2013(2)
Non–current assets	11,228	12,020	11,721
Current assets	33,608	30,909	27,023
Non–current liabilities	–	–	1,195
Current liabilities	26,825	26,024	21,538
Equity attributable to equity holders of the Company	14,954	14,157	13,875
Total borrowings	1,800	2,709	5,017
Net working capital	6,783	4,885	5,485

Summary of consolidated statements of cash flows

Figures in S$'000	Audited FY2015	Audited FY2014	Audited FP2013(2)
Net cash generated from / (used) in operating activities	7,522	(1,682)	2,009
Net cash used in investing activities	(2)	(24)	(43)
Net cash generated from / (used) in financing activities	1,347	(2,491)	4,942
Net increase/(decrease) in cash and cash equivalents	8,867	(4,197)	6,908
Effect of currency translation on cash and cash equivalents	(575)	142	(168)
Cash and cash equivalents at end of period	14,609	6,317	10,372

Notes:

(1) Figures and computation presented in this section are subject to rounding.

(2) During FP2013, the Company changed its financial year end from 30 June to 31 December to coincide with that of its immediate and ultimate holding corporation, KBG. As such, the Group's audited financial statements for FP2013 and all other relevant financial information pertaining to the Group are presented for the period starting from 1 July 2012 to 31 December 2013.

We note the following:-

(i) The Group's revenue is derived primarily from the following two main business segments, namely: (a) water and wastewater treatment and hydro-engineering and (b) bio-refinery and bio-energy. The nature of contract revenue streams mainly comprised engineering, procurement and constructions services for water and wastewater treatment, hydro-engineering, bio-refinery and bio-energy projects.

It is noted that the Group's revenue amounted to approximately S$70.7 million and S$44.4 million in FP2013 and FY2014 respectively. We note from the Group's annual report for FY2014 ("**AR2014**") that the Group's revenue of approximately S$44.4 million in FY2014 represents a decrease of approximately 5.8% as compared with an annualised year-on-year basis with the previous corresponding period. The Group's revenue increased slightly from approximately S$44.4 million in FY2014 to approximately S$44.8 million in FY2015 which was mainly due to an increase in revenue derived from the water and wastewater treatment segment. For FY2015, the Group's revenue from the water and wastewater treatment segment increased by approximately 64.6% to approximately S$10.2 million whilst the Group's revenue from the bio-refinery and bio-energy segment declined by approximately 9.4% to approximately S$34.6 million.

Total operating expenses (comprising selling and distribution expenses and administrative expenses) amounted to approximately S$11.8 million, $4.0 million, and S$5.5 million in FP2013, FY2014, and FY2015 respectively. The high total operating expenses in FP2013 was mainly due to allowance for impairment of trade receivables of approximately S$2.6 million and additional 6 months expenses incurred. The selling and distribution expenses in FY2015 amounted to approximately S$1.1 million and comprised mainly allowances made for doubtful trade receivables of approximately S$0.7 million.

The Group reported loss after tax attributable to equity holders of the Company for FP2013 of approximately S$11.1 million, whilst for FY2015 and FY2014 the Group reported profit after tax attributable to equity holders of the Company of approximately S$2.1 million and S$0.4 million respectively. We note that the Group reported significant loss after tax attributable to equity holders of the Company of approximately S$11.1 million in FP2013 mainly due to a goodwill impairment charge of approximately S$4.4 million, allowances made for doubtful trade receivables of approximately S$2.6 million and for foreseeable losses on certain projects of approximately S$0.6 million. The Group's higher profit after tax of approximately S$2.9 million for FY2015 was supported by net foreign exchange gains of approximately S$2.1 million. In the event that the net foreign exchange gains are excluded (on the assumption of no changes or movements to the respective currencies during the financial year), the Group would have recorded profit after tax of approximately S$0.8 million for FY2015.

(ii) The Group's net working capital position has been in the positive region during the financial periods reviewed and it had declined from approximately S$5.5 million as at 31 December 2013 to approximately S$4.9 million as at 31 December 2014 and subsequently improved to approximately S$6.8 million as at 31 December 2015. The decline in net working capital between 31 December 2013 and 31 December 2014 was mainly due to the increase in trade and other payables whilst the subsequent improvement during FY2015 was mainly due to the increases in cash and cash equivalents (amounted to S$16.0 million as at 31 December 2015) and amount due from customers on construction contracts (amounted to S$1.3 million as at 31 December 2015).

(iii) The Group shareholders' equity increased from approximately S$13.9 million as at 31 December 2013 to approximately S$14.2 million and S$15.0 million as at 31 December 2014 and 31 December 2015 respectively mainly due to profits after tax attributable to equity holders of the Company for FY2014 and FY2015.

(iv) The Group's total borrowings decreased from approximately S$5.0 million as at 31 December 2013 to approximately S$2.7 million and S$1.8 million as at 31 December 2014 and 31 December 2015 respectively due to repayments of the bank borrowings and loan from a shareholder. The Group's ratio of total borrowings to shareholders' equity stood at a low 0.1 time as at 31 December 2015. The Group's cash and cash equivalent amounted to approximately S$16.0 million as at 31 December 2015, which is substantially higher than its total borrowings.

(v) The Group's net cash flow from operating activities were negative S$1.7 million in FY2014. However, the Group generated positive net cash flow from operating activities of approximately S$7.5 million in FY2015.

(vi) We note that in general the financial performance and position of the Group had improved since KBG acquired a controlling interest in the Group in 2013.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter and the audited financial statements for the Group for FY2015, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

5.1.2. FINANCIAL PERFORMANCE AND POSITION OF THE TARGET

The extracts from the audited financial statements of the Target for FY2015, FY2014 and FY2013 are presented in the table below.

Summary of income statement

Figures in S$'000	**Audited FY2015**	**Audited FY2014**	**Audited FY2013**
Revenue	152,176	120,868	136,282
Cost of sales	(147,606)	(114,817)	(130,481)
Gross Profit	4,570	6,051	5,801
Profit before tax	1,144	2,333	2,617
Profit after tax	608	2,111	2,779

Summary of statements of financial position

Figures in S$'000	**Audited FY2015**	**Audited FY2014**	**Audited FY2013**
Non-current assets	20,680	30,722	20,933
Current assets	74,884	127,769	103,601
Non-current liabilities	4,131	5,566	4,533
Current liabilities	72,338	122,261	90,150
Shareholders' equity	19,096	30,663	29,850
Total borrowings	1,650	61,152	11,316
Net working capital	2,546	5,507	13,451

Summary of statements of cash flows

Figures in S$'000	**Audited FY2015**	**Audited FY2014**	**Audited FY2013**
Net cash from/(used) in operating activities	(13,530)	(245)	4,029
Net cash from/(used) in investing activities	(19)	(10,166)	(6,992)
Net cash generated from / (used) in financing activities	(12,352)	48,031	(3,371)
Net increase/(decrease) in cash and cash equivalents	(25,901)	37,621	(6,334)
Cash and cash equivalents at end of period	16,224	42,125	4,505

Note:

(1) Figures and computation presented in this section are subject to rounding.

We note the following:-

(i) 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 and derives its revenue mainly from building and civil engineering contracts.

The Target has been profitable and reported profit after tax for the period reviewed (being FY2013 to FY2015). However, it is noted that both gross profit and profit after tax margins for the Target have declined for the period reviewed. The Target's gross profit margins declined from approximately 4.3% and 5.0% in FY2013 and FY2014 respectively to approximately 3.0% in FY2015. The Target's profit after tax margins declined from approximately 2.0% in FY2013 to approximately 1.7%, and 0.4% in FY2014 and FY2015 respectively. In nominal terms, the Target's profit after tax declined from approximately S$2.8 million in FY2013 to approximately S$2.1 million and S$0.6 million in FY2014 and FY2015 respectively.

(ii) The Target's revenue amounted to approximately S$136.3 million in FY2013 and subsequently declined to approximately S$120.9 million in FY2014. For FY2015, the Target's revenue amounted to approximately S$152.2 million representing an increase of approximately 25.9% of its revenue for FY2014. For illustrative purpose only, the Target's revenue for FY2014 and FY2015 is approximately 2.7 times and 3.4 times respectively of the Group's revenue for FY2014 and FY2015 respectively.

Total operating expenses (comprising selling and distribution expenses and administrative expenses) declined from approximately S$3.9 million in FY2013 to approximately S$3.8 million and S$3.5 million in FY2014 and FY2015 respectively. The decline in the total operating expenses for FY2015 was due to lower selling and distribution expenses (declined from approximately S$0.4 million in FY2014 to approximately S$0.2 million in FY2015) and lower administrative expenses (declined from approximately S$3.4 million in FY2014 to approximately S$3.2 million in FY2015). The lower administrative expenses in FY2015 as compared to the previous financial year was mainly due to lower expenses in connection with salaries and wages.

Finance expenses amounted to approximately S$0.2 million in FY2013 and subsequently increased substantially to approximately S$1.4 million and S$2.8 million in FY2014 and FY2015 respectively due to loan from the ultimate holding corporation of S$50 million in FY2014 which was subsequently settled in FY2015.

Other income and gains (comprising *inter alia*, interest income, gain on disposal of property, plant and equipment, gain on disposal of financial assets and foreign exchange gain) increased from approximately S$1.2 million in FY2013 to approximately S$1.9 million and S$3.2 million in FY2014 and FY2015 respectively. Other income and gains in FY2014 comprised mainly interest income from related corporations of approximately S$0.9 million, fair value gain on financial assets of approximately S$0.6 million, interest income from available-for-sale financial assets of approximately S$0.2 million and interest income from bank deposits of approximately S$0.1 million. Meanwhile, other income and gains in FY2015 comprised mainly interest income from related corporations of approximately S$1.2 million, fair value gain on financial assets of approximately S$0.6 million, interest income from available-for-sale financial assets of approximately S$0.5 million, interest income from bank deposits and others of approximately S$0.4 million and net foreign exchange gain of approximately S$0.3 million.

(iii) The Target's total assets amounted to approximately S$95.6 million as at 31 December 2015 comprised non-current assets of approximately S$20.7 million and current assets of approximately S$74.9 million. Current assets as at 31 December 2015 consisted mainly of trade and other receivables of approximately S$33.7 million (of which, *inter alia*, trade receivables of approximately S$21.5 million, retentions due from customers on construction contracts of approximately S$11.4 million and other receivables from other debtors of approximately S$0.6 million and accrued interest of approximately S$0.2 million), amount due from customers on construction contracts of approximately S$16.2 million, cash and cash equivalents of approximately S$16.2 million, available-for-sale financial assets ("**AFS**") of approximately S$7.9 million (comprising Singapore Dollar fixed rate notes), other current assets of approximately S$0.8 million (comprising solely deposits) and financial assets, at fair value through profit or loss of approximately S$0.1 million (comprising a Singapore quoted security). Non-current assets as at 31 December 2015 consisted mainly of property, plant and equipment of approximately S$17.2 million (of which leasehold land and properties, plant and machinery, assets under construction constituted 92.5%), and trade and other receivables of approximately S$3.4 million (comprising retentions due from related corporations on construction contracts).

The Target's total liabilities amounted to approximately S$76.5 million as at 31 December 2015 comprised non-current liabilities of approximately S$4.1 million and current liabilities of approximately S$72.3 million. Current liabilities as at 31 December 2015 consisted mainly of trade and other payables of approximately S$61.9 million (of which, *inter alia,* trade payables of approximately S$39.0 million, accrued operating expenses of approximately S$6.6 million, retentions due to subcontractors on construction contracts of approximately S$6.5 million, payables to immediate holding corporation of approximately S$6.9 million, payables to ultimate holding corporation of approximately S$2.9 million and sundry creditors of approximately S$0.1 million), amount due to customers on construction contracts of approximately S$8.8 million, short-term borrowings of approximately S$1.2 million and current income tax liabilities of approximately S$0.5 million. Non-current liabilities as at 31 December 2015 consisted of trade and other payables of approximately S$3.7 million (comprising solely retentions due to subcontractors on construction contracts), finance leases of approximately S$0.4 million and deferred income liabilities of approximately S$0.1 million.

(iv) We note that the Target's net working capital deteriorated during the period under review, declining from approximately S$13.5 million as at 31 December 2013 to approximately S$5.5 million as at 31 December 2014 and approximately S$2.5 million as at 31 December 2015.

(v) The Target's total borrowings increased from approximately S$11.3 million as at 31 December 2013 to approximately S$61.2 million as at 31 December 2014 mainly due to loan from ultimate holding corporation which is unsecured, bearing an interest rate of 5% per annum and repayable on demand. Subsequently, the Target's total borrowings decreased to S$1.7 million as at 31 December 2015 mainly due to the settlement of loan from the ultimate holding corporation via offsetting against the amount due from related corporations and repayment of bank borrowings and finance lease liabilities of a total S$9.7 million.

Shareholders' equity of the Target increased from approximately S$29.9 million as at 31 December 2013 to approximately S$30.7 million as at 31 December 2014 as a result of the increased in retained profits. We note that the shareholders' equity of the Target declined substantially from approximately S$30.7 million as at 31 December 2014 to approximately S$19.1 million in FY2015 mainly due to dividend payout of approximately S$12.1 million. We understand from the Target Directors that the payment of the dividend of approximately S$6.2 million was offset against the amount due from related corporations.

It should be noted that the Target's total borrowing to shareholders' equity ratio stood at approximately 0.1 times as at 31 December 2015.

(vi) The Target recorded net cash inflow from operating activities of approximately S$4.0 million in FY2013 and net cash outflow from operating activities of approximately S$0.2 million in FY2014. For FY2015, the Target recorded net cash outflow from operating activities of approximately S$13.5 million mainly due to increase in the usage of working capital amounting to approximately S$11.9 million.

The Target Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the audited financial statements for the Target for FY2015, there have been no material changes to the Target's assets and liabilities, financial position, condition and performance.

Order book

We understand from the Target Management that the Target's order book amounted to approximately S$590.7 million as at 31 December 2015 with average project durations of between 3 to 5 years. This is higher than the Target's order book of approximately S$210.6 million and S$320.8 million as at 31 December 2013 and 31 December 2014 respectively. The Target's order book of approximately S$590.7 million as at 31 December 2015 is approximately 3.9 times of its revenue in FY2015 or approximately 4.3 times of its average revenue for FY2013 – FY2015. The Target Management confirmed that the Target did not secure any significant orders during January 2016 to the Latest Practicable Date and that the existing order book as at 31 December 2015 does not differ substantially from the past projects undertaken by the Target in terms of, *inter alia,* nature of works or services to be performed, duration, etc.

The Target Management have confirmed that the successful realisation of the future economic benefits from the above mentioned order book for the Target will depend on, *inter alia*, the due execution of contracts, timely and efficient execution and delivery of the projects as well as the fulfilment of conditions pursuant to such contracts, variation of orders, the industry prospects, the prevailing economic and market conditions in the markets. The Target Management have further confirmed that in view of the above factors and that such order book may be subject to cancellation, variation or deferral or rescheduling by customers, the impact of these orders on the Target's or the Enlarged Group's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the impact of the above order book on the NTA and the prospects of the Target or the Enlarged Group in terms of, *inter alia*, the estimated future profit or loss as well as the estimated costs to be incurred.

5.2. NAV AND NTA OF THE GROUP AND THE TARGET

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NAV approach does not take into account or consideration the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values at which assets may actually be realized or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities, minority interest and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group, with the balance to be distributed to its shareholders. However the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

In assessing the Proposed Acquisition and the Issue Price for the 369,145,631 Consideration Shares in relation to the NAV and NTA per Share of the Group as at 31 December 2015 and the Target as at 31 December 2015, we have reviewed the audited balance sheet of the Group as at 31 December 2015 and the audited balance sheet of the Target as at 31 December 2015 (to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach). Save as disclosed in the audited balance sheets of the Group as at 31 December 2015, the audited balance sheet of the Target as at 31 December 2015 in the Circular, the Directors and the Target Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in the balance sheet of the Group and the Target as at 31 December 2015 in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group and the Target as at Latest Practicable Date.

The Directors and the Target Directors have also confirmed that as at the Latest Practicable Date, to the best of their knowledge and beliefs based on disclosures made available to them, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group and the Target as at 31 December 2015, save as disclosed in the audited financial statement of the Group and the Target as at 31 December 2015 as well as the Circular.

5.2.1. NAV and NTA of the Group

Consolidated Audited Balance Sheet as at 31 December 2015[1]	**S$'000**
Non-Current Assets	
Associated company	1,332
Goodwill	6,857
Property, plant and equipment	2,931
Deferred tax assets	108
	11,228
Current Assets	
Cash and cash equivalents	16,047
Trade and other receivables	15,587
Due from customers on construction contracts	1,338
Inventories	636
	33,608
Current Liabilities	
Trade and other payables	23,506
Due to customers on construction contracts	774
Borrowings	1,800
Current income tax liabilities	745
	26,825
Net assets value including non-controlling interest	**18,011**
Less: Non-controlling Interests	(3,057)
Net assets value attributable to equity holders of the Company ("NAV")	**14,954**
Less: Intangible assets	(6,857)
Net Tangible Assets ("NTA") as at 31 December 2015	8,097
NAV per Share (S$)[2]	0.040
NTA per Share (S$) [2]	0.021
Issue Price (S$)	0.0515
Premium of Issue Price over the Group's NAV per Share	**30.3%**
Premium of Issue Price over the Group's NTA per Share	**140.7%**
Cash and cash equivalents less borrowings ("**Net Cash**") as at 31 December 2015	14,247
Net Cash per Share (S$) [2]	0.0376
Issue Price less Net Cash per Share (S$)	0.0139
NAV per Share less Net Cash per Share (S$)	0.0019
NTA per Share less Net Cash per Share (S$)	Negative
Premium of Issue Price less Net Cash per Share over Group's NAV per Share less Net Cash per Share	**641.3%**
Premium of Issue Price less Net Cash per Share over Group's NTA per Share less Net Cash per Share	**Not meaningful**

Notes:

(1) The figures above are based on the Group's audited financial statement for FY2015.

(2) The figures are computed based on the Company's issued Share capital of 378,408,576 Shares as at the Latest Practicable Date.

(3) The figures and computation above are subject to rounding.

For illustrative purposes only, the Issue Price represents premiums of approximately 30.3% and 140.7% over the Group's audited NAV per Share and NTA per Share as at 31 December 2015 respectively. We wish to highlight that the Group has substantial cash and cash equivalents amounted to approximately S$16.0 million as at 31 December 2015, which is substantially higher than the Group's borrowings of approximately S$1.8 million as at 31 December 2015. The Group's Net Cash per Share of approximately S$0.0376 represents approximately 73.1% of the Issue Price. Thus, for every Share issued for settlement of the Consideration for the Proposed Acquisition, approximately 73.1% of its Issue Price is "backed" by cash held after deduction of all borrowings or the Group's Net Cash.

In the event that the Group's Net Cash per Share is deducted from the Issue Price as well as the Group's audited NAV per Share as at 31 December 2015, the Issue Price less the Net Cash per Share represents a substantial premium of approximately 641.3% over the Group's NAV per Share less the Net Cash per Share. We note that audited NTA per Share for the Group as at 31 December 2015 is lower than the Net Cash per Share. Thus, the Group's NTA appears to be "fully backed" by the cash after deduction of all borrowings or the Net Cash, thus the comparison between the Issue Price less the Net Cash per Share and the Group's NTA per Share less the Net Cash per Share is not meaningful. In summary, the valuation of the Group as implied by the Issue Price appears to be favourable in terms of comparison with the Group's audited NAV taking into account the Group's Net Cash position as at 31 December 2015.

The Management has confirmed that included in the cash and cash equivalents is an amount of approximately S$1.4 million pledged to bank for credit facilities which has not been utilised as at 31 December 2015. For illustrative purpose only, the Group's Net Cash less restricted cash ("**Adjusted Net Cash**") amounted to approximately S$12.8 million or approximately S$0.0338 per Share. In the event that the Group's Adjusted Net Cash per Share is deducted from the Issue Price as well as the Group's audited NAV per Share as at 31 December 2015, the Issue Price less the Adjusted Net Cash per Share represents a substantial premium of approximately 211.4% over the Group's NAV per Share less the Adjusted Net Cash per Share. The Group's audited NTA per Share as at 31 December 2015 is lower than the Adjusted Net Cash per Share (or the Group's NTA is fully backed by the Adjusted Net Cash), thus the comparison between the Issue Price less the Adjusted Net Cash per Share and the Group's NTA per Share less the Adjusted Net Cash per Share is not meaningful.

5.2.2. NAV and NTA of the Target

Consolidated Audited Balance Sheet as at 31 December 2015 [(1)]	**S$'000**
<u>Non-Current Assets</u>	
Club memberships	60
Trade and other receivables	3,421
Property, plant and equipment	17,199
	20,680
<u>Current Assets</u>	
Cash and cash equivalents	16,224
Trade and other receivables	33,658
Due from customers on construction contracts	16,238
Other current assets [(2)]	775
Financial assets, at fair value through profit or loss ("**Financial Assets**") [(3)]	49
Available-for-sale financial assets ("**AFS**") [(4)]	7,940
	74,884
<u>Current Liabilities</u>	
Trade and other payables	61,859
Due to customers on construction contracts	8,766
Current income tax liabilities	479
Short-term borrowings	1,234
	72,338
<u>Non Current Liabilities</u>	
Trade and other payables	3,670
Finance lease	416
Deferred income tax liabilities	45
	4,131
NAV attributable to shareholders of the Target	**19,096**
Less: Intangible assets	-
NTA as at 31 December 2015	**19,096**
Consideration	**19,011**
Discount of Consideration from the Target's NAV or NTA	**(0.45)%**
Cash and cash equivalents less borrowings ("**Net Cash**")	14,574
Consideration less Net Cash	4,437
Target's NAV or NTA less Net Cash	4,522
Discount of Consideration less Net Cash from Target's NAV or NTA less Net Cash	**(1.88)%**

Notes:

(1) The figures above are based on the Target's audited financial statement as at 31 December 2015.

(2) Other current asset comprises mainly of deposit.

(3) Financial assets comprise mainly investment in a Singapore listed security.

(4) AFS comprises investment in 5 corporate bonds as at 31 December 2015.

(5) The figures and computation above are subject to rounding.

For illustrative purpose only, we note from the above table that the Target's audited NAV or NTA as at 31 December 2015 is approximately S$19.1 million. It is noted that the Consideration represents a slight discount of approximately 0.45% from the Target's audited NAV or NTA as at 31 December 2015. We wish to highlight that the Target has substantial cash and cash equivalents, which amounted to approximately S$16.2 million as at 31 December 2015, is substantially higher than the Target's total borrowings of approximately S$1.7 million as at 31 December 2015. The Target's Net Cash of approximately S$14.6 million is approximately 76.7% of the Consideration. Thus for every share acquired approximately 76.7% of its acquisition price is "backed" by cash held after deduction of all borrowings or the Target's Net Cash.

In the event that the Target's Net Cash is deducted from the Consideration as well as the Target's audited NAV or NTA per Share as at 31 December 2015, the Consideration less the Net Cash represents a slight discount of approximately 1.88% from the Target's NAV or NTA less the Net Cash. In summary, the valuation of the Target as implied by the Consideration appears to be favourable (from the Company's or buyer's perspective) in terms of comparison with the Target's audited NAV or NTA taking into account the Target's Net Cash position as at 31 December 2015.

Revalued NAV and NTA of the Target

In our evaluation of the Consideration, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which recorded in the audited balance sheet of the Target as at 31 December 2015. The Company has commissioned the Valuer to determine the market value of the Appraised Assets. We recommend that the Non-Interested Directors advise Shareholders to note and review carefully the contents of the Valuation Report (attached as Appendix B to the Circular) in its entirety including the assumptions made and the basis for the assumptions.

We wish to highlight that the Appraised Assets of the Target with a net book value of approximately S$15.9 million as at 31 December 2015, comprises:

(a) leasehold land and property with a net book value of approximately S$6.0 million as at 31 December 2015;

(b) plant and machinery with a net book value of approximately S$5.4 million as at 31 December 2015; and

(c) assets under construction with a net book value of approximately S$4.5 million as at 31 December 2015.

The Appraised Assets accounted for approximately 92.5% of the Target's property, plant and equipment ("**PPE**"), and approximately 16.7% of the Target's total assets as at 31 December 2015. The Target Management represented and confirmed that the remaining property, plant and equipment (with a net book value of approximately S$1.3 million as at 31 December 2015), for which no valuation has been commissioned, consist of:

(a) motor vehicles (approximately S$1.1 million); and

(b) office and computer equipment, furniture, fittings and renovation (approximately S$0.2 million).

The Target Directors and the Target Management further confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the remaining property, plant and equipment highlighted above for which no valuation was obtained and their respective book value.

The Directors confirmed that they are aware of and satisfied with the selection of the Appraised Assets for the valuation exercise.

We have not made any independent evaluation or appraisal of the PPE and we have been furnished by the Company with the Valuation Report in respect of the market value of the Appraised Assets. With respect to such valuation, we are not experts in the evaluation or appraisal of the PPE and have relied on the Valuation Report for the market value of the Appraised Assets and opinion of and confirmation from the Target Directors that, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the remaining PPE highlighted above for which no valuation was obtained and their respective book value.

We understand that the Directors having reviewed the Valuation Report (*inter alia,* the assumptions, methodology used and information relied upon by the Valuer) as a whole and are of the opinion that the assumptions and methodology of the Valuation Report are reasonable.

The aggregate market value of the Appraised Assets as ascribed by the Valuer as at 31 December 2015 (being the Valuation Date) is approximately S$23.3 million. Based on the information provided by the Target Management, we note that the net book value of the Appraised Assets is approximately S$15.9 million as at 31 December 2015.

In addition, we note that the Target holds investments which is booked under – (1) Financial Assets amounting to approximately S$49 thousand as at 31 December 2015 and (2) AFS amounting to approximately S$7.9 million as at 31 December 2015. The Target Directors represented and confirmed that based on the information made available to them by the Target Management, on aggregate basis, there are no material differences between the estimated market value of the Financial Asset and the AFS as at the Latest Practicable Date and their respective book value as at 31 December 2015.

For illustrative purpose only, the revaluation surplus for the Appraised Assets has been calculated and presented in the table below assuming a hypothetical sale of the Appraised Assets at the value ascribed by the Valuer above. The Target Directors represented and confirmed that to the best of their knowledge and based on the information made available to them by the Target Management, there will be potential tax liability of approximately S$1.6 million if the Appraised Assets which is subject to valuation were to be sold at the market value ascribed by the Valuer.

The Target's Revalued NAV and NTA (1)	**S$'000**
Market value of Appraised Assets	23,316
Less: net book value of Appraised Assets as at 31 December 2015	15,915
Less: potential tax liability (2)	1,595
Revaluation surplus	**5,806**
NAV or NTA as at 31 December 2015	19,096
Revaluation surplus	5,806
Revalued NAV or NTA	**24,902**
Discount of Consideration from the Target's Revalued NAV or NTA	**(23.7)%**
Net Cash as at 31 December 2015	14,574
Consideration less Net Cash	4,437
Revalued NAV or NTA less Net Cash	10,327
Discount of the Consideration less Net Cash from the Revalued NAV or NTA less Net Cash	**(57.0)%**

Notes:

(1) The figures and computation above are subject to rounding.

(2) Figures are provided by the Target Management.

Based on the table above, the Consideration represents a discount of approximately 23.7% from the Target's Revalued NAV or NTA. In the event that the Target's Net Cash is deducted from the Consideration as well as the Target's Revalued NAV or NTA, the Consideration less the Net Cash represents a discount of approximately 57.0% from the Target's NAV or NTA less the Net Cash.

We note that pursuant to the Sale and Purchase Agreement, the Company 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 ("**Dividend Pay-out**") in respect of the twelve (12) months ended 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). For illustrative purposes only, in the event that dividends of approximately S$1.0 million is declared and paid out by the Target, the Target's Revalued NTA would amount to approximately S$23.9 million ("**Target's Revalued NTA after Dividend Pay-out**") and the Consideration will represent a discount of approximately 20.5% from the Target's Revalued NTA after Dividend Pay-out. In the event that the Target's Net Cash after the Dividend Pay-out is deducted from the Consideration as well as the Target's Revalued NTA, the Consideration less the Net Cash after the Dividend Pay-out represents a discount of approximately 47.4% from the Target's Revalued NTA less the Net Cash after the Dividend Pay-out. As such, the impact of the Dividend Pay-out is not material.

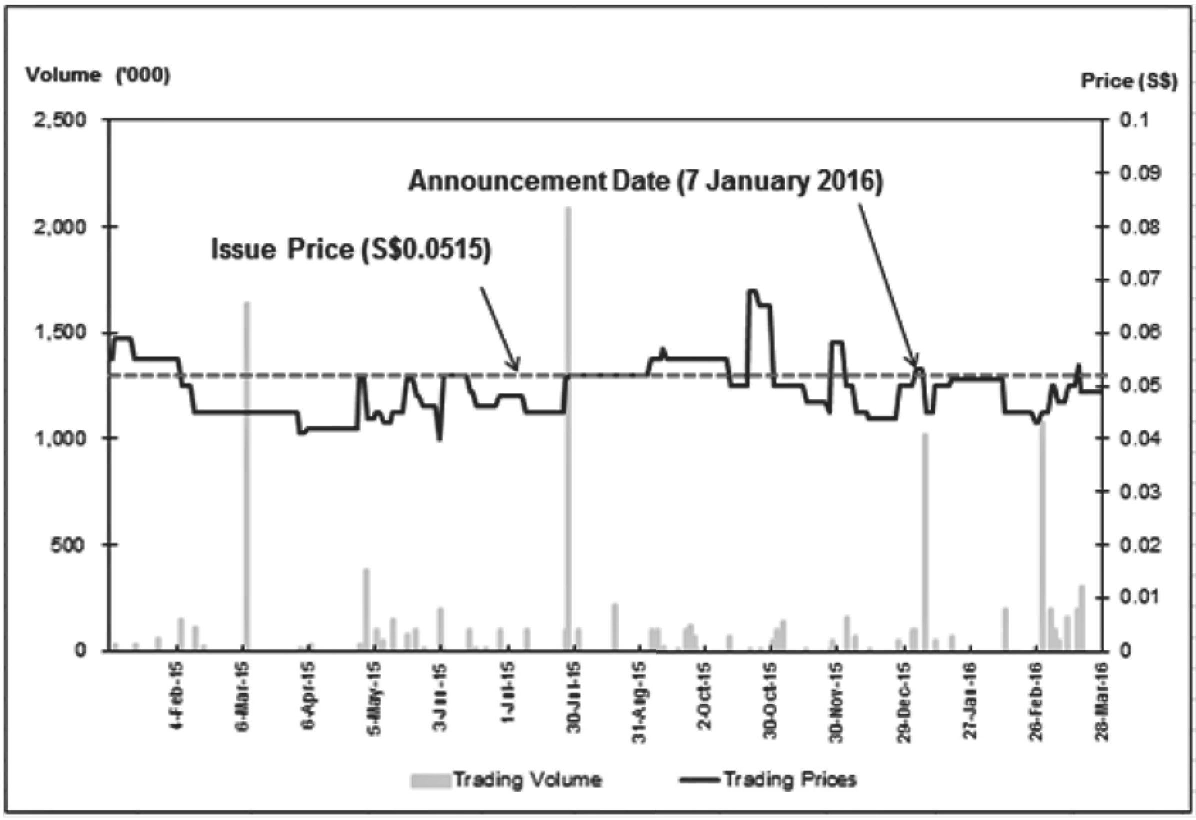
We wish to highlight that although the Revalued NAV and NTA shown above include revaluation surplus on the Appraised Assets, Independent Shareholders should note that the Target has not realised the surplus on the Appraised Assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Target on the Appraised Assets as described above (in the event that the investments are disposed) will be the same as that indicated above.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Target is as stated above. It also does not imply that the assets or properties of the Target can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA and is realisable or distributable to the shareholders of the Target.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Target decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Target as a going concern nor can it capture or illustrate any value for the Target's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

5.3. MARKET QUOTATION AND TRADING ACTIVITY FOR THE SHARES

The historical price chart (based on the closing prices together with the number of Shares traded on a daily basis) for the Shares during the period commencing from 8 January 2015 (being the Market Day 12 months prior to the Announcement Date) and ending on the Latest Practicable Date is set out below:-



Source: *SGX-ST*

For the period commencing from 8 January 2015 and ending on 7 January 2016, being the Announcement Date (both dates inclusive), we note that the Shares were being traded on 54 Market Days out of 246 Market Days. The closing prices of the Shares were above the Issue Price for 94 Market Days and below the Issue Price for 152 Market Days. We observed that the Share price closed at S$0.045 on 8 January 2016, being the Trading Day immediately after the Announcement Date as compared to closing price of S$0.053 for the Shares on the last Trading Day on 5 January 2016 prior to the Announcement Date (the trading for the Shares were halted on 6 and 7 January 2016). For the period commencing from 8 January 2016 till 28 March 2016 (being the Latest Practicable Date), the closing prices for the Shares have always been lower than the Issue Price (save for on 16 March 2016 where the Shares price closed at S$0.054 and the Share price closed at S$0.049 on 17 March 2016, being the last Trading Day preceding the Latest Practicable Date or approximately 4.9% lower than the Issue Price. The Shares were not traded on the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Catalist Index ("**FTSE ST Catalist**") decreased by approximately 36.3% for the period commencing from 8 January 2015 and ending on 7 January 2016, being the Announcement Date, and subsequently declined by approximately 5.5% from 7 January 2016 to the Latest Practicable Date. For the same period commencing from 8 January 2015 and ending on 7 January 2016, being the Announcement Date, the price for the Shares declined by approximately 3.6% and subsequently declined by approximately 7.5% from 7 January 2016 till the Latest Practicable Date. We observed that the Shares have underperformed the FTSE ST Catalist for the period commencing from the Announcement Date till the Latest Practicable Date.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

The volume-weighted closing price ("**VWCP**") of the Shares, the highest and lowest transacted prices for the Shares and the average number of Shares traded on a daily basis from 8 January 2015 to the Latest Practicable Date is set out below:-

	VWCP(1) (S$)	Premium/ (Discount) of the Issue Price over/ from VWCP (%)	Lowest transacted price (S$)	Highest transacted price (S$)	Average daily trading volume(2) (Shares)	Average daily trading volume as % of free-float(3) (%)
For the period prior to the Announcement Date						
Last 12 months	0.0491	5.0%	0.040	0.069	30,438	0.02%
Last 6 months	0.0519	(0.8)%	0.043	0.069	33,472	0.02%
Last 3 months	0.0505	2.1%	0.043	0.069	14,422	0.01%
Last 1 month	0.0496	3.8%	0.043	0.053	15,576	0.01%
Last transacted price on 5 January 2016 (being the last Trading Day preceding the Announcement Date) (4)	0.0530	(2.8)%	0.052	0.053	100,000	0.07%
For the period after the Announcement Date up to the Latest Practicable Date						
Till the Latest Practicable Date	0.0468	10.1%	0.043	0.060	63,585	0.04%
Last transacted price on 17 March 2016 (being the last Trading Day immediately preceding the Latest Practicable Date(5)	0.0490	5.1%	0.049	0.051	300,000	0.206%

Notes:

(1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volume for the relevant trading days for each of the periods.

(2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days during that period.

(3) Free float refers to approximately 145,666,019 Shares (or approximately 38.49% of the issued Share capital) held by Shareholders, other than the Substantial Shareholders and Directors as at the Latest Practicable Date and as enumerated in the Circular.

(4) This represents the last transacted price instead of VWCP on 5 January 2016, being the last Trading Day prior to the Announcement Date. The trading for the Shares were halted on 6 January 2016 and the Announcement Date.

(5) This represents the last transacted price instead of VWCP and trading volume for the Shares on 17 March 2016, being the last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

Based on a general observation of the table above and after taking into consideration the summary of the transacted Share prices, we note that the Issue Price is:-

(i) at a discount of approximately 2.8% from the last transacted price of S$0.053 for each Share on the Catalist on 5 January 2016, being the last Trading Day immediately preceding the Announcement Date;

(ii) at premiums of approximately 5.0%, 2.1%, and 3.8% over the VWCP for the Shares for the 12-month, 3-month and 1 month period prior to the Announcement Date respectively;

(iii) at a discount of approximately 0.8% from the VWCP for the Shares for the 6-month period prior to the Announcement Date;

(iv) at a premium of approximately 10.1% over the VWCP for the Shares for the period commencing from the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date; and

(v) at a premium of approximately 5.1% over the last transacted price of S$0.049 per Share on the SGX-Catalist on 17 March 2016, being last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

For illustrative purposes only, based on the number of Shares traded on a daily basis during the period commencing from 8 January 2015 and ending on the Latest Practicable Date, we note that:-

(i) from the 8 January 2015 to 7 January 2016, being the Announcement Date (both dates inclusive), Shares were traded on 54 Market Days out of the total 246 Market Days during the period, with the total number of Shares traded being approximately 7.5 million Shares and an average daily trading volume of approximately 30.4 thousand Shares, which represents approximately 0.008% of the issued Share Capital as at the Latest Practicable Date or approximately 0.02% of the issued Share capital, held by Shareholders other than the Substantial Shareholders and Directors as at the Latest Practicable Date;

(ii) the trading volume for the Shares were exceptionally high for the following dates: 10 March 2015 (approximately 1.64 million Shares) and 29 July 2015 (approximately 2.08 million Shares) prior to and including the Announcement Date. In the event that the number of traded Shares for the above dates were excluded, the premiums implied by the Issue Price over the VWCP for the Shares for the period to and including the Announcement Date for the period 12-months would have been lower at approximately 4.6%; and

(iii) for the period commencing from the Market Day immediately after the Announcement Date till the Latest Practicable Date (both dates inclusive), the Shares were traded on 12 Market Days out of the total 54 Market Days during the period, with the total number of Shares traded being approximately 3.4 million Shares and an average daily trading volume of approximately 63.6 thousand Shares, which represents approximately 0.02% of the issued Share capital as at the Latest Practicable Date or approximately 0.04% of the issued Share capital, held by Shareholders other than the Substantial Shareholders and Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded during the 12 month period prior to the Announcement Date is significantly low as compared to the number of issued Shares as at the Latest Practicable Date. For the 12 month period prior to the Announcement Date, the Shares were only traded on 54 Market Days out of the total 246 Market Days. It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value, they represent for prices for transactions between willing buyer and willing seller. In addition, as the Proposed Acquisition involves the entire issued share capital of the Target, it allows the Company to have full and total control for the Target's cash resources. Whilst KBG's controlling interest in the Company as at the Latest Practicable Date, is approximately 41.0%, we note that for the purposes of KBG's audited financial statements, its interest is recorded and accounted for as a subsidiary. Accordingly the premiums to be accorded for KBG's increase in interest from approximately 41.0% to approximately 70.1% should be viewed in the context that KBG: (a) already has plurality of "control" in terms of voting rights as compared to any other Shareholder; and (b) is the only Controlling Shareholder of the Company. In addition, we note from the KBG's annual report for FY2014 (note 40 to the financial statements) that the Group are deemed to be subsidiaries of KBG as KBG acquired the Warrants in the Company that if exercised, gives KBG approximately 51% of the enlarged total number of Shares issued by the Company on a diluted basis and hence deemed control, Further, as disclosed in the KBG's annual report for FY2014 (note 2 to the financial statements), subsidiaries are all entities (including structured entities) over which KBG Group has control. KBG Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity, Subsidiaries are fully consolidated from the date on which control is transferred to the KBG Group. They are de-consolidated from the date on that control ceases. Furthermore, we note that in general the financial performance and position of the Group had improved since KBG acquired a controlling interest in the Group in 2013.

We also note that the number of Shares that were traded on a daily basis after the Announcement Date till the Latest Practicable Date is higher as compared to the number of Shares that were traded on a daily basis during the 1 year period prior to the Announcement Date. For the period commencing from 8 January 2016 (being the Market Day immediately after the Announcement Date) to the Latest Practicable Date, the last transacted prices for the Shares were always lower than the Issue Price (save for on 16 March 2016 where the Shares price closed at S$0.054). In addition, we observed that the Share price has decreased by 7.5% from 0.053 to close at S$0.049 on 17 March 2016, being the last trading day immediately prior to the Latest Practicable Date. As mentioned earlier, the prices for the Shares had, from the Announcement Date till the Latest Practicable Date underperformed the FTSE ST Catalist for the said period. The relatively weaker performance of the Shares as compared to the FTSE ST Catalist and the increase in the number of Shares traded may, *inter alia*, be a reflection of the Proposed Acquisition and the Issue Price as well as prospects or demand for the Shares after the Announcement Date.

Independent Shareholders should note that there is no assurance that the prices and average volume of Shares traded on a daily basis will be maintained or that the transacted prices for the Shares or the average volume of Shares traded on a daily basis after Completion (or if the Proposed Acquisition lapses) will be at the same levels prevailing during the period commencing from the Announcement Date and ending on the Latest Practicable Date.

Non-Interested Directors should note that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.

5.4. RELATIVE VALUATION ANALYSIS FOR THE GROUP AND THE TARGET

In evaluating the Issue Price for the 369,145,631 Consideration Shares, we have considered the financial performance, financial positions and valuation statistics of selected companies that may, in our view, be broadly comparable to the core business of the Group, which is in water treatment and solution and bio-refinery and bio-energy (the "**Selected Water Treatment Companies**" and the "**Selected Bio-Refinery Engineering Companies**, or collectively, the "**Group's Selected Comparable Companies**"). We note that the water treatment and solution business and the engineering and construction for bio-refinery and bio-energy business accounted for approximately 22.8% and 77.2% of the Group's total revenue in FY2015 respectively. In addition, it is also noted that that the water treatment and solution business and the engineering and construction for for bio-refinery and bio-energy business accounted for approximately 18.0% and 82.0% of the Group's total assets in FY2015 respectively.

Likewise, in assessing the reasonableness of the Consideration in connection with the Proposed Acquisition, we have considered the financial performance, financial position and valuation statistics of selected comparable companies that may, in our view, be broadly comparable to the core businesses of the Target, which is in the building and civil engineering construction industry (the "**Target's Selected Comparable Companies**").

The Group's Selected Comparable Companies and the Target's Selected Comparable Companies have been identified after a search was carried out on various exchanges and evaluation of the companies operating in the same industry as the Group and the Target. We have had discussions with the Directors and the Target Directors about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group and the Target prior to the transaction. Relevant information has been extracted from the annual reports and/or public announcements of the Group's Selected Comparable Companies and the Target's Selected Comparable Companies. The Group's Selected Comparable Companies and the Target's Selected Comparable Companies may or may not have similar business operations or similar assets as the Group and/or the Target, accounting policies with respect to the values for which the assets or the revenue and cost are recorded or the relevant financial period compared may differ from the Group and the Target. The Non-Interested Directors should also note that whilst the Target is not listed but it is an indirect wholly owned subsidiary of KBG, a listed company, as at the Latest Practicable Date.

We advise Independent Shareholders to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group and/or the Target in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Group's Selected Comparable Companies and the Target's Selected Comparable Companies as the business of these companies, their capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group and/or the Target may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group and the Target as at the Latest Practicable Date.

Non-Interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia,* include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

5.4.1. Relative valuation of the Group

The Group's Selected Comparable Companies are set out below.

Selected Comparable Companies	Market capitalisation (S$ million)	Principal activities
Selected Water Treatment Companies		
SIIC Environment Holdings Ltd. ("**SIIC Environment**") (formerly known as Asia Water Technology Ltd.) *Listed on SGX*	1,523.2	The group is engaged in construction, water treatment and water supply and waste incineration segments. However, most of the group's activities are outside of Singapore.
China Everbright Water Limited ("**China Everbright**") (formerly known as HanKore Environment Tech Group Limited) *Listed on SGX*	1,261.1	The group is engaged in the environmental water business, which includes waste water treatment, reusable water, waste water heat pump, sludge treatment, research and development of environmental water technologies, engineering and construction.
Citic Envirotech Limited ("**CITIC Envirotech**") (formerly known as United Envirotech Ltd.) *Listed on SGX*	1,624.0	The group is engaged in the provision of engineering services involving the design, fabrication, installation and commissioning of membrane based water and wastewater treatment systems, develops, owns and operates water and wastewater treatment plants and manufactures and supplies membrane products.
Selected Bio-Refinery Engineering Companies		
Alfa Laval AB ("**Alfa Laval**") *Listed on Stockholm Stock Exchange*	9,074.3	The group is engaged in the development, manufacture and marketing of products and solutions for heat transfer, separation and fluid handling with its products used in various industries, including production of chemicals, starch, paper, metals, sugar and ethanol. Its solutions are also used onboard vessels and in the engineering sector, mining industry and refinery sector, as well as for treating wastewater and creating a comfortable indoor climate.
CB Industrial Product Holding Berhad ("**CBIP**") *Listed on Bursa Malaysia*	406.1	The group is engaged in the provision of cultivation of oil palm and production of crude palm oil and palm kernel, manufacturing of palm oil equipment and related products, commissioning and contracting works for palm oil mills and trading of palm oil mill processing equipment and retrofitting of special purpose vehicles.

Source: *Bloomberg, relevant stock exchanges and respective companies' website*

The following tabulates the salient ratios for comparative financial performance and position for the Group's Selected Comparable Companies and the Group:-

Group's Selected Comparable Companies	Financial Year End	ROE[1] (%)	Net profit margin[2] (%)	Asset turnover[3] (times)	Total liabilities[4] / shareholder equity[5] (times)	Total borrowings[6] / shareholder equity[5] (times)	Net cash[7] / market capitalisation[8] (%)
Selected Water Treatment Companies							
SIIC Environment	31-Dec-15	6.5%	20.0%	0.1	1.0	0.7	net borrowing
China Everbright	31-Dec-15	5.8%	22.4%	0.1	0.9	0.7	net borrowing
CITIC Envirotech	31-Mar-15	8.4%	17.0%	0.3	0.9	0.5	net borrowing
Maximum		**8.4%**	**22.4%**	**0.3**	**1.0**	**0.7**	**N.M.[9]**
Minimum		**5.8%**	**17.0%**	**0.1**	**0.9**	**0.5**	**N.M.[9]**
Median		**6.5%**	**20.0%**	**0.1**	**0.9**	**0.7**	**N.M.[9]**
Simple average		**6.9%**	**19.8%**	**0.2**	**1.0**	**0.6**	**N.M.[9]**
Selected Bio-Refinery Engineering Companies							
Alfa Laval	31-Dec-15	21.0%	9.7%	0.8	1.8	0.8	net borrowing
CBIP	31-Dec-15	14.0%	16.9%	0.6	0.3	0.03	10.5%
Maximum		**21.0%**	**16.9%**	**0.8**	**1.8**	**0.8**	**N.M.[9]**
Minimum		**14.0%**	**9.7%**	**0.6**	**0.3**	**0.03**	**N.M.[9]**
Median		**17.5%**	**13.3%**	**0.7**	**1.0**	**0.4**	**N.M.[9]**
Simple average		**17.5%**	**13.3%**	**0.7**	**1.0**	**0.4**	**N.M.[9]**
Weighted average for the Group's Selected Comparable Companies							
Based on the Group's revenue contribution		**15.1%[10]**	**14.8%[10]**				
The Group							
FY2015	**31-Dec-15**	**13.9%**	**4.7%**	**1.0**	**1.8**	**0.1**	**73.1%[11]**
Adjusted		**119.7%[12]**	**1.9%[13]**				

Source: *The latest annual reports or announced unaudited full year financial statements of respective companies. The ratios for SIIC Environment, China Everbright, Alfa Laval, and CBIP are based on the respective unaudited financial statements for the financial year ended on 31 December 2015. The ratios for CITIC Envirotech are based on the audited financial statements for the financial year ended on 31 March 2015. For the Group, the ratios are computed based on the audited financial statements for the financial year ended 31 December 2015.*

Notes:

(1) The return on equity ("ROE") is based on the ratio of the consolidated net profits after tax attributable to the shareholders to the consolidated shareholders' equity excluding minority interest of the respective companies.

(2) Net profit margin is the ratio of the consolidated net profits after tax attributable to shareholders to the total consolidated revenue of the respective companies.

(3) Asset turnover is the ratio of the total consolidated revenue to the total consolidated assets of the respective companies.

(4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities.

(5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies as at the respective financial year end of the Group's Selected Comparable Companies and the Group.

(6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts.

(7) *Net cash is cash and cash equivalents less total borrowings.*

(8) *Market capitalisation is based on the total number of issued shares multiplied with the last closing price for the shares as at the Latest Practicable Date for the respective companies.*

(9) *N.M. denotes not meaningful.*

(10) *Computed based on weightages of the revenue contribution of the Group's water treatment and solution and bio-refinery and bio-energy engineering business for FY2015. In the event that (a) interest expenses are added to and interest income from bank deposits are extracted from the earnings of the respective companies, and (b) net borrowings or net cash are added or extracted from the total equity of the respective companies, the average of the weighted ROE for the Group's Selected Comparable Companies is approximately 12.7%.*

(11) *Being the ratio of the Group's Net Cash per Share of S$0.0376 and the Issue Price*

(12) *The Group's adjusted ROE is the ratio of the Group's net profit before interest (interest expenses and interest income from bank deposit) and excluding the net foreign exchange gains over the Groups' total equity less Net Cash.*

(13) *The Group's adjusted net profit margin is the ratio of the Group's net profit before interest (interest expenses and interest income from bank deposit) and excluding the net foreign exchange gains over the Group's total sales.*

Relative Performance of the Group

For illustrative purposes only, we note the following: -

(i) The Group has a net cash of approximately S$14.2 million as at 31 December 2015 and this is approximately 73.1% of its market capitalisation as implied by the Issue Price. Meanwhile, the Group's Selected Comparable Companies (save for CPIB) are in the net borrowing position.

(ii) The Group's ROE ratio for FY2015 is higher than any of the Selected Water Treatment and Solution Companies and in comparison with the Selected Bio-Refinery Engineering Companies, it is in line with CBIP but lower than Alfa Laval. The Group's ROE for FY2015 is slightly lower than the weighted average ROE for the Group's Selected Comparable Companies of approximately 15.1%. As highlighted above, the Group has a superior net cash/market capitalisation position as compared to the Group's Selected Comparable Companies. In addition, it is noted that the Group's high net profit for FY2015 was supported by, *inter alia,* net foreign exchange gains of approximately S$2.1 million. In the event that the Group's net profit for FY2015 is adjusted with the net foreign exchange gains, interest income from bank deposit and interest expenses and the Net Cash is extracted from the Group's total equity for FY2015, the Group's adjusted ROE would be approximately 119.7% and this is higher than any of the Group's Selected Comparable Companies. As the Group's Selected Comparable Companies are all in net borrowing position (save for CPIB), no adjustments were made to their ROEs.

(iii) The Group's net profit margin ratio for FY2015 is lower and less favourable than any of the Group's Selected Comparable Companies. For illustrative purpose only, in the event that the Group's net profit for FY2015 is adjusted with the net foreign exchange gains, interest income from bank deposit and interest expenses, the Group's adjusted net profit margin ratio would be approximately 1.9% and this is lower than any of the Group's Selected Comparable Companies.

(iv) The Group's asset turnover ratio for FY2015 is higher than any of the Group's Selected Comparable Companies.

(v) The Group's financial position as reflected by the total liabilities to shareholders' equity ratio for FY2015 is higher than any of the Group's Selected Comparable Companies (save for Alfa Laval which is in line). However, in terms of the total borrowings to shareholders equity, the Group's ratio is lower and more favourable than any of the Group's Selected Comparable Companies (save for CBIP).

In summary, whilst the Group's net profit margin is worse off as compared to the Selected Comparable Companies, the Group's financial performance in terms of adjusted ROE and asset turnover ratio appear to be more favourable than the Group's Selected Comparable Companies. In terms of the financial position, the Group has lower gearing ratio than the Group's Selected Comparable Companies (save for CPIB) and superior net cash/market capitalisation position as compared to the Group's Selected Comparable Companies.

The following valuation statistics for the Group's Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while the valuation of the Group is based on the Issue Price and the last transacted price for the Shares as at the Latest Practicable Date. All the valuation statistics are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Group's Selected Comparable Companies and the Group should be evaluated in the context of their relative financial performance: -

Group's Selected Comparable Companies	Market Capitalisation	EV/ EBITDA	PER(1)	P/NAV(2)	P/NTA(3)	Premium/ (discount) over/ from NTA
	(S$' million)	(times)	(times)	(times)	(times)	(%)
Selected Water Treatment Companies						
SIIC Environment	1,523.2	14.0	20.1	1.3	3.9	295.0%
China Everbright	1,261.1	13.2	17.6	1.0	1.3	26.8%
CITIC Envirotech	1,624.0	15.9	27.4	2.3	6.2	517.2%
Maximum	**1,624.0**	**15.9**	**27.4**	**2.3**	**6.2**	**517.2%**
Minimum	**1,261.1**	**13.2**	**17.6**	**1.0**	**1.3**	**26.8%**
Median	**1,523.2**	**14.0**	**20.1**	**1.3**	**3.9**	**295.0%**
Simple average	**1,469.4**	**14.4**	**21.7**	**1.5**	**3.8**	**279.7%**
Selected Bio-Refinery Engineering Companies						
Alfa Laval	9,074.3	9.5	14.5	3.0	n.m.(4)	n.m. (4)
CBIP	406.1	8.0	12.7	1.8	1.8	82.7%
Maximum	**9,074.3**	**9.5**	**14.5**	**3.0**	**1.8**	**82.7%**
Minimum	**406.1**	**8.0**	**12.7**	**1.8**	**1.8**	**82.7%**
Median	**4,740.2**	**8.7**	**13.6**	**2.4**	**1.8**	**82.7%**
Simple average	**4,740.2**	**8.7**	**13.6**	**2.4**	**1.8**	**82.7%**
Combined (based on asset and revenue contribution) (5)						
Maximum	**7,377.6**	**10.9**	**17.4**	**2.9**	**2.6**	**181.7%**
Minimum	**600.9**	**9.2**	**13.8**	**1.6**	**1.7**	**70.0%**
Median	**4,007.6**	**9.9**	**15.1**	**2.2**	**2.2**	**131.1%**
Simple average	**3,995.4**	**10.0**	**15.4**	**2.3**	**2.2**	**127.6%**
The Group						
As at the Latest Practicable Date(6)	**18.5**	**1.6**	**8.9**	**1.2**	**2.3**	**129.0%**
Issue Price (with no adjustment) (6)	**19.5**	**1.8**	**9.3**	**1.3**	**2.4**	**140.7%**
Issue Price (with adjustments)	**5.2(7)**	**1.8**	**6.2(8)**	**7.4(9)**	**N.M.(10)**	**N.M.(10)**

Notes:

(1) The PERs for the Group's Selected Comparable Companies are based on the earnings per share as reflected in their latest audited financial statements from their annual reports or latest announced unaudited financial statements as at the respective financial year end.

(2) The P/NTA ratios for Group's Selected Comparable Companies are based on their respective NTA values as set out in their latest audited financial statements from their annual reports.

(3) The P/NAV ratios for Group's' Selected Comparable Companies are based on their respective NAV values as set out in their latest audited financial statements from their annual reports.

(4) The net tangible asset of Alfa Laval for the financial year ended 31 December 2015 is approximately negative 7.8 million Swedish Krona, and hence its P/NTA ratio is negative and not meaningful.

(5) Computed based on weightages of the revenue contribution (for PER and EV/EBITDA) and asset contribution (for P/NAV and P/NTA) of the Group's water treatment and solution and palm oil engineering business for FY2015.

(6) For the Group, the computations for market capitalization, PER, EV/EBITDA, P/NTA and P/NAV ratios are based on the last transacted price for the Shares as at the Latest Practicable Date or the Issue Price and the audited financial statements for the Group for FY2015.

(7) The Group's adjusted market capitalisation is based on the total issued Shares as at the Latest Practicable Date and the Issue Price less the Net Cash per Share (please refer to Section 5.2.1. of this Letter).

(8) The Group's adjusted PER is a ratio of the Group's adjusted market capitalisation (see point (7) above) and the Group's net profit before interest (interest expenses and interest income from bank deposit) and excluding the net foreign exchange gains.

(9) The Group's adjusted P/NAV is a ratio the Group's adjusted market capitalisation (see point (7) above) and the Group's audited NAV as at 31 December 2015 less the Net Cash (please refer to Section 5.2.1. of this Letter).

(10) N.M. denotes not meaningful. As highlighted in Section 5.2.1. of this Letter, the Group's audited NTA per Share as at 31 December 2015 is lower than the Net Cash per Share, thus the comparison between the Issue Price less the Net Cash per Share and the Group's NTA per Share less the Net Cash per Share is not meaningful.

Relative valuation for the Group

For illustrative purpose only, we note the following: -

(i) The market capitalisation of the Group (as implied by the Issue Price and last transacted price for the Shares as at the Latest Practicable Date) is significantly lower than any of the Group's Selected Comparable Companies. We note that the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisation. Hence, comparison of the valuation ratios for the Group and the Group's Selected Comparable Companies are necessarily limited and presented herein for illustrative purpose only.

(ii) The valuation of the Group in terms of EV/EBITDA (as implied by the Issue Price and the last transacted price for the Shares as at the Latest Practicable Date) is lower than any of the Group's Selected Comparable Companies. It is noted that the EV/EBITDA is a more meaningful indicator in view of the significant difference in the capital structure of the Group and the Group's Selected Comparable Companies as highlighted in the previous paragraphs.

(iii) The valuation of the Group in terms of PER (as implied by the Issue Price and last transacted price for the Shares as at the Latest Practicable Date) is lower than any of the Group's Selected Comparable Companies. As highlighted previously, the Group has a superior net cash/market capitalisation position as compared to the Group's Selected Comparable Companies and the Group's high net profit for FY2015 was supported by, *inter alia,* net foreign exchange gains of approximately S$2.1 million. As such, we have extracted the Group's Net Cash from its market capitalisation as implied by the Issue Price and adjusted the Group's net profit for FY2015 with the net foreign exchange gains, interest income from bank deposit and interest expenses to arrive at an adjusted PER of approximately 6.2 times, which is lower than any of the Group's Selected Comparable Companies. As the Group's Selected Comparable Companies are all in net borrowing position (save for CPIB), no adjustments were made to their PERs.

(iv) The valuation of the Group in terms of P/NAV (as implied by the last transacted price for the Shares as at the Latest Practicable Date or the Issue Price with no adjustment) is substantially lower than weighted average and median for the Group's Selected Comparable Companies.

(v) As highlighted in Section 5.2.1. of this Letter, in the event that the Group's Net Cash per Share is deducted from the Issue Price as well as the Group's audited NAV per Share as at 31 December 2015, the Issue Price less the Net Cash per Share represents a substantial premium of approximately 641.3% over the Group's NAV per Share less the Net Cash per Share or implied P/NTA of approximately 7.4 times. This is higher and more favourable than the ratios for the Group's Selected Comparable Companies. As the Group's Selected Comparable Companies are all in net borrowing position (save for CPIB), no adjustments were made to their P/NAV ratios.

(vi) The valuation of the Group in terms of P/NTA (as implied by the Issue Price and the last transacted price for the Shares as at the Latest Practicable Date) is within the range and higher than both the simple average and median of weighted P/NTA for the Group's Selected Comparable Companies.

(iv) The Group's audited NTA per Share as at 31 December 2015 is lower than the Net Cash per Share, thus the comparison between the Issue Price less the Net Cash per Share and the Group's NTA per Share less the Net Cash per Share is not meaningful. As the Group's Selected Comparable Companies are all in net borrowing position (save for CPIB), no adjustments were made to their P/NTA ratios.

Taking into consideration the Group's more favourable financial performance (in terms of adjusted ROE and asset turnover ratio) and relatively better financial position (in terms of lower gearing and superior net cash/market capitalisation position) as compared to the Group's Selected Comparable Companies, the valuation of the Group (as implied by the Issue Price) in terms of EV/EBITDA and PER (adjusted and non-adjusted) as compared to the Group's Selected Comparable Companies appears to be less favourable. However, the less favourable valuation of the Group in terms of EV/EBITDA and PER (based on the Issue Price) should be assessed in the context of the: (a) Group's weaker net profit margin as compared to the Group's Selected Comparable Companies; (b) relatively favourable valuation in terms of P/NTA for the Group as implied by the Issue Price as compared to the median and average for the Group Selected Comparable Companies; and (c) Issue Price less the Group's Net Cash per Share representing a substantial premium of approximately 641.3% over the Group's NAV per Share less the Net Cash per Share as at 31 December 2015; and (d) fair comparison for the Issue Price (being in general at premiums) against the historical prices for the Shares notwithstanding the low liquidity for the Shares.

After the issuance of 369,145,631 Consideration Shares, KBG' shareholdings in the Group will increase from approximately 41.0% to approximately 70.1% allowing it to exercise statutory control of the Company and pass all ordinary resolutions on matters in which KBG do not have an interest in. However, the premium to be accorded to the Issue Price may be capped by the fact that KBG is already the single and largest Controlling Shareholder of the Group as at the Latest Practicable Date, and that the issuance of the Consideration Shares will not bring KBG's shareholding to a super majority control (exceeding 75.0%).

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Company including, inter alia, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Group's Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Non-Interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, inter alia, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

5.4.2. Relative valuation of the Target

The Non-Interested Directors should also note that the Target is privately held and indirect wholly owned subsidiary of KBG, a listed company, as at the Latest Practicable Date, while all the Target's Selected Comparable Companies are listed companies. It is generally accepted that the value for quoted shares are generally higher than those for unquoted shares in the view of the listed status, improved liquidity, disclosure, corporate governance requirements as well as rules of the relevant exchange that has to be complied with for listing.

Target's Selected Comparable Companies	Market capitalisation (S$ million)	Principal activities
Soilbuild Construction Group Ltd ("**Soilbuild**") *Listed on the SGX-ST*	153.2	The group is engaged in construction, design and build, turnkey construction, project consultancy, project management services, procurement, and mechanical and electrical installation services.
Kori Holdings Limited ("**Kori**") *Listed on the SGX-ST*	44.1	The group is engaged in offering civil/structural engineering and infrastructural construction services as a sub-contractor for commercial, industrial, and public infrastructural construction projects in Singapore and Malaysia. It operates in two segments, structural steelworks services and tunneling services.
BBR Holdings (S) Limited ("**BBR**") *Listed on the SGX-ST*	50.8	The group is engaged in the general construction, specialized engineering, and property development and green technology businesses
OKP Holdings Limited ("**OKP**") *Listed on the SGX-ST*	77.1	The group is engaged in the construction of urban and arterial roads, expressways, vehicular bridges, flyovers and buildings, airports infrastructure, and oil and gas-related infrastructure for petrochemical plants and oil storage terminals and maintenance of roads, road reserves, pavements, footpaths and kerbs, guardrails, drains, signboards, bus bays, and shelters.
Hock Lian Seng Holdings Limited ("**Hock Lian Seng**") *Listed on the SGX-ST*	201.4	The group is engaged in infrastructure construction and civil engineering works for bridges, expressways, tunnels and other related infrastructure works, property development and property investment.
TEE International Limited ("**TEE International**") *Listed on the SGX-ST*	110.7	The group is engaged in providing mechanical and electrical work relating to the expansion and improvement of infrastructure, constructing new buildings and converting existing buildings and facilities for new uses and offering approaches to the construction of infrastructure, real estate development and investment and infrastructure solutions.

Source: *Bloomberg, SGX-ST and respective companies' website*

The following tabulates the salient ratios for comparative financial performance and position for the Target's Selected Comparable Companies and the Target:-

Target's Selected Comparable Companies	Financial Year End	ROE(1) (%)	Net profit margin(3) (%)	Asset turnover(4) (times)	Total liabilities (5) / shareholder equity(6) (times)	Total borrowings(7)/ shareholder equity(6) (times)	Net cash(8) / market capitalisation (9) (%)
Building and Civil Engineering							
Soilbuild	31-Dec-15	20.5%	5.7%	1.5	1.3	No borrowing	4.4%
Kori	31-Dec-15	3.5%	3.1%	0.7	0.6	0.2	Net borrowing
BBR	31-Dec-15	1.8%	0.5%	1.5	1.1	0.2	8.8%
OKP	31-Dec-15	6.7%	6.8%	0.7	0.3	0.02	67.6%
Hock Lian Seng	31-Dec-15	16.6%	21.0%	0.5	0.5	0.1	70.2%
TEE International	31-May-15	11.6%	5.1%	0.4	4.1	2.7	Net borrowing
Maximum		**20.5%**	**21.0%**	**1.5**	**4.1**	**2.7**	70.2%
Minimum		**1.8%**	**0.5%**	**0.4**	**0.3**	**0.02**	4.4%
Median		**9.2%**	**5.4%**	**0.7**	**0.9**	**0.2**	38.2%
Simple average		**10.1%**	**7.0%**	**0.9**	**1.3**	**0.6**	37.7%
Target FY2015		**3.2% / 15.7%(2)**	**0.4%**	**1.6**	**4.0**	**0.1**	**76.7%(10)**

Source: *The latest annual reports or announced unaudited full year financial statements of respective companies. The ratios for Soildbuild, Kori, BBR, OKP and Hock Lian Seng are based on unaudited financial statements for the financial year ended on 31 December 2015. For TEE International, the ratios are computed based on the audited financial statements for the financial year ended 31 May 2015. For the Target, the ratios are computed based on the audited financial statements for FY2015.*

Notes:

(1) The return on equity ("ROE") is based on the ratio of the consolidated net profits after tax attributable to the shareholders to the consolidated shareholders' equity excluding minority interest of the respective companies.

(2) The Target's adjusted ROE is based on the ratio of the Target's net profit before interest (interest expenses and interest income from bank deposit) over the Target's total equity less Net Cash. For the Target's Selected Comparable Companies, the simple average and median of the adjusted ROE is approximately 14.4% and 8.6% respectively.

(3) Net profit margin is the ratio of the consolidated net profits after tax attributable to shareholders to the total consolidated revenue of the respective companies.

(4) Asset turnover is the ratio of the total consolidated revenue to the total consolidated assets of the respective companies.

(5) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities.

(6) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies as at the respective financial year end.

(7) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts.

(8) Net cash is cash and cash equivalents less total borrowings.

(9) Market capitalisation is based on the total number of issued shares multiplied with the last closing price for the shares as at the Latest Practicable Date for the respective companies.

(10) Being the ratio of the Target's Net Cash of S$14.6 million and the Consideration.

Relative Performance of the Target

For illustrative purposes only, we note the following: -

(i) The Target has a net cash of approximately S$14.6 million as at 31 December 2015 and this is approximately 76.7% of its market capitalisation as implied by the Consideration (which is higher than any of the Target's Selected Comparable Companies).

(i) The Target's ROE ratio for FY2015 is within the range but significantly lower than both the median and simple average for the Target's Selected Comparable Companies. As highlighted in point (i) above, the Group has a superior net cash/market capitalisation position as compared to the Target's Selected Comparable Companies. In the event that the Target's net profit for FY2015 is adjusted with the interest income from bank deposit and interest expenses and the Net Cash is extracted from the Target's total equity for FY2015, the Target's adjusted ROE would be approximately 15.7% and this is within the range and higher than both the median and simple average of the ROE and adjusted ROE for the Target's Selected Comparable Companies.

(ii) The Target's net profit margin ratio for FY2015 is lower and less favourable than any of the Group's Selected Comparable Companies.

(ii) The Target's asset turnover for FY2015 is higher and more favourable than any of the Target's Selected Comparable Companies.

(iii) The Target's financial position as reflected by the total liabilities to shareholders' equity ratio for FY2015 is within range but significantly higher than the median and simple average for the Target's Selected Comparable Companies. However, in terms of the total borrowings to shareholders equity, the Target's ratio is within range but lower and more favourable than the median and simple average for the Target's Selected Comparable Companies.

In summary, whilst the Target's net profit margin is worse off as compared to the Target's Selected Comparable Companies, the Target's financial performance in terms of adjusted ROE and asset turnover ratio appear to be more favourable than the Target's Selected Comparable Companies. In terms of the financial position, the Target has lower gearing ratio than the Target's Selected Comparable Companies (save for Soilbuild and OKP) and superior net cash/market capitalisation position as compared to the Target's Selected Comparable Companies.

The following valuation statistics for the Target's Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while the valuation of the Target is based on the Consideration. All the valuation statistics are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Target's Selected Comparable Companies and the Target should be evaluated in the context of their relative financial performance:-

Target's Selected Comparable Companies	Market Capitalisation (in S$ million)	EV / EBITDA (times)	PER[(1)] (times)	Adjusted PER[(2)] (times)	P/NAV[(3)] (times)	P/NTA[(4)] (times)	Premium/ (discount) over/ from NTA (%)	Adjusted P/NTA[(5)] (times)
Building and Civil Engineering								
Soilbuild	153.2	5.5	8.2	8.0	1.7	1.7	69.0%	1.7
Kori	44.1	21.7	28.1	24.0	1.0	1.0	(2.1)%	1.0
BBR	50.8	4.7	21.8	18.6	0.4	0.4	(61.6)%	0.4
OKP	77.1	2.4	11.0	3.7	0.7	0.7	(25.1)%	0.5
Hock Lian Seng	201.4	1.5	5.5	1.8	0.9	0.9	(9.1)%	0.7
TEE International	110.7	17.9	9.9	19.7	1.2	1.2	15.8%	1.0
Maximum	**201.4**	**21.7**	**28.1**	**24.0**	**1.7**	**1.7**	**69.0%**	**1.7**
Minimum	**44.1**	**1.5**	**5.5**	**1.8**	**0.4**	**0.4**	**(61.6)%**	**0.4**
Median	**93.9**	**5.1**	**10.5**	**13.3**	**0.9**	**0.9**	**(5.6)%**	**0.9**
Simple average	**106.2**	**8.9**	**14.1**	**12.6**	**1.0**	**1.0**	**(2.2)%**	**0.9**
Target								
Consideration	**19.0**	**2.0**	**31.3**	**6.3[(2)]**	**1.0**	**1.0**	**(0.45)%**	**0.4[(6)]**

Notes:

(1) The PERs for the Target's Selected Comparable Companies are based on the earnings per share as reflected in their latest announced unaudited full year financial statements or audited financial statements from their annual reports as at the respective financial year end.

(2) The adjusted PER for the Target's Selected Comparable Companies and the Target are based on their adjusted market capitalisation (after subtracting net cash or adding net borrowing) and the net profit before interest (interest expenses and interest income from bank deposit).

(3) The P/NAV ratios for the Target's Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(4) The P/NTA ratios for the Target's Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(5) The adjusted P/NTA ratios for the Target's Selected Comparable Companies are based on their adjusted market capitalisation (after subtracting net cash or adding net borrowing) and the adjusted NTA (after subtracting net cash or adding net borrowing).

(6) The Target's adjusted P/NTA is a ratio of the Consideration less the Target's Net Cash over the Target's Revalued NTA less Net Cash.

Relative valuation for the Target

For illustrative purpose only, we note the following: -

(i) The market capitalisation of the Target as implied by the Consideration is lower than any of the Target's Selected Comparable Companies. Hence, comparison of the valuation ratios for the Target and the Target's Selected Comparable Companies are necessarily limited and presented herein for illustrative purpose only. The Non-Interested Directors should also note that whilst the Target is not listed but it is an indirect wholly owned subsidiary of KBG, a listed company, as at the Latest Practicable Date.

(ii) The valuation of the Target in terms of EV/EBITDA ratio as implied by the Consideration is within the range and lower than both the median and simple average of the Target's Selected Comparable Companies. It is noted that the EV/EBITDA is a more meaningful indicator in view of the differences in the capital structure of the Target and the Target's Selected Comparable Companies as highlighted in the previous paragraphs.

(iii) The Target's valuation in terms of PER (as implied by the Consideration) is higher than any of the Target's Selected Comparable Companies. As highlighted previously, the Target has a higher ratio of net cash over market capitalisation as compared to the Target's Selected Comparable Companies. As such, we have adjusted the Consideration with the Target's Net Cash and adjusted the Target's net profit with the interest income from bank deposit and interest expenses to arrive at an adjusted PER of approximately 6.3 times, which is within the range and lower than both the median and simple average of PER for the Target's Selected Comparable Companies. Likewise, the Target's adjusted PER of approximately 6.3 times is within the range and lower than the median and simple average of adjusted PER for the Target's Selected Comparable Companies (in the event that the PER for the Target's Selected Comparable Companies are adjusted in similar manner).

(iv) The valuation of the Target in terms of P/NAV and P/NTA (as implied by the Consideration) are within the range, higher than the median and in line with the simple average for the Target's Selected Comparable Companies.

(v) As highlighted in Section 5.2.2. of this Letter, in the event that the Target's Net Cash is deducted from the Consideration as well as the Target's Revalued NTA as at 31 December 2015, the Consideration less the Net Cash represents a discount of approximately 57.0% from the Target's Revalued NTA less the Net Cash or implied P/NTA of approximately 0.4 times. This is within the range and lower than both the median and simple average for the Target's Selected Comparable Companies (for both P/NTA and adjusted P/NTA for the Target's Selected Comparable Companies). Likewise, in the event that the Target's Net Cash less Dividend Pay-out is deducted from both the Consideration as well as the Target's Revalued NTA, the Consideration less the Net Cash after Dividend Pay-out represents a discount of approximately 47.4% from the Target's Revalued NTA less the Net Cash after Dividend Pay-out or implied P/NTA of approximately 0.5 times. This is within the range and lower than both the median and simple average for the Target's Selected Comparable Companies (for both P/NTA and adjusted P/NTA for the Target's Selected Comparable Companies).

In summary, notwithstanding that the Target is unlisted, the valuation multiples for Target (as implied by the Consideration) in terms of EV/EBITDA, adjusted PER, adjusted P/NTA appear to be lower than the Target's Selected Comparable Companies after taking into account: (a) the Target's relatively favourable financial performance (in terms of the adjusted ROE and asset turnover ratio) and relatively better financial position (in terms of lower gearing (save for Soilbuild and OKP) and higher net cash over market capitalisation ratio) as compared to the median and simple average for the Target's Selected Comparable Companies; and (b) the Target's order book of approximately S$590.7 million as at 31 December 2015.

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Company including, *inter alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Target with those of the Target's Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Non-Interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

5.5. ANALYSIS OF COMPARABLE TRANSACTIONS

In our assessment of the reasonableness of the Proposed Acquisition and the Consideration, we have considered the salient terms of other acquisitions of equity interests which constitute interested person transactions undertaken by SGX-ST listed companies (the "**Selected IPT Acquisitions**") to provide, *inter alia*, a general comparison of the premium over or discount to NTA, without having regard to specific industry characteristics or consideration structure or other relevant considerations. We wish to highlight that the list of the Selected IPT Acquisitions is by no means exhaustive, and that the premium (if any) that a purchaser would pay for a business depends on various factors, including, *inter alia*, the purchaser's rationale for the acquisition, consideration structure, prevailing market conditions and sentiments, attractiveness and profitability of the business and assets acquired as well as relative "bargaining position" of buyer/seller. Accordingly, any comparison made with respect to the Selected IPT Acquisitions is intended to serve as an illustrative guide only.

Selected Companies	Target Companies	Announcement date	% of equity interest acquired	Consideration Structure	Total consideration for target companies (S$ million)	Consideration to Target NTA (times)	Target profit/Loss
Goodland Group Limited	Citrine Assets Pte. Ltd.	14-Jan-14	100%	3.5% cash, 87.8% shares and 8.8% bonds	62.7	0.4	n.a.[1]
MYP Ltd	Grace Shine Pte. Ltd.	20-May-14	80%	2.84% cash and 97.16% shares	193.5	0.9	Profit
	Affreton Pte. Ltd.	20-May-14	100%			0.9	Profit
Polaris Ltd	PT Trikomsel Oke Tbk.	3-Jul-14	11%	100% shares	65.8	2.8	Profit
Jubilee Industrie Holdings Ltd.	WE Components Pte. Ltd	18-Jul-14	100%	100% cash	10.4	1.9	Loss (profit 5-mth interim)
AusGroup Limited	Ezion Offshore Logistics Hub Pte Ltd	23-Jul-14	100%	25.45% cash and 74.55% shares	55.0	n.m. [2]	Loss
	Teras Australia Pty Ltd	23-Jul-14	90%	25.45% cash and 74.55% shares			
Achieva Limited	(I) SUTL Marina Development Pte. Ltd. (II) One15 Luxury Yachting Pte. Ltd.	14-Aug-14	100%	100% shares	21.0	1.0	Profit
Shui On Land Limited	Shui On Granpex Limited, Pat Davie (China) Limited and Famous Scene Holdings Limited	21-Aug-14	100%	85.3% cash and 14.7 % debt	8.7[3]	0.8	Profit
Global Yellow Pages	Pakuranga Plaza Limited	8-Oct-14	100%	100% cash	38.5	n.m.	Profit

Selected Companies	Target Companies	Announcement date	% of equity interest acquired	Consideration Structure	Total consideration for target companies (S$ million)	Consideration to Target NTA (times)	Target profit/Loss
Vallianz Holdings Limited	Newcruz International Pte. Ltd.	10-Nov-14	100%	62.34% senior perpetual securities, 37.66% shares	47.7	0.5	Profit
Vallianz Holdings Limited	PTSB Holdings Pte. Ltd.	10-Nov-14	100%			1.2	Profit
AVIC International Maritime Holdings Limited	AVIC Zhenjiang Shipyard Marine Pte. Ltd.	21-Apr-15	60%	100% cash	4.9	1.2	Profit
EMS Energy Limited	Windale Holdings Limited	24-Apr-15	100%	20.87% debt and 79.13% cash	150.0	0.8	Profit
Raffles United Limited	Raffles Capital Enterprise Pte. Ltd.	10-Jun-15	51%	100% cash	8.0	1.0	Profit
Rowsley Limited	GG Collections Private Limited	27-Aug-15	50%	91% cash and 9% debt	12.0	0.7	Loss
Rowsley Limited	Café Football Limited	27-Aug-15	75%	99.99% debt (less than 0.01% cash)	1.0	3.6	Loss
Rowsley Limited	Orchid Leisure Limited	27-Aug-15	50%	48.20 cash and 51.8% debt	50.1	1.0	Loss
MAX			100%		193.5	3.6	
MIN			11%		1.0	0.4	
MEDIAN			100%		38.5	1.0	
AVERAGE			80%		48.6	1.2	
Company	**Target**		**100%**	**100% shares**	**19.0**	**0.8**	**Profit**

Source: *SGX-ST announcements and circulars to shareholders in relation to the respective acquisition transactions*

Notes:

(1) Target does not have any revenue or profits as at the date of the circular

(2) Based on unaudited consolidated financial statements of Ezion Offshore Logistics Hub Pte Ltd and Teras Australia Pty Ltd for 12 months financial period ended 30 June 2014, are in negative book value of approximately S$13.7 million.

(3) Based on an exchange rate of S$1:HKD6.1084

For illustrative purposes only, we note the following:-

(i) The Target's value based on the Consideration as compared to the total consideration payable for the Selected IPT Acquisitions is within the range but lower than both the simple average and median for the Selected IPT Acquisitions.

(ii) The Target's P/NTA ratio of approximately 0.8 times as implied by the Consideration and the Target's Revalued NTA (please refer to Section 5.2.2. of this Letter) is within the range and lower than both the simple average for the Selected IPT Acquisitions.

Independent Shareholders should note that as the circumstances for each of the companies listed is unique and as the companies or the transactions may not be identical to the Target or the Proposed Acquisition in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects, payment terms and other relevant criteria, the analysis is necessarily limited. Further, the list of Selected IPT Acquisitions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Proposed Acquisition and the Selected IPT Acquisitions serves as an illustrative guide only.

5.6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The proforma financial effects of the Proposed Acquisition on the Group and its assumptions are set out in Section 2.3 of the Circular. We recommend that the Non-Interested Directors advise the Independent Shareholders to read those pages of the Circular carefully. The financial effects of the Proposed Acquisition have been extracted from Section 2.3 of the Circular and is set out in italic below.

"2.3. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed Acquisition have been prepared based on the audited consolidated financial statements of the Group and the audited financial statements of the Target for FY2015, under the following assumptions:

(a) that the Proposed Acquisition had been completed on 1 January 2015 for the purposes of illustrating the financial effects on earnings;

(b) that the Proposed Acquisition had been completed on 31 December 2015 for the purposes of illustrating the financial effects on share capital, NTA and gearing;

(c) that any inter-company transactions and/or balances between the Group and the Target has been disregarded hereto; and

(d) the expenses in connection with the Proposed Acquisition have been disregarded hereto.

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

2.3.1. Share Capital

	Before the Proposed Acquisition	*After the Proposed Acquisition*
Issued and paid-up share capital (S$'000)	*16,476*	*35,487*
Number of Shares ('000)	*378,409*	*747,554*

2.3.2. NTA

	Before the Proposed Acquisition	*After the Proposed Acquisition*
NTA attributable to owners of the Company (S$'000)	*8,097*	*27,193*
Number of Shares ('000)	*378,409*	*747,554*
NTA per Share (cents)	*2.14*	*3.64*

2.3.3. EPS

	Before the Proposed Acquisition	*After the Proposed Acquisition*
Net profit attributable to owners of the Company (S$'000)	*2,086*	*2,694*
Weighted average number of KB Eco Shares ('000)[(1)]	*378,409*	*747,554*
EPS (cents)	*0.55*	*0.36*

Note:

(1) The weighted average number of ordinary shares for FY2015 is equivalent to the number of Shares at the beginning of FY2015.

2.3.4. Gearing

	Before the Proposed Acquisition	*After the Proposed Acquisition*
Total borrowings (S$'000)[(1)]	*1,800*	*3,450*
Cash and cash equivalents (S$'000)	*16,047*	*32,271*
Equity attributable to owners of the Company (S$'000)	*14,954*	*34,050*
Net gearing ratio (times)[(2)]	*(0.95)*	*(0.85)*

Note:

(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 the Company."

For illustrative purposes only, we note from the table above that after the Completion of the Proposed Acquisition, the earnings per Share ("**EPS**") of the Group would decline from 0.55 S$ cent for FY2015 to 0.36 S$ cent. In addition, after the Completion of the Proposed Acquisition, the Group's NTA per Share would increase from 2.14 S$ cents to 3.64 S$ cents. Furthermore, following the Completion of the Proposed Acquisition, the Enlarged Group would be in a net cash position (being cash and cash equivalents less total borrowings) of approximately S$28.8 million, which is more favourable than the Group's net cash position of approximately S$14.2 million as at 31 December 2015 and would allow the Enlarged Group to take on more or bigger projects as well as further expansion.

We wish to highlight that while the Proposed Acquisition will lead to a lower EPS, it will result in a higher NTA per Share, and favourable effect to the Group's financial position in terms of gearing or net cash position. We also note from Section 2.1.3 of the Circular, the Directors believe that the Proposed Acquisition represents, *inter alia,* the consolidation of the building construction and civil engineering capabilities of the Target with the EPC capabilities of the Group and hence it would enable the Target and the Group to leverage on each other's strength and expertise to enhance the operational efficiency between them for greater synergy and cost savings. The Directors consider the Proposed Acquisition to be in the interest of and beneficial to the Group.

5.7. OTHER CONSIDERATIONS

5.7.1. Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition has been extracted from Section 2.1.3 of the Circular and is set out in italics below. We advise the Non-Interested Directors to recommend Independent Shareholders to read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"2.1.3. <u>Rationale for the Proposed Acquisition</u>

The Board is of the view that undertaking the Proposed Acquisition would be in the interests of the Company as the consolidation of the building construction and civil engineering capabilities of the Target with the EPC capabilities of the Group would enable the Target and the 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 Acquisition would enable the Group to leverage on the synergies resulting from combining the Target's construction business under the Company and create a better platform to grow its construction business, including the further exploration of opportunities in water and wastewater treatment and hydro-engineering.

The Proposed Acquisition will also give investors the opportunity to assess the value of the Enlarged Group, taking into consideration factors unique to the Enlarged Group, such as its business model and operations, performance, any synergies and cost savings, risk profile, strategies and future plans."

5.7.2. Risk factors relating to the Proposed Acquisition

While we have, in the course of our evaluation, assessed the financial terms of the Proposed Acquisition and considered the transaction from the perspective of whether such terms are on normal commercial terms and prejudicial to the interests of the Company and the minority Shareholders, we have not examined the underlying business and financial risks associated with the Proposed Acquisition as well as the business prospects of the Target or the Enlarged Group following the completion of the Proposed Acquisition, which shall be the responsibility of the Directors.

The risk factors in connection with the Proposed Acquisition is set out in Section 2.2 of the Circular. Should any of the considerations and uncertainties highlighted in the aforementioned risk factors develop into actual event, the business, financial condition or results of the operations of the Group, the Company, the Target or the Enlarged Group could be materially adversely affected.

5.7.3. Dilution impact of the Proposed Acquisition to the Independent Shareholders

It is important to note that pursuant to the Proposed Acquisition and issuance of the Consideration Shares, the shareholdings of existing Shareholders will be affected. In evaluating the dilution impact of the Proposed Transactions on existing Independent Shareholders, we have considered the following:-

	As at the Latest Practicable Date				Upon Completion of the Proposed Acquisition			
	Direct Interests	Deemed Interests	Total Interests	%	Direct Interests	Deemed Interests	Total Interests	%
Directors								
Mr. Koh Keng Siang	-	-	-	0.0%	-	-	-	0.0%
Mr. Koh Choon Leng	-	-	-	0.0%	-	-	-	0.0%
Mr. Tan Hwa Peng	-	-	-	0.0%	-	-	-	0.0%
Mr. Tan Liang Seng	-	-	-	0.0%	-	-	-	0.0%
Substantial Shareholders (other than Directors)								
KBG	155,000,000	-	155,000,000	41.0%	524,145,631	-	524,145,631	70.1%
Mr. Tan Tze Wen	52,942,557	-	52,942,557	14.0%	52,942,557	-	52,942,557	7.1%
Mr. Sunny Ong Keng Hua	24,800,000	-	24,800,000	6.6%	24,800,000	-	24,800,000	3.3%
Public Shareholders(2)			**145,666,019**	38.5%			**145,666,019**	19.5%
TOTAL	**378,408,576**			**100%**	**747,554,207**			

Notes:-

(1) Number of issued Shares excluding treasury shares is 378,408,576 as at the Latest Practicable Date.

(2) Public Shareholders are Shareholders other than KBG, the Vendor, the Directors, the Substantial Shareholders as at the Latest Practicable Date.

Based on the above illustration, we note that KBG is the single and largest Controlling Shareholder of the Company as at the Latest Practicable Date, and after the issuance of 369,145,631 Consideration Shares, KBG' shareholdings in the Company will increase from approximately 41.0% to approximately 70.1%. Furthermore, we note that the shareholding of the existing public Shareholders will decrease from 38.5% to approximately 19.5%.

Even though KBG will not have a super majority control of the Company of 75.0% (assuming the completion of the Proposed Acquisition and issuance of Consideration Shares), KBG will have more than 50.0% of the Shares, allowing it to exercise statutory control of the Company and pass all ordinary resolutions on matters in which KBG do not have an interest in and are tabled for Shareholders' approval at general meetings to be convened by the Company.

Shareholders should note that the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.

Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from KBG at the highest price paid or agreed to be paid by KBG and its concert parties for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares.

Independent Shareholders should note that the allotment and issuance of the Consideration Shares to KBG under the Proposed Acquisition would result in KBG and its concert parties holding Shares carrying over 49.0% of the voting rights of the Company based on the Enlarged Share Capital, and KBG and its concert parties would then be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.

5.7.4. No assurance of profitability

Non-Interested Directors should note that no profit warranty has been provided by any party with respect to the future performance of the Target in connection with the Proposed Acquisition. There can be no assurance that the Target will be profitable in the near future or in the long-term.

The Target recorded profit after tax of approximately S$0.6 million, S$2.1 million, and S$2.8 million in FY2015, FY2014, and FY2013 respectively. We would like to highlight that whilst the Target's profitability in terms of net profit after tax has been decreasing since FY2013, the Target's order book amounted to S$590.7 million as at 31 December 2015 with an average project duration of between 3-5 years, which is higher than the Target's order book of approximately S$210.6 million and S$320.8 million as at 31 December 2013 and 31 December 2014 respectively. The Target's order book of approximately S$590.7 million as at 31 December 2015 is approximately 3.9 times of the Target's revenue in FY2015 or approximately 4.3 times of the Target's average revenue during FY2013 – FY2015.

We would also like to highlight that there is no assurance that the steps taken or to be taken by the Group or the Target or the Enlarged Group subsequent to the Proposed Acquisition to improve the profitability and Shareholders' value, including, *inter alia*, potential expansion of the Enlarged Group's business, will be successful or would result in an enhancement of Shareholder value or would result in the Shares being traded at prices higher than the current prices as at the Latest Practicable Date.

5.7.5. No alternative investment/business expansion or acquisition opportunity other than the Proposed Acquisition

As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any firm/formal offer for alternative investment/business expansion or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.

5.7.6. Inter-conditionality of the Proposed Acquisition, the issuance and allotment of Consideration Shares, the Proposed Whitewash Resolution and the New IPT Mandate

As set out in Section 1.3 of the Circular, Shareholders should note that ALL the resolutions are conditional on the resolution to adopt the New IPT Mandate being approved. Shareholders should further note that, save for the resolution to adopt the New IPT Mandate, all other resolutions are also inter-conditional on each other. This means that if any of these resolutions is not approved, the other resolutions, save for the resolution to adopt the New IPT Mandate, will not be passed.

5.7.7. Voting for the Proposed Acquisition

Pursuant to Rule 919 of the Catalist Rules, an interested person and any Associate of the interested person shall abstain from voting on the resolutions approving the interested person transactions involving themselves and their Associates. Such interested persons and their associates shall not act as proxies nor accept appointments as proxies in relation to such resolutions unless specific voting instructions had been given by the Shareholders.

We note from Section 9 of the Circular that KBG, Mr. Koh Keng Siang, and Mr. Tan Liang Seng, will abstain, and have undertaken to ensure that their respective Associates will abstain, from voting on Resolutions 1, 2, and 4 as set out in the Notice of EGM, nor accept any nominations to act as proxy for any Shareholder in approving the Proposed Acquisition, and the proposed adoption of the New IPT Mandate at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy instrument.

In addition, KBG and its concert parties, will abstain, and have undertaken to ensure that their respective Associates will abstain, from voting on Resolution 3 set out in the Notice of EGM, nor accept any nominations to act as a proxy for any Shareholder in approving the Proposed Whitewash Resolution at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy instrument.

5.7.8. Comparison with the 2012 Subscription

On 25 October 2012, the Company announced that it had entered into a subscription agreement (the "**Subscription Agreement**") dated 24 October 2012 with KBG pursuant to which the Company has agreed to issue to KBG or its nominee 155,000,000 new Shares (the "**Subscription Shares**") and at an issue price of S$0.053 per Subscription Share (the "**2012 Subscription Price**") for an aggregate consideration of S$8.215 million and 165,000,000 Warrants, each Warrant carrying the right to subscribe to one (1) new Share at an exercise price of S$0.053 for each Warrant Share (the "**Exercise Price**") in the capital of the Company, for nil consideration (collectively, the "**2012 Subscription**"). The 2012 Subscription was completed on 28 February 2013.

In addition, in consideration of the services provided in introducing KBG to the Company as a subscriber, the Company has issued 40,000,000 Referral Warrants on 28 February 2013 to Mr Lee Thiam Seng at an issue price of S$0.005 each (the "**LTS Issue Price**"), each Referral Warrant carrying the right to subscribe to one (1) new Share, at an exercise price of S$0.048 (the "**LTS Exercise Price**") for each LTS Warrant Share.

We note that the Issue Price in connection with the Proposed Acquisition is slightly lower than the 2012 Subscription Price in nominal terms. The higher 2012 Subscription Price has to be viewed in conjunction with the following:-

(i) The 2012 Subscription Price represents a discount of approximately 41.1% from the last transacted price for the Shares preceding to the announcement of the 2012 Subscription, whilst the Issue Price represents a discount of approximately 2.8% from the last transacted price for the Shares on 5 January 2016, being the last Trading Day immediately preceding the Announcement Date.

(ii) The 2012 Subscription Price was approximately 1.92 times of the Group's audited NTA per Share as at 30 June 2012, whilst the Issue Price is approximately 2.4 times of the Group's audited NTA per Share as at 31 December 2015.

(iii) KBG did not hold any Shares prior to the 2012 Subscription whilst KBG is already the single largest controlling Shareholder as at the Latest Practicable Date.

The Non-Interested Directors should note that the comparison of the Issue Price with the 2012 Subscription Price may be subject to factors such as, *inter alia*, timing, market sentiment, size of issuance, pricing of the subscription shares, issuance of free detachable, non-transferable and non-listed warrants. Hence, any comparison thereof is at best an indication or illustration of the implied valuation of the 2012 Subscription as compared to that of implied valuation of the Company from the issue of Consideration Shares.

5.7.9. Implication of KBG's controlling interest in the Company

Shareholders should note that after passing of all the ordinary resolution(s) for the Proposed Transactions during the EGM, KBG's interest in the Company will increase from approximately 41.0% to approximately 70.1%.

Upon issuance of the Consideration Shares, KBG will be in a position to exercise statutory control of the Company. Statutory control will put KBG in a position to be able to pass all ordinary resolutions on matters in which KBG do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company.

5.7.10. Potential Take-Over Offer from Third Party

Independent Shareholders should note that in the event that the Proposed Whitewash Resolution is approved, after the issuance of Consideration Shares, KBG will hold 70.1% of the Enlarged Share Capital. In such a scenario, the Company will be in a relatively less favourable position, in the context of interest from potential parties seeking control for the Company or who may have intentions to acquire a significant interest or control of the Company and thus, it may be less likely for a third party to make a take-over offer for the Company without the support of KBG.

5.7.11. Financing requirements for the Enlarged Group

We note from Section 2.2 of the Circular that the Target's business is capital intensive and the Target may be unable to obtain financing on terms which are acceptable. The Directors have confirmed that based on the information made available to them and taking into account the existing cash and cash equivalents and banking facilities available to the Company and the Target, barring unforeseen circumstances, the Directors are of the opinion that the working capital available to the Enlarged Group as at the Latest Practicable Date is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and the payment of interest and principal when due.

Non-Interested Directors should note that the issuance of equity securities may result in further financial and voting dilution to Independent Shareholders. Debt financing may result in effective subordination of Shareholders' interests to the debt, creating the possibility of default, placing debt covenants which, *inter alia*, could limit the Enlarged Group's financial and business alternatives or growths.

6. THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

6.1. GENERAL

Information on the Existing IPT Mandate (as defined in the Circular) is set out in Section 4.1 of the Circular. We note from Section 4.3 of the Circular, the Existing IPT Mandate was to take effect until the conclusion of the next annual general meeting of the Company. As the terms of the Existing IPT Mandate only encompass transactions entered into and/or proposed to be entered into by the Company, its subsidiaries and associated companies which are considered to be "entities at risk" pursuant to Chapter 9 of the Catalist Rules (together, the "**EAR Group**") with KBG (being the Controlling Shareholder of the Company) and/or its Associates (the "**Mandated Interested Persons**"), but do not cover transactions entered into by the Target with the Mandated Interested Persons post-Completion, the Directors propose to table, for the Shareholders' consideration and approval, a new general mandate for Interested Person Transactions with the Mandated Interested Persons (the "**New IPT Mandate**"), which will increase the scope and categories of recurrent Interested Person Transactions covered by the Existing IPT Mandate. If approved by Shareholders at the EGM, the New IPT Mandate will replace the Existing IPT Mandate.

Shareholders should note that the New IPT Mandate will cover both transactions entered by the EAR Group with the Mandated Interested Persons and transactions entered into by the Target with the Mandated Interested Persons upon Completion. All references under this Section 6.1 to the "Group" should thus be construed accordingly.

As set out in Section 4.3.1 of the Circular, the categories of Interested Person Transactions which will be covered by the New IPT Mandate (the "**New Interested Person Transactions**") include:

General Transactions

General transactions by the Group relating to the provision to, and obtaining from the Mandated Interested Persons of the following products and services in the normal course of business of the Group in providing services for (i) water and wastewater treatment; (ii) hydro-engineering projects and/or (iii) construction (including but not limited to building and infrastructure):

(i) the engagement and/or provision of contractor services and supplier services in respect of (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) activities;

(ii) the rental, sale or purchase (as the case may be) of materials, plants, machinery and equipment (which is in the ordinary course of business and save for those transactions which fall under the ambit of Chapter 10 of the Catalist Rules) for (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) activities;

(iii) the engagement and/or provision of logistics and transportation services;

(iv) the engagement and/or provision of drainage system services, including but not limited to design, fabrication, delivering, installing and testing systems;

(v) the engagement and/or provision of project development and/or management services, including but not limited to application for relevant permits, licences and approvals, management of tender process, advice on appointment of consultants, liaison with relevant authorities, liaison with consultants and contractors, supervision of work and the engagement and provision of financial and administrative support services related to such projects;

(vi) the engagement and/or provision of services for (i) water and wastewater treatment; (ii) hydro-engineering projects and (iii) construction (including but not limited to building and infrastructure) projects, including, amongst others, labour, design, supply, 3D modelling, delivery, diversion, installation, testing and commission of equipment;

(vii) the provision and/or the obtaining of corporate guarantees and/or performance bonds in relation to obligations which are incidental to or in connection with transactions described in sub-paragraphs (i) to (vi) above and which are in the ordinary course of business; and

(viii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (i) to (vii) above.

Management and Support Services

These transactions relate to provision and/or obtaining of management and support services in the area of professional, administrative and support services, including but not limited to, corporate events, potential and/or existing business development, business relations, investment/project risk review, information technology, and management information systems, intellectual property rights, human resource and staff secondment, insurance, corporate communications (including investor relations), taxation, accounting, internal audit, central purchasing, corporate secretarial services and any other professional, administrative and support services that may arise from time to time (the "**Management and Support Services**").

By having access to such services, the Group will benefit through savings in terms of reduced overheads and greater economies of scale (such as bulk discounts enjoyed by KBG on a group basis). In addition, the Group is able to obtain expertise in the areas of project/investment risk review, business relations and business development through the extensive global network of the Mandated Interested Persons and their top executives. The ability to tap on such expertise and experience is important for the Group's ability to respond in a timely manner to take advantage of opportunities as and when they arise.

Other Services

Such transactions include:

(i) the leasing of premises and obtaining of property maintenance services; and

(ii) the provision or obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraph (i) above.

For the avoidance of doubt, the New IPT Mandate does not extend to the purchase or sale of assets, undertakings or businesses between the Group and the Mandated Interested Persons. The New IPT Mandate will also not cover any Interested Person Transaction that is below S$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Catalist Rules would not apply to such transactions.

Transactions by the Group with the Mandated Interested Persons that do not fall within the ambit of the New IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

As set out in Section 4.3.2 of the Circular, the New IPT Mandate will apply to any Interested Person Transactions that are carried out between (a) the Group, with (b) any of the Mandated Interested Persons.

6.2. RATIONALE FOR THE NEW IPT MANDATE

The full text of the rationale for the New IPT Mandate can be found in Section 4.3.3 of the Circular and has been reproduced in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"4.3.3. <u>Rationale for the New IPT Mandate</u>

The Target has in the ordinary course of its business, entered into transactions with the Mandated Interested Persons. Post-Completion, the Company envisages that the Target will continue to enter into transactions with the Mandated Interested Persons from time to time as KBG (being the Controlling Shareholder of the Company) intends for the Target to remain as the main operating construction company of the KBG Group. Please refer to <u>Section 2.1.1(B)</u> of this Circular for further details of the Target's business.

In view of the time-sensitive nature of commercial transactions in general, the Directors are of the view that post-Completion, it would be advantageous for the Company to obtain the New IPT Mandate to enter into the New Interested Person Transactions, provided that all the New Interested Person Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders. The New IPT Mandate (if approved and renewed on an annual basis) will eliminate, among others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when New Interested Person Transactions arise. This will reduce substantially the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the Company's corporate objectives and adversely affecting the Group's business opportunities.

The Board is of the view that the New Interested Person Transactions are and will be carried out on an arm's length basis as the terms of the New Interested Person Transactions are and will be comparable to those that the Group enters and will be entering into with other unrelated parties.

The Board having considered, inter alia, the terms, rationale for the New IPT Mandate, is of the view that it will be beneficial to the Group to transact with the Mandated Interested Persons. Disclosure will be made where required under the prevailing Catalist Rules, in the Company's annual report and financial results on the aggregate value of New Interested Person Transactions conducted pursuant to the New IPT Mandate during the relevant financial period, and in the annual reports for the subsequent financial years during which the New IPT Mandate is in force or announced where required pursuant to the prevailing Catalist Rules."

6.3. GUIDELINES AND REVIEW PROCEDURES FOR THE NEW INTERESTED PERSON TRANSACTIONS

6.3.1. Review Procedures

The Directors have confirmed that to their best of knowledge and beliefs, the Group has in place, *inter-alia*, internal control systems, review and approval procedures to ensure that transactions with the "interested persons" (including the Mandated Interested Persons) are made on normal commercial terms and/or on an arm's length basis, consistent with the Group's usual business practices and policies and not prejudicial to the interests of the Company and the minority shareholders of the Company. The Audit and Risk Committee of the Company (which currently comprises Mr Koh Choon Leng (chairman), Mr Koh Keng Siang, and Mr Tan Hwa Peng) will also review and approve the New Interested Person Transactions where applicable, and to ensure that all future New Interested Person Transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Group or the Minority Shareholders.

The following review procedures will be implemented after having regard to the nature of New Interested Person Transactions and the criteria for establishing review procedures, which is to ensure that such review procedures are adequate and/or commercially practicable in ensuring that the New Interested Person Transactions are conducted on normal commercial terms, are in the interest of the Company and are not prejudicial to the interests of the Company and Minority Shareholders:

(a) all New Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and policies, consistent or comparable with the usual margins or historical margins or costs (where applicable), rates (including commission) or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Mandated Interested Person compared to those extended to or received from unrelated third parties after taking into account the speed of and cost for timely response and mobilisation, credit terms, quality, requirements, specifications, scope, size, complexity and resources required for implementation of the projects for which Mandated Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions and array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks;

(b) when purchasing any products or obtaining any services (including the leasing of premises) from a Mandated Interested Person, in order to ensure that the interests of the Group or the Minority Shareholders are not disadvantaged, comparison will be made with at least two quotations from unrelated/independent third party(ies) as a basis for comparison, from independently verifiable and reliable sources as approved by the Audit and Risk Committee from time to time ("**Approved Independent Sources**"), with advice from relevant employees of the Company with management responsibilities comprising personnel from the finance department and other relevant departments.

The list of Approved Independent Sources will be maintained by the relevant departments and reviewed by the Audit and Risk Committee periodically. Specifically, for the provision of corporate guarantee(s) by the Mandated Interested Person, a comparison shall be made with the fees, premium or charges paid or payable by the Target or the Group to the bank or other financial institution for the provision of relevant or equivalent performance bond or guarantee with similar or comparable terms including, *inter alia,* duration and guaranteed amount. The purchase price or fee or rates for the products or services, after taking into account factors mentioned in paragraph (a) above, shall not be higher than the most favourable price or fee of the two other quotations (wherever possible or available) from the Approved Independent Sources. Credit terms of the purchases will be comparable to those offered by unrelated third parties. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, requirements, specifications, delivery time of goods or services, industry norms, specifications, scope, size, complexity and resources required for implementation of the projects for which Mandated Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks will be taken into consideration;

(c) when selling any products or supplying any services (including the leasing of premises) to a Mandated Interested Person, the price or fee or profit margins and terms of two other successful transactions of a similar nature (or comparable nature) with non-Mandated Interested Persons will be used as comparison to ensure that the interests of the Group or the Minority Shareholders are not disadvantaged. The price or fee or margin for the supply of products or services shall not be lower than the lowest price or fee of the two other successful transactions with non-Mandated Interested Persons, taking into account all pertinent factors, including but not limited to speed of and cost for timely response and mobilisation, quantity, credit records of the customer, terms of sale or supply, strategic purpose of the transaction, specifications, scope, size, complexity and resources required for implementation of the projects for Mandated Interested Persons, preferential or relatively advantageous access to assets and buyers, asset type, restrictions, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks and other qualitative considerations; and

(d) in circumstances where it is impractical or impossible to obtain comparable prices of contemporaneous transactions of similar goods or services due to the nature of the goods or services to be purchased or provided, any two of Directors of the Company with no interest, direct or indirect, in the proposed New Interested Person Transaction will, subject to the approval thresholds as set out in Section 6.3.2 of this Letter, take such necessary steps which would include but is not limited to (1) relying on corroborative inputs from reasonably experienced market practitioners in order to determine that the terms provided by the Mandated Interested Persons are fair and reasonable; and (2) evaluate and weigh the benefits of, and rationale for transacting with the Mandated Interested Persons, taking into account factors such as, but not limited to, the nature of the services, track record, delivery schedules, requirements and specifications of the Group or the customer, duration of contract, quality, reliability, previous working experience taking into account mobilisation cost and timely response, specifications, scope, size, complexity and resources required for implementation of the projects for which Mandated Interested Persons are providing goods or services, preferential or relatively advantageous access to assets and buyers, asset type, restrictions and structure for investments, array of services including its specialists nature, local knowledge, track record and standing in the relevant markets, risk for such transactions and the attendant cost in managing such risks, project restrictions and structure or the results of and returns from the underlying projects.

6.3.2. Approval and Review Threshold

The following approval procedures will be implemented to supplement existing internal control procedures for the New Interested Person Transactions to ensure that such transactions are undertaken on an arm's length basis and on normal commercial terms. For the avoidance of doubt, where the approving party as stipulated herein is interested in the transaction to be approved, he/she will inform the Audit and Risk Committee and such disclosures should be documented. In the event any equivalent person with the relevant experience and responsibility, as stated below for the various thresholds cannot be determined, the approving authority shall be decided the Audit and Risk Committee.

<u>Individual and aggregate transactions review and approval thresholds shall be as follows:-</u>

(a) Where the individual or aggregate value of the New Interested Person Transactions is equal to or more than S$100,000 but less than 20% of the Group's latest audited NTA, all subsequent New Interested Person Transactions shall require the prior approval of either the Financial Controller (or equivalent person) or Chief Executive Officer for the Group. New Interested Person Transactions that have been approved by the Audit and Risk Committee need not to be aggregated for the purpose of such approval.

(b) Where the individual or aggregate value of the New Interested Person Transactions is equal to or more than 20% but less than 50% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall require the prior approval of both the Financial Controller (or equivalent person) or the Chief Executive Officer and; at least one (1) Director, who is not interested in the transaction and a member of the Audit and Risk Committee. New Interested Person Transactions that have been approved by the Audit and Risk Committee need not be aggregated for the purpose of such approval.

(c) Where the individual or aggregate New Interested Person Transactions is equal to or more than 50% of the Group's latest audited NTA, all subsequent New Interested Person Transactions will be subject to the prior approval of the Audit and Risk Committee and recommendation of the Financial Controller (or equivalent person) or the Chief Executive Officer. If a member of the Audit and Risk Committee is interested in any New Interested Person Transactions, he shall abstain from participating in the review of that particular transaction. New Interested Person Transactions that have been approved by the Audit and Risk Committee need not be aggregated for the purpose of such approval. For avoidance of doubt, the Audit and Risk Committee shall be responsible for such approvals.

(d) All approvals must strictly follow the review procedures as stipulated in Sections 6.3.1 and 6.3.2 of this Letter and must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit.

In addition, the Financial Controller (or equivalent person), who is a key executive of the Company as disclosed in the Company's annual report, will review (and document such reviews) all New Interested Person Transactions (including New Interested Person Transactions that are less than S$100,000 in value) and its register on a quarterly basis or such other periods as approved by the Audit and Risk Committee.

The threshold limits set out above are adopted by the Company taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at after considering the operational efficiency for the day-to-day business operations of the Group and the internal control for New Interested Person Transactions. The threshold limits act as an additional safeguard to supplement the review procedures which will be implemented by the Company for New Interested Person Transactions.

6.3.3. Additional Controls

The additional controls will apply to the New Interested Person Transactions as stated below.

(a) The finance department of the Group will maintain a register of transactions carried out with Mandated Interested Persons pursuant to the New IPT Mandate (recording and documenting the identity of the interested persons, basis, including the quotations and supporting evidence or records or details obtained to support such basis, on which they were entered into as well as the approving authority). For avoidance of doubt, the quotations and supporting evidence or records or supporting details obtained may be kept or maintained by other relevant departments. The New Interested Person Transactions register shall be prepared, maintained, monitored and reviewed on a monthly basis, by the Financial Controller (or equivalent person) of the Company who is not a Mandated Interested Person. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the New IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit and Risk Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit and Risk Committee immediately.

(b) The Financial Controller (or equivalent person) / Company Secretary will obtain signed letters of confirmation from persons delegated with the approving authority as set out in this Letter, Controlling Shareholders and the Directors on a periodic basis (annual basis or such other period as may be determined by the Audit and Risk Committee) with respect to their interest in any transactions with the Group.

(c) The Financial Controller (or equivalent person) / Company Secretary will maintain a list of the Directors and Controlling Shareholders of the Company (which is to be updated immediately if there are any changes) to enable identification of Mandated Interested Persons. The master list of Mandated Interested Persons which is maintained shall be reviewed by the Audit and Risk Committee at least on a semi-annual basis.

(d) The Group's annual or periodic (such periods as may be decided by the Audit and Risk Committee) internal audit plan may incorporate a review of all New Interested Person Transactions (where applicable), including the established review procedures for monitoring of such New Interested Person Transactions, entered into during the current financial year pursuant to the New IPT Mandate and consistent with the Code of Corporate Governance 2012. The approval thresholds as stipulated in this Letter may be delegated with the approval of the Audit and Risk Committee which will be duly documented together with the bases for such approval.

(e) The Audit and Risk Committee shall periodically review all New Interested Person Transactions, at least on a semi-annual basis, to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the New IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit and Risk Committee. The Audit and Risk Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review.

(f) In the event that a member of the Audit and Risk Committee is interested in any New Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.

(g) Subject to point (d) above, the Group's internal auditor shall, on at least a semi-annual basis or such other periods as required by the Audit and Risk Committee, subject to adjustment in frequency, depending on factors such as, *inter alia*, substantial increment of aggregate transactional value, report to the Audit and Risk Committee on all New Interested Person Transactions, and the basis of such transactions, entered into with Mandated Interested Persons during the preceding period. The Audit and Risk Committee shall review such interested person transactions at its periodic meetings (not less than twice or such other frequency a year as decided by the Audit and Risk Committee) except where New Interested Person Transactions are required under the review procedures to be approved by the Audit and Risk Committee prior to the entry thereof.

(h) The Audit and Risk Committee will conduct periodic reviews (of not less than half-yearly or such other period as may be determined by the Audit and Risk Committee) of the review procedures for the New Interested Person Transactions. If, during these periodic reviews, the Audit and Risk Committee is of the view that these review procedures are no longer sufficient or appropriate to ensure that the New Interested Person Transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new review procedures for New Interested Person Transactions. All New Interested Person Transactions will be reviewed and approved by the Audit and Risk Committee prior to entry while a fresh mandate is being sought from the Shareholders.

(i) The Audit and Risk Committee will review the letters of confirmation from key management personnel, controlling shareholders and the Directors of the Company and all New Interested Person Transactions on a periodic basis (annual basis or such other period as may be determined by the Audit and Risk Committee) and the minutes of such review and its outcome shall be taken.

(j) For purposes of the above review and approval process, any Director who is not considered independent for purposes of the New IPT Mandate and/or any New Interested Person Transactions will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit and Risk Committee's decision during its review of the established review procedures for the New Interested Person Transactionsor during its review or approval of any Interested Person Transaction (including New Interested Person Transactions).

6.3.4. Further Compliance

The Directors will ensure that all disclosures, approvals and other requirements in respect of the New Interested Person Transactions, including those required by prevailing legislation, the Catalist Rules and relevant accounting standards, are complied with.

6.4. VALIDITY PERIOD OF THE NEW IPT GENERAL MANDATE

If approved by Shareholders at the EGM, the New IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, and will apply to all New Interested Person Transactions entered into from the date of receipt of Shareholders' approval. Approval from Shareholders will be sought for the renewal of the New IPT Mandate at each subsequent annual general meeting, subject to review by the Audit and Risk Committee of its continued application to the New Interested Person Transactions.

6.5. DISCLOSURES

The Company will announce the aggregate value of transactions conducted with the Mandated Interested Persons pursuant to the New IPT Mandate for each financial period on which the Company is required to report on pursuant to Appendix 7C of the Catalist Rules and within the time required for the announcement of such report in accordance with Rule 920(1)(a)(ii) of the Catalist Rules.

Disclosure will also be made in the annual report of the Company of the aggregate value of the New Interested Person Transactions pursuant to the New IPT Mandate during the relevant financial period and in the annual reports for the subsequent financial years during which the New IPT Mandate is in force, in the following format as stipulated under Rule 907 of the Catalist Rules:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)

7. OPINION

7.1 THE PROPOSED ACQUISITION AS AN IPT AND WHITEWASH RESOLUTION

In arriving at our recommendation, we have reviewed and examined all factors which we have considered to be pertinent in our assessment of the Proposed Acquisition as an IPT and the Proposed Whitewash Resolution, including the views of and representations by Directors and Target Directors. Our recommendation or opinion is by no means an indication after completion of the Proposed Transactions, of the merits, prospects, financial performance and position of the Company or the Group or the Target or the Enlarged Group or whether the Target or the Enlarged Group can improve their financial position and performance, and cash flow or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transaction. Save for the Valuation Report in connection with the market value of Appraised Assets, we have not been furnished with the valuation for PPE other than those for the Appraised Assets and have relied on the Target Directors' confirmation that as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the those PPE for which no valuation was obtained and their respective book values. Our views, recommendation and opinion are thus necessarily limited and subject to these matters. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) The rationale for the Proposed Acquisition. We note from Section 2.1.3 of the Circular that, *inter alia*, the Board is of the view that the Proposed Acquisition is in the interests of the Company and Group as it will facilitate the consolidation of the Group's existing EPC capabilities with the building construction and civil engineering capabilities of the Target. It would enable the Target and the Group to leverage on each other's strength and expertise to enhance the operational efficiency between them for greater synergy and cost savings.

(b) The historical financial performance and position of the Group. The Group reported profit after tax attributable to equity holders of the Company of approximately S$2.1 million for FY2015, which is higher than the profit after tax attributable to equity holders of the Company of approximately S$0.4 million in FY2014 and substantially better than the loss after tax attributable to equity holders of the Company of approximately S$11.1 million in FY2013 (mainly due to a goodwill impairment charge, allowances made for doubtful trade receivables and for foreseeable losses on certain projects). In addition, we note that the Group's net working capital have increased from approximately S$4.9 million as at 31 December 2014 to approximately S$6.8 million as at 31 December 2015 with positive net cash flow from operating activities of approximately S$7.5 million in FY2015. The Group's ratio of total borrowings to shareholders' equity stood at a low of 0.1 times with substantial Net Cash of approximately S$14.2 million as at 31 December 2015. We note that in general the financial performance and position of the Group had improved since KBG acquired a controlling interest in the Group in 2013.

(c) The historical financial performance and position of the Target. The Target has been profitable for the period reviewed (being FY2013 to FY2015). However, both gross profit and profit after tax have declined for the period reviewed. In addition, we note that the Target's net working capital have declined during the period under review from approximately S$13.5 million as at 31 December 2013 to approximately S$5.5 million and S$2.5 million as at 31 December 2014 and 31 December 2015 respectively. However, we note that as at 31 December 2015, the Target's total borrowings to shareholders' equity stood at a low 0.1 times with substantial Net Cash of approximately S$14.6 million.

(d) Outstanding order book for the Target of approximately S$590.7 million (with average project durations of between 3 to 5 years) as at 31 December 2015. This is higher than the Target's order book of approximately S$210.6 million and S$320.8 million as at 31 December 2013 and 31 December 2014 respectively. The Target's order book of approximately S$590.7 million as at 31 December 2015 is approximately 3.9 times of its revenue in FY2015 or approximately 4.3 times of its average revenue for FY2013 – FY2015.

(e) The evaluation of the Issue Price (as set out in Section 5 of this Letter) after taking into account, *inter alia*, the following factors:

(i) The Issue Price represents premiums of approximately 30.3% and 140.7% over the Group's audited NAV and NTA per Share as at 31 December 2015 respectively.

(ii) The Group's Net Cash per Share of approximately S$0.0376 represents approximately 73.1% of the Issue Price. Thus, for every Share issued for settlement of the Consideration for the Proposed Acquisition, approximately 73.1% of its Issue Price is "backed" by cash held after deduction of all borrowings or the Group's Net Cash.

(iii) The Issue Price less the Group's Net Cash per Share represents a substantial premium of approximately 641.3% over the Group's NAV per Share less the Net Cash per Share. We note that audited NTA per Share for the Group, as at 31 December 2015, is lower than the Net Cash per Share. Thus the Group's NTA appears to be "fully backed" by the cash after deduction of all borrowings or Net Cash).

(iv) Comparison of Issue Price and historical prices for Shares:

- The Issue Price represents a discount of approximately 2.8% from the last transacted price of S$0.053 for each Share on the Catalist on 5 January 2016, being the last Trading Day immediately preceding the Announcement Date.

- The Issue Price represents premiums of approximately 5.0%, 2.1%, and 3.8% over the VWCP for the Shares for the 12-month, 3-month and 1 month period prior to the Announcement Date respectively.

- The Issue Price represents a discount of approximately 0.8% from the VWCP for the Shares for the 6-month period prior to the Announcement Date.

- The Issue Price is at a premium of approximately 10.1% over the VWCP for the Shares for the period commencing from the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date.

- The Issue Price is at a premium of approximately 5.1% over the last transacted price of S$0.049 per Share on the SGX-Catalist on 17 March 2016, being last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

Non-Interested Directors should note that the above comparison should be assessed in the context of low liquidity for Shares for the 12 months period prior to the Announcement Date (the Shares were only traded on 54 Market Days out of the total 246 Market Days). It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value, they represent for prices for transactions between willing buyer and willing seller. In addition, as the Proposed Acquisition involves the entire issued share capital of the Target, it allows the Company to have full and total control for the Target's cash resources. Whilst KBG's controlling interest in the Company as at the Latest Practicable Date, is approximately 41.0%, we note that for the purposes of KBG's audited financial statements, its interest is recorded and accounted for as a subsidiary. Accordingly the premiums to be accorded for KBG's increase in interest from approximately 41.0% to 70.1% should be viewed in the context that KBG: (a) already has plurality of "control" in terms of voting rights as compared to any other Shareholder; and (b) is the only Controlling Shareholder of the Company. In addition, we note from the KBG's annual report for FY2014 (note 40 to the financial statements) that the Group are deemed to be subsidiaries of KBG as KBG acquired the Warrants in the Company that if exercised, gives KBG approximately 51% of the enlarged total number of Shares issued by the Company on a diluted basis and hence deemed control, Further, as disclosed in the KBG's annual report for FY2014 (note 2 to the financial statements), subsidiaries are all entities (including structured entities) over which KBG Group has control. KBG Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity, Subsidiaries are fully consolidated from the date on which control is transferred to the KBG Group. They are de-consolidated from the date on that control ceases. Furthermore, we note that in general the financial performance and position of the Group had improved since KBG acquired a controlling interest in the Group in 2013.

(v) Taking into consideration the Group's more favourable financial performance (in terms of adjusted ROE and asset turnover ratio), relatively better financial position (in terms of lower gearing and superior net cash/market valuation) as compared to the Group's Selected Comparable Companies, the valuation of the Group (as implied by the Issue Price) in terms of EV/EBITDA and PER (adjusted and non-adjusted) appear to be lower and less favourable than the Group's Selected Comparable Companies. However, the less favourable valuation of the Group in terms of EV/EBITDA and PER (based on the Issue Price) should be assessed in the context of the: (a) Group's weaker net profit margin as compared to the Group's Selected Comparable Companies; (b) relatively favourable valuation in terms of P/NTA for the Group as implied by the Issue Price as compared to the median and average for the Group Selected Comparable Companies; and (c) Issue Price less the Group's Net Cash per Share representing a substantial premium of approximately 641.3% over the Group's NAV per Share less the Net Cash per Share as at 31 December 2015; and (d) fair comparison for the Issue Price (being in general at premiums) against the historical prices for the Shares notwithstanding the low liquidity for the shares.

(vi) Fair comparison with the 2012 Subscription after taking into account the following factors: (a) the lower discount implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date as compared to the 2012 Subscription Price; (b) the higher P/NTA multiple as implied by the Issue Price *vis a vis* the 2012 Subscription Price; and (c) the shareholding of KBG in the Company prior to the Proposed Acquisition (whereby KBG is already the single largest Controlling Shareholder) *vis a vis* prior to the 2012 Subscription (nil shareholding).

(f) The evaluation of the Consideration (as set out in Section 5 of this Letter) after taking into account, *inter alia*, the following factors:

(i) The Target relatively favourable financial performance (in terms of adjusted ROE and asset turnover ratio), relatively better financial position (in terms of lower gearing (save for Soilbuild and OKP) and higher net cash position over market value) as compared to the median and simple average for the Target's Selected Comparable Companies. Notwithstanding that the Target is unlisted, the valuation of the Target (as implied by the Consideration) in terms of EV/EBITDA, Adjusted PER and Adjusted P/NTA appears to be lower and more favourable (from the perspective of a buyer) as compared to the Target's Selected Comparable Companies. We note the Target's order book of approximately S$590.7 million as at 31 December 2015.

(ii) The Consideration represents a slight discount of approximately 0.45% from the Target's audited NAV or NTA as at 31 December 2015. We note that the Target has substantial cash and cash equivalents, which amounted to approximately S$16.2 million as at 31 December 2015, is substantially higher than the Target's total borrowings of approximately S$1.7 million as at 31 December 2015. The Target's Net Cash of approximately S$14.6 million is approximately 76.7% of the Consideration. Thus for every share acquired approximately 76.7% of its acquisition price is "backed" by cash held after deduction of all borrowings or the Target's Net Cash.

(iii) The Consideration less the Target's Net Cash represents a slight discount of approximately 1.88% from the Target's NAV or NTA less the Net Cash.

(iv) The Consideration represents a discount of approximately 23.7% from the Target's Revalued NAV or NTA. In the event that the Target's Net Cash is deducted from the Consideration as well as the Target's Revalued NAV or NTA, the Consideration less the Net Cash represents a discount of approximately 57.0% from the Target's Revalued NAV or NTA less the Net Cash. This is in general favourable from the Company's perspective in terms of Adjusted P/NTA as compared to the Target's Selected Comparable Companies after accounting for the unlisted nature of the Target's shares.

(v) In the event that dividends of approximately S$1.0 million is declared and paid out by the Target pursuant to the Sale and Purchase Agreement, the Consideration will represent a discount of approximately 20.5% from the Target's Revalued NTA after Dividend Pay-out. In addition, the Consideration less the Net Cash after the Dividend Pay-out represents a discount of approximately 47.4% from the Target's Revalued NTA less the Net Cash after the Dividend Pay-out.

(vi) Favourable comparison (from the Company's perspective) of the Proposed Acquisition and the Selected IPT Acquisitions. The Target's P/NTA ratio of approximately 0.8 times as implied by the Consideration and the Target's Revalued NTA is within the range and lower than both the simple average for the Selected IPT Acquisitions.

(g) The potential financial effects of the Proposed Acquisition as outlined in Section 2.3 of the Circular. We wish to highlight that while the Proposed Acquisition will lead to a lower EPS, it will result in a higher NTA per Share, and favourable effect to the Group's financial position in terms of gearing or net cash position. The Enlarged Group would have substantial net cash position of approximately S$28.8 million We also note that the Directors believe and consider the Proposed Acquisition to be in the interest of and beneficial to the Group for the reasons stated in the Section 2.1.3 of the Circular.

(h) The risk factors as set out in Section 2.2 of the Circular.

(i) The dilutive impact of the Proposed Acquisition on the percentage of shareholding interest of the existing Shareholders and the significant reduction in the voting interest in the Company pursuant to the Proposed Acquisition. After the issuance of 369,145,631 Consideration Shares, KBG's shareholdings in the Group will increase from approximately 41.0% to approximately 70.1% allowing it to exercise statutory control of the Company and pass all ordinary resolutions on matters in which KBG do not have an interest in. However, the premium to be accorded to the Issue Price may be capped by the fact that KBG is already the single and largest controlling Shareholder of the Company as at the Latest Practicable Date, and that the issuance of the Consideration Shares will not bring KBG's shareholding to a super majority control (exceeding 75.0%).

(j) The Directors have confirmed that as at the Latest Practicable Date, they are not aware of any firm/formal offer for alternative investment/business expansion or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.

(k) All the resolutions are conditional on the resolution to adopt the New IPT Mandate being approved. Shareholders should further note that, save for the resolution to adopt the New IPT Mandate, all other resolutions are also inter-conditional on each other. This means that if any of these resolutions is not approved, the other resolutions, save for the resolution to adopt the New IPT Mandate, will not be passed.

(l) Other relevant considerations as set out in Section 5 of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints, *inter alia,* absence of valuation for un-appraised PPE with net book value of approximately S$1.3 million as at 31 December 2015) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, and subject to our terms of reference, **we are of the opinion that, on balance, in the absence of an alternative acquisition opportunity:**

(i) the Proposed Acquisition as an IPT is ON NORMAL COMMERCIAL TERMS, and NOT PREJUDICIAL to the interest of the Company and its Minority Shareholders; and

(ii) the terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution is, on balance, FAIR, REASONABLE and NOT PREJUDICIAL to the interest of the Company and the Independent Shareholders.

For the purposes of evaluating the Proposed Acquisition, being the transaction that is the subject of the IPT and the Proposed Whitewash Resolution, from a financial point of view, we have adopted the approach that the term “on normal commercial terms”, “fair” and “reasonable” comprises two distinct concepts:

(i) Whether an acquisition(s) is “on normal commercial terms” and “fair” relates to an opinion on the value of the Consideration and the Issue Price for the Consideration Shares (for acquiring an unlisted company with substantial amounts of Net Cash). This is based strictly on a financial or fundamental analysis and evaluation of the consideration (*vis a vis* the Target’s financial performance and position as well as relative valuation analysis and comparison with the Selected IPT Acquisitions), adjustments for the substantial amounts of Net Cash in the Group and Target, and the Issue Price for the consideration shares (*vis a vis* the Group’s financial performance and position as well as historical prices for the Shares and relative valuation analysis);

(ii) Whether an acquisition(s) is “reasonable”, relates to, after taking into consideration the actual and potential financial impact of other circumstances surrounding the acquisition(s) as well as the Company or the Group or the Target *inter alia* KBG’s shareholding prior and after the Proposed Acquisition and issuance of the Consideration Shares etc., which we consider relevant (being both quantitative and qualitative factors available and made known to us).

We consider the financial terms of the Proposed Acquisition as an IPT (which is the underlying transaction for the Proposed Whitewash Resolution) to be **ON NORMAL COMMERCIAL TERMS** and **FAIR**, from a financial point of view after factoring, *inter alia*, the following:

(i) The valuation of the Group as implied by the Issue Price less the Net Cash per Share represents a substantial premium of approximately 641.3% over the Group's NAV per Share less the Net Cash per Share as at 31 December 2015 and appears to be more favourable than the Group's Selected Comparable Companies in terms of P/NAV and after taking into account the Group's Net Cash position as at 31 December 2015.

(ii) The Issue Price is fairly comparable (being in general at premiums) to the historical market prices for the Shares for the period 12 months prior to the Announcement Date. Although we note that the Issue Price is at small premiums of approximately 5.0%, 2.1%, and 3.8% over the VWCP for the Shares for the 12-month, 3-month and 1 month period prior to the Announcement Date respectively, KBG as the single largest Shareholder and Controlling Shareholder already has "control" of the Company. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value, they represent for prices for transactions between willing buyer and willing seller. After the issuance of 369,145,631 Consideration Shares, KBG's shareholdings in the Group will increase from approximately 41.0% to approximately 70.1% allowing it to exercise statutory control of the Company and pass all ordinary resolutions on matters in which KBG do not have an interest in. However, the premium to be accorded to the Issue Price may be capped by the fact that KBG is already the single and largest controlling Shareholder of the Company as at the Latest Practicable Date, and that the issuance of the Consideration Shares will not bring KBG's shareholding to a super majority control (exceeding 75.0%).

(iii) Fair comparison of the Issue Price with the 2012 Subscription after taking into account the following factors: (a) the lower discount implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date as compared to the 2012 Subscription Price; (b) the higher P/NTA multiple as implied by the Issue Price *vis a vis* the 2012 Subscription Price; and (c) the shareholding of KBG in the Company prior to the Proposed Acquisition (whereby KBG is already the single largest Controlling Shareholder) *vis a vis* prior to the 2012 Subscription (nil shareholding).

(iv) Consideration is at discount of approximately 0.45% and 23.7% from the Target's audited NAV or NTA as at 31 December 2015 and the Target's Revalued NAV or NTA respectively. The Target's Net Cash of approximately S$14.6 million is approximately 76.7% of the Consideration. Thus for every share acquired approximately 76.7% of its acquisition price is "backed" by cash held after deduction of all borrowings or the Target's Net Cash. Likewise, the Consideration less the Target's Net Cash is at a discount of approximately 57.0% from the Target's Revalued NAV or NTA less the Net Cash.

The financial terms of the Proposed Acquisition appears to be favourable to the Company as the Consideration less the Target's Net Cash is at a discount of approximately 57.0% from the Target's Revalued NAV or NTA less the Net Cash while noting that the Consideration will be satisfied by issuance of the Consideration Shares at the Issue Price and the Issue Price less the Group's Net Cash per Share represents a substantial premium of approximately 641.3% over the Group's NAV per Share less the Net Cash per Share as at 31 December 2015.

(v) The Target relatively favourable financial performance (in terms of adjusted ROE and asset turnover ratio), relatively better financial position (in terms of lower gearing (save for Soilbuild and OKP) and higher net cash position over market value) as compared to the median and simple average for the Target's Selected Comparable Companies. Notwithstanding that the Target is unlisted, the valuation of the Target (as implied by the Consideration) in terms of EV/EBITDA, Adjusted PER and Adjusted P/NTA appears to be lower and more favourable (from the perspective of a buyer) as compared to the Target's Selected Comparable Companies. We note the Target's order book of approximately S$590.7 million as at 31 December 2015.

(vi) Favourable comparison (from the Company's perspective) of the Proposed Acquisition and the Selected IPT Acquisitions in terms of P/NTA ratio.

We also consider the Proposed Whitewash Resolution to be, on balance, **REASONABLE and NOT PREJUDICIAL** to the interest of the Company, the Independent Shareholders and the Minority Shareholders, from a financial point of view after factoring*, inter alia*, the following:

(i) Outstanding order book of the Target amounted to approximately S$590.7 million as at 31 December 2015 (with an average project duration of between 3-5 years) which is significantly higher than the Target's order book as at the end of FY2013 and FY2014 and approximately 3.9 times and 4.3 times of the Target's revenue in FY2015 and the Target's average revenue during FY2013 – FY2015 respectively.

(ii) The favourable potential financial effects of the Proposed Acquisition. While the Proposed Acquisition will lead to a lower EPS, it will result in a higher NTA per Share, and favourable effect to the Group's financial position in terms of gearing or net cash position. The Enlarged Group would be in a net cash position of approximately S$28.8 million, which would allow the Enlarged Group to take on more or bigger projects as well as further expansion.

(iii) Directors' confirmation that as at the Latest Practicable Date, they are not aware of any firm/formal offer for alternative investment/business expansion or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.

(iv) Directors' view (as set out in Section 2.1.3 of the Circular that the Proposed Acquisition would be in the interests of the Company as the consolidation of the building construction and civil engineering capabilities of the Target with the EPC capabilities of the Group would enable the Target and the Group to leverage on each other's strength and expertise to enhance the operational efficiency between them for greater synergy and cost savings.

(v) KBG is already the single and largest controlling Shareholder of the Company as at the Latest Practicable Date, and while the issuance of the Consideration Shares will increase KBG's shareholding from approximately 41.0% to approximately 70.1% (thereby allowing it to exercise statutory control of the Company and pass all ordinary resolutions on matters in which KBG do not have an interest in), it will not bring KBG's shareholding to a super majority control (exceeding 75.0%). As the Proposed Acquisition involves the entire issued share capital of the Target, it allows the Company to have full and total control for the Target's cash resources. Whilst KBG's controlling interest in the Company as at the Latest Practicable Date, is approximately 41.0%, we note that for the purposes of KBG's audited financial statements, its interest is recorded and accounted for as a subsidiary. Accordingly the premiums to be accorded for KBG's increase in interest from approximately 41.0% to 70.1% should be viewed in the context that KBG: (a) already has plurality of "control" in terms of voting rights as compared to any other Shareholder; and (b) is the only Controlling Shareholder of the Company.

7.2 THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

In arriving at our opinion in respect of the proposed adoption of the New IPT Mandate, we have considered, *inter alia*, the following:

(i) the rationale for the New IPT Mandate as set out in Section 4.3.3 of the Circular; and

(ii) the review procedures and additional controls of the Company in relation to the New IPT Mandate, including the role of the Audit and Risk Committee in ensuring that the Company adheres to the review procedures, as set out in Section 4 of the Circular, and in particular that the Audit and Risk Committee will review all Interested Person Transactions at least on semi-annual basis.

Based on the above, we are of the opinion that the adoption of the New IPT Mandate and the procedures as set out in the Circular, is in the interest of the Company and that the review procedures (including the additional controls) for determining the transaction prices pursuant to the New IPT General Mandate as set out in Section 4 of the Circular, if adhered to fully, are sufficient to ensure that the New Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

7.3 RECOMMENDATION

Based on our assessment of the financial terms of the Proposed Acquisition as an IPT and the Proposed Whitewash Resolution as well as the proposed adoption of the New IPT Mandate as set out above, from a financial point of view, we advise the Non-Interested Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Acquisition, the Proposed Whitewash Resolution, and the proposed adoption of the New IPT Mandate to be proposed at the EGM. We advise the Non-Interested Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter alia,* our limitation in analysis, evaluation, comments and opinion in this Letter is limited. We advise the Non-Interested Directors to recommend the Independent Shareholders to exercise caution in their decision in voting in favour of or against the Proposed Acquisition and the Proposed Whitewash Resolution.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Target or the Enlarged Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors, Target Directors, Management and Target Management and therefore does not reflect any projections or future financial performance of the Company or the Group or the Target or the Enlarged Group after the completion of the Proposed Transactions and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

(1) Shareholders should note that the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.

Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from KBG at the highest price paid by KBG and its concert parties for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares.

Independent Shareholders should note that the allotment and issuance of the Consideration Shares to KBG under the Proposed Acquisition would result in KBG and its concert parties holding Shares carrying over 49.0% of the voting rights of the Company based on the Enlarged Share Capital, and KBG and its concert parties would then be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.

(2) Shareholders should note that all the resolutions are conditional on the proposed adoption of the New IPT Mandate being approved. Shareholders should further note that the resolution pertaining to the Proposed Acquisition, the proposed allotment and issuance of the Consideration Shares, and the Proposed Whitewash Resolution are also inter-conditional on each other. This means that if any of the resolution pertaining to the Proposed Acquisition, the proposed allotment and issuance of the Consideration Shares, or the Proposed Whitewash Resolution is not approved, the other resolutions, save for the proposed adoption of the New IPT Mandate, will not be duly passed.

(3) The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target or the Enlarged Group after the completion of the transactions stipulated in the Circular. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group or the Target or the Enlarged Group and neither are we responsible for it. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Acquisition or the other transactions or resolutions stipulated in the Circular (if any) or voting for or voting against the Proposed Acquisition or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the Target or the Enlarged Group or the plans (if any) for each of them.

Estimates or analysis or evaluation of the merits of the Company or the Group or the Target or the Proposed Acquisition as an Interested Person Transaction, or the Proposed Whitewash Resolution if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

(4) Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, property, plant and equipment) or contracts entered into by the Company or the Group or the Target and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group or the Target save for the Valuation Report issued by the Valuer in respect of the market value of the Appraised Assets. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, *inter alia* the contracts that the Group or the Target has embarked upon or are about to embark upon and have relied on the opinion of the Directors or the Target Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Target Directors and the Target Management further confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the remaining property, plant and equipment highlighted above for which no valuation was obtained and their respective book value.

The Target Directors represented and confirmed that based on the information made available to them by the Target Management, on aggregate basis, there are no material differences between the estimated market value of the Financial Asset and the AFS as at the Latest Practicable Date and their respective book value as at 31 December 2015.

(5) The Directors and the Target Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the audited financial statements for the Group and the Target for FY2015, there has been no material changes to the Group's and the Target's assets and liabilities, financial position, condition and performance.

(6) The Target Management confirmed that the Target did not secure any significant orders during January 2016 to the Latest Practicable Date and that the existing order book as at 31 December 2015 does not differ substantially from the past projects undertaken by the Target in terms of, *inter alia,* nature of works or services to be performed, duration, etc.

The Target Management have confirmed that the successful realisation of the future economic benefits from the order book for the Target as set out in Section 5.1.2 of this Letter will depend on, *inter alia*, the due execution of contracts, timely and efficient execution and delivery of the projects as well as the fulfilment of conditions pursuant to such contracts, variation of orders, the industry prospects, the prevailing economic and market conditions in the markets. The Target Management have further confirmed that in view of the above factors and that such order book may be subject to cancellation, variation or deferral or rescheduling by customers, the impact of these orders on the Target's or the Enlarged Group's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the impact of the above order book on the NTA and the prospects of the Target or the Enlarged Group in terms of, *inter alia*, the estimated future profit or loss as well as the estimated costs to be incurred.

Specific objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Independent Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments in unlisted shares or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, may complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attention: The Company Secretary) not less than 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

Depositors who wish to attend and vote at the EGM, and whose names are shown in the Depository Register of CDP as at a time not earlier than 72 hours before the time appointed for the EGM supplied by CDP to the Company, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any Proxy Form.

In addition, Independent Shareholders are advised to read Section 11 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purpose of their evaluation of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate and is not meant or intended to be an evaluation of the other resolutions to be proposed or alternatives. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any reenactment thereof shall not apply.

The recommendations made by the Non-Interested Directors to the Independent Shareholders in relation to the Proposed Acquisition, the Proposed Whitewash Resolution and the proposed adoption of the New IPT Mandate as well as other resolutions referred to in the Circular and the issue of the Circular shall remain the sole responsibility of the Non-Interested Directors and the Directors respectively.

Yours faithfully,
For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

Asian Appraisal
Company Pte Ltd

ASIAN APPRAISAL
international property consultants • valuers
real estate agents • projects & property managers

SUMMARY OF VALUATION REPORT

Valuation Report on the Fair Market Value of Certain Machinery and Land & Factory Building of Koh Brothers Building & Civil Engineering Contractors (Pte) Ltd

We, **Asian Appraisal Co Pte Ltd (UEN 197100573K)**, were appointed by Koh Brothers Eco Engineering Ltd, a listed Company on SGX Catalist of the Singapore Exchange, to carry out an appraisal to determine the Fair Market Values of certain heavy construction machineries and equipment located on sites namely (i) Bukit Timah Road to Holland Green; (ii) 50, Tuas Crescent (iii) 16, Gul Avenue (iv) Yishun Avenue 4 (v) Punggol Project Site (vi) 5, Bishan Street 14 and (vii) Changi Airport, and the industrial property located at 1 Tuas South Street 6, Singapore 636963, all of which machines, equipment and building are located in Singapore.

Our valuation service and approach were carried out in accordance with the standards of the Singapore Institute of Surveyors and Valuers (SISV) and The American Society of Appraisers (ASA), and adhering strictly to the guiding principles of independence, objectivity, transparency and fairness.

Purpose of valuation:

This valuation exercise was carried out for Koh Brothers Eco Engineering Ltd pursuant to their proposed acquisition of the entire issued and paid up share capital of the company, Koh Brothers Building & Civil Engineering Contractors (Pte) Ltd (KBBCEC) which constitute a major transaction as well as an interested party transaction upon acquiring its entire issued and paid up shares in accordance with Singapore's relevant rules and regulations. The investors and shareholders need to know the fair market value of the assets of Koh Brothers Building & Civil Engineering Contractors (Pte) Ltd (KBBCEC) and the main physical assets of KBBCEC are certain machines, land and factory building owned by KBBCEC.

Objective & Scope of valuation:

The objective is to determine the Fair Market Value of the said heavy construction machineries and equipment, and land & factory building that are the tangible assets of KBBCEC.

Date of valuation: 31 December 2015.

151 Chin Swee Road #07-11/13 Manhattan House Singapore 169876
Tel: (65) 6252 5866 Fax: (65) 6298 3334 E-mail: enquiries@asianappraisal.com Co. Reg. No. 197100573K
Associated in Malaysia • Indonesia • Thailand • Philippines • Hong Kong • China

Asian Appraisal
Company Pte Ltd

Approach to valuation:

Depreciated Replacement Cost (DRC) method was adopted in view of the scarcity of available data in the resale machinery market due to some of the machines' specialized nature and production capability in the context of Singapore and market comparable method used for machines of a generic nature where resale prices of comparable equipment are available for analysis.

The market comparable method was adopted in the valuation approach for the land and the replacement cost method for the building was used to arrive at the fair market value for the industrial property comprising the leasehold land and the factory building erected thereon.

This valuation exercise was carried out by our appraisers having visited the site(s) and carried out appropriate inspection of the assets, land and building on 21 January 2016 and in which the details of any specifications, disclosures, assumptions and observations on site were noted as factors that may influence the approach to valuation and the conclusions arrived therein by our appraisers.

Conclusion to valuation:

Our opinion of value as at **31 December 2015**, being the material date, for the said heavy construction machineries and equipment, land and factory building is as follows:

Singapore Dollars: **Twenty Three Million Three Hundred & Sixteen Thousand only (S$23,316,000)**

Assets inspected and appraisal carried out by:

Mario Roberto P. Mendoza, ***B.S.M.E.***
Valuation Consultant
Plant & Machinery

Chan Hiap Kong,
B. Sc (Estate Management)
F.S.I.S.V
Director & Licensed Appraiser
License No: AD041-8470J

Submitted by:

Asian Appraisal Co Pte Ltd, Singapore
28 March 2016

NOTICE OF EXTRAORDINARY GENERAL MEETING

KOH BROTHERS ECO ENGINEERING LIMITED
(Incorporated in Singapore)
(Unique Entity Number 197500111H)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting ("**EGM**") of Koh Brothers Eco Engineering Limited (the "**Company**") will be held on 27 April 2016 at 11 a.m. (or immediately following the conclusion of the annual general meeting of the Company to be held on the same day) at Oxford Hotel, 218 Queen Street, Singapore 188549 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

*All capitalised terms in this Notice which are not defined herein shall have the same meaning as ascribed to them in the Company's circular dated 12 April 2016 (the "**Circular**").*

SHAREHOLDERS SHOULD NOTE THAT ALL THE RESOLUTIONS ARE CONDITIONAL ON RESOLUTION 4 BEING APPROVED. SHAREHOLDERS SHOULD FURTHER NOTE THAT RESOLUTIONS 1, 2 AND 3 ARE ALSO INTER-CONDITIONAL ON EACH OTHER. THIS MEANS THAT IF ANY OF RESOLUTIONS 1, 2, OR 3 IS NOT APPROVED, THE OTHER RESOLUTIONS, SAVE FOR RESOLUTION 4, WILL NOT BE DULY PASSED.

ORDINARY RESOLUTION 1:

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KOH BROTHERS BUILDING & CIVIL ENGINEERING CONTRACTOR (PTE.) LTD. WHICH CONSTITUTES A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES

That, subject to and contingent upon the passing of Resolutions 2 and 3, for the purposes of Chapter 9 and Chapter 10 respectively of the Catalist Rules Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"):

(a) approval be and is hereby given for the proposed acquisition of 19,000,000 ordinary shares representing the entire issued and paid-up share capital of Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. (the "**Target**") from Construction Consortium Pte. Ltd. (the "**Vendor**"), upon the terms and conditions of the sale and purchase agreement entered into by the Company and the Vendor on 7 January 2016 (the "**Sale and Purchase Agreement**"); and

(b) any of the directors of the Company ("**Directors**") be and is hereby authorised to complete and to do all acts and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Acquisition and to give effect to this Ordinary Resolution 1 (including any amendment to the Sale and Purchase Agreement, execution of any other agreements or documents and procurement of third party consents) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 2:

THE PROPOSED ALLOTMENT AND ISSUE OF 369,145,631 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE ISSUE PRICE OF S$0.0515

That, subject to and contingent upon the passing of Resolutions 1 and 3:

(a) approval be and is hereby given for the proposed allotment and issue of 369,145,631 new ordinary shares in the capital of the Company ("**Shares**") at the issue price of S$0.0515, upon the terms and conditions of the Sale and Purchase Agreement (the "**Consideration Shares**"); and

(b) any of the Directors be and is hereby authorised to complete and to do all acts and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Acquisition and to give effect to this Resolution 2 (including any execution of any agreements or documents and procurement of third party consents for the Shares) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 3:

THE PROPOSED WHITEWASH RESOLUTION BY THE INDEPENDENT SHAREHOLDERS FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM KOH BROTHERS GROUP LIMITED AND ITS CONCERT PARTIES

That, subject to and contingent upon the passing of Resolutions 1 and 2 and the conditions in the letter from the Securities Industry Council dated 1 February 2016 being fulfilled, the Shareholders (other than KBG and parties acting in concert with it and the parties not independent of them), do hereby, unconditionally and irrevocably waive their rights to receive a general offer from KBG in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, for all the Shares not already owned by KBG and its concert parties, as a result of the allotment and issuance of the Consideration Shares to KBG pursuant to the Proposed Acquisition.

ORDINARY RESOLUTION 4:

THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

That for the purposes of Chapter 9 of the Catalist Rules:

(a) approval be and is hereby given for the Company and/or its Associates to enter into any of the transactions falling within the categories of interested person transactions set out in Section 4.3.1 of the Circular, with any Mandated Interested Persons, provided that such transactions are made on normal commercial terms in accordance with the guidelines and review procedures for interested person transactions as set out in Section 4.3.4 of the Circular (the "**New IPT Mandate**");

(b) the New IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier;

(c) the Audit and Risk Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Catalist Rules which may be prescribed by the SGX-ST from time to time; and

(d) any of the Directors be and is hereby authorised and empowered to complete and to do all such acts and things, and to approve, modify, ratify and execute such documents, acts and things as he or she may consider necessary, desirable or expedient to give effect to this resolution.

BY ORDER OF THE BOARD

Therese Ng
Company Secretary
12 April 2016

Notes:

(1) A member of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company may appoint not more than two (2) proxies to attend and vote in his/her stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(2) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100.0% of the shareholding and any second named proxy as an alternate to the first named.

(3) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attn: The Company Secretary) not less than 48 hours before the time set for holding the Extraordinary General Meeting.

(4) The instrument appointing a proxy must be signed by the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy, failing which the instrument may be treated as invalid.

(5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time fixed for holding the Extraordinary General Meeting in order for the Depositor to be entitled to attend and vote at the Extraordinary General Meeting.

Personal Data Privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the personal data of the member by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes, and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the proxy(ies) and/or representative(s) of the member to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representatives(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of the proxy(ies) and/or representatives(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the breach of warranty of the member.

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KOH BROTHERS ECO ENGINEERING LIMITED

(Incorporated in Singapore)
(Unique Entity Number: 197500111H)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "**Act**"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Extraordinary General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("**CPF Investors**"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Extraordinary General Meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 12 April 2016.

*I/We (Name) ____
of (Address) ____

being *a member/members **KOH BROTHERS ECO ENGINEERING LIMITED** (the "**Company**"), hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

or failing him/them the Chairman of the Meeting as my/our proxy/proxies* to vote for me/us* on my/our* behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company ("**EGM**") to be held on 27 April 2016 at 11 a.m. (or immediately following the conclusion of the annual general meeting of the Company to be held on the same day) at Oxford Hotel, 218 Queen Street, Singapore 188549 and at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without amendment, the Ordinary Resolutions proposed as indicated hereunder.

ORDINARY RESOLUTION	No. of votes For	No. of votes Against
Resolution 1 To approve the Proposed Acquisition		
Resolution 2 To approve the proposed allotment and issue of the Consideration Shares		
Resolution 3 To approve the Proposed Whitewash Resolution		
Resolution 4 To approve the proposed adoption of the New IPT Mandate		

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with an "X" in the relevant box provided below. Alternatively, if you wish to

vote some of your shares "For" and some of your shares "Against" the relevant resolution, please insert the relevant number of shares in the relevant boxes provided below. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting.)

Dated this ________ day of ________ 2016

Total Number of Shares in:	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal of Corporate Shareholder

*Delete where inapplicable

Important: Please read notes overleaf.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

5. The instrument appointing a proxy or proxies must be deposited at the Company's business office at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attention: The Company Secretary) not less than 48 hours before the time set for the Extraordinary General Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, (Chapter 50) of Singapore authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

10. A Depositor shall not be regarded as a member of the Company entitled to attend the Extraordinary General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Extraordinary General Meeting.

11. CPF Investors who buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint Chairman of the Meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.